

Assessing the impact of digital transformation capability for international market growth: The Role of leadership support

Abstract

Purpose – This study aims to examine the impact of an organization's digital transformation capability on its dynamic capabilities and strategic depth, which, in turn, could impact the organization's international market growth. This study also investigates the moderating role of leadership support in using the digital transformation capability.

Design/methodology/approach – The study reviews various kinds of literature related to international marketing, dynamic capabilities, digital transformation, strategic marketing, and leadership support. Following this, a dynamic capability view (DCV) is adopted to develop a research model. This research model is later tested using PLS-SEM with data from 385 respondents from different types of organizations.

Findings – The study demonstrates that an organization's digital transformation capability significantly enhances its dynamic capabilities and strategic depth. Leadership support is vital for effectively applying and leveraging digital transformation capabilities since it influences the association between digital transformation capabilities, competitive advantage, and global marketing intelligence. The study also recognizes that strategic depth and dynamic capabilities contribute to international market growth.

Originality/value – This study contributes to the prevailing literature on digital transformation capability, leadership, and international market growth. The study highlights the importance of digital transformation capability and how it impacts more established capabilities and leads to international market growth of the organization. Further, this study is also unique as it establishes the importance of leadership support in leveraging the maximum benefits of the digital transformation capability.

Implications – The study uncovers the impacts of digital transformation capabilities, influencing international market growth. The study also provides valuable insights regarding the role of leadership in effectively leveraging the organization's digital transformation capabilities. It suggests organization's management should invest in improving digital transformation capability.

Paper Type: Research paper

Keywords – International market growth, Dynamic capabilities, Strategic depth, Leadership support, Digital transformation capability, Competitive advantage

1. Introduction

Digital transformation capabilities have provided businesses with a dynamic means to enter new markets and build alliances with other firms (Mathews and Healy, 2008; Warner and Wäger, 2019). The capability of an organization to use cutting-edge platforms, including information, communication, and control methods specifically for transformative purposes is referred to as digital transformation capability (Hinson and Adjasi, 2009). Levallet and Chan (2018) argue that integrated digital platforms for digital production technologies facilitate comprehensive integration of stakeholders, including manufacturing facilities, supply chains, technology providers, and service providers. Organizations can achieve multiple varieties of personalized, short-cycled digital operations by leveraging digital transformation skills. The digital transformation capabilities of multinational organizations are the subject of ongoing research (Mathews and Healy, 2008; Moen et al., 2008; Chatterjee, 2021). Research on the intricate relationship between digital transformational capability and international market growth is lacking despite the strong interest in the impact of digital transformational capability and the potential to reach customers (Yamin and Sinkovics, 2006; Sinkovics et al., 2013; Siachou et al., 2022).

In recent years various companies have adopted digital transformation, especially in the areas of Marketing. The companies are striving to co-create value and contribute to the advancement of technology (Babu et al., 2019; Apostolidis et al., 2021). The COVID-19 pandemic has proven to be an accelerator for transformation across various industries (Singh et al., 2022). Companies such as Porsche, Starbucks, Unilever, Ikea, Lego, and Tesla are leading the digital transformation wave. Digital transformation is particularly useful for marketing in identifying and resolving customer problems and providing better customer service (Bain, 2024). Indian companies are also not far behind in this race and various companies have adopted AI for their business (PWC, 2024). While the practitioners can see the future with digital transformation and a few companies have shown growth with digital transformation such as: Honeywell's digital transformation focused on digital data-driven products which led to Honeywell's revenue growth. Similarly, with its improved eCommerce experience, tied closely to physical stores, Home Depot has increased revenue by integrating digital and customer experience skills. Microsoft's share price increased with the introduction of Microsoft Azure. Thus, digital transformation adoption has positively affected the performance of various companies and can be an effective way of

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3 reaching data-driven business decisions. Still, various companies are unsure about the impact of
4 digital transformation on firm market growth and many firms are still hesitant to adopt digital
5 transformation in various application areas (PWC, 2024). Although various researchers argue
6 that it is important to understand the impact of DTC as it can help in making informed strategic
7 decisions, enhance customer experience, and drive innovation (Warner and Wäger, 2019; Yeow
8 et al., 2018); Various companies are still apprehensive for adopting DTC as they are not
9 convinced with its benefits (PWC, 2024). Literature has also examined the possible connection
10 between digital transformation and international marketing channels (Sinkovics et al., 2013;
11 Velinov et al., 2020), however, the evaluation of the digital transformational capability as a
12 factor influencing businesses' global performance was not included in the prior research (Lu and
13 Julian, 2008; Pezderka et al., 2012; Vrontis et al., 2022).

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23 According to Wilden et al. (2013), there is a lack of knowledge regarding how digital
24 transformative capabilities enhance a company's performance in foreign markets and particularly
25 contribute to international market growth. Further, it is also unknown how DTC in alignment
26 with other dynamic capabilities and organizational strategic depth can affect a firm international
27 market performance (Ghosh et al., 2022). So, seeing the importance and need to examine the
28 impact of DTC on a firm market growth more evidence and understanding are required to
29 determine whether the digital transformational capability influences the growth of international
30 markets. It is also unknown how DTC can work with other organization capabilities and their
31 combined impact on firm performance (Arenius et al., 2005; Mathews et al., 2016). Further prior
32 literature is uncertain how digital transformative capability in conjunction with organizational
33 strategic depth could enable a firm's capacity to overcome limitations and strengthen
34 international market growth. (Arenius et al., 2005; Mathews et al., 2016; Galati et al., 2021;
35 Chaudhuri et al., 2022a). Thus, the findings will benefit the practitioners in capitalizing on the
36 digital transformation capability impact on international business growth.

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49 In the context of digital transformation capability, "organizational strategic depth" is defined as
50 an organization's strategic capability in integrating digital technologies throughout the
51 organization, it includes the availability of global information to the firms and firms' competitive
52 advantage (Nadkarni et al., 2016). Further, it has been seen that in the case of DTC, the ability to
53 align senior leadership and push them to collaborate around digital transformation goals is
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necessary (Bain, 2024). Leadership support emphasizes that business leaders must be able to recognize the need for digital transformation, create an environment that supports this transformation, and consider how digital technologies will facilitate this transformation (Engesmo and Panteli, 2021; Müller et al., 2024). Leaders provide vision, manage organizational change, allocate resources, build digital competence, drive innovation, ensure alignment and integration, and overcome challenges (Hess et al., 2016; Nambisan, Wright, and Feldman, 2019). Using digital technologies to create sustained competitive advantage can be achieved by effectively guiding the organization through the complexities of digital transformation. Thus, leadership support is vital in digital transformation adoption.

DTC along with other dynamic capabilities and strategic depth emphasized adopting changes as per the environment. The Dynamic Capability View (DCV) focuses on developing and changing capabilities and relates them to firm performance. It suggests that an organization's success is driven by its ability to adapt to an ever-changing environment to maintain value creation abilities and gain competitive advantage. Further, applying dynamic capabilities in conjunction with DTC can contribute to various stages of improving the product and the service life cycle (Aker et al., 2020). Thus, based on the gaps reported above and utilizing the Propositions of DCV the research objective of the present study is to understand how DTC and other organizations' dynamic capabilities affect firm international market growth and how can leadership support play an important role in such transformation.

Consequently, the primary purpose of our research is to investigate these research questions.

- How can organizational dynamic capabilities, organizational strategic depth, and digital transformation capability affect companies' international market growth?
- How can leadership support aid in successfully implementing and leveraging digital transformation capability?

Thus, the present research delves into the contexts of the dynamic capability's perspective considering digital transformation as a capability and seeing how digital transformation impacts various international firms' capabilities and stimulates growth in global markets. In line with this, the study proposed more frugal models grounded in theoretical principles to explain international market performance. The novelty of the manuscript lies in bringing the perceptive of DTC and organizational dynamic capabilities and organizational depth and checking its impact on firm

international market growth. By doing so the study enriches the literature on DCV and DTC and establishes DTC as a vital factor in influencing international market growth, organizational dynamic capability, and organizational strategic depth. The findings further add to the paucity of empirical research examining the relationship between leadership support and the performance of international markets regarding digital transformation capability. The present study contributed to the idea that digital transformation capability stimulates a new approach to driving the creation of new international business growth models.

The paper is structured as follows: Section 2 focuses on the literature review. Section 3 describes the methodology for the study. Section 4 includes data analysis and results. Section 5 includes a discussion of the results. Section 6 comprises implications, whereas Section 7 presents conclusions.

2. Literature review

2.1 Dynamic capability view and its relation to digital transformation:

The Dynamic Capability View (DCV) theory is a strategic management framework that emphasizes a firm's ability to adapt, assimilate, and reconfigure firm competencies to respond to rapid technological and market change (Di Stefano et al., 2014; Teece et al., 1997). This theory is highly relevant to digital transformation, which involves significant changes in technology, processes, and organizational structures. Understanding the relationship between DCV and digital transformation provides an understanding of how firms can leverage their dynamic capabilities to succeed in the digital age. A firm's dynamic capabilities are innovation-based and enable it to expand, modify, and create new resources. As Teece (2007) argues, dynamic capabilities include sensing and seizing opportunities. We propose that dynamic capabilities can be used to examine the digital transformation of incumbent firms in traditional industries given the disruptive nature of digitalization. The emerging digital economy requires organizations to develop robust dynamic capabilities to develop, implement, and alter business models (Velu, 2017).

2.2 Digital transformation capability and international market growth

Using digital transformation as a resource within an organization can lead to implementing other core marketing capabilities, aiming to create a competitive edge (Ray et al., 2005). Businesses can improve performance by skilfully integrating digital technology into operations and processes (Tippins and Sohi, 2003; Chatterjee et al., 2022; Chaudhuri et al., 2022b). Digital technology resources are combined with marketing practices, know-how, and proficiency in capability expansion (Mathews et al., 2016; Ray et al., 2005). **Businesses use digital transformation tools as special resources to improve marketing campaigns, operational efficiency, competitive intelligence, and channel management. International market** development will incorporate these initiatives (Mathews et al., 2016; Strange et al., 2022).

Digital transformation, combined with market data, can enhance a company's capacity to comprehend global markets and reduce **the company's** vulnerability to foreign entities operating in unfamiliar political, social, and cultural environments (Sinkovics and Sinkovics, 2020; Khorana and Kizgin, 2022; Feliciano-Cestero et al., 2023). Companies lacking experience in foreign markets can overcome this by utilizing market intelligence resources, particularly the Internet. This showcases international expansion opportunities, fostering global learning and involvement (Levallet and Chan, 2018; Mathews et al., 2016; Chatterjee et al., 2021). Businesses consider market penetration and development indispensable components in their growth plans (Sinkovics and Sinkovics, 2020; Falahat et al., 2020). In global marketing research, the growth of international markets has frequently been used as an outcome variable (Loonam et al., 2018; Mathews et al., 2016). Wilden et al. (2013) demonstrated that capabilities effectively indicate global market expansion. Given that investments and commitments toward international growth take time to mature, companies in the early phases of internationalization emphasize global sales more than further financial indicators (Autio et al., 2000). However, few studies have assessed the influence of digital capabilities and the Internet on global market expansion (Mathews and Healy, 2008; Mathews et al., 2016).

2.3 Digital transformation capabilities, international network capabilities, and market growth

The study explores the application of digital transformation resources, such as the Internet and digital technology, in various aspects of marketing. These aspects include market research,

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3 online sales, advertising, and post-purchase support. Digital technologies can create
4 opportunities by facilitating effective communication and fostering internal and external
5 relationships (Mathews and Healy, 2008; Mathews et al., 2016; Ranjan et al., 2022; Apostolidis
6 et al., 2022).

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10 A crucial component of international market intelligence capabilities is adaptability to different
11 cultures, which can be cultivated through exposure and interaction with individuals from other
12 nations facilitated by digital transformation platforms (Falahat et al., 2020; Mathews et al.,
13 2016). Strong network capabilities help firms navigate diverse markets, establish partnerships,
14 and meet global market demands. Using digital transformation can enhance these network
15 capabilities by improving communication, collaboration, and coordination (Johanson and
16 Vahlne, 2009). Thus, we propose:

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22 H1a. Digital Transformation capabilities have a positive relationship with the international
23 network capabilities.

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Levy et al. (2007) suggest that a global marketing manager's intelligence mirrors their
disposition towards openness, thankfulness, and knowledge of various cultural values and
beliefs. Robust global marketing intelligence is the attribute of organizations with superior
digital transformation capabilities (Falahat et al., 2020; Sheshadri, 2020a; Ranjan et al., 2023).
Digital transformation capabilities lead to the incorporation of digital technologies into business
operations (Vial, 2019). These technologies enhance a firm's ability to collect and analyse vast
amounts of data from diverse sources, enabling better market intelligence. It also allows firms to
process large datasets from global markets, extracting valuable insights that inform strategic
decisions (Chen et al., 2012). Prior research has also indicated that firms utilizing advanced
analytics tools had significantly better market intelligence capabilities, leading to improved
market performance (Germann et al., 2014; Holsapple, Lee-Post, and Pakath, 2014).

Thus, we propose:

H1b. Digital Transformation capabilities have a positive relationship with global market
intelligence capabilities.

Digital technologies can strengthen the value of business networks and advance commitment,
trust, and operative communication among various stakeholders through connectivity (Pezderka
et al., 2012; Sheshadri, 2020b). Digital resources help develop global business networks,

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3 supporting the selection and pursuit of international market growth (Sheshadri, 2021; Diaz et al.,
4 2022). For emerging enterprises, networks are vital to strengthen their international expansion
5 plans (Loane and Bell, 2006). Digital communication tools have simplified communication
6 across customers and various partner channels (Ozer, 2004), thus preserving associations with
7 existing customers through global international networks.
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11 Organizations with digital transformation capabilities nurture transparency and can nurture and
12 promote global business networks (Brunetti et al., 2020). Leaders are expected to find and
13 strengthen international relations with various stakeholders, which includes host governments,
14 associates, clients, and customers when they can access information essential for global growth
15 (Filatotchev et al., 2009; Shams, 2016; Shams et al., 2021; Shams et al., 2024). Further, digital
16 transformation augments the firm's ability to manage global distribution (Mathews et al., 2016).
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19 A company's expansion into foreign markets requires the establishment of international networks
20 and business relationships (Freeman et al., 2006; Thrassou et al., 2022). Social exchanges within
21 a business network are valuable, affecting a firm's performance through interpersonal
22 interactions (Mathews et al., 2016). Networks are established to enhance global operations and
23 expansion based on reciprocal knowledge, trust, cooperation, and social interaction (Samiee,
24 2020). As global networks, international knowledge transfer, and customer and business network
25 relationships are linked to global market performance (Musteen et al., 2010; Wu, 2016),
26 relational capabilities are essential to these processes (Jayachandran et al., 2005). Furthermore,
27 according to the resource-based perspective, network connections are crucial for firms because
28 they give them access to information unavailable within (Davidsson and Honig, 2003).
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31 Thus, we propose:
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34 H2. International network capabilities have a positive relationship with international market
35 growth.
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38 Market intelligence is crucial for strategic decision-making in international markets. It provides
39 information about market trends, consumer likings, and competitive dynamics, enabling firms to
40 make informed decisions (Calof and Wright, 2008). Effective use of market intelligence allows
41 firms to recognize and exploit chances in international markets, leading to growth (Zou and
42 Cavusgil, 2002). Market intelligence capabilities allow firms to gain insights that are not readily
43 available to competitors, facilitating better strategic positioning in international markets (Liesch
44 et al., 2011). This competitive advantage translates into increased market share and growth in
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international markets. International market growth has been positively correlated with market intelligence capabilities in prior studies such as Brouthers, Nakos, and Dimitratos (2009) found that firms with advanced market intelligence capabilities expanded internationally more successfully. Similarly, Kuivalainen, Sundqvist, and Servais (2007) found that market intelligence significantly improved SMEs' international performance. This association also ranges to a company's disposition to develop into foreign markets (Martin et al., 2020) Research indicates that firms with strong digital transformation capabilities are equipped to make data-driven decisions, which are crucial for responding to global market dynamics (Sinkovics and Sinkovics, 2020).

H3. Global market intelligence capabilities have a positive relationship with international market growth.

2.4 Digital transformation capability, global information availability, and international market growth

Global marketplaces present a diverse, complex, and uncertain landscape (Mathews et al., 2016). Companies possessing sophisticated digital transformation competencies are more suitable for effectively gathering, handling, preserving, and sharing information. Adopting implementation facilitates easier data management and accessibility, like cloud computing, data analytics, and networked systems. Moreover, digital transformation is presumed to enhance data accessibility, timeliness, and accuracy while enhancing information availability. Digital technologies enable real-time data sharing, collaboration, and decision-making, enhancing information availability throughout the company. According to Cassetta et al. (2020), a company can use it to find new distributors and customers, track technological advancements and research, and make better-informed decisions.

The ability of a firm to grow in international marketplaces is greatly affected by its availability of information. Firms can make well-versed choices, familiarize themselves with varying marketplace conditions, and address global prospects (Cavusgil and Knight, 2015). International growth relies on a firm's ability to manage international markets (Falihat et al., 2020). The ability to transform digitally is necessary for gaining knowledge concerning competitors, customers, and inter-organisation associations (Falihat et al., 2020). Thus, enhancement in

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3 digitization enhances a firm's capacity to gather relevant market data and reduces the uncertainty
4 related to global market trends and developments (Wilden et al., 2013). Companies with better
5 information can recognize consumer preferences, market trends, and new business opportunities,
6 which assist them in expanding globally (Vahlne and Johanson, 2017).
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10 Therefore, we put forth the following hypotheses:

11 H1c. Digital Transformation capabilities have a positive effect on Global information
12 availability.
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15 H4. Global information availability has a positive relationship with international market growth.
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18 **2.5 Digital transformation capabilities, competitive advantage, and international marketing** 19 **growth** 20 21

22 A firm's competitive advantage is its ability to surpass competitors in providing a particular
23 product or service (Porter, 1985). Kaleka (2002) states that competitive advantages can be
24 attained by providing low-cost or unique goods and services. The concept of digital
25 transformation pertains to incorporating digital technologies into diverse facets of business
26 operations (Sinkovics and Sinkovics, 2020). The premise is that proficient utilization of these
27 technologies confers a competitive advantage on enterprises (Javalgi et al., 2005). Advanced
28 digital capabilities have the potential to boost productivity, adaptability, and creativity within
29 organizations.
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32 Consequently, these enhancements help to build a long-lasting competitive advantage. Digital
33 transformation technologies have the potential to improve customer experiences, expedite
34 decision-making, and streamline processes—all of which can strengthen a company's position in
35 the market. Organizations undergoing digital transformation may acquire a competitive
36 advantage, positioning themselves distinctly in the global marketplace. With a competitive
37 advantage, organizations can outperform competitors, attract international clients, and adapt to
38 diverse market conditions (Bresciani et al., 2021). If maintained over time, it will help the firm
39 increase its international reach, advance market share, and uncover new customers.
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50 As per previous research observations (Falahat et al., 2020; Rua et al., 2018), competitive
51 advantage and organizational growth are positively related. However, Chelliah et al. (2010),
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3 observed that competitive advantage fails to impact the international growth of small and
4 medium-sized firms and needs more evidence.

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6 Thus, the following hypothesis is proposed:

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8 H1d. Digital Transformation capabilities have a positive effect on competitive advantage.

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10 H5. Competitive advantage has a positive relationship with international market growth.
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16 **2.6 Leadership support as a moderating variable**

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18 International networking abilities are highly based on the leaders' willingness to expedite digital
19 transformation (Li et al., 2018). It needs leaders' active support of digital transformation
20 initiatives (Ostmeier and Strobel, 2022). Firms can use their digital transformation capabilities
21 more efficiently for international networking with robust leadership support (Li et al., 2018).
22 Market intelligence refers to a firm's capacity to obtain, analyse, and implement international
23 market information into its decision-making.
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25 Thus, we propose:

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30 H6a. Leadership support moderates the relationship between Digital Transformation capabilities
31 and international network capabilities.
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34 The effective use of digital transformation capabilities augments global market intelligence. A
35 leader promoting digital initiatives will likely recognize the importance of collecting and
36 analysing international market data (Malodia et al., 2023). It will strengthen the synergy between
37 organizational expertise and digital transformation abilities in planning and applying successful
38 international market intelligence strategies. With strong leadership support, digital
39 transformation capabilities can be efficiently leveraged to enhance global information
40 availability (Ostmeier and Strobel, 2022).
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42 Thus, we propose:

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46 H6b. Leadership support moderates the relationship between Digital Transformation capabilities
47 and global market intelligence capabilities.
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50 Leadership support enhances the firm's digital transformation capabilities and global access to
51 information. Prior studies have demonstrated that leadership support can significantly enhance
52 the impact of digital transformation efforts on global information availability (Nambisan et al.,
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2019). By prioritizing leadership development, aligning incentives, and promoting collaboration, organizations can ensure that their digital transformation initiatives effectively enhance global information availability. Leadership's commitment to digital transformation has enabled the firm to leverage industrial internet and data analytics to enhance its global operations and information management (Nambisan et al., 2019; Westermann et al., 2014).

Thus, We Propose

H6c. Leadership support moderates the relationship between Digital Transformation capabilities and Global information availability.

Further, supportive leadership allows the efficient use of digital transformation capabilities to keep a competitive advantage, by promoting a culture that facilitates creativity and strategic adaptability (Malodia et al., 2023). Employees are more likely to adopt and use new technologies when leaders actively champion digital transformation, thereby improving the firm's competitiveness (Hess et al., 2016). Leaders can ensure that digital transformation efforts are aligned with the organization's goal of attaining competitive advantage (Westerman et al., 2014). The leadership support is supposed to increase the association between a firm's ability for digital transformation and its ability to gain a competitive advantage in the market.

Thus, we propose:

H6d. Leadership support moderates the relationship between Digital Transformation capabilities and competitive advantage.

All these inputs lead to the development of a conceptual theoretical model which is shown in Figure 1.

Please insert Figure 1 here

The model represents the integration of DTC with firm organizational capabilities, organizational strategic depth, and international market growth. The model is unique as it considers DTC as a capability and emphasizes its integration with firms' other organizational dynamic capabilities and organization strategic depth in leading to international market growth. The integration of

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3 digital transformation with other firm capabilities suggests that capabilities should not be kept
4 apart from one another; rather, they should develop naturally in response to the ever-evolving
5 landscape of global and digital business.
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8 The acceptance of the above hypothesis will confirm the validity of the model and will indicate
9 that digital transformation can be considered as a capability that can stimulate a new approach to
10 driving the creation of new business models for international market growth. It will also validate
11 that leadership support for digital transformation is crucial for organizations.
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14 However, rejection of the above hypothesis will question the need and benefits of DTC efforts
15 and will question the digital transformation efforts done by the various companies. In both cases,
16 the study will be able to provide a direction to the firm about the decision to adopt DTC in the
17 context of international business performance.
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24 **3. Methodology**

25 **3.1 Measures**

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27 All the items were measured on a scale of seven-point Likert-type scale '1 and 7. The global
28 market intelligence capability was measured using two items adopted from Falahat et al. (2020).
29 Global information availability was measured with four questions adopted from Mathews et al.
30 (2016). International network capability was measured with three questions adapted from Wu et
31 al. (2003). International market growth was measured using five items adopted by Mathews et al.
32 (2016) and Martín et al. (2022). Competitive advantage was measured with three questions
33 adopted from Kearns and Lederer (2000). Digital transformation capability was measured using
34 four items adopted from Yu et al. (2022). Leadership support was measured using four questions
35 adopted from Lin (2007). The recitals of all the items expressed in the form of statements were
36 updated according to the contextualities of this present study.
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48 **3.2 Data collection**

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50 The empirical context for the study sets a population parameter of Indian firms that are
51 international. Firms from the manufacturing, consumer goods, business and financial services,
52 and information technology sectors were included in the study.
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3 Before the study began, companies were called and screened to see if they were currently doing
4 business internationally (defined as selling to foreign customers in the previous year). At this
5 stage, informants were selected and identified based on their expertise in global markets and the
6 company's global operations. The most senior staff members, who possess in-depth knowledge
7 of their companies' global and online activities, were chosen to qualify as key informants. The
8 questionnaire underwent pretesting, and the chosen informant received an email 48 hours after
9 the phone screen chat. These procedures ensured that the best informant and accurate responses
10 were chosen.

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12 A panel of seven academicians with expertise in international marketing evaluated the
13 questionnaire before any data was collected. A seven-point Likert-type scale was used with
14 different anchor labels and question types to reduce the possibility of common method bias
15 further. (Podsakoff et al., 2003). The data was collected from a pool of organizations that had
16 accomplished sales to international clients the preceding year. Three hundred eighty-three
17 responses, with a response rate of 46%, were obtained in an online survey. For CMB issues, first,
18 Harman's one-factor test observed that no single factor could explain most of the variance in the
19 measures, suggesting that CMV is not an issue. Second, the VIF values were evaluated as per
20 Kock (2015). The VIF values are less than 3 for all constructs, confirming there are no CMB
21 issues. Third, the regression weights of all measurement items for the model with and without a
22 common latent factor are based on the AMOS CFA model. The differences in regression weights
23 (standardised) were less than 0.20, confirming that CMB is not a concern in our data (Archimi et
24 al., 2018).

41 4. Data analysis and results

42 The Smart PLS 3.0, also known as partial least square structure equation modelling (PLS-PM)
43 was utilized for investigation. We have used PLS 3.0 for two main reasons, First, it is less
44 restrictive and has more statistical power than covariance-based structure equation modelling
45 (Hair et al., 2011). Second, the structural model is complex, including many constructs or
46 relationships (Hair et al., 2016). Moreover, the path model proposes to examines many
47 relationships as mediators and moderators. Thus, it becomes a mandatory tool for this study.

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3 First, an analysis was conducted on the measurement model for the constructs. After all
4 variables' factor loadings were examined, more than 0.70 was generally found, with a few
5 exceptions. We looked at the scales' reliability and internal consistency. According to Hair et al.
6 (2011), all scales have Cronbach's alpha values above 0.8, and composite reliabilities are above
7 0.80 (recommended value > 0.7), indicating good reliability. Based on average variance
8 extracted (AVEs) values for all latent constructs being greater than 0.5, the convergent validity
9 was assessed (Fornell and Larcker, 1981) (Table 1)
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20 As indicated in Table 2, the discriminant validity was assessed by contrasting the inter-construct
21 correlations with the square root of the specific average variance extracted (AVEs). For every
22 latent variable, the square root of the AVEs is greater than the construct intercorrelations. The
23 discriminant validity is confirmed because the Heterotrait-Monotrait (HTMT) values are less
24 than the 0.90 threshold. Therefore, it can be said that the measurement model's discriminant
25 validity is acceptable (Fornell and Larcker, 1981). The results are provided in Tables 2 and 3.
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39 Hair et al. (2016) state that the variance inflation factor (VIF) values are below the threshold
40 limit of 5, specifically less than 3. The value of the standard root mean square residual, or
41 SRMR, was 0.071, below the 0.08 threshold (Hair et al., 2016).
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44 **5. Hypothesis testing**

45 **5.1. Path testing**

46 Hypotheses were tested using Partial least square structure equation modelling (PLS-SEM) 3.0.
47 The hypothesis (H1a) states that DTC is significantly associated with INC ($\beta=0.19$, $p<0.001$) is
48 supported. The H1b stated DTC is significantly associated with GMI ($\beta=0.21$, $p<0.001$) is
49 supported. The H1c states that DTC has a significant association with GIA ($\beta=0.09$, $p>0.001$) is
50 not supported. The H1d states that DTC is significantly associated with COA ($\beta=0.27$, $p<0.001$).
51 The results are provided in Table 4.
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Please insert Table 5 here

The hypothesis (H2) states INC has a significant association with IMG ($\beta=0.23$, $p<0.05$) is supported. The hypothesis (H3) stated that GMI has a significant association with IMG ($\beta=0.11$, $p<0.05$) is supported. The hypothesis (H4) states that GIA has a significant association with IMG ($\beta=0.41$, $p>0.05$) is not supported. The hypothesis (H5) stated that COA has a significant association with IMG ($\beta=0.12$, $p<0.05$) is supported.

5.2 Moderating effect

The H6a states that LES moderates the association between DTC and INC and is not observed to be significant. The H6b states that LES moderates the relation between DTC and GMI and is found to be significant ($\beta=0.26$, $p<0.05$). The H6c states that LES moderates the relation between DTC and GIA is not found significant. However, the H6d states that LES moderates the association between DTC and COA, and is found to be significant ($\beta=0.27$, $p<0.05$). Moderating effects of LES on DTC→GMI and DTC→COA which are significant have also been presented graphically in Figure 2 and Figure 3 respectively.

Finally, The R-square and Q-square values have been added. The high R-square values show the predictive value of the model as shown in the Table 5 (Hair et al., 2016). Moreover, Q-square values suggest “model out of sample predictive relevance” (Hair et al., 2016). The Q-square values are greater than zero, which indicates acceptable predictive relevance (Peng and Lai, 2012)

Please insert Figure 2 here

Please insert Figure 3 here

6. Discussion

By analyzing the association between DTC and firm dynamic capabilities (IMC, GNI) and strategic depth (GIA, COA) and how they affect an organization's international market growth, this research proposes to close the knowledge gap concerning the influence of DTC on international market performance. It was found that Digital transformation capabilities impacted a firm's international network capability, supporting hypothesis H1a. From the

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3 perspective of a firm's digital transformation efforts, its capability to produce and use global
4 networks is expected to progress. The findings validate earlier research (Mathews et al., 2016)
5 that digital technology augments a firm capability to create and oversee global networks.
6 Digital transformation capabilities are shown to positively influence the firm's global market
7 intelligence capabilities, holding hypothesis H1b. It advises that a firm's capability to gather,
8 analyze, and use international market data should advance as it strengthens its digital
9 transformation efforts. The findings support prior research (Falahat et al., 2020).

10 Hypothesis H2, which assumes that a firm expanding its international network abilities induces
11 positive development in the international market, is substantiated by the relation between added
12 international network capabilities and increased international market growth. It supports prior
13 research (Mathews et al., 2016). The positive relationship between global market intelligence
14 capabilities and international market growth supports H3. It reflects that a firm's success and
15 international market expansion depend on efficiently utilizing market intelligence in its
16 international business strategies. The findings align with the prior research (Falahat et al.,
17 2020).

18 Digital transformation capabilities are not observed to induce positive changes in information
19 accessibility and availability, rejecting H1C. Global information availability does not correlate
20 with the international market growth rejecting H4.

21 H1d's competitive advantage is influenced by digital transformation capabilities, signifying that
22 incorporating digital technologies into several international operations supports the company's
23 competitive standing. Further competitive advantage positively impacted international market
24 growth, supporting H5. It implies that businesses with a competitive edge that could come from
25 innovations, cost-effectiveness, or uniquely designed goods or services are more likely to beat
26 competitors in global marketplaces. Gaining a substantial competitive advantage aids global
27 market penetration, profitability, and market share expansion. The findings corroborate the
28 earlier research (Falahat et al., 2020).

29 **The leadership support was measured based on using four items adopted from Lin (2007). This**
30 **study examines the moderating role of leadership support between digital transformation**
31 **capabilities and competitive advantage. Based on the path results, the results showed that high**
32 **leadership support and organizations' digital transformation capabilities have a stronger**
33 **influence on competitive advantage. The interaction effect is exhibited in Figure 3 which**

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3 specifies that strong leadership support of the organization and its digital transformation
4 capabilities positively enhances competitive advantage. This implies that the degree to which
5 an organization's leadership supports its digital transformation capabilities directly influences
6 its potential competitive advantage. Organizations gain a distinct competitive advantage when
7 leaders actively support and champion digital initiatives. Furthermore, a regular correlation is
8 noted between Global Capabilities and Digital Transformation Capabilities. This encompasses
9 aspects such as global information availability, global market intelligence competencies, and
10 international network capabilities.
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12 This study further examines the moderating role of leadership support between digital
13 transformation capabilities and global market intelligence. The results revealed that high
14 leadership support and organizations' digital transformation capabilities have a stronger
15 influence on global market intelligence. The interaction effect is exhibited in Figure 2 which
16 states that strong leadership support of the organization and its digital transformation
17 capabilities positively enhances global market intelligence.
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19 The findings also validate the hypothesis in H6b, which states that improved leadership support
20 moderates the relationship between digital Transformation capabilities and GIA. It is important
21 to note that this consistency holds regardless of the degree of leadership support. Depending on
22 the leadership support, this may indicate that there is a strong and relatively constant
23 relationship between digital transformation and GIA.
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27 **7. Implications**

28 **7.1 Theoretical implications**

29 This study makes two primary theoretical contributions. Primarily, our research delves into the
30 contexts of the dynamic capabilities perspective and considering digital transformation as a
31 capability. In doing so, we contribute significantly to existing literature, filling a significant
32 knowledge gap concerning digital transformation and global market expansion. We bridge this
33 gap by demonstrating how digital transformation impacts various international firms'
34 capabilities and stimulates growth in global markets. The research findings underscore the
35 integral role that the acquisition and utilization of digital transformation capabilities play in
36 conjunction with well-established international capabilities.
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38 The study's primary contribution is the revelation that digital transformation capabilities
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3 significantly enhance the international business capabilities of other complementary firms.
4 Furthermore, as a response and in line with our first contribution, we have proposed more
5 frugal models grounded in theoretical principles to explain international market performance.
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7 Thirdly, our study adds to the paucity of empirical research examining the relationship between
8 leadership support and the performance of international markets regarding digital
9 transformation capability. The present study has contributed to the idea that digital
10 transformation capability stimulates a new approach to driving the creation of new business
11 models as suggested by Klos et al. (2021) and Witschel et al., (2019). This study has
12 highlighted that the digital transformation capability is considered a vital enabler of business
13 transformation and has been able to introduce considerable changes in business operations by
14 articulating novel business models, along with new processes of online engagement helpful to
15 internationalize business operations. All these issues have simultaneously been considered in
16 the present study to highlight how organizations can ensure better business growth.
17 Additionally, this study has extended the concepts of DCV. In the static market condition, the
18 digital transformation capability of the organizations has been considered to have possessed
19 valuable, rare, inimitable, and non-substitutable (VRIN) characteristics which helps the
20 organizations to collect accurate global market information to ensure better competitiveness
21 (Lin and Wu, 2014).). Again, considering the volatility of the market environment, this study
22 has shown that the digital transformation capability of the firms enhances their dynamic
23 capabilities through the improvement of sensing, seizing, and transforming abilities which
24 could eventually improve the organizations' international business growth. This is another
25 contribution of the present study. Again, a study by Cassetta et al. (2020) has emphasized that
26 applications of digital transformation help Italian enterprises expand their businesses
27 internationally. The present study demonstrates that the digital transformation capabilities of
28 organizations can improve international business growth of the organizations by achieving
29 improved dynamic capabilities along with organizational strategic depth under the moderating
30 impact of leadership support. This has contributed to the enrichment of existing literature.

31 **7.2 Managerial implications**

32 Our research has identified that digital transformation capability empowers marketing
33 managers, enhancing their access to global market intelligence, market knowledge, and
34 competitive advantage. This capability diminishes the feelings of vulnerability associated with
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3 foreign markets. Incorporating digital transformation capabilities into management culture and
4 thought processes should be crucial in promoting international market expansion. Table 1
5 outlines the major actionable insights derived from the research.
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10 *Please insert Table 6 here*
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13 A company with digital transformation capabilities can rapidly identify new sales channels and
14 partnerships, thereby fostering international network capability. The integration of digital
15 transformation with other firm capabilities suggests that capabilities should not be kept apart
16 from one another; rather, they should develop naturally in response to the ever-evolving
17 landscape of global and digital business. International marketing managers can circumvent the
18 need for foreign assets by leveraging international Internet networks, which expedites
19 international market growth through digital transformation capabilities. This study has
20 demonstrated that the enhancement of the digital transformation capabilities of the firm can
21 improve the organizational international business growth by fostering some intermediate
22 contextual factors. This suggests that the leaders of the organizations should assess the present
23 organizational capabilities before investing in further improvements of their digital capabilities.
24 The leadership team also needs to examine if the organizations possess the appropriate
25 infrastructure to enhance their businesses internationally so that the leaders can make their
26 decision to invest in the appropriate areas in their organizations. Also, the leaders along with
27 the managers of the organizations should assess whether their employees have the required
28 skills and expertise to sense, seize, and reconfigure external opportunities accordingly the
29 leaders should redesign their organization's operating model which could enhance the
30 international market share of their organization along with addressing issues of volatile
31 international market conditions. The leaders should also sponsor readiness programs to
32 enhance the skillsets of the employees and make them well equipped along with enhancing
33 their awareness regarding the latest digital technologies. All these efforts will help the
34 organizations enjoy the boon of the digital transformation approach initiated by the leaders of
35 the organizations. Thus, it can be inferred that leadership support for digital transformation is
36 crucial for firms. Such initiatives can enhance the influence of digital transformation in the
37 organizations improving their competitive advantage, leading to their international market
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6 7 **8. Conclusion**

8 The study offers new acumens into digital transformation capability and its relationship with
9 organizational dynamic capabilities and organization strategic depth and how they can foster
10 international market growth. The study enriches our understanding of digital transformation-
11 related capabilities. **Understanding how digital capabilities can affect INC, GMI, and COA to**

12 **improve international performance outcomes expands our understanding of digital capabilities.**

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17 When strategically oriented to internationalization, combining traditional and evolving digital
18 transformation capabilities will greatly benefit the firm. Our study illuminates how leadership
19 support influences the relationship between digital transformation capability and competitive
20 advantage.
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24 Competitive advantage is an organizational capability that enables it to outperform
25 competitors, attract international customers, and adapt effectively to diverse market conditions.
26 When sustained over time, this advantage is expected to contribute to the organization's
27 international market growth. Despite the literature asserting a positive impact of digital
28 transformation capabilities on international market growth, empirical evidence to confirm these
29 claims is notably absent. The study examines Indian firms with international customers to
30 provide empirical evidence. The findings suggest that the influence of capabilities on
31 international market performance is mediated by organizational dynamic capabilities and
32 strategic depth. This study shows how dynamic transformation capability and established
33 traditional business capabilities can be combined to achieve international market growth. The
34 capabilities associated with digital transformation are shown to augment capabilities such as
35 global information availability, competitive advantage, international network capabilities, and
36 global market intelligence, all of which contribute to the firm's growth in the international
37 market. The necessity of replication and cross-validation for robust statistical confirmation of
38 our model is highlighted due to our reliance on cross-sectional data from a single source. **This**
39 **study is limited to a single country and thus prone to cultural bias; further multinational**
40 **research would increase the work's generalizability.** The relationships derived and the multi-
41 item construct created should be validated in the future. In future research, a longitudinal study
42 may contribute to our understanding of digital transformation capabilities and their potential
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3 evolution as international marketing progresses into future phases of internationalization.
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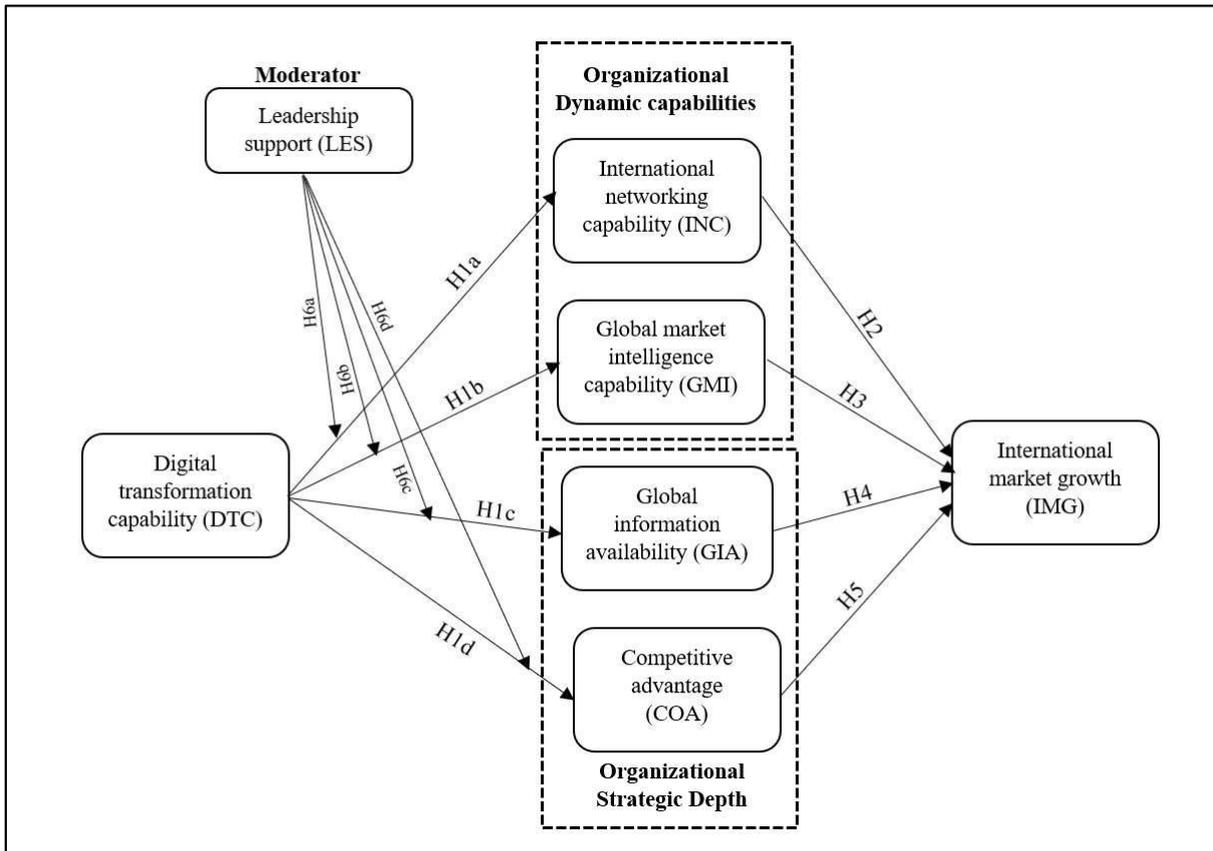


Figure 1: The conceptual model

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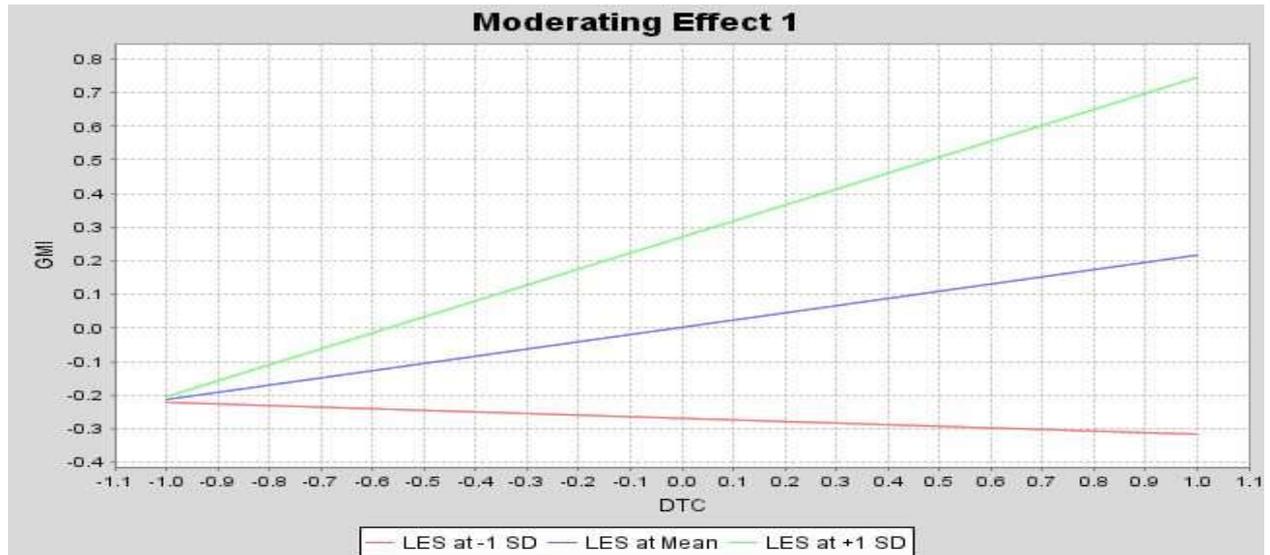


Figure 2: Moderating effect (DTC*LES → GMI)

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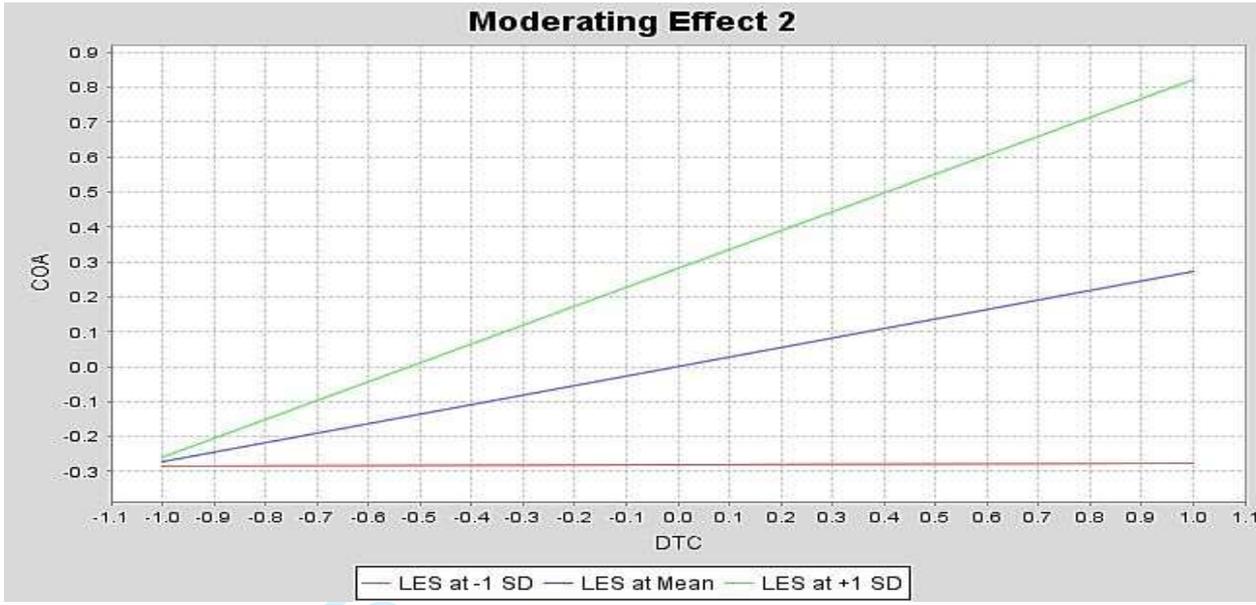


Figure 3: Moderating effect (DTC*LES → COA)

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Table 1: Reliability statistics

Variables	Cronbach's Alpha (CA)	Composite Reliability (CR)	Average Variance Extracted (AVE)
Competitive Advantage (COA)	0.82	0.89	0.73
Digital Transformation Capability (DTC)	0.87	0.91	0.72
Global Information Availability (GIA)	0.72	0.83	0.55
Global Marketing Intelligence (GMI)	0.74	0.89	0.80
International Market Growth (IMG)	0.85	0.89	0.63
International Network Capability (INC)	0.74	0.83	0.62
Leadership Support (LES)	0.72	0.80	0.50

Table 2: Discriminant validity test

Variables	COA	DTC	GIA	GMI	IMG	INC	LES
COA	0.85						
DTC	0.30	0.85					
GIA	0.26	0.13	0.74				
GMI	0.54	0.24	0.22	0.89			
IMG	0.23	0.19	0.22	0.23	0.79		
INC	0.17	0.21	0.31	0.17	0.29	0.79	
LES	0.23	0.14	0.36	0.21	0.54	0.18	0.71

Table 3: HTMT test

Factors	COA	DTC	GIA	GMI	IMG	INC	LES
COA							
DTC	0.34						
GIA	0.33	0.17					
GMI	0.38	0.29	0.30				
IMG	0.26	0.20	0.27	0.28			
INC	0.22	0.26	0.43	0.23	0.37		
LES	0.29	0.18	0.49	0.29	0.71	0.27	

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Table 4: Path analysis

Path	Beta values	T Statistics	Confidence intervals		P Values
			LB	UB	
COA → IMG	0.12	1.98	0.02	0.33	0.04
DTC → COA	0.27	5.94	0.10	0.32	0.00
DTC → GIA	0.09	1.51	-0.12	0.14	0.13
DTC → GMI	0.21	4.19	0.10	0.39	0.00
DTC → INC	0.19	3.37	0.08	0.29	0.00
GIA → IMG	0.12	1.76	-0.11	0.16	0.08
GMI → IMG	0.11	1.30	0.07	0.21	0.03
INC → IMG	0.23	4.50	0.11	0.33	0.00
DTS*LES → GMI	0.26	5.76	0.12	0.35	0.00
DTS*LES → COA	0.27	6.14	0.14	0.39	0.00
DTS*LES → INC	0.05	1.10	-0.21	0.13	0.27
DTS*LES → GIA	0.06	1.21	-0.12	0.14	0.23

Table 5: Square and Q square values

Constructs	R-Square	Q-square
COA	0.38	0.22
GIA	0.14	0.03
GMI	0.22	0.13
IMG	0.29	0.18
INC	0.19	0.10

Table 6: Actionable Insights

Actions	Benefits
Adopt & foster digital transformation	<ol style="list-style-type: none"> 1. It will lead to a positive effect on the other dynamic capabilities (International network capability, Market Intelligence capability, Network capability). 2. It will lead to enhancement in the firm's competitive advantage. 3. It will lead to international market growth.
Train leaders for digital transformation	It will enhance the leadership support for the DTC efforts which will further improve the impact of DTC on the firm global market intelligence capability and competitive advantage
Integrate digital transformation with other firm capabilities	It may lead to more synergy and increased international market growth



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