

## Research Article 04

# How Digital Marketing Capabilities Drive Performance of SME Sector in Northern Province: Mediation by E-Marketing Orientation and Strategic Agility

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### Abstract

The research aims to investigate the nexus between Digital Marketing Capability, Electronic Marketing Orientation, Strategic Agility and the Performance of SMEs. The researcher employed a quantitative research methodology to achieve the study's objective. The population of the study is the SMEs in the Northern Province. The sample unit is the owner or manager of SMEs. A convenient sampling technique was applied to select the study samples. The researcher planned to collect data from a sample of 400 SMEs from the food-based, carpentry, cloth, palmyrah-based, leather-based, coconut-based, printing, education, and hotel industries. The researcher collected data from 264 SMEs. The researcher used the questionnaire to collect data. The data analysis was performed using AMOS 24. The findings revealed that digital marketing capability significantly influences the electronic marketing orientation, the performance of SMEs and strategic agility. Electronic marketing orientation and strategic agility have a significant influence on the performance of SMEs. Electronic marketing orientation mediates the relationship between digital marketing capability and the performance of SMEs. Strategic agility mediates the relationship between digital marketing capability and the performance of SMEs. The findings of this study reveal a significant mediation effect of Electronic Marketing Orientation but an insignificant mediation effect of strategic agility on the relationship between Digital Marketing Capability and the performance of SMEs. This study contributes to the literature by embedding the digital transformation, electronic market orientation and strategic adaptability to improve the performance of SMEs. The findings emphasise the need for SMEs to invest in digital marketing capabilities while fostering a strong e-marketing orientation to maximise the benefits of digitalization.

*Keywords:* Digital marketing capability, electronic marketing orientation, sme sector performance, SMEs, strategic agility

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## **Introduction**

In the global market, digitalised organisations deliver value to customers effectively and sustain in the competitive market by leveraging digital technologies and constructing an online digital platform (Homburg & Wielgos, 2022). Organisations with strong DMC can enhance customer engagement, optimise marketing performance, and gain a competitive position in dynamic environments (Mushi, 2024). As digital transformation accelerates, firms must continuously invest in developing their digital marketing capabilities to remain relevant and responsive to market changes (Wang et al., 2015). SME sectors have been facing huge problems and challenges, including accessing resources. The digital marketing capabilities in digital analytics and content marketing overcome these limitations and compete with large firms (Chaffe et al., 2009). Research suggests that SMEs with strong DMC can leverage e-commerce platforms to improve brand visibility and customer relationships (Canhoto et al., 2021). Additionally, digital transformation in SMEs requires investment in digital skills, automation, and agile marketing practices to maximise return on investment (Santini et al., 2023). As digital technology evolves, SMEs in Sri Lanka must continuously adapt their DMC to stay competitive and capitalise on emerging market opportunities.

Based on changing customer behaviour and technology advancements, firms integrate electronic marketing orientation into traditional market orientation principles to work proactively (Forghani et al., 2022). Organisations with a strong EMO develop brand performance, customer relationships, and competitive advantage by effectively utilising search engine marketing, social media engagement, and personalised content strategies (Najafi-Tavani et al., 2018). In this dynamic environment, focusing on EMO is vital for organisations to sustain in a competitive market (Hussain et al., 2021). EMO in SMEs is a critical strategic approach that enables firms to leverage digital technologies for competitive advantage and market growth (El-Gohary et al., 2021). Given SMEs' resource constraints, EMO helps optimise marketing efforts through cost-effective, data-driven customer engagement (Najafi-Tavani et al., 2016). Yousaf et al. (2018) revealed that EMO enhance strategic agility and overall performance by leveraging digital transformation in SMEs. As digitalisation continues to reshape market dynamics, SMEs must invest in developing their EMOs to sustain long-term growth and remain competitive. Strategic agility in SMEs is a critical capability that enables firms to swiftly adapt to market changes, technological advancements, and competitive pressures despite resource constraints (Doz & Kosonen, 2010). SMEs with strong strategic agility can reconfigure their business models, optimise resource allocation, and respond proactively to emerging opportunities, thereby enhancing their resilience and long-term performance (Weber & Tarba, 2014). The SME sector fosters strategic agility by leveraging digital transformation, which supports better management of uncertainties, business growth and taking competitive advantage (Teece et al., 2016). Given the increasing digitalisation of markets, SMEs must invest in digital tools, agile leadership, and strategic foresight (Felipe et al., 2017).

SMEs in Sri Lanka face huge challenges that hinder their growth and sustainability (Priyanath & Samarathunga, 2024). The SME sector struggles to adopt new technologies due to limited financial capabilities, with collateral requirements and high interest rates for the loans. In addition, a lack of digital literacy and poor capabilities to adopt technology prevent SMEs from enhancing business growth and market reach (Sriyani, 2022). Bureaucratic inefficiencies, regulatory complexities, and inconsistent government policies hinder the development of SME (Huang & Kumarasinghe, 2024). Moreover, Sri Lankan SMEs often lack skilled human resources and improper business management practices, limiting their ability to scale operations and compete in global markets. SMEs in the Northern Province of

Sri Lanka are struggling with poor product quality, products without standardisation and certifications, weak market access, and inadequate institutional support; all these worsen the region's post-war recovery and geographical isolation. SME owners hesitate to trust digital platforms due to the absence of a localised digital platform and poor technical support, which deters use of digital marketing tools.

Despite the increasing digitalisation of business processes, the relationship between digital marketing capability, electronic marketing orientation, strategic agility, and SME performance remains underexplored in the Sri Lankan context. Existing studies have primarily examined these variables in isolation. Research has highlighted the importance of digital marketing and platform capabilities in market reach and customer engagement (Al Koliby et al., 2024; Chaffey, Ellis-Chadwick & Mayer, 2009). Similarly, EMO has been linked to improved digital adoption and strategic decision-making in SMEs (Laila et al., 2024). However, no empirical evidence exists exploring how these capabilities interact synergistically to influence SME performance. Additionally, digital marketing and strategic agility research have predominantly focused on large enterprises, with relatively little emphasis on SMEs in emerging economies like Sri Lanka (Nuwan, Shukri & Khatibi, 2024). Existing studies have been conducted on the challenges of SMEs related to financial, human and other resources and regulatory constraints in Sri Lanka (Wickramanayaka et al., 2024). Limited attention has been given to the application of digital marketing capabilities and strategic agility in enhancing competitiveness. There is a lack of empirical evidence on how these capabilities interact with EMO and strategic agility to drive SME growth. In addition, studies related to strategic agility are scarce in Sri Lankan SMEs, especially in understanding how strategic agility in decision-making and digital marketing capability influences performance in an increasingly volatile economic environment (Huang & Kumarasinghe, 2024). Additionally, while EMO has been recognised as a crucial factor for digital transformation in global SME studies (Al Koliby et al., 2024), its impact on Sri Lankan SMEs remains under-researched. Hence, this study aimed to explore the effect of Digital marketing capability on electronic marketing orientation and strategic agility and the influence of electronic orientation and strategic agility on SME performance. In addition, this study tests the mediating effect of electronic market orientation and strategic agility on the relationship between digital marketing capability and SME performance.

## **Literature Review**

### **Digital Marketing Capability**

Digital marketing capability (DMC) refers to an organisation's ability to effectively leverage digital tools, platforms, and strategies to achieve marketing objectives and enhance business performance (Abate et al., 2024). It includes five dimensions, namely data-driven decision making, content marketing, social media engagement, search engine optimization (SEO) and customer relationship management (CRM) (Kannan & Li, 2017). Research suggests that firms with strong digital marketing capabilities can improve customer acquisition, brand loyalty, and market responsiveness by utilising real-time data and personalised communication strategies. Furthermore, digital marketing capability has been linked to innovation and competitive advantage, particularly in SMEs that face resource constraints but can leverage digital platforms to scale operations cost-effectively (Quinton et al., 2018). Many organisations face problems and challenges in adopting a digital marketing platform; due to limited finances, a lack of digital literacy and a lack of expertise in digital marketing technology (Dwivedi et al., 2021). Research highlights that SMEs, often constrained by limited resources, can leverage digital marketing to achieve cost-effective customer

acquisition and brand building through platforms such as social media, search engine optimisation (SEO), and email marketing (Teece et al., 2016). Quinton et al. (2018) and Dwivedi et al. (2021). SMEs create customer engagement, which leads to innovation, strategic agility and business growth, which are crucial for the long-term sustainability of business (Quinton et al., 2018; Dwivedi et al., 2021).

### **Electronic Marketing Orientation**

Electronic Marketing Orientation (EMO) is a strategic approach that integrates digital technologies into marketing practices, shaping how firms develop, implement, and sustain their online presence. EMO is conceptualised into three dimensions, incorporating management beliefs, initiation, and implementation (El-Gohary et al., 2021; Trainor et al., 2011). Management beliefs reflect organisational leaders' perceptions of e-marketing's value, influencing their commitment to digital transformation. Positive managerial attitudes drive resource allocation and foster a culture of digital adaptability (Jarvinen & Karjaluoto, 2015). At the preliminary stage, organisations assess the e-marketing relevance and feasibility and explore digital tools, market trends and competitive strategies (Parveen et al., 2016). In the initial implementation, organisations consider internal readiness and external environmental factors, and align e-marketing with business goals (Harrigan et al., 2020). Effective implementation requires robust infrastructure, employee expertise, and ongoing performance evaluations (El-Gohary, 2012). Harrigan et al. (2020) found that SMEs with higher levels of digital engagement achieve greater customer retention and competitive advantage. However, resistance to change, budget constraints, and technological complexities may hinder successful execution (Jarvinen & Karjaluoto, 2015).

EMO is a vital factor influencing market reach and competitive advantage. Management beliefs reflect the perceptions of SME owners and managers regarding e-marketing, thereby shaping their willingness to adopt digital strategies. Strong positive beliefs lead to more significant investment in digital tools, whereas scepticism or lack of digital knowledge hinders adoption (Jarvinen & Karjaluoto, 2015). SMEs have been facing significant financial and technical constraints in adapting and integrating digital technologies (Simmons et al., 2011). Implementation translates strategy into action through websites, social media, email marketing, and search engine optimisation (Trainor et al., 2011). SMEs depend on resource availability, including finance to invest in digital technology, and expertise in digital technology to implement practically (Parveen et al., 2016). Research indicates that SMEs with a substantial EMO achieve better customer engagement, brand visibility, and business growth (Harrigan et al., 2020). Addressing these challenges through government support, digital training, and strategic partnerships can enhance EMO effectiveness in SMEs.

### **Strategic Agility**

Strategic agility is a dynamic capability that enables organisations to rapidly sense, respond, and adapt to changing market conditions, technological advancements, and competitive pressures (Doz & Kosonen, 2010). There are three dimensions of strategic agility: strategic sensitivity, resource fluidity, and leadership unity (Weber & Tarba, 2014). Strategic sensitivity involves detecting emerging opportunities and threats. Resource fluidity is related to the flexible reallocation of assets and capabilities. Leadership unity referred to a shared vision and quick decision-making. In the context of SMEs, strategic agility is crucial for survival and growth, as it enables firms to sense and respond to uncertainty, exploit opportunities in digital transformation, and compete with larger players (Tallon & Pinsonneault, 2011).

Strategic agility is essential for SMEs to cope with dynamic environmental changes, technological disruptions, and competitive pressures (Weber & Tarba, 2014).

However, managers' attitude, knowledge and inertia resist change, and limited resources can hinder agility, particularly in traditional industries (Shams et al., 2021). Research suggests that fostering a culture of continuous learning, cross-functional collaboration, and decentralised decision-making can enhance strategic agility and improve long-term business performance (Teece et al., 2016). Strategic agility is essential for SMEs to cope with dynamic environmental changes, technological disruptions, and competitive pressures (Weber & Tarba, 2014). Unlike large corporations, SMEs often operate with limited resources, making agility essential for survival and growth (Doz & Kosonen, 2010). Digital transformation has enhanced SMEs' agility by enabling rapid innovation, real-time market adaptation, and improved customer engagement through digital platforms (Shams et al., 2021). SMEs focus on enhancing strategic agility by fostering a culture of continuous learning and practice, leveraging strategic alliances and investing in digital capabilities (Sambamurthy et al., 2003).

Key financial indicators for SMEs include profitability, return on investment (ROI), and revenue growth.

### **Performance in SMEs**

The performance in SMEs is a multidimensional concept influenced by internal capabilities, external market conditions, and strategic orientations (Murphy et al., 1996). The SME sector measures its performance through financial and non-financial indicators. Key financial indicators for SMEs include profitability, return on investment and revenue growth. Resource-based theory suggests that the performance of SMEs depends on their ability to leverage unique resources and capabilities, such as human capital, digital technologies, and strategic agility (Barney, 1991). Harrigan et al. (2020) highlighted that SMEs leverage digital marketing, innovation, and strategic agility to achieve superior performance by enhancing operational efficiency and customer engagement. However, financial constraints, lack of managerial expertise, and limited market access can hinder SME performance (Storey, 2016). Government policies, access to funding, and entrepreneurial orientation are critical in overcoming these barriers and ensuring long-term growth (Beck & Demirguç-Kunt, 2006). The performance of SMEs is constructed by strategic decision-making, market conditions, and the ability to leverage technological advancements.

### **Underpinning Theory**

Digital Marketing Capability and Electronic Marketing Orientation are closely interrelated concepts that stem from the broader framework of dynamic capabilities theory (Teece et al., 1997). EMO refers to the extent to which managers and SMEs strategically and effectively utilise internet-based marketing tools, such as websites, email, and search engines, to enhance customer engagement and market reach (El-Gohary, 2012). The integration of DMC in EMO enhances firms' ability to refine marketing strategies, optimise customer engagements and make data-driven decisions (Wang & Wang, 2020). The resource-based view (RBV) suggests that firms with strong DMC and EMO can gain a competitive advantage by leveraging unique technological assets and marketing knowledge (Barney, 1991). Moreover, the dynamic capabilities perspective highlights that firms must continuously adapt their EMO by integrating emerging digital marketing tools (Teece, 2018). Research indicates that firms that develop both capabilities achieve superior market performance, customer engagement, and brand positioning (Harrigan et al., 2020).

The relationship between Digital Marketing Capability (DMC) and Strategic Agility can be explained through the Dynamic Capabilities Theory (DCT) (Teece et al., 1997). DMC refers to a firm's ability to leverage digital tools such as data analytics, artificial intelligence, and social media to optimise marketing decisions and customer interactions (Trainor et al., 2011). DMC enhances strategic agility by providing real-time market insights, customer behaviour analytics, and automated decision-making capabilities, which improve a firm's ability to adapt quickly to dynamic business environments (Tallon & Pinsonneault, 2011). The Resource-Based View (RBV) suggests that firms with strong DMC can achieve superior agility by utilising their digital assets to reconfigure marketing strategies in response to shifting market conditions (Barney, 1991). Research suggests that firms integrating DMC into their strategic agility framework can improve market responsiveness, innovation speed, and customer engagement while enhancing overall firm performance and sustaining competitive advantage (Harrigan et al., 2020).

The relationship between Digital Marketing Capability (DMC), Strategic Agility (SA), Electronic Marketing Orientation (EMO), and SME Performance can be explained through the Dynamic Capabilities Theory (DCT) (Teece et al., 1997) and the Resource-Based View (RBV) (Barney, 1991). Electronic Marketing Orientation (EMO) reflects an SME's strategic commitment to digital marketing, driven by management beliefs, initiation, and implementation of e-marketing strategies (El-Gohary, 2012). A strong EMO enables firms to develop high DMC, which in turn strengthens strategic agility and allows the firm to adapt marketing efforts in response to changing customer needs (Harrigan et al., 2020). These capabilities collectively contribute to SME Performance, as firms that integrate DMC, SA, and EMO achieve more excellent market responsiveness, innovation speed, and competitive advantage, leading to improved financial and non-financial outcomes (Tallon & Pinsonneault, 2011). Thus, SMEs that strategically align these digital and agility-based capabilities are more likely to sustain long-term growth and resilience in dynamic markets (Shams et al., 2021). Based on these, the researcher developed hypotheses as:

- H1: DMC significantly affects the electronic marketing orientation of SMEs
- H2: DMC significantly affects the performance of SMEs
- H3: DMC significantly affects the strategic agility of SMEs
- H4: Electronic marketing orientation significantly affects the performance of SMEs
- H5: Strategic agility significantly affects the performance of SMEs
- H6: Strategic agility mediates the relationship between the DMC and Performance
- H7: Electronic marketing orientation mediates the relationship between the DMC and Performance
- H8: Electronic marketing orientation and Strategic agility mediate the relationship between the DMC and Performance



performance included four items, which were measured using items adapted from Wang and Wang (2020), electronic marketing orientation included twelve items which was measured using the scale by Shaltoni et al. (2018), and strategic agility contained five items, which was measured based on the scale developed by Alkandi and Helmi (2024). All items were rated on a five-point Likert scale ranging from “strongly disagree” to “strongly agree” to ensure consistency in measurement and to facilitate data analysis. For data analysis, the researcher used Structural Equation Modelling (SEM) to test the proposed hypotheses and to examine the structural relationships among the variables. A structured questionnaire was administered through face-to-face and digital methods to accommodate the geographical dispersion of SMEs in Sri Lanka’s Northern. Face-to-face administration was primarily employed in accessible areas in Northern Province, while online administration via Google Forms and email distribution was utilised for digitally proficient respondents. The analysis was performed using AMOS 24, which allows for the simultaneous analysis of multiple relationships within the conceptual framework and is well-suited for complex path models. The time duration of the study was approximately six to eight months. This period included the development and pre-testing of the questionnaire, data collection over several months to reach the targeted sample size, and finally, data analysis and interpretation. This thorough and systematic approach ensures the validity and reliability of the study’s findings. The researcher collected data from 264 SMEs. With a final usable sample of 264 and exactly 26 freely estimated parameters, which comfortably satisfies the recommended 5 to 10 cases per parameter guideline for reliable Structural Equation Modelling (SEM) results (Hair et al., 2013; Kline, 2023). Thus, the final sample of 264 is statistically adequate to produce estimates and valid inferences for the hypothesised model.

## Results and Interpretations

The profile data includes the “location of the business, education level of the SME owner, number of employees and capital investment of the business”.

**Table 1: Demographic Profile**

	Numbers of SMEs	%
Location of the business		
Jaffna	102	39
Kilinochchi	36	14
Mullaitivu	32	12
Vavuniya	53	20
Mannar	41	16
Education level		
Advanced level	97	37
Diploma	63	24
Graduate	76	29
Postgraduate	28	11
Number of Employees		
Below 15	6	2
16-25	75	28
26-50	92	35
51-250	57	22
Above 250	34	13

Capital Investment		
Below 1million	12	5
1-10 million	116	44
11-20 million	78	30
21-30 million	44	17
Above 30 million	14	5

Source: Data analysis output (2025)

The survey data on Small and Medium Enterprises (SMEs) was collected from five districts in the Northern Province of Sri Lanka, with responses distributed as follows: Jaffna (39%), Vavuniya (20%), Mannar (16%), Kilinochchi (14%), and Mullaitivu (12%). The survey data revealed the educational qualifications of respondents, with 37% having completed Advanced Level, 24% holding a Diploma, 29% being Graduates, and 11% possessing Postgraduate qualifications, highlighting the diverse academic backgrounds of SME owners and managers. The collected data categorised by the number of employees indicates that 2% have fewer than 15 employees, 28% employ between 16-25, 35% fall within the 26-50 range, 22% have 51-250 employees, and 13% operate with more than 250 employees, reflecting the varying scale of business operations. The capital investment reveals that 5% have invested below 1 million, 44% fall within the 1-10 million range, 30% have invested between 11-20 million, 17% fall within the 21-30 million range, and 5% have capital investments exceeding 30 million, illustrating the financial diversity among SMEs.

### **Confirmatory Factor Analysis**

Confirmatory Factor Analysis (CFA) is a statistical technique used to validate the factor structure of a measurement model by assessing the relationships between observed variables and their underlying latent constructs. It includes the tests of validity, reliability and unidimensionality. Unidimensionality is attained with the satisfactory factor loadings of items in the construct. There are four variables: Digital marketing capability, electronic marketing orientation, Strategic agility and Performance. One item from performance, “Business growth”, was deleted due to low factor loading, which was below the SRW 0.50 (Table 2). The survey results indicate that Cronbach’s Alpha values for Digital marketing capability (0.866), Electronic marketing orientation (0.898), Strategic agility (0.855), and Performance (0.838) all exceed the acceptable threshold of 0.7, demonstrating the internal consistency and reliability of the survey questionnaire (Table 2).

**Table 2: Test of Model Fit**

	Items	SRW	Construct Reliability		Convergent Validity
			Composite Reliability	Cronbach’s Alpha	AVE
Digital Marketing Capability	DCM		0.869	0.866	0.573
	DCM1	0.757			
	DCM2	0.791			
	DCM3	0.832			
	DCM4	0.758			
	DCM5	0.629			
Electronic Marketing Orientation	EMO		0.838	0.898	0.634
Management beliefs	EMM				

	EMO1	0.705		
	EMO2	0.689		
	EMO3	0.890		
	EMO4	0.755		
Initiation	EMO5	0.630		
	EMO6	0.791		
	EMO7	0.811		
	EMO8	0.828		
Implementation	EMO9	0.736		
	EMO10	0.697		
	EMO11	0.539		
	EMO12	0.564		
Strategic agility	SA		0.859	0.855
	SA1	0.727		
	SA2	0.717		
	SA3	0.799		
	SA4	0.724		
	SA5	0.736		
Performance			0.839	0.838
	PER1	0.717		
	PER2	0.749		
	PER3	0.803		
	PER4	0.739.		

Source: Data analysis output (2025)

Validity ensures the accuracy of the research. Construct validity is measured with convergent and discriminant validity. Reliability, factor loadings, and Average variance extracted can prove convergent validity (Hair et al., 2013). The AVE of the factors are above 0.5, and the CR of the factors are above 0.7 (Table 2). Discriminant validity is a key measure in construct validity that assesses the extent to which a latent variable is distinct from other related constructs within a model. It is established when the square root of the Average Variance Extracted (AVE) for a construct is more significant than its correlations with other constructs, ensuring that each variable measures a unique concept rather than overlapping with others (Table 3).

**Table 3: Discriminant Validity**

	SA	DCM	PER	EMO
SA	0.741			
DCM	0.613	0.757		
PER	0.598	0.651	0.753	
EMO	0.722	0.667	0.684	0.797

Source: Data analysis output (2025)

### **Common Method Bias**

Common Method Bias (CMB) occurs when measurement errors stem from the data collection method rather than the actual constructs being studied, leading to inflated relationships between variables (Podsakoff et al., 2003). The Variance inflation factor (VIF) threshold value

is 5; all independent variables are below 5 (Table 4). The result indicates that there is no collinearity problem.

**Table 4: Co-linearity VIFs**

Variables	VIF
DCM	1.606
SA	2.075
EMO	2.222

Source: Data analysis output (2025)

### Model Fit Indices

CFA evaluates model fit through various indices, such as the Goodness of Fit Index (GFI), Comparative Fit Index (CFI), Root Mean Square Error of Approximation (RMSEA), Root Mean Square Residual (RMR) and Standardised Root Mean Square Residual (SRMR), ensuring the reliability and validity of the proposed theoretical framework.

**Table 5: Structural Model Validity**

Name of Index	Level of Acceptance	Model Fit Indices
Chi-Square	P-value > 0.05	0.000
RMSEA	RMSEA < 0.08	0.061
GFI	GFI > 0.90	0.917
AGFI	AGFI > 0.90	0.887
CFI	CFI > 0.90	0.954
NFI	NFI > 0.90	0.911
RMR	RMR < 0.08	0.015
Chisq/df	Chi-Square/ df < 5.0	1.976

Source: Data analysis output (2025)

The model fit indices from the analysis indicate that the Chi-Square test yielded a p-value of 0.000, suggesting a statistically significant result. The Root Mean Square Error of Approximation (RMSEA) is 0.061, which falls within the acceptable threshold of <0.08, indicating a reasonable fit. The Goodness-of-Fit Index (GFI) is 0.917, meeting the acceptable criterion (>0.90), while the Adjusted Goodness-of-Fit Index (AGFI) is slightly below the recommended threshold at 0.887. Additionally, the Comparative Fit Index (CFI) and Normed Fit Index (NFI) are 0.954 and 0.911, respectively, both exceeding the > 0.90 benchmark, demonstrating strong model fit. The Root Mean Square Residual (RMR) is 0.015, well below the acceptable limit of 0.08, indicating minimal residual error. Lastly, the Chi-Square/Degrees of Freedom (Chisq/df) ratio is 1.976, which falls within the acceptable range of <5.0, confirming a good model fit overall.

### Hypotheses Testing

The result shows a significant influence of Digital marketing capability on electronic marketing orientation with SRW=0.64, p=0.000. Hence, H1 is accepted. The result reveals that Digital marketing capability significantly influences the performance of SMEs, with SRW=0.56 and p=0.000. Hence, H2 is accepted. The study's results show a significant influence of Digital marketing capability on strategic agility, with SRW=0.61 and p=0.000. Hence, H3 is accepted. According to the analysis, electronic marketing orientation significantly influences the performance of SMEs with SRW=0.67, p=0.000 (Figure 6).

Hence, H4 is accepted. The result reveals that strategic agility significantly influences the performance of the SMEs, with SRW=0.60 and p=0.000 (Table 6). Hence, H5 is accepted.

**Table 6: Hypothesis Testing**

	<b>Standardised Estimation</b>	<b>P-value</b>	<b>Result</b>
DCM→EMO	0.64	0.000	Significant impact
DMC→ Performance	0.56	0.000	Significant impact
DCM→SA	0.61	0.000	Significant impact
EMO→ Performance	0.67	0.000	Significant impact
SA→Performance	0.60	0.000	Significant impact

Source: Data analysis output (2025)

### Mediation Analysis

The mediation analysis was conducted using the bootstrapping method (5000 samples) and a 95% confidence interval in AMOS.

#### *Digital Marketing Capability, Electronic Marketing Orientation and Performance*

The influence of digital marketing capability and performance (Total effect) is 0.808, which is significant with a p-value of 0.000 (Table 7). In the presence of the electronic marketing orientation, the influence of digital marketing capability and performance (Direct effect) is 0.468, and the p-value is 0.001, which is significant (Table 7). The mediation effect is measured by the indirect effect, which is 0.340 with a p-value of 0.000 (Table 8), which is significant. Hence, the electronic marketing orientation partially mediates the relationship between digital marketing capability and performance; hypothesis H6 is accepted.

**Table 7: Direct and Indirect Effects**

	<b>Unstandardised Estimation</b>	<b>P-value</b>	<b>Result</b>
Total Effect	0.808	0.000	Significant impact
Direct effect	0.468	0.001	Significant impact
Indirect effect	0.340	0.000	Significant impact

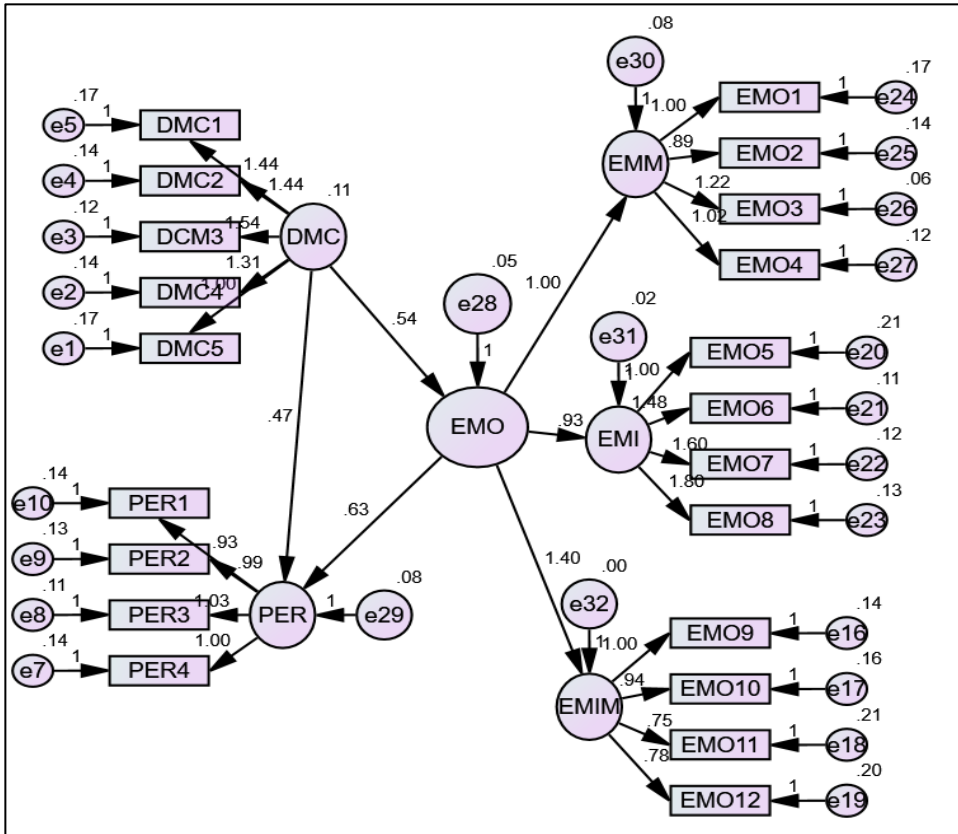


Figure 2: Digital Marketing Capability, Electronic Marketing Orientation and Performance  
Source: Data analysis output (2025)

*Digital Marketing Capability, Strategic Agility and Performance*

The influence of digital marketing capability and performance (Total effect) is 0.794, which is significant with a p-value of 0.000 (Table 8). In the presence of strategic agility, the influence of digital marketing capability and performance (Direct effect) is 0.558, and the p-value is 0.000, which is significant (Table 8). The mediation effect is measured by the indirect effect, which is 0.237 with a p-value of 0.001 (Table 8), which is significant. Hence, strategic agility partially mediates the relationship between digital marketing capability and performance; hypothesis H7 is accepted.

**Table 8: Direct and Indirect Effects**

	Unstandardised Estimation	P-value	Result
Total Effect	0.794	0.000	Significant impact
Direct Effect	0.558	0.000	Significant impact
Indirect Effect	0.237	0.001	Significant impact

Source: Data analysis output (2025)

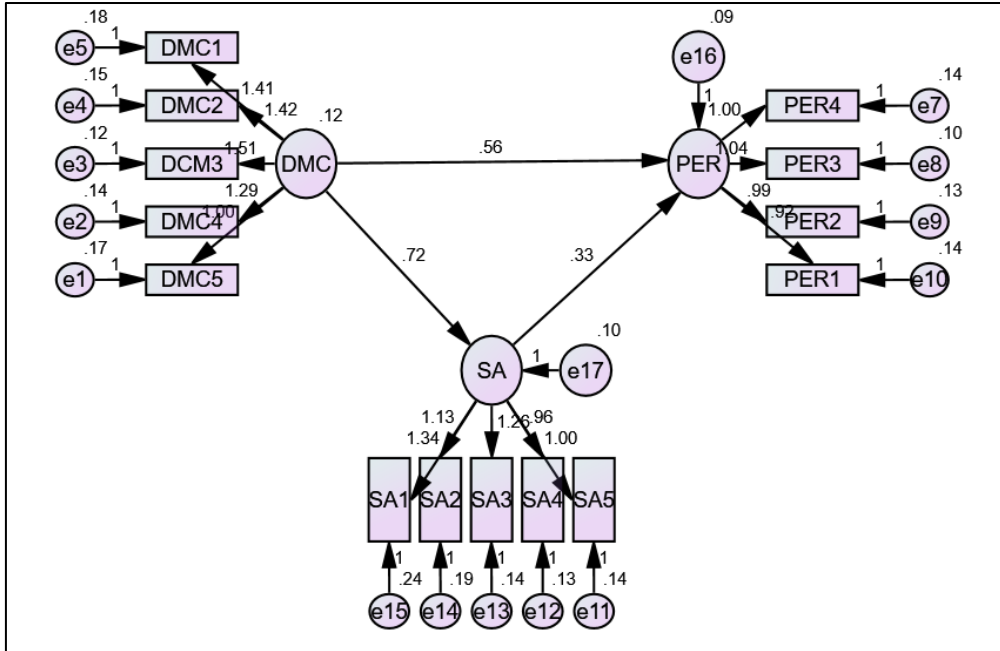


Figure 3: Digital Marketing Capability, Strategic Agility and Performance  
Source: Data analysis output (2025)

### Multiple Mediation

The study investigated the mediated role of electronic marketing orientation (EMO) and strategic agility (SA) in the relationship between digital marketing capability (DMC) and the performance (PER) of SMEs. The result reveals a significant indirect effect of DMO on PER through EMO ( $b=0.281, p=0.009$ ), not supporting H8. Analysing the mediating role of SA, the study found an insignificant mediating role of SA on the relationship between DCM and PER ( $b=0.095, p=0.351$ ), not supporting H8. Furthermore, the direct effect of DCM on PER in the presence of the mediators was also significant ( $b=0.454, p=0.007$ ). Hence, H8 is rejected.

Table 9: Multiple Mediation Analysis Summary

Relationship	Direct Effect	Indirect Effect	Confidence Interval		P-value	Conclusion
			Lower Bound	Upper bound		
DCM→EMO→PER		0.281	0.078	0.599	0.009	Partial mediation
	0.454(0.007)					
DCM→SA→PER		0.095	-0.129	0.323	0.351	No mediation

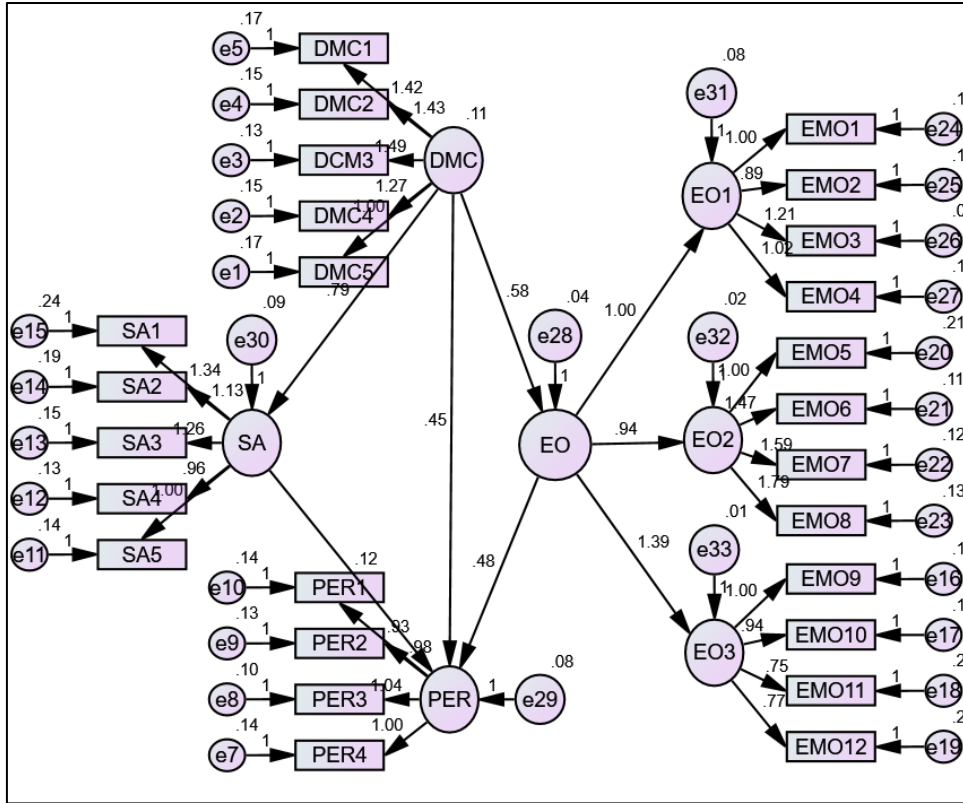


Figure 4: Multiple Mediation  
 Source: Data analysis output (2025)

## Discussion

The research aims to identify the nexus between Digital Marketing Capability, Electronic Marketing Orientation, Strategic Agility, and SME performance. The findings of this study indicated a significant influence of Digital Marketing Capabilities on Electronic Marketing Orientation, suggesting that firms with advanced digital competencies are more likely to adopt a strategic e-marketing approach. This aligns with prior research emphasising the role of DMC in enhancing a firm's ability to leverage digital tools, data analytics, and customer engagement strategies to optimise marketing performance (Chaffey & Smith, 2022). Moreover, strong DMC enables businesses to integrate digital channels effectively and personalise customer interactions, reinforcing their EMO (Kotler et al., 2021). The findings of this study revealed a significant influence of Digital Marketing Capability on the performance of SMEs, highlighting the crucial role of digital competencies in driving business growth and customer engagement. This supports the research indicating that SMEs with strong DMC can effectively leverage digital tools to enhance market reach, operational efficiency, and financial performance (Chaffey & Smith, 2022). Additionally, studies suggest that digital marketing capabilities contribute to improved brand visibility, customer relationship management, and innovation adoption, which are critical for SME sustainability in a dynamic business environment (Kotler et al., 2021). To remain competitive, these findings underscore SMEs' need to invest in digital infrastructure, skills development, and strategic e-marketing approaches.

The result of this study revealed a significant influence of Digital Marketing Capability on strategic agility, underscoring the critical role of digital competencies in enhancing an organisation's ability. Prior research suggests that firms with robust DMC can leverage real-time data analytics, customer insights, and digital communication tools to make agile strategic decisions and maintain sustainable business (Abate et al., 2024). Furthermore, digital marketing capabilities enable organisations to respond proactively to shifting consumer preferences, technological disruptions, and competitive pressures by fostering flexibility, innovation, and rapid execution of marketing strategies (Kotler et al., 2021). The findings of this study revealed a significant influence of Electronic Marketing Orientation on the performance of SMEs, emphasising the role of a strategic digital mindset in driving business growth, customer engagement, and competitive advantage. Prior research indicates that SMEs with strong EMOs adopt data-driven activities, leverage digital platforms for customer acquisition, and enhance brand positioning in competitive markets (Chaffey & Ellis-Chadwick, 2009). Additionally, EMO facilitates agility in responding to market trends, optimising online consumer interactions, and improving overall marketing effectiveness, ultimately leading to increased revenue and business sustainability (Kotler et al., 2021).

The study's results revealed a significant influence of strategic agility on the performance of SMEs, highlighting its critical role in enhancing adaptability, innovation, and competitive advantage. Prior research suggests that SMEs with high strategic agility can leverage dynamic capabilities, reconfigure resources effectively, and make proactive decisions, leading to increased profitability and market growth (Teece, 2018). Moreover, strategic agility fosters resilience, allowing SMEs to navigate uncertainties and capitalise on emerging opportunities, particularly in rapidly changing business environments (Nadkarni & Narayanan, 2007). These findings underscore SMEs' need to develop flexible business models, invest in digital transformation, and cultivate a continuous learning and innovation culture. The findings of this study revealed a significant mediation effect of Electronic Marketing Orientation on the relationship between Digital Marketing Capability and the performance of SMEs. Prior research suggests that while DMC provides the necessary technological and analytical tools for digital engagement, EMO shapes how these capabilities are strategically applied to enhance customer relationships, market responsiveness, and business growth (Shaltoni et al., 2018). Firms with strong EMOs are better positioned to transform digital resources into actionable marketing strategies (Kotler et al., 2021). These findings highlight the need for SMEs to invest in digital infrastructure and develop a proactive e-marketing culture to maximise their competitive advantage.

The result of this study revealed a significant mediation effect of strategic agility on the relationship between Digital Marketing Capability (DMC) and SMEs' performance, indicating that SMEs' ability to leverage digital capabilities effectively depends on their capacity for rapid adaptation and strategic flexibility. Prior research suggests that while DMC equips firms with digital tools and data-driven insights, strategic agility determines how efficiently these resources respond to market changes (Teece, 2018). SMEs with strong strategic agility can dynamically reconfigure their digital marketing strategies, optimise resource allocation on emerging opportunities, and impact DMC on business performance (Doz & Kosonen, 2010).

Under the multiple mediation analysis, the findings of this study reveal a significant mediation effect of Electronic Marketing Orientation but an insignificant mediation effect of strategic agility on the relationship between Digital Marketing Capability and the performance of SMEs. This suggests that while digital marketing capabilities enhance SME performance primarily through a strong e-marketing orientation, strategic agility does not significantly strengthen this relationship. Prior research supports that EMO is crucial in converting digital

competencies into effective marketing strategies, customer engagement, and business growth (Shaltoni et al., 2018). Firms that strategically integrate digital tools with a market-oriented approach are better positioned to improve their performance. However, the insignificant mediation effect of strategic agility implies that simply being adaptable and flexible may not be sufficient to amplify the benefits of digital marketing unless aligned with a well-defined marketing strategy (Kotler et al., 2021). Many SMEs in Sri Lanka's Northern Province still operate under severe resource constraints and infrastructural limitations inherited from the post-conflict period. In such a context, even when firms possess Digital Marketing Capability, the rapid sensing and responding mechanisms required for Strategic Agility are often hampered by inadequate financial slack, unreliable electricity and internet connectivity, and risk-averse decision-making cultures, rendering agility less effective as a mediating pathway to performance. These findings highlight the necessity for SMEs to focus on developing a strong e-marketing orientation while exploring other factors that may enhance the role of strategic agility in leveraging digital capabilities for performance improvement.

## **Conclusion and Recommendation**

The aim of the study is to investigate the influence of Digital Marketing Capability (DMC) on both Electronic Market Orientation (EMO) and Strategic Agility (SA), and the effects of Electronic Market Orientation and Strategic Agility on SME performance. Furthermore, the research examines the mediating role of Electronic Market Orientation in the relationship between Digital Marketing Capability and SME performance, and the mediating role of Strategic Agility in the relationship between Digital Marketing Capability and SME performance. The findings of this study indicated a significant influence of Digital Marketing Capabilities on Electronic Marketing Orientation, on the performance of SMEs and on strategic agility. The findings of this study also revealed a significant influence of Electronic Marketing Orientation on the performance of SMEs and a significant influence of strategic agility on the performance of SMEs. The findings of this study depicted a significant mediation effect of Electronic Marketing Orientation on the relationship between Digital Marketing Capability and the performance of SMEs. The result of this study showed a significant mediation effect of strategic agility on the relationship between Digital Marketing Capability (DMC) and SMEs' performance. The findings of this study disclosed a significant mediation effect of Electronic Marketing Orientation but an insignificant mediation effect of strategic agility on the relationship between Digital Marketing Capability and the performance of SMEs.

## **Implications and Future Research Suggestions**

This research is significant for academics and practitioners, as it provides insights into the interconnected roles of Digital Marketing Capability, Electronic Marketing Orientation, and Strategic Agility in shaping the performance of SMEs. By identifying the relationship among these factors, this study contributes to the literature on digital transformation and SME competitiveness, highlighting the importance of digital competencies and strategic adaptability in enhancing business performance. For practitioners, the findings emphasise the need for SMEs to invest in digital marketing capabilities while fostering a strong e-marketing orientation to maximise the benefits of digitalisation. Additionally, while strategic agility is often seen as a key enabler of business success, its impact may be context-dependent, requiring SMEs to align agility with effective digital and marketing strategies. Policymakers and business support organisations can also use these insights to design targeted interventions,

such as digital training programs and strategic marketing frameworks, to help SMEs navigate dynamic market environments.

Future research should explore industry-specific variations in the nexus between Digital Marketing Capability, Electronic Marketing Orientation, Strategic Agility, and SME performance to determine whether these relationships differ across sectors. Further investigation is also needed to examine potential moderating factors, such as firm size, digital infrastructure, competitive intensity, and regulatory environments, which may influence the strength of these relationships. Given the rapid evolution of digital marketing tools, qualitative research involving case studies and expert interviews could provide a more nuanced understanding of how SMEs strategically integrate digital capabilities and agility into their marketing practices.

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