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DIGITAL TRANSFORMATION AS A CULTURAL PROCESS: AI-ENABLED RELATIONSHIP MARKETING AND SME COMPETITIVENESS

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ABSTRACT

Emerging digital transformation technologies within SME businesses demonstrate the importance of the socially embedded practices of value culture and Artificial Intelligence (AI)-driven relationship marketing. This study presents the effect of the value culture and AI-driven relational marketing practices of SMEs as aligners of the impact of adopting technologies and AI-driven relational practices using a mixed-methods research design consisting of a qualitative explanatory design and a quantitative cross-sectional study involving 320 SMEs engaged in digital activities in Indonesia. Using PLS-SEM, this study estimates a range of relationships, positive and negative, direct and indirect, among the defining elements of competitiveness. PLS-SEM demonstrates that the use of digital transformative technologies and practices with SME businesses improves relational marketing and competitiveness. Cultural values impact practices and technologies. This study defines competitiveness in digitally transformative practices as the relational culture of adapted business practices and technology, showing that the digital transformative practices of SMEs is a culturally embedded relational process and provide the AI-driven relational marketing practices to increase value.

KEYWORDS: Digital Transformation, Cultural Values, AI-Enabled Relationship Marketing, SME Competitiveness, Artificial Intelligence.

1. INTRODUCTION

The speed of changes in digital technologies indicates major changes in the organization of economic activities within and across various societies. Digital changes are no longer seen strictly as technological changes, but increasingly as changes that are socially embedded and shaped by social relations and cultural modes of interaction (Büchner et al., 2022; Fu et al., 2025). The many social and relational practices of trust, and the locally entrenched practices of business that are relational in nature, influence the way firms engage their customers and respond to demand changes in the market. Traditionally, relationship-based business cultures show the importance of trust and longitudinal economic exchange, while emerging economies are no different. Therefore, when analysing the cultural ramifications of digital changes in business, the emphasis should be on the relational trust practices within the cultural infrastructure of the business practice and the social framework of the digital technologies (Kraus et al., 2022; Pereda et al., 2025; Verhoef et al., 2021). Digital changes in business have been considerably supported by AI and digital systems, enabling them to process data and make businesses more operational and responsive. AI-based digital systems have the capability to not only detect changes in the market and assist firms, but also to facilitate the understanding of customer tendencies and operational effectiveness. These potentials enable firms to adapt proactively to evolving market landscapes and construct strategies that are refined in relation to customer needs (Bawack et al., 2022; Chatterjee et al., 2023; Madanchian, 2024). In addition to efficiency improvements, AI also facilitates personalized customer engagement through automated communications and services offered based on customer data. Thus, the incorporation of AI across digital platforms is a significant advancement in achieving more adaptive and interactive business models.

Digital technology's importance keeps growing, yet small and medium-sized enterprises (SMEs) show varied levels of technology adoption. Lags in digital transformation of SMEs may be attributed to technology, digital skills, and resources. Even so, SMEs in the developing world are highly relied upon for economic activity and employment, and are increasingly using digital technologies to grow their businesses and stabilize their market presence (Desiyanti, 2025; Raji et al., 2023). In this context, integrating digital technologies in business processes is a main driver of the competitiveness of SMEs in a given market and in a market with changing demands (Bunea et al., 2024; Malhotra & Kharub, 2024; Sharabati et al., 2024). Firms also adapt to the digital transformation in developing and managing customer relationships. Repeat business is a result of trust built through relationship marketing focusing on sustained customer relationships. In this space, AI is changing the game. Marketing relationships with consumers and businesses are more personalized, addressing the consumers' needs through systematic, data-driven insights. AI-driven relationship marketing enables companies to sustain ongoing communication with their clients and create more agile relational strategies that enhance client involvement (Huang & Rust, 2021; Kumar & Shankar, 2025; Leelavathi et al., 2024). In relationship-centered business contexts, these technologically driven practices can be instrumental in fostering superior competitive effectiveness.

Trust, long-term perspective, and relational commitment constitute the social values that digitally mediated relationship marketing and the consequent digitally enabled marketing tools and techniques. These cultural aspects influence how an organization perceives the potential of digital marketing, the purpose of the digital marketing tools in the transactions, and the manner in which these tools are integrated into the marketing framework. In relationship marketing, digital transformation is employed to facilitate and support ongoing interactions and relational continuity, as opposed to mere transactional relationships (Petrykiva & Malafieiev, 2024; Reisberger et al., 2025; Sanati et al., 2024; Steiber & Alvarez, 2025). Hence, digital transformation is primarily a cultural phenomenon where the socially and culturally embedded practices of an organization align with the use of technology.

Studies on digital transformation, relationship marketing, and SME competitiveness has primarily examined the other side of the technological determinants of business performance, regarding the technological aspects of business performance as purely strategic and the technological aspects of each business practice as purely independent. There has been limited studies on the social and cultural processes embedded in business practices. Within the framework, empirical analyses combining cultural values, digital transformations, and AI-enabled relationship marketing remain limited, especially so for SMEs. This study contributes by aligning digital transformation as a cultural process and demonstrating that AI-enabled relationship marketing is a mechanism connecting the cultural and technological taken up by SMEs to sustain and

enhance business competitiveness. By assuming a fusion of the technological and cultural elements, the researchers attempt to address the paradox of SME business competitiveness in the continuously evolving technological transformation of SMEs.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Digital Transformation and SME Competitiveness

Business Digital transformation means using digital technology to change and improve the way a business operates in all aspects. It explains how the business interacts and deals with both the market and the consumers from a technological standpoint to improve work organization and how the consumers interact using digital methods and data-based decision-making (Verhoef et al., 2021). When a business adopts a new digital technology, it is able to enhance the efficiency of its operations, improve access to the market, and improve its ability to respond to the demands of consumers (Li et al., 2022; Martínez-Peláez et al., 2023; Mohsen, 2023). These capabilities are especially important for SMEs in the business environment. SMEs play a dominant role in a highly competitive and dynamic business environment.

Digital transformation is becoming increasingly important in the business world and offers businesses the ability to organize and process data, and provides the capability for the organization to reveal and forecast in the form of data insights to form business strategies. In addition to customer behavior, market tendencies, and streamlining the organization. This system offers businesses to sustain their competitive edge (Bawack et al., 2022; Chatterjee et al., 2023). SMEs that successfully integrate digital business are likely to enhance their productivity and sustain their competitive edge (Bunea et al., 2024; Malhotra & Kharub, 2024). Digital transformation of a business can also show socio-culturally accepted business practices. Companies that work in relationship-focused settings usually incorporate digital technologies in ways that foster trust-based communication and long-term engagements with customers. Cultural values and relational practices, therefore, shape digital transformation as a process of not only technology adoption, but also a cultural adaptation.

H1: Digital transformation positively influences SME Competitiveness.

2.2. Digital Transformation And AI-Enabled Relationship Marketing

Digital transformation is becoming integral to how businesses create and foster relationships with customers beyond traditional and face-to-face exchanges. Furthermore, new digital technologies allow businesses to evaluate the relationships fostered through the technology and refine their ability to effectively build new relationships (Attah et al., 2024; Massa et al., 2023). AI builds upon the foundation of relationship marketing by providing the opportunity to create unique and personalized interactions, as well as the ability to develop service delivery through the use of technology. The development of automated interactions assists businesses understand their customers, monitor the business development, and help develop automated communication. Therefore, businesses can develop and create marketing and relationship strategies that go beyond traditional relationship marketing (Bawack et al., 2022; Huang & Rust, 2021). From a cultural perspective, when new digital technologies are used to build trust and long-term relationships, the technologies often complement relationship-focused interactions. In relationally strong business cultures, digital transformation emphasizes the interpersonal relational marketing aspects of relationship marketing.

H2: Digital transformation positively influences AI-enabled relationship marketing.

2.3. Cultural Values and Digital Transformation

Digital business transformation helps the adoption of digital technologies to be integrated into the existing operational practices of the business (Joel et al., 2024; Kraus et al., 2022; Yaqub & Alsabban, 2023). Social practices and the way people interact within a business are reflected in the way a business embraces operational digital technologies helpful to maintain the communication and relational continuity of the business and its customers. Cultural values influence how individual and organization respond to opportunities and challenges in the economic and social arenas and how a business transforms its operational digital technologies. In multiple business contexts, values like trust, relational commitment, and long-term orientation influence the adoption and use of digital technologies (Krishna et al., 2023; Toukabri & Chaouachi, 2025). Cultural values exist within a business that transform digital operational technologies (Farmakis et al., 2025; Tuukkanen et al., 2022). SMEs in a relationship-oriented culture will use digital operational technologies in the business more than other SMEs.

H3: Cultural values positively influence digital

transformation.

2.4. Cultural Values And AI-Enabled Relationship Marketing

Relational exchange depends on the cultural values that shape the relational marketing process (Alkhodary, 2023). Relationship marketing hinges on trust and commitment, and the relational exchange dimensions built through the process depend on the length of time the relationship has existed. Ultimately, cultural standards and customs shape the resources and relationships that a business develops. Partnership and relationship marketing are based on the exchange of trust and the relational system built throughout the partnership, while helps preserve the relationship. Cultural values that facilitate relational marketing form the basis of the marketing system developed (Brown & Vacca, 2022). Businesses can use technology to make it seem like they are communicating with customers continuously, and they can go through the same processes relationally. Culturally relational practices can be integrated with technology through AI-enabled relationship marketing while culturally relational marketing can be enhanced with technology that is used to create effective and continuing marketing (Huang & Rust, 2021).

H4: Cultural values positively influence AI-enabled relationship marketing.

2.5. AI-Enabled Relationship Marketing and SME Competitiveness

AI-enabled relationship marketing uses digital technologies as well as artificial intelligence to sustain long-term relationships with customers. Relationship marketing has been noted as an important strategic capability that allows firms to build and manage their customer bases and achieve long-term competitive success (Hidayat & Idrus, 2023; Travassos Rosário & Casaca, 2023). The role of AI with respect to relationship marketing allows firms to enhance customer relationship management through its customized solutions. This is how firms develop 'relational equity' and use customer relationships as sustainers of long-term competitive advantage (Huang & Rust, 2021). From the Resource-Based View (RBV) theory of competitive advantage, digitalized and automated relational capability is both valuable and rare (Nayak et al., 2023; Silvestri et al., 2023). This means that the resources are hard to duplicate, demonstrating why firms with well-developed relational capability systems tend to sustain their competitive advantage over their competitors. This explains the significance of AI relationship marketing for SMEs in the rapidly digitized competitive marketplace.

H5: AI-enabled relationship marketing has a positive influence on SME competitiveness.

2.6. Mediating Roles of Digital Transformation And AI-Enabled Relationship Marketing

The ability of an SME to be competitive is closely dependent on two entangled elements of digital transformation and relationship marketing capabilities. Transforming the digital infrastructure of an organization is the beginning of a technological revolution. Meanwhile, the digital technologies with relation capabilities enable organizations to move from a mere adoption of technology to a direct impact on the market. The merging of technological and relational capabilities provides that market competitiveness is a product of both direct technological adoption and the customer-related activities (Verhoef et al., 2021). AI-enhanced relationship marketing stands out as one of the ways to improve SME competitiveness. With respect to the firm's ability to use digital technologies, they can collect customer data and manage ongoing communication. Moreover, AI can be deployed to conduct customer-tailored communication with efficient data processing. With these capabilities, organizations improve technological and relational value, which builds an enduring competitive advantage.

Oduro & Mensah-Williams (2023) and Kraus et al. (2022) propose that mediating impact of digital marketing capabilities on competitive business performance in the technologically adopted organizations is significant. Value systems influence the competitiveness of SMEs beyond digital relationship marketing and transformation practices. Cultural values that highlight trust and long-term relation encourage the adoption of digital technology, the aspect ensuring the continuity of communication and relational contact. Therefore, digital transformation is an intermediary process where organizational practices, influenced by cultural values, are implemented. On the other hand, AI-driven relationship marketing integrates relational values culturally and transforms them into competitive, customer-oriented, and actionable frameworks. This means that the digital transformation process is primarily cultural and that the assimilated technology and relational frameworks are manifestations of cultural values. The influence of cultural values, digital transformation, and AI-driven relationship marketing shows that the competitiveness of SMEs is

gained through a series of interrelated processes, instead of specific strategic components. Values of a culture demonstrate a firm's acceptance of specific digital technologies, digital transformation establishes the foundation on which relational interaction occurs, and AI-driven relationship marketing converts these attributes into competitive advantages.

H6: Digital Transformation mediates the relationship between Cultural Values and AI-Enabled Relationship Marketing.

H7: AI-Enabled Relationship Marketing mediates the relationship between Digital Transformation and SME Competitiveness.

H8: AI-Enabled Relationship Marketing mediates the relationship between Cultural Values and SME Competitiveness.

3. METHOD

3.1. Research Design

The objective of this study is to adopt a sequential mixed-method approach to analyze the digital transformation of SMEs from a cultural perspective, as well as its impact on the culturally embedded competitiveness of SMEs. Understanding the cultural values' impact on digital transformation, culture, and relationship marketing in business practice environments can also be better understood through the mixed-method approach. The qualitative dimension was used to figure out the specifics about how SMEs incorporate digital technologies into their work system and how culture affects their work system. These insights helped improve the measurement of the indicators and the relevance of the survey instrument.

The quantitative part of this study was aimed at evaluating the proposed conceptual framework and the relationships of culture, digital transformation, AI relationship marketing, and competitiveness of SMEs. A cross-sectional survey design was used to evaluate the current condition of the adoption of digital technologies and the relational practices of SMEs. This provides understanding on how culture and digital transformation impact SMEs' competitiveness in construction and relational mechanisms.

3.2. Population And Sampling

The subjects of this study are SMEs in Indonesia that have begun attempts to incorporate digital technologies into their business processes. SMEs were chosen because their businesses are a critical part of most economies, and digital technologies are equally critical to ensuring their economic viability. The researchers were able to gather data from 320 SME owners or managers in Indonesia with direct involvement in business operations and strategic management, which fulfilled the requirement for PLS-SEM (Hair et al., 2021). These respondents have the required knowledge in the area of digital technology, customer relationship management or relationship marketing, and digital technology adoption within their firms. To this end, purposive sampling, with the recommended criteria, was employed. Firms were required to have been in existence for at least 2 years and to be utilizing digital technologies in their marketing and business operational processes. Respondents were also required to be owners or managers who were directly involved in business operational decision-making. This ensured that the data collected was from firms with adequate levels of experience in digital technologies and relationship management.

3.3. Data Collection Procedure

To collect the primary data, structured questionnaires were used and administered to SME owners and managers. The aim of the questionnaire was to gather data regarding cultural values, practices of digital transformation, relationship marketing assisted by AI, and competitiveness of SMEs. To aid the accuracy of the responses, the respondents were given clarifications needed during the survey process. Apart from the survey questionnaire, some exploratory interviews were conducted to capture the context of digital practices and the relational interactions of SMEs. Before the primary data collection, the questionnaire was subjected to a pilot study with a small number of SME participants. Based on the results of the pilot study, wording and item clarity were improved to facilitate understanding of the measurement items. A five-point Likert scale ranging from strongly disagree to strongly agree was used to measure all responses.

3.4. Data Analysis

SmartPLS software was used to conduct the analysis with Partial Least Squares Structural Equation Modeling (PLS-SEM). Given the ability to assess mediation effects in structural models and the ability to assess complicated interactions between hidden variables, PLS-SEM is particularly relevant. Additionally, this approach is relevant to exploratory studies in that it does not have to meet the stringent criteria regarding distribution. Analysis was done in two parts. First, the measurement model is assessed by looking at composite reliability, Cronbach's alpha,

Average Variance Extracted (AVE), and indicator loadings, as well as discriminant validity using the heterotrait-monotrait ratio. In the second part, the structural model is evaluated by looking at path coefficients, t- and p-values, coefficient of determination, and indirect effects. In order to assess the significance of both direct and indirect relations, bootstrapping (5000 resamples) was used.

4. RESULTS

4.1. Respondent Characteristics

The number of 320 SME owners or managers took part in this study, as shown in Table 1. 53% of the sample are males, and 47% are females. The largest share of respondents was between the ages of 24 and 29, constituting around 25% of the entire sample. Most respondents were within the productive age range for entrepreneurship. Those aged 41 and above constituted 18%. 23% were aged 30-35 years, 25% were aged 24-29 years, and 14% were aged 18-23 years.

Table 1: Demographic Characteristics of the Respondents.

Category		Frequency	Percentage
Gender	Male	168	53
	Female	152	47
Age	18-23 years old	44	14
	24-29 years old	81	25
	30-35 years old	75	23
	36-41 years old	64	20
	>41 years old	56	18
Education	Junior high school	11	3
	Senior high school	88	28
	Diploma	173	54
	Bachelor	48	15
	Master	166	52
	Doctor	44	14
Length of business	1-4 years	22	7
	5-9 years	73	23
	10-14 years	17	5
	>14 years	68	21

Almost half of the respondents earned a diploma (54%), a master's degree (52%), a senior high school diploma (28%), a bachelor's degree (15%), and only a few had postgraduate (14%) education. In terms of business experience, 7% of respondents had operated their businesses for 1-4 years, while 5% had operated for 5-9 years. About 21% had businesses for 10-14 years, and a few respondents had over 14 years of experience. The results show that the sample comprises SMEs of different business maturity levels that have adopted digital technologies in their operations.

Before testing the structural relationships among the variables, the measurement model was assessed to determine the construct's reliability and validity. In Table 2, the AVE values were analyzed for convergent validity, and sufficient convergent validity was assessed by AVE values of greater than 0.50. Construct reliability was determined by the values of Cronbach's alpha and composite reliability, and the values of reliability were established by the recommended values of over 0.70, as shown in Table 3.

4.2. Measurement Model Analysis

Table 2: Convergent Validity.

Variables	AVE	T statistics (|O/STDEV|)	Cronbach's alpha	P values
AI-Enabled Relationship Marketing	0.553	25.521	0.718	0.000
Cultural Value	0.657	33.618	0.738	0.000
Digital Transformation	0.614	26.492	0.789	0.000
SME Competitiveness	0.576	27.213	0.753	0.000

Table 2 shows that all constructs are reliable and valid. The AVE value had a range of 0.553 to 0.657, showing that each construct explains more than half of the variance of its indicators. Cronbach's alpha had a range of 0.718 to 0.789, showing good internal consistency. Moreover, all the indicators reliably

represent their corresponding constructs. The measurement model meets the reliability and convergent validity required for structural analysis.

4.3. Structural Model Analysis

The determination coefficient (R^2) is one of the ways to determine the explanatory power of the structural model (Table 3). It can be seen that the R^2 value for SME competitiveness is 0.750. This means that digital transformation, cultural values, and AI-enabled relationship marketing collectively account for 75.0% of SME competitiveness. The model has a strong explanatory power. The R^2 value for AI-enabled relationship marketing is 0.468. This means that digital transformation and cultural values account for almost 46.8% of the AI-enabled relationship marketing. The model has moderate predictive capability. It can be said that cultural values and digital transformation are the primary shapers of relational marketing practices aided by AI.

Table 3: The Coefficient of Determination.

	Coefficient of determination (R^2)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
AI-Enabled Relationship Marketing	0.312	0.044	7.028	0.000
Digital Transformation	0.159	0.035	4.500	0.000
SME Competitiveness	0.572	0.041	13.905	0.000

4.4. Hypothesis Testing

The structural relationships among the constructs were evaluated using bootstrapping procedures with 5000 resamples, as illustrated in Tables 4 and 5.

Table 4: Direct Effect.

	Hypothesis	Path Coefficient	T statistics (|O/STDEV|)	P values	Decision
H1	Digital Transformation -> AI-Enabled Relationship Marketing	0.354	6.368	0.000	Accepted
H2	Digital Transformation -> SME Competitiveness	0.531	11.855	0.000	Accepted
H3	Cultural Value -> AI-Enabled Relationship Marketing	0.314	5.596	0.000	Accepted
H4	Cultural Value -> Digital Transformation	0.399	9.076	0.000	Accepted
H5	AI-Enabled Relationship Marketing -> SME Competitiveness	0.342	7.600	0.000	Accepted

Based on Table 4 and Figure 1, it can be seen that hypotheses 1 and 5 have been proved correct. Hypothesis 1, digital transformation positively impacts the competitiveness of SMEs. It can be interpreted that the greater the level of digital tools incorporated by the SMEs, the greater the competitive performance achieved by the SMEs. Additionally, digital transformation positively impacts AI-enabled relationship marketing, addressing hypothesis 2. It can be interpreted that digital tech adoption is an important antecedent in the framework of tech-enabled relational marketing. Regarding hypothesis 3, cultural values positively impact the digital transformation. Therefore, it can be interpreted that, in some ways, the digitally embedded business practices have been influenced by cultural values. Cultural values also positively impact AI-relationship marketing, addressing hypothesis 4. This relationship implies that culturally relational values foster the prolonged customer relationship via digital means. Lastly, digital transformation positively impacts AI-enabled relationship marketing. It implies that technology-embedded relational strategies are important in enhancing the competitiveness of SMEs, thereby addressing hypothesis 5.

Table 5: Indirect Effect.

	Hypothesis	Path Coefficient	T statistics (|O/STDEV|)	P values	Decision
H6	Cultural Value -> Digital Transformation -> AI-Enabled Relationship Marketing	0.141	5.217	0.000	Accepted
H7	Digital Transformation -> AI-Enabled Relationship Marketing -> SME Competitiveness	0.121	4.635	0.000	Accepted
H8	Cultural Value -> AI-Enabled Relationship Marketing -> SME Competitiveness	0.107	4.476	0.000	Accepted

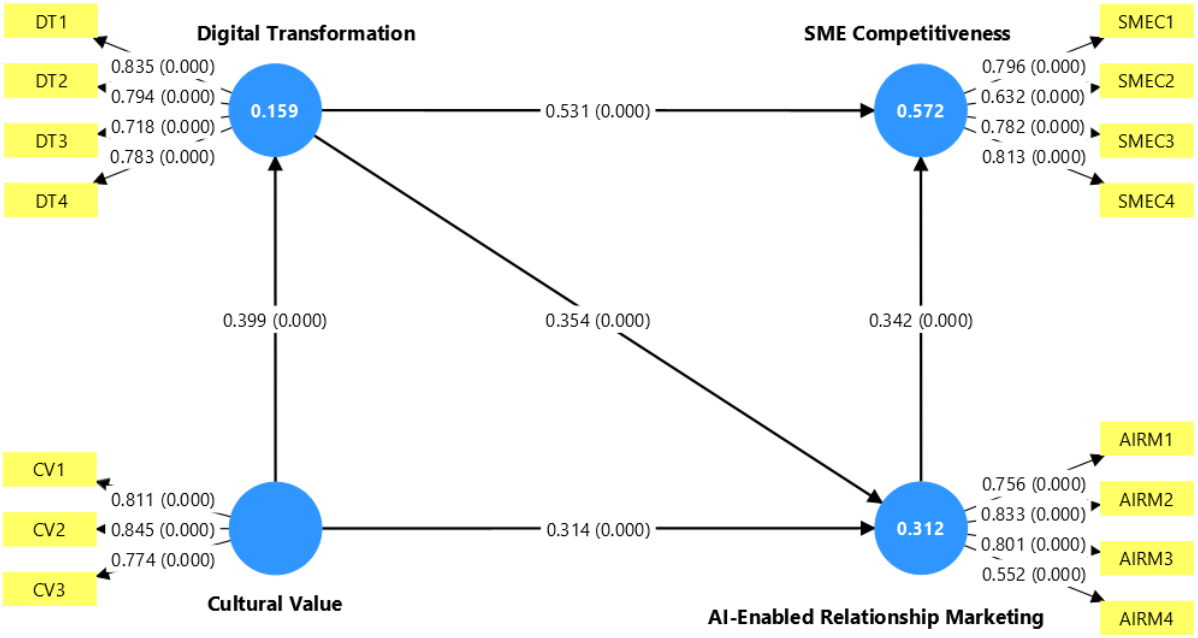

Figure 1: Structural Model.

The mediation analysis aimed to study cultural values, digital transformation, AI-enabled relationship marketing, and SME competitiveness to see how these variables affected each other indirectly (see Table 5 and Figure 1). The findings show that digital transformation mediates the cultural values and AI-enabled relationship marketing (H6). It indicates that cultural values and the digital adoption of technologies influence relational practice. The analysis also shows that AI-enabled relationship marketing mediates the relationship between digital transformation and SME competitiveness (H7). In other words, digital transformation increases competitiveness through the development of technology-supported customer relationships. In the same way, AI-Enabled Relationship Marketing mediates the relationship between cultural values and SME Competitiveness (H8). This shows that cultural values enhance competitiveness through relational digital technologies.

5. DISCUSSION

This study shows that SMEs experience digital transformation benefits outside of just operational improvements. The improvements enable SMEs to outperform competitors, maintain websites, and respond to evolving digital communication practices. Previous study shows that innovation and digital transformation create an organization that responds quickly to increase productivity and goals (Malhotra & Kharub, 2024; Verhoef et al., 2021). The main component of the digital transformation of SMEs is AI. AI allows SMEs to make more informed decisions quickly and tailor responses to the customer. While AI is a part of the SME,s it is a tool that increases the competitive value of the SMEs (Bawack et al., 2022; Chatterjee et al., 2023). Digital technologies have the ability to transform businesses by increasing their competitive value. With regards to daily organization, digital transformation is an ongoing process that is controlled by the business norms and practices that create the relationships. Using some suggested techno-cultural frameworks, organizations implement digital technologies in ways that consider culture-specific ways of interaction and trust-based relationships. This indicates that culture and social frameworks are as important as technology in understanding the phenomena of digital transformation (Kraus et al., 2022).

The impact of digitalization on relationship marketing powered by AI is extremely important in the practice of AI-relationship marketing. The use of digital technology by SMEs in dealing with customer relationships is fundamental in providing the infrastructure/technological component for effective customer relationship management. The digital communication tools enable SMEs to have real-time communication with the customers and enhance more relational communication with them, allowing SMEs to identify customers' relational data and preferences useful to improve the relationship

strategies and the process of relational marketing (Sadjadi & Fernández, 2023).

AI technology empowers relationship marketing in SMEs via personalized and relational marketing communications and services (Bawack et al., 2022; Huang & Rust, 2021). The results give an indication that the digital transformation of SMEs provides the needed technology for the AI-enabled relationship marketing. In cultural terms, the digital tools tend to be more effective when existing relationship-based interactions and communications are already in place. In environments that are based on interpersonal trust and relationships that are long-term in nature, digital tools can be a bridge to foster relationship marketing by enhancing relational communication.

The results show that cultural values have a substantial impact on the digital transformation of SMEs. This means that the adoption of technology is impacted by the business culture practices in the country, not just the technological tools available. Because of cultural values, companies view technology differently. They also impact how companies change business processes by incorporating digital technology into everyday practices. Many researchers have stated that the cultural and institutional factors surrounding a business influence the extent to which that business digitally transforms and adopts new technologies (Kraus et al., 2022; Verhoef et al., 2021). When SMEs conduct business in a culture that values relationships, the norm of trust and extended cooperation encourages the adoption of digital technologies that facilitate and maintain relationships. Socially, digital transformation is not the change. Rather, the change (or the transformation) is the technology. This shows that digital transformation is a cultural practice influenced by the embedded business practices of a society (Cardoso et al., 2023).

The results also show that cultural values positively impact AI-enabled relationship marketing. This shows that relationship-oriented cultures impact the means of establishing lasting relationships with customers through the use of digital technology. The strong relational and trust commitments that cultural norms reward are likely to encourage SMEs to work closely with their customers and to undertake relationship-building activities (Cera et al., 2024). Continuous customer contact, while retaining important culturally based contact, is possible through AI. SMEs may enhance relational contact with customers and sustain their engagement through AI communication tools and digitally based platforms (Huang & Rust, 2021). The enhancement, rather than the elimination, of interpersonal contact is how digital technologies help firms achieve relational continuity and strengthen long-term relationships with customers.

AI-enabled relationship marketing positively influences SMEs' competitiveness. More competitive SMEs are those that more innovatively and technologically augment relationally engage with their customers. With AI relationship marketing, SMEs can engage their customers frequently and deepen their relationship with them. Relationship marketing has been widely researched, and almost all relationship marketing studies arrived at a similar argument: relationship marketing influences customer retention and improves a firm's performance over a prolonged period (Guerola-Navarro et al., 2024; Hidayat & Idrus, 2023; Travassos Rosário & Casaca, 2023). By AI relationship marketing, SMEs' customer relations are transformed into one of their strategic assets for competitive advantage and sustainability over time. In RBV, AI relational capabilities are sustainable competitive advantages (Farmanesh et al., 2025; Kemp, 2024; Krakowski et al., 2023; Sandeep & Lavanya, 2025; Shao et al., 2026). When relational capabilities are underpinned by a cultural context with an overarching social framework of trust and a commitment to long-term relations, technology-augmented relational engagement enhances customer participation and helps SMEs flourish in relationship-heavy markets.

Mediation analysis reveals how cultural values and digital transformation affect SMEs' competitiveness. It shows that digital transformation mediates the cultural values and AI-enabled relationship marketing. Cultural values influence how a firm embraces digital technologies, which then facilitates the creation of technology-driven relational strategies. Earlier work mentioned digital transformation as an intermediary mechanism serving the role of an organizational capability and business performance bridge (Hsiao, 2024; Kraus et al., 2022; Leso et al., 2024; Mohaghegh et al., 2025; Qiu & Chang, 2025; Verhoef et al., 2021). The results also state that AI-enabled relationship marketing mediates the digital transformation and SME competitiveness relationship. This means that the digital transformation fosters competitiveness directly and also indirectly through the creation of technology-enabled customer relationships. Digital technologies, relational contact infrastructure, and relationship marketing harness technology into competitiveness (Oduro & Mensah-Williams, 2023).

Additionally, AI-enabled relationship marketing also mediates the cultural values and SME competitiveness relationship. Cultural values motivate firms to adopt long-term customer relationships; digital technology enhances the management of such relationships effectively. The interpretation of these findings supports that cultural values, technology adoption, and relational capabilities intertwined enable the competitiveness of SMEs and that the perspective of digital transformation as a culturally embedded process is valid.

6. CONCLUSION

The purpose of this study is to understand digital transformation as a cultural process. This was done by examining the interconnectedness of cultural values, digital transformation, AI-enabled relationship marketing, and the competitiveness of SMEs. The results show that there are both direct and indirect roles of digital transformation through AI-enabled relationship marketing, as of the time of this study, in how SMEs can be competitive and how integrating digital technologies into business practices can increase operational efficiency, keep customer contact, and be responsive to the market. The results of the role of cultural values in digital transformation and AI-enabled relationship marketing show that the adoption of technology is a socio-business practice. This study reiterates that in digitally transformed ecosystems, the competitiveness of SMEs is a blend of technological and culturally advanced practices.

6.1. Research Implications

This study's conceptualization of digital transformation as a cultural process contributes to the literature by considering transformation as not merely a technological change. The findings demonstrate the imbrication of culture, technology, and AI as relational resources of a firm in the context of the RBV. The study also contributes to AI-enabled relationship marketing as a culture and digital transformation SME competitiveness mechanism. This study is the first to integrate culture and technology in one framework to understand competitiveness in the culturally and digitally transformed SME context.

6.2. Managerial Implications

The results of the current study highlight what SME managers can do to become more competitive with the help of digital technology. SME managers should keep in mind that the application of digital technology should also be the foundation upon which long-lasting customer relationship strategies are built. The ability of SMEs to provide a more personalized interaction and therefore improve customer engagement can be substantiated through AI-driven communication and customer data analysis. Furthermore, in the highly relationship-oriented markets, where trust and long-lasting relationships are of value, the digital transformation strategy should take into account the cultural values that underpin the customer's interactions with businesses. The integration of digital technology with aspects of business culture can potentially increase the effectiveness of integration of digital technology into processes and ultimately improve the competitive position of the business in the long run.

6.3. Limitations And Future Research

There are a few limitations of this study that should be acknowledged. This study only concentrates on SMEs in Indonesia; therefore, the findings may not apply to other countries with other cultural and economic systems. Future studies may build on this model to examine SMEs in other cultural contexts in order to shed some light on digital transformation as a cultural phenomenon. In addition, the cross-sectional design attempts to capture the different dimensions of digital transformation at a given time. Therefore, it becomes difficult to examine the evolutionary state of the technological and relational capabilities. Longitudinal studies may show the impact of digital transformation on competitiveness over time, as this study examines the cultural dimensions of competitiveness, limited to a few variables. In a similar vein, multiple other organizational and environmental variables may influence the competitiveness of SMEs. Future studies may identify and incorporate other strategic variables to explain the phenomenon of competitiveness in digitally transforming markets more fully.

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