

DYNAMIC MARKETING CAPABILITIES AND EXPORTING SME'S PROFITABILITY GROWTH: CONDITIONAL EFFECTS OF DIVERSIFICATION STRATEGIES

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Abstract

In this study we investigate the conditional effects of exporting SME's economies of scale (envisioned through market diversification) and economies of scope (envisioned through product diversification) on relationship between innovation and adaptive DMCs and profitability. We analyze our model on the sample of 125 Croatian exporting SMEs. Our findings indicate that innovativeness has an inverted U-shape with profitability under lower MD and higher PD. On the other hand, adaptability shows to have negative relationship with profitability under higher MD and higher PD. In the end, we provide concrete guidelines for export managers on how to profitably manage their DMCs.