Conceptualizing Digital Readiness, Strategic Foresight, and Strategic Flexibility as Drivers of Digitalization and Performance of Small and Medium Enterprises

Hanin Alqam\(^a\), Mohammad Razzak\(^a,b\), Adil Al-Busaidi\(^a\), Said Al-Riyami\(^a,\ast\)

\(^a\)Department of Management, Sultan Qaboos University, Seeb, Muscat, 132, Sultanate of Oman
\(^b\)Innovation and Technology Transfer Center, Sultan Qaboos University, Seeb, Muscat, 132, Sultanate of Oman

Corresponding author: saidalriyami@squ.edu.om

Abstract—The drivers of digitalization and small and medium enterprises (SMEs) performance have been primarily examined through resource-based theories. Hence, this study presents an alternative perspective based on such organizations' readiness and dynamic capabilities through a conceptual framework. A conceptual framework is developed by drawing upon the digital readiness theory (DRT) along with the dynamic capabilities view (DCV) to propose an integrated framework that posits a set of propositions linking constructs that reflect both digital readiness as well as the dynamic capabilities of an organization as possible drivers of business process digitalization (BPD) and performance. The empirical literature based on the DRT suggests that digital readiness will likely drive BPD and performance. Whereas leveraging the premise of the DCV indicates that the ability to sense opportunities and threats is reflected by strategic foresight. In contrast, the ability to seize and transform is reflected through strategic flexibility. The propositions posit that all three factors influence performance directly and through the mediating effect of BPD. The framework developed in this study may provide clues to practitioners and policymakers related to SME development regarding potential drivers of digitalization and performance. Growing scholarly publications on antecedents of digitalization and the performance of SMEs have focused primarily on resources. The current study offers an alternate perspective by integrating the two theories based on such organizations' readiness and dynamic capabilities.

Keywords—Digitalization; performance; digital readiness; strategic foresight; strategic flexibility; small and medium enterprises.

I. INTRODUCTION

In a globalized world where individuals, organizations, and nations are highly connected through digital platforms, business organizations must make rapid decisions to cope with a dynamic business environment that is evolving at rates that have never been witnessed in the past [1], [2]. Such changes often challenge small and medium-sized enterprises (SMEs) with fewer resources than their larger counterparts [3]. Besides resource limitations, SMEs have less margin for error than larger organizations with advantages such as economies of scale [4], [5]; hence the former must carefully navigate an intensely competitive environment. The intensity of competitiveness has been further exacerbated by the proliferation of emerging advanced technologies such as cloud computing, software as a service, and artificial intelligence, which are now easily accessible on the internet on pay-as-you-use business models [6]. This has made access to sophisticated technologies available at affordable prices, thus reducing the barriers for new entrants into an industry and increasing the competitive intensity in the market [7].

Critical success factors of the performance of SMEs may no longer be limited to their leaders' entrepreneurial skills and business acumen. New drivers of superior business performance may be linked to readiness to embrace digitalization [8] and, at the same time, having the qualities needed to respond to a dynamic business environment [9], [2]. Such factors may drive the rapid digitalization of business processes of such
organizations, which are likely to be significant antecedents of the performance of such organizations. However, the literature indicates that empirical studies on the association between digital readiness, factors related to dynamic capabilities, digitalization of business processes, and performance, particularly in the context of SMEs, are not only under-researched, but the relatively few studies in peer-reviewed outlets seem to be fragmented. Furthermore, until recently, scholarly discourse on digitalization and digital transformation was ambiguous in conceptualizing these ideas [10].

Maturity models related to digital transformation indicate that digitalization is distinct from both digitization and digital transformation [10]. Moreover, other researchers argue that the early literature on digitalization was filled with conceptual overlaps and confusion between the terms: digitization, digitalization, and digital transformation [11]. However, more recent scholarly publications have clarified this issue by indicating that digitalization is about converting analog data to digital form. At the same time, digitalization has more to do with digital forms. At the same time, digitalization has been defined as the enterprise-wide adoption of advanced digital technologies that may alter the organization's business model [12]. In the case of SMEs, digitalization appears to be a more suitable construct since digital transformation is a more resource-intensive endeavor requiring pervasive enterprise-wide strategic changes [13]; [14].

The empirical studies on antecedents of digitalization of business processes of SMEs indicate that the majority of the studies have utilized the resource-based view (RBV), developed by Barney [15], to study the phenomenon [16]. However, scholarly works by [17] have pointed out the limitations of the RBV and instead proposed the dynamic capabilities view (DCV) as an alternative that addresses the weakness of the RBV. The proponents of the DCV point out that the RBV assumes that the value of resources is static, whereas the reality is that the value of resources may alter with time [2]. For instance, location was a critical success factor in retailing; however, with the advent of e-commerce, the store's location has become less critical [18]. As an alternative, the DCV asserts that organizational competitiveness will depend on the ability to sense changes in the business environment, seize upon them, and, if required, transform the business to address them [19], [20]. The ability to sense changes (i.e., opportunities and threats on the horizon) is represented by "strategic foresight." In contrast, the ability to seize and transform is represented by "strategic flexibility" [16]. Hence, strategic foresight and flexibility may significantly drive business process digitalization (BPD) and performance. However, the extant literature seems to indicate an absence of studies that look at both these phenomena as potential drivers of BPD and performance among SMEs. In addition to the possible influence of the two variables extracted from the DCV (i.e., strategic foresight and strategic flexibility) on BPD and performance, there are possibilities that the readiness of such organizations to adopt such technologies may also be a significant factor. In this regard, the Digital Readiness Theory (DRT) by Soomro et al. [21] provides insights into how the organization's readiness will likely impact outcomes such as BPD and performance.

The term readiness encompasses awareness, ability, and willingness to digitalize [22], [23]. Although the premise of the DRT seems to provide justifications to assert that digital readiness is likely to influence BPD and possibly performance, there seems to be insufficient empirical evidence linking the two phenomena. Moreover, there appears to be a need to present a theoretically justified and integrated framework that conceptualizes the possibility that digital readiness, strategic foresight, and strategic flexibility will positively impact BPD and the performance of SMEs. Considering the preceding discourse, this study presents a conceptual framework with propositions by integrating the digital readiness theory with the dynamic capabilities view. The framework posits that the digital readiness of SMEs, along with strategic foresight and strategic flexibility, as independent variables, will influence the business process digitalization (BPD) and the performance of such organizations. Furthermore, BPD is potentially a partial mediator in the relationship between the three independent variables mentioned above and the business performance of SMEs. The subsequent sections of this paper present the theoretical arguments leading to the development of the conceptual framework along a set of propositions, and finally, the discussion of limitations and future research directions, ending with a conclusion.

II. MATERIALS AND METHOD

In an era when terms such as digitalization and digital transformation are widely in vogue in the strategic discourse of organizations, most enterprises, regardless of the size of their operations, cannot ignore the need to digitalize their business processes. Such movements towards business process digitalization (BPD) are expected to make their operations more efficient and effective while enhancing their ability to be more flexible and agile in keeping up with the competitive and dynamic business environment [24], [25]. Considering the nature of rapid developments that are taking place in the global business environment, it is worth considering that BPD is likely influenced by several factors, including, but not limited to, digital readiness, strategic flexibility, and strategic foresight. The subsequent sections elucidate the meaning of digitalization with a brief discussion of digitization and digital transformation. This is followed by discussions on the theories that support propositions of the constructs that are possible drivers of SME performance.

A. Digitization

Digitization has created new business channels and opportunities that complement traditional business channels [26]. It has reshaped businesses, locally and globally, in different ways [27]. The concept refers to converting offline analog data into digital values. As a result, in organizational processes, such offline transactions and data can now be operated and conducted over digital platforms [28]. In another definition, Bertoni et al. [29] assert that digitization creates and develops a digital representation of business products, services, or processes.
Information digitization has significantly impacted how organizations operate, enabling the storage and sharing of vast data within and between enterprises [30]. Moreover, digitization has paved the path for the penetration and pervasiveness of digital technologies, applications, and tools into daily business operations [31], [32]. Digitization has also contributed to reconﬁguring human resources management and work process practices [33]. Furthermore, digitization has been a catalyst for enhancing service quality as it helps achieve better resource allocation and more accurate information sharing among the stakeholders inside and outside the ﬁrm [34].

B. Digitalization

Digitalization means electronically conducting business activities and operational processes using digitized data [10]. This includes main processes such as planning, procuring, producing, distributing products and services, keeping records of decisions and activities, etc. It is also about using digital technologies to achieve competitive advantage by enhancing the effectiveness of business activities and utilizing different value-producing opportunities. Digitization incorporates advanced industry 4.0 technologies into business activities to improve operational efﬁciency and accelerate the development of new services/products and business models [35], [36]. Other scholars have referred to digitalization as a technology-induced transformation process by which a ﬁrm's agility, ﬂexibility, and responsiveness will be improved. This improvement occurs typically due to aligning the ﬁrm's business strategy with new technological advancements [37]. Research on maturity models related to digital transformation indicates that digitalization is an expansion of digitization [38], [11]. While digitization aids in alignment between business and information technology (IT), digitalization, on the other hand, allows the development of new approaches that enable a holistic harmonization of different functions of a ﬁrm, including IT systems, operations, business strategies, and business operations [39], [40]. Approaching digitalization within the ﬁrm context requires managing the following capabilities: digital strategy, digital awareness, mindset, and security, with the motivation towards innovation, organizational agility, and facilitation of customer-oriented products and services [41], [42]. Digital awareness deals with monitoring the ﬁrm’s distinct capabilities and business performance and evaluating and adjusting its market positioning so that it can align its business strategy with customer preferences. Such goals require having an open-minded culture that enhances creativity and innovation within the ﬁrm context [40].

C. Digital Transformation

As far as digital transformation is concerned, the extant literature on this shows that it means pervasive enterprise-wide changes brought about by emerging digital technologies, which may alter the organization's business model [10]. It has been considered a substantial step up from the digitalization stage, where the focus is no longer limited to operational activities and business processes [36], [43]. The above deﬁnitions suggest that digital transformation is not operational; it is a strategic undertaking of transforming the entire organization, end-to-end, towards a wholly digitalized entity. For traditional organizations, the transformation is massive. It requires a signiﬁcant organizational commitment to change, unlike organizations that run on business models entirely based on digital platforms (e.g., Amazon, Uber, Airbnb, etc.), for whom new digital technologies are simply add-ons aimed at ﬁne-tuning their existing business processes [10].

D. Digital Readiness Theory

Digital readiness is rooted in the organizational readiness theory [44], which is widely applied in strategic management literature. The digital readiness theory (DRT) provides a suitable lens for assessing organizational readiness toward digitalization. The readiness encompasses factors such as employee motivation, efﬁcacy, supportive structure, processes, and values, along with a culture enabling the adoption of strategic changes [45]. Therefore, the organization's digital readiness will include change valence, change efﬁcacy, and contextual factors [46]. Change valence implies factors such as stakeholder support and employee willingness for digitalization. Change efﬁcacy will involve awareness, cognitive readiness, skills and training, teamwork, and overall ability to embrace technological changes. Finally, contextual factors involve structural and cultural readiness to enable the adoption of digitalization in the organization's processes [47]. Digital readiness has been deﬁned as management’s commitment and change efﬁcacy for implementing digitalization in all organizational business processes. Hence, the ability to motivate and enable the embracing of change are two key characteristics that imply the state of digital readiness appropriate for an organization [48]. Concerning digitalization readiness, extant literature indicates that readiness for digitalization is an organization’s assessment of its state of being prepared for effective adoption, assimilation, and exploitation of digital technologies into their operational activities [49]. Therefore, this concept may include ﬁnancial and technological resources, organizational culture, change commitment, and external stakeholder partnerships [48].

E. Dynamic Capabilities View

The dynamic capabilities view (DCV) was developed by Teece et al. [17] in relation to the limitations of the resource-based view (RBV). DCV has drawn substantial traction as a theoretical lens that analyzes and interprets the development of organizational resources and capabilities concerning its strategic goals [18]. Dynamic capabilities act as enablers for organizations to integrate and reconfigure their resources and capabilities to adapt to the rapid changes that are taking place in the surrounding environment [20]. Teece and colleagues deﬁned DCV as the organization's ability to sense and seize upon changes in the business environment and to transform the organization if required by integrating, building, and reconﬁguring both internal and external skills and competencies so that the organization would be able to address the rapid changes in the external environment. Some scholars have lauded the DCV as an inﬂuential theory in business and management literature that has inﬂuenced the propositions of numerous
conceptual frameworks that helped derive a nuanced understanding of how the dynamic capabilities of organizations drive strategic goals [50].

The dynamic capability’s view comprises three micro-foundations: sensing, seizing, and transforming. Sensing means identifying and assessing the existing opportunities and threats emerging on the horizon. Seizing refers to mobilizing the resources and capabilities to address the identified opportunities and capture the values or fend off threats. Finally, transforming requires continuous renewal by reconfiguring the enterprise’s intangible and tangible assets and, if required, transforming its entire business model [19]. Therefore, the ability to sense changes requires strategic foresight, and the ability to seize and transform requires strategic flexibility [18].

1) Strategic Foresight

In a rapidly changing globalized business environment, competition, buying, and consumer behaviors, emerging technologies are in a continuous state of flux, thus affecting business operations [20]. Regardless of the size or sector, they could be considered an opportunity or threat to the business. Strategic foresight allows firms to have more informed strategies and decisions about the impact of these potential opportunities and threats that can occur soon [18]. The extant literature explains strategic foresight as a process that involves systematic inquiry for gauging emerging opportunities and threats [19]. This includes emerging issues that enhance the decision-making process [51]. Strategic foresight is not traditional forecasting based on historical information. It requires cultivating experience, intuition, minority views, and contrary thinking, enabling organizations to understand the information they perceive [52].

According to Pierenkemper and Gausemeier [53], strategic foresight is vital in digitalization and transformation. It requires the firm's management to decide on the priority areas in the organization in terms of digitalization and digital transformation. Such decisions are expected to be in line with the firm’s goals and strategies, as well as aligned with its’ digital maturity level. To anticipate the future requirements for digitalization, organizations often exercise systematic foresight actions in predicting valuable technologies that will provide optimum output for the enterprise about the changes in the market and the business environment [54]. Inadequate focus on practices in organizational foresight activities is likely to affect the firm’s ability to incorporate the correct digital technologies into its business processes, as the decision-makers will not be able to address the external changes that occur in the business environment [55].

2) Strategic Flexibility

Once a firm has sensed and identified an opportunity (or possible threat), it has to address it by responding to external conditions through appropriate strategic actions by reconfiguring its strategies and operations [2]. This ability to reconfigure is known as strategic flexibility, defined as an organization’s ability to rapidly respond to changes within the business environment to optimally utilize its resources to protect itself and achieve strategic goals [56]. Xiao et al. [57] found that firms that quickly adopted advanced digital technologies were more flexible and innovative than their rivals. Such advanced technologies include big data, artificial intelligence, the Internet of Things, and blockchain [58].

Furthermore, the literature also indicates a strong relationship between strategic flexibility and technological capability. This link is based on the premise that technological capability is needed to achieve strategic flexibility regarding new technology-acquiring capability, technology operating capability, technology shifting capability, and technology upgrading capability of Industry 4.0 front-end and base technologies [56]. Nevertheless, in the context of SMEs, there appears to be a shortage of sufficient academic research on the association between strategic flexibility and the digitalization of business processes or the performance of such organizations [3]. The few studies related to the above indicate that certain factors enable SMEs to build strategic flexibility. These factors include developing and improving digital technology utilization, the ability to deal with global competition and risk management [59]. Moreover, Celuch and Murphy [60] argue that SMEs can achieve strategic flexibility by developing internal capabilities in market monitoring and skills in strategy implementation.

F. Business Process Digitalization

Incorporating digital technologies into business operations and activities depends on the firm’s ability to recombine and reconfigure its structure and assets that should be aligned with the external market and rapidly dynamic business environment [61]. Business Process digitalization is “an enterprise-wide information system based on the technological foundation of the Internet” [62]. This might include activities in different categories, including business models based on: Business to Customers (B2C), Business to Supplier (B2S), Business to Employee (B2E), and Business to Other (B2O), as well as other activities inside and outside the organization such as production, logistics, financial services, employee services, customer and supplier services, and industry scanning, among others [62], [63].

The types of technologies and the degree of technology penetration into business operations differ from industry to industry. Despite this variation based on the nature of the business, many emergent technologies, such as cloud computing, intelligent software systems, big data analytics, the Internet of Things, and cybersecurity-related support, are now widely deployed by businesses of all sizes and types [58]. Such technologies enable companies to optimize operational efficiency and improve customer service and administrative processes [64]. In the past, access to such advanced technological infrastructure was the forte of large resourceful organizations; however, with the advent of software and hardware as services, it is now accessible to smaller organizations such as SMEs [42].

G. Business Performance of SMEs

The empirical literature indicates a strong relationship between business process digitalization and firm performance [65]. A study conducted by Wamba [66] identified technological
capability as an important driver of firm performance through supporting a firm’s digital strategies. Business performance evaluates a firm’s level of success in the market by measuring both financial and non-financial indicators, which may be benchmarked against either industry standards or self-determined targets [67].

Research into publicly listed firms reveals a significant and positive association between investment in digitalization and overall firm performance. The positive influence of such investments on performance is not merely due to increased operational efficiencies. Businesses with high levels of digitalization experience enhanced levels of organizational ambidexterity, as they can focus on more new business development as the burden of operational management is substantially reduced by applying digitalization in their operations [68]. However, compared to large firms, relatively less is known about the impact of the digitalization of business processes on the performance of SMEs [69].

As far as the performance of SMEs is concerned, typically, SMEs are privately held organizations; hence, measuring the performance of such organizations has always been a challenge for academic researchers [70]. Getting access to objective financial data from SMEs is not always easy due to the opaque nature of the financial disclosure practices of such enterprises [23]. Therefore, in the absence of objective measures of business performance, numerous studies have resorted to self-reported subjective performance data [71]. In support of the validity of subjective performance measures, Eller et al. [42] reported no statistically significant difference in the reporting of objective versus subjective performance information obtained from privately held business firms.

H. Developing the Conceptual Framework

In a dynamic business environment, firms must sense and respond to such changes promptly, requiring them to constantly upgrade their capabilities and reconfigure their resources [19]. Hence, businesses must ensure substantial organizational readiness and dynamic capabilities for digitalization to meet their desired performance levels [72]. Digitalizing business processes is vital for enhancing firm performance, provided the organization is ready and able. This means that performance goals must be supported by the existence of organizational readiness as well as strategic foresight and strategic flexibility. The rationale behind this assertion could be derived from the fact that firms realize that their sustainability could be achieved by enhancing their ability to sense and seize upon external opportunities through business process digitalization [72]. Extant literature indicates that several studies have utilized the digital readiness theory to predict the attitudes and intentions of individuals concerning technology acceptance behavior (e.g., [73], [74]). Furthermore, it has been suggested that at the organizational level, the impact of digital readiness on firm-level goals, such as digitalization and organizational performance, needs to be examined through the lens of organizational capabilities, particularly the dynamic capabilities view [21]. The study by Soomro and colleagues recommends that future research consider integrating the digital readiness theory and the dynamic capabilities view to derive a nuanced understanding of how both digital readiness and dynamic capabilities work in tandem to influence business process digitalization and organizational performance. Several studies show the impact of digital readiness on the rate of adoption of digital technologies [49], [75], while others provide evidence of the influence of readiness on firm performance [76], [77].

Therefore, it is proposed that:

- P-1: Digital readiness has a positive relationship with business process digitalization.
- P-2: Digital readiness has a positive relationship with business performance.

Out of the three micro-foundations of the dynamic capabilities view to sense, seize, and transform, the management’s ability to sense changes in the business horizon is reflected by strategic foresight. Foresight calls for looking into emerging trends on the horizon in the market and industry, locally and globally, that are likely to impact the performance and sustainability of the organization. Business organizations that systematically practice foresight activities try to make sense of signals they pick up and try to interpret them in terms of opportunities and threats [2]. The result of such foresight leads to strategic actions taken by the firm and influences the achievement of strategic goals. Michel et al. [78] undertook a study that examined the influence of strategic foresight in the logistics sector and found that organizations with systematic foresight practices had the highest levels of investments in digitalizing their business operations. Moreover, Favoreto et al. [79] investigated drivers of digitalization and the performance of manufacturing companies and found that strategic forecasts significantly influenced firm performance. Therefore, it may be posited that strategic foresight drives business process digitalization as well as the performance of SMEs. Formally stated:

| P-1: Strategic foresight has a positive relationship with business process digitalization. |
| P-2: Strategic foresight has a positive relationship with business performance. |

The second pillar of DCV concerns the ability to seize upon changes (i.e., opportunities and challenges), while the third is about the ability to undertake rapid transformation. Both are reflected by the construct of strategic flexibility [2]. Strategic flexibility calls upon organizations to be agile in their response and reconfigure processes, operations, and even business models to address the perceived opportunities or threats [19]. Such organizations can adopt significant changes needed to digitalize their business processes, which is expected to influence their performance. A study by Brozvic et al. [80] reported a positive association between strategic flexibility and growth among SMEs.

Moreover, Matalamki et al. [81] suggested a positive relationship between strategic flexibility and organizations' digital strategies. Therefore, it may be stipulated that:

- P-3: Strategic flexibility has a positive relationship with business process digitalization.
- P-4: Strategic flexibility has a positive relationship with business performance.
The above six propositions posit direct relationships between digital readiness, strategic foresight, and flexibility on business process digitalization (BPD) and business performance. However, prior studies indicate that the influence of digital readiness on performance is not always direct and may be mediated through strategic actions, e.g., [48], [82], [46]. Similarly, strategic foresight and strategic flexibility are both conditions that exist in the firm and don’t necessarily lead to performance outcomes unless it is preceded by strategic actions, e.g., [56], [83], [84].

Therefore, the relationships, as mentioned earlier, between the independent variables and the dependent variable, are possibly mediated by business process digitalization. Hence, the following mediation propositions are presented:

- P-7a: Business process digitalization mediates the relationship between digital readiness and business performance.
- P-7b: Business process digitalization mediates the relationship between strategic foresight and business performance.
- P-7c: Business process digitalization mediates the relationship between strategic foresight and business performance.

The extant literature on the relationship between digitalization and organizational performance has been established in different contexts, such as manufacturing processes, e.g., [85], human resource management systems, e.g., [86], and logistics management [87], among others. Moreover, studies indicate the existence of a strong relationship between investment in IT infrastructure and firm performance in general, and specifically on profitability [88], [89], [86], [90], [91], [87], [92]. Hence, it appears that higher levels of digitalization provide greater competitiveness to a firm, thus leading to superior business performance. Business processes digitalization helps a firm reduce costs, have a flexible working environment, improve product/service quality, increase customer satisfaction, enhance efficiency, and increase safety and integrity among all digitalized activities, especially process improvement and innovation [76], [77]. Based on the above discussion, the following proposition could be stated:

- P-8: Business processes digitalization has a significant influence on firm performance.

The above ten (10) propositions are depicted in the conceptual framework presented in Figure 1.

![Fig. 1 Conceptual Framework Source: Authors’ own work](image_url)

III. RESULTS AND DISCUSSION

The discourse in the preceding sections led to the proposition of a conceptual framework that presents potential drivers of digitalization and performance, with a particular focus on SMEs. This framework is developed against an insufficient understanding of what drives SMEs towards digitalizing their business activities and whether adopting digital technologies in their business processes improves their performance. By leveraging the ideas from the digital readiness theory and the dynamic capabilities view, it is proposed that adopting digital technologies within the business processes of SMEs requires both readiness of the organization and organizational dynamic capabilities to sense, seize, and transform the enterprise.

In comparison, readiness reflects the ability and willingness of the firm to shift from the traditional way of conducting business activities to a digitalized manner. Organizational dynamic capabilities are captured by the ability to sense opportunities and challenges emerging in the business
environment through strategic foresight, seize upon these opportunities and challenges, and initiate organizational transformation through strategic flexibility. Previous empirical literature on digital readiness, digitalization, and organizational performance appears fragmented and primarily applied to large business organizations and public institutions [93]. In terms of understanding the influence of digital readiness of SMEs concerning the enterprise-wide application of digitalization in their business processes, there seems to be a shortage of sufficient theoretically sound frameworks [28].

Hence, this study will contribute to the available knowledge in the field by proposing a conceptual framework that suggests a direct relationship between digital readiness and performance and indirectly through business process digitalization in the context of SMEs. In terms of the potential impact of strategic foresight and strategic flexibility on business process digitalization, several studies have investigated this relationship, primarily in the context of large enterprises with substantial resources, e.g., [94]; [95]; [95]; [96]. However, as far as SMEs are concerned, there appears to be far less academic attention on conceptualizing the influence of strategic foresight and flexibility on digitalization of business processes in SMEs, and subsequent impact on their performance. The current study addresses this research gap.

Another crucial contribution of this study is the mediation relationship proposed between the firm performance and its antecedents through integrating two theories. The first is the digital readiness theory, which examines the strategic posture of the organization, as well as the awareness and willingness (i.e., readiness) of interns to digitalize. The second theory emphasizes the firm’s capabilities to respond to external changes through strategic foresight and flexibility. Although prior studies have looked at the influence of these factors on SME performance, most of the studies are fragmented and look at the relationships in isolation [48]; [83] [46].

Furthermore, some of the scholarly works have alluded to the possibility that digitalization may account for the relationship between performance and its drivers (e.g., [56]; [83]; [84], yet an integrated framework that links the constructs together appears to have been overlooked before the current study. The propositions presented in the current research work together as a good enabler for enhancing SMEs’ organizational capabilities and competencies in working with advanced digital technologies and their applications. Digitalization requires new competencies within the enterprise [2]. Hence, the proposed framework provides nuanced insights into the potentially significant drivers of digitalization and the performance of SMEs.

A. Limitations of the Study and Future Research Directions

This study has potential limitations. The ideas presented in this study about the potentially significant drivers of business process digitalization and its subsequent impact on the performance of SMEs are based on theoretical arguments. Hence, the propositions must be tested as hypotheses and validated with robust data. Therefore, future researchers are encouraged to undertake empirical studies with the framework through appropriate quantitative methods. Furthermore, there are possibilities that the current framework did not consider other potentially significant antecedents of digitalization, such as digital leadership, entrepreneurial orientation, and organizational ambidexterity, among others. Future scholarly efforts may consider this matter. Finally, the framework did not consider the possibility that pertinent moderators may be at play. For instance, a supportive environment, industry type, availability of skilled personnel, etc., may significantly influence the relationships between the constructs in the framework. Such possibilities may be investigated by future researchers.

IV. CONCLUSION

The idea behind presenting the conceptual framework developed in this study is to start a conversation that would draw scholarly interest towards developing a validated model to determine how the drivers of digitalization aid SMEs to begin adopting and applying digital technologies in their business activities, and how this would affect and enhance the performance of these enterprises given the dynamic business environment that is constant flux. Moreover, this conceptual framework is likely to pave the path towards developing a more robust theory that explains how digitalization and business performance of SMEs are influenced. The outcome of such research would contribute significantly to the body of knowledge in the realm of digitalization of SMEs and potentially provide crucial clues for industry practitioners to consider. For instance, key decision makers in SMEs, policymakers, and regulators who work with SME development can fine-tune their strategies and initiatives to focus on critical drivers of digitalization and the performance of SMEs.

REFERENCES


