

The Role of Digital Innovation in Shaping Business Strategy in the Digital Era: An Empirical Study Using Structural Equation Modeling

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Abstract—Abstract Digital innovation has emerged as a fundamental driver of strategic transformation in organizations operating in the digital era. As firms increasingly adopt digital technologies to enhance competitiveness, understanding how digital innovation shapes business strategy becomes critically important. This study investigates the role of digital innovation in shaping business strategy in the digital era using an empirical approach based on Structural Equation Modeling (SEM). Data were collected through a survey of firms actively implementing digital technologies, and the proposed research model examines the causal relationships between digital innovation capabilities and business strategy development. The results reveal that digital innovation has a significant and positive effect on business strategy, enabling organizations to enhance strategic agility, value creation, and responsiveness to market dynamics. Furthermore, the findings indicate that digital innovation serves as a key enabler in aligning organizational resources and strategic objectives in digitally intensive environments. This study contributes to the literature on digital transformation and strategic management by providing empirical evidence on the strategic role of digital innovation. These findings highlight important guidance for managers in formulating data-driven and innovation centered strategies to ensure sustainable competitiveness in today's digital environment.

Keywords— *Digital Innovation; Business Strategy; Digital Transformation; Structural Equation Modeling; Digital Era;*

I. INTRODUCTION

The rapid development of digital technology has brought fundamental changes to the way organizations and business actors conduct their business activities. Digital innovation, characterized by the utilization of technologies such as social media, e-commerce platforms, cloud computing, data analytics, and digital-based information systems, has become a major driver of strategic transformation across various economic sectors [6]. This transformation not only affects large enterprises but is also increasingly relevant for Micro, Small, and Medium Enterprises (MSMEs), which play a crucial role in supporting both national and regional economies [1].

MSMEs are the backbone of the Indonesian economy due to their significant contribution to job creation, income distribution, and local economic growth. The number of MSMEs in Indonesia, West Java Province, and Kuningan Regency shows an upward trend during the 2021–2023 period, as presented in Table 1.

Region	2021	2022	2023
Indonesia	64.2 Million	65 Million	66 Million
West Java	622.225	667.795	641.639

Kuningan Regency	128.103	136.029	144.445
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Source : Ministry of Cooperatives and SMEs of the Republic of Indonesia (2023); Open Data Jabar (2023); Statistics Indonesia – West Java Province (2023).

Based on data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, the number of MSMEs in Indonesia has continued to increase from 64.2 million units in 2021 to 65.0 million units in 2022, reaching 66.0 million units in 2023. This trend indicates that MSMEs demonstrate strong resilience and play a strategic role in maintaining national economic stability [9].

At the regional level, West Java Province, as one of the provinces with the highest economic activity in Indonesia, also records a substantial number of MSMEs. Data from Open Data Jabar and Statistics Indonesia – West Java Province show that the number of MSMEs increased from 622,225 units in 2021 to 667,795 units in 2022, although it experienced an adjustment to 641,639 units in 2023. This fluctuation may be influenced by post-pandemic economic dynamics, updates in data collection systems, and the formalization and reclassification of business entities [10].

Meanwhile, at the local level, Kuningan Regency demonstrates relatively consistent and positive MSME development. The number of MSMEs in Kuningan Regency increased from 128,103 units in 2021 to 136,029 units in 2022, and further rose to 144,445 units in 2023. This growth indicates that MSMEs in Kuningan Regency have significant potential as drivers of the local economy, particularly in supporting local economic growth, job creation, and the utilization of regional competitive advantages [11].

Although the number of MSMEs continues to increase, the main challenge faced by MSME actors today lies not only in quantitative growth but also in their ability to enhance business competitiveness. Increasingly dynamic market competition, shifts in consumer behavior, and rapid technological developments require MSMEs to adapt strategically. In this context, digital innovation has become a key factor that enables MSMEs to improve operational efficiency, expand market reach, and create added value through digital-based products and services [7].

Previous studies indicate that digital innovation plays a strategic role in shaping adaptive and sustainable business strategies. Sebastian Kraus et al. (2021) emphasize that digital innovation capabilities significantly influence MSMEs' ability to respond to market changes through the formulation of more flexible business strategies [1]. Similarly, Karl Warner and Markus Wager (2019) argue that digital innovation fosters strategic agility, enabling firms to adjust their business strategies quickly and effectively [7].

However, empirical studies that specifically examine the role of digital innovation in shaping MSME business strategies at the regional level, particularly in Kuningan Regency, remain limited. Moreover, much of the existing literature conceptualizes digital innovation primarily as a driver of firm performance or operational outcomes rather than as a strategic mechanism influencing business strategy formulation.

The adoption of digital technology by MSMEs is not sufficient if it is limited to the partial use of social media or digital platforms. What is required is the strategic integration of digital innovation into core business processes—including marketing, operations, financial management, and strategic decision-making—in order to generate sustainable competitive advantage [3]. From a strategic management perspective, digital innovation should be understood as a capability that shapes how business strategies are formulated, executed, and continuously adapted [4].

The Government of Kuningan Regency has demonstrated its commitment to promoting MSME digital transformation through digital marketing training programs, facilitation of e-commerce adoption, and the strengthening of digital ecosystems for local products. In addition, the Statistics Office of Kuningan Regency actively conducts MSME data collection and statistical development to support evidence-based regional economic policies. Nevertheless, the level of digital innovation adoption remains heterogeneous, and not all MSMEs have optimally integrated digital technologies into their strategic decision-making processes.

Based on these conditions, examining the role of digital innovation in shaping MSMEs' business strategies in Kuningan Regency becomes academically and practically significant.

STUDY LITERATURE

1. Digital Innovation as a Strategic Capability

Digital innovation refers to the integration and recombination of digital technologies to create new value propositions, processes, and business models. Unlike conventional technological innovation, digital innovation is characterized by reprogrammability, data-driven decision-making, and platform-based scalability.

Satish Nambisan et al. (2020) argue that digital innovation fundamentally transforms how firms create and capture value by embedding digital technologies into core organizational activities. Similarly, Kreiterling (2023) emphasizes that digital innovation constitutes a central pillar of digital transformation, influencing organizational structures, processes, and strategic direction [6].

From a strategic perspective, digital innovation should not be viewed merely as technology adoption. Instead, it represents a higher-order organizational capability that enables continuous renewal and adaptation. This perspective aligns with the dynamic capabilities view, where innovation capability functions as a mechanism for sustaining competitiveness in volatile environments [2][6].

For MSMEs, digital innovation capability includes:

- The ability to identify and exploit digital opportunities
- The integration of digital tools into operational and marketing processes
- The capacity to develop data-driven strategic insights

Thus, digital innovation becomes a strategic enabler rather than merely a technological instrument.

2. Business Strategy in the Digital Era

Business strategy traditionally refers to a set of managerial decisions and actions aimed at achieving competitive

advantage. However, in the digital era, strategy formulation increasingly depends on technological integration and digital readiness.

Peter C. Verhoef et al. (2021) explain that digital transformation requires firms to align digital technologies with corporate strategy, organizational design, and value creation mechanisms. Strategic orientation in digital contexts is characterized by adaptability, responsiveness, and continuous innovation.

For MSMEs, business strategy in the digital era may include:

- Market expansion through digital channels
- Digital customer engagement strategies
- Platform-based distribution models
- Data-driven strategic planning

Therefore, business strategy becomes inseparable from digital capability development [8].

3. Digital Innovation and Business Strategy: A Causal Link

The relationship between digital innovation and business strategy has attracted increasing scholarly attention. However, existing studies frequently position digital innovation as an antecedent to firm performance rather than as a determinant of strategic orientation itself [7].

Sebastian Kraus et al. (2021) show that digital innovation enhances SMEs' flexibility in responding to market dynamics. Likewise, Karl Warner and Markus Wager (2019) highlight that digital innovation fosters strategic agility.

Despite these findings, empirical studies explaining **how digital innovation capability structurally shapes business strategy formulation** remain limited. Most research stops at performance implications rather than examining the endogenous transformation of strategic configurations.

This study addresses this limitation by conceptualizing business strategy as an outcome of digital innovation capability within a structural model framework [1].

4. Dynamic Capabilities Perspective

The dynamic capabilities framework provides a strong theoretical foundation for explaining how digital innovation shapes strategic outcomes.

Dynamic capabilities refer to an organization's ability to:

1. **Sense** emerging opportunities and threats
2. **Seize** those opportunities through strategic decisions
3. **Reconfigure** internal resources to sustain competitiveness

In digital environments, digital innovation functions as a dynamic capability that facilitates continuous strategic renewal. By embedding digital technologies into core processes, firms enhance their ability to adapt strategic orientation in response to environmental turbulence.

For MSMEs operating in emerging markets, dynamic capabilities are particularly crucial due to:

- Resource constraints
- Rapid digital diffusion
- Institutional transitions

Therefore, integrating digital innovation within a dynamic capabilities perspective allows this study to explain not only

performance outcomes but also strategic configuration processes.

5. Research Gap

Despite the growing body of literature, several gaps remain.

1. The majority of empirical research has concentrated on large corporations in advanced economies, resulting in limited attention to MSMEs operating within emerging regional environments.
2. Many prior studies employ descriptive or single-equation methods, limiting causal interpretation.
3. Limited research explicitly integrates digital innovation and business strategy within a dynamic capabilities framework using a structural modeling approach.
4. The strategic-level mechanism through which digital innovation shapes business strategy remains theoretically underdeveloped.

Drawing on the identified research gaps, this study frames digital innovation as a form of dynamic capability that exerts a direct impact on the strategic orientation of MSMEs. Using a Structural Equation Modeling (SEM) method and examining MSMEs in Kuningan Regency, the research seeks to generate more robust empirical evidence regarding the relationship between digital innovation and business strategy [5].

This research contributes several key novelties. First, it positions digital innovation at the strategic level as a dynamic capability that shapes firms' strategic direction, rather than merely viewing it as a determinant of organizational performance. Second, it combines the concepts of digital innovation and business strategy within the dynamic capabilities framework, highlighting the roles of sensing, seizing, and reconfiguring processes. Third, the application of SEM strengthens the empirical rigor of the analysis. Lastly, by concentrating on MSMEs in Kuningan Regency, the study enriches the literature with contextual evidence from a relatively underexplored emerging regional environment.

Theoretically, this research extends the dynamic capabilities framework by empirically validating digital innovation as a determinant of strategy formulation, reframes the digital innovation-strategy nexus by conceptualizing business strategy as an endogenous construct, and enriches the literature with evidence from emerging market MSMEs.

II. METHOD

A. Research Design

This research adopted a quantitative methodology with an empirical orientation to investigate the causal link between digital innovation and business strategy within Micro, Small, and Medium Enterprises (MSMEs) located in Kuningan Regency, Indonesia. Data were gathered through a cross-sectional survey targeting MSMEs that have integrated digital technologies into their operational activities.

This study applied **Partial Least Squares Structural Equation Modeling (PLS-SEM)** as the primary analytical technique. The selection of PLS-SEM was grounded in several methodological considerations. First, PLS-SEM is particularly suitable for predictive and exploratory research where

theoretical development is still evolving, especially in emerging market contexts. Second, the model in this study focuses on examining the explanatory power of digital innovation in predicting business strategy orientation, aligning with the variance-based nature of PLS-SEM. Third, PLS-SEM is appropriate for relatively small sample sizes and does not require multivariate normality assumptions, making it suitable for MSME research contexts with limited observations (Hair et al., 2022).

Therefore, PLS-SEM was considered more appropriate than covariance-based SEM (CB-SEM), which is generally recommended for theory confirmation and large-sample conditions.

B. Sampling and Data Collection

The target population comprised MSMEs in Kuningan Regency that have implemented digital technologies within their operational and managerial activities. The unit of analysis was the firm (organizational level), while the unit of observation consisted of individuals occupying strategic roles, including owners, managers, and key decision-makers responsible for digital initiatives and strategic planning.

A purposive sampling strategy was adopted with predefined inclusion criteria, namely: (1) MSMEs that have integrated digital technologies into business processes, and (2) respondents who possess direct involvement in strategic decision formulation and digital innovation implementation. This approach ensured the relevance and accuracy of the information obtained.

Primary data were collected using a structured questionnaire administered through online distribution channels and direct communication. A total of 100 valid responses were retained for analysis after data screening procedures. The sample size fulfills the minimum requirement for Partial Least Squares Structural Equation Modeling (PLS-SEM), adhering to the “10-times rule” and contemporary statistical power considerations for variance-based SEM models.

Potential Bias and Common Method Bias Control

Given that the study utilized self-reported survey responses obtained from a single representative within each organization, the potential risk of common method bias (CMB) was mitigated through both procedural and statistical approaches.

From a procedural standpoint, anonymity and confidentiality were guaranteed to minimize social desirability bias. The questionnaire items were carefully formulated using clear and neutral language, and the measurement of independent and dependent constructs was psychologically and structurally separated within the survey instrument to reduce respondents’ evaluation apprehension.

From a statistical perspective, Harman’s single-factor test was performed to assess whether a dominant latent factor accounted for the majority of the covariance among measures. The findings showed that no single factor explained more than 50% of the total variance, indicating that common method bias was not a substantial concern. Furthermore, full collinearity variance inflation factor (VIF) values were examined, and all constructs demonstrated VIF values below the conservative cut-

off value of 3.3, providing additional evidence that CMB did not significantly affect the data.

C. Operationalization of Variables

The constructs were measured using multi-item scales adapted from prior studies to ensure content validity. All indicators were measured using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree).

- **Digital Innovation (DI):** This construct reflects the extent to which firms adopt and integrate digital technologies to support business innovation.

Indicators:

- DI1: Adoption of digital technologies (e.g., social media, POS applications, online marketplaces)
- DI2: Utilization of digital platforms for new product/service development
- DI3: Integration of digital technologies across business functions
- DI4: Experimentation with new digital solutions

- **Business Strategy (BS):** This construct captures the firm’s strategic responsiveness and digital-oriented strategic alignment.

Indicators:

- BS1: Ability to respond quickly to market changes
- BS2: Alignment between digital technology adoption and business objectives
- BS3: Competitive advantage gained through digital innovation
- BS4: Strategic decisions supported by digital data

A summary of the constructs and their indicators is presented in Table 1.

Tabel 1. Summary of Constructs and Measurement Indicators

Construct	Code	Indicator Description	Source
Digital Innovation (DI)	DI1	My business has adopted digital technologies (such as social media, point of sale applications, or online marketplaces) to improve business processes.	[6] [2]
	DI2	My business utilizes digital platforms to	[8]

		develop or market new products services.	
	DI3	Digital technologies are integrated into various business functions (marketing, operations, and financial management)	[6]
	DI4	My business regularly experiments with new digital solutions to support business innovation.	[6] [2]
Business Strategy (BS)	BS1	My business is able to respond quickly to changes in the market.	[8]
	BS2	The adoption of digital technologies in my business is aligned with business objectives.	[7]
	BS3	Digital innovation helps my business gain a competitive advantage over competitors.	[3] [4]
	BS4	Strategic decisions in my business are supported by digital data or information.	[8]

From the proposed hypothesis, a research model was developed to illustrate the role of digital innovation in shaping business strategy, as presented in Figure 1.

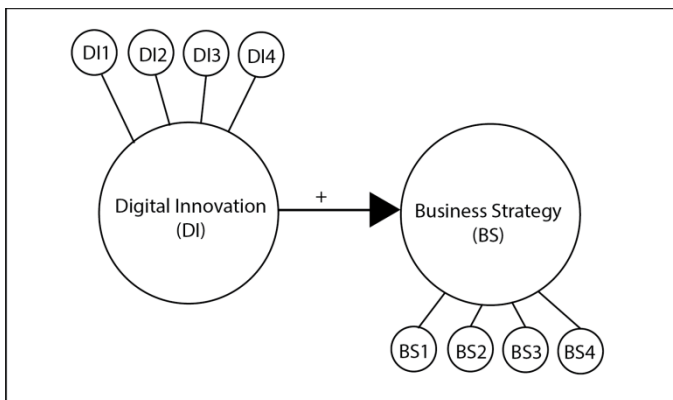


Figure 1. The proposed research model

D. Data Analysis Technique

Data analysis was conducted using **Python** within the **Google Colab** environment to enhance transparency and reproducibility.

The following Python libraries were utilized:

- semopy for estimating the PLS-SEM model
- pandas for data preprocessing and manipulation
- numpy for numerical computation
- scikit-learn for supplementary statistical validation
- pingouin for reliability and validity testing
- statsmodels for additional statistical diagnostics

The analysis followed a two-stage approach consistent with PLS-SEM guidelines:

1. Measurement Model Evaluation

Indicator reliability was assessed using outer loadings, with values above 0.70 considered acceptable. Internal consistency reliability was evaluated using:

- Cronbach's alpha
- Composite reliability (CR)

Convergent validity was determined by analyzing the Average Variance Extracted (AVE), with values greater than 0.50 indicating that the construct explains more than half of the variance of its indicators. Discriminant validity was examined using:

- Fornell Larcker criterion
- Heterotrait Monotrait Ratio (HTMT)

2. Structural Model Evaluation

The structural model was evaluated using:

- Path coefficients (β)
- t-values and p-values obtained via bootstrapping (5,000 resamples)
- Coefficient of determination (R^2) to assess explanatory power
- Effect size (f^2)
- Predictive relevance (Q^2) using blindfolding procedures

This systematic two-stage evaluation ensures the robustness and predictive validity of the proposed research model.

E. Ethical Considerations

Participation in this research was entirely voluntary. All respondents were guaranteed anonymity and confidentiality throughout the process. The information gathered was used exclusively for academic objectives and examined in aggregated form, ensuring that neither individual participants nor their businesses could be identified.

III. RESULTS AND DISCUSSION

4.1. Descriptive Analysis of Respondent Profiles

Based on data collected from 100 MSME respondents in Kabupaten Kuningan, the profile of respondents is presented in Table 2.

Table 2. Profile of MSME Respondents (n = 100)

Characteristic	Category	Frequency	Percentage
Business Sector	Culinary	42	42%
	Fashion & Crafts	33	33%
	Services & Others	25	25%
Business Duration	<2 Years	18	18%
	2-5 Years	58	58%
	>5 Years	24	24%

The majority of respondents operate in the culinary sector and have been in business for 2–5 years. This indicates that most firms are in the growth phase, a stage characterized by high strategic uncertainty and the need for continuous adaptation. In the context of digital transformation, firms in this stage must strengthen their capacity to sense, seize, and transform opportunities, as proposed in the Dynamic Capabilities framework.

4.2 Structural Equation Modeling (PLS-SEM) Analysis

Consistent with the methodology section, data were analyzed using **Partial Least Squares Structural Equation Modeling (PLS-SEM)** implemented in Python (Google Colab environment). The evaluation followed a two-stage approach: measurement model and structural model assessment.

4.2.1 Measurement Model Evaluation

Convergent validity and Reliability, Table 3 presents the results of indicator reliability, convergent validity, and internal consistency reliability.

Table 3. Convergent Validity Test Results

Latent Variable	Indicator	Loading Factor	AVE	Composite Reliability	Description	
Digital Integration (DI)	DI1, DI2, DI3, DI4	0,85 - 0,92	0,680	0,890	Valid	
	Business Success (BS)	BS1, BS2, BS3, BS4	0,81 - 0,88	0,650		0,88

All values exceed recommended thresholds, confirming:

- Indicator reliability
- Convergent validity
- Internal consistency reliability

Discriminant validity was confirmed using Fornell–Larcker and HTMT criteria.

Harman’s single-factor test showed that the first factor explained less than 50% variance, indicating that common method bias is unlikely to affect results.

4.2.2 Structural Model Evaluation

Goodness Of Fit (PLS-SEM Perspective)

The model was tested to ensure the alignment between the theoretical model and the empirical data collected from the 100 SMEs. Table 4 presents the results of the goodness-of-fit test.

Table 4. Model Validation Test

Fit Index	Result Analysis	Threshold (standard)	Description
CFI	0,997	≥ 0,90	Good Fit
TLI	0,996	≥ 0,90	Good Fit
RMSEA	0,025	≤ 0,08	Good Fit

Based on the results in Table 4, all indices meet the required statistical standards. The CFI and TLI values are close to 1.00, while the RMSEA and SRMR values are well below the maximum thresholds. Therefore, it can be concluded that the proposed research model has an excellent fit with the empirical data. Predictive relevance ($Q^2 > 0$) confirmed that the model has predictive capability.

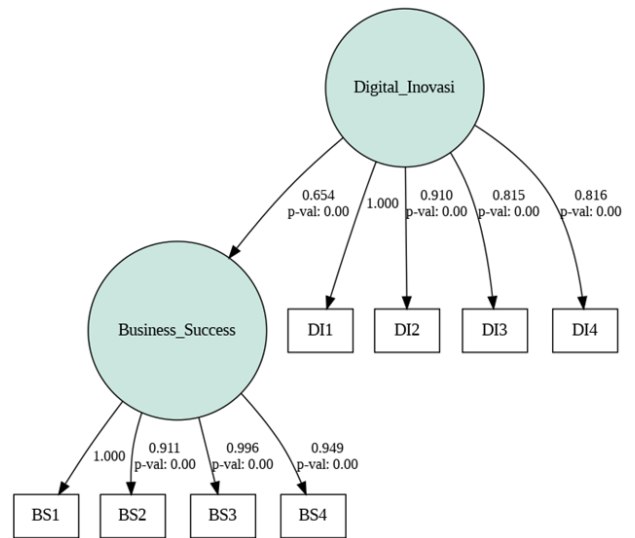


Figure 2. SEM Path Diagram

4.3 Hypothesis Testing (Direct Effect)

Bootstrapping procedures (5,000 resamples) were performed to test the structural relationship.

Hypothesis	Relationship Path	Estimate (Coefficient)	P-Value	Conclusion
H1	DI » BS	0.85	0.000	Accepted

The path coefficient ($\beta = 0.85$) indicates a strong positive and statistically significant effect.

Explanatory Power

- R^2 (Business Strategy) = 0.72
This indicates that 72% of the variance in Business Strategy is explained by Digital Innovation.

Effect Size

- $f^2 = 0.54$ (large effect)

Predictive Relevance

- $Q^2 > 0$, indicating adequate predictive capability.

4.4 Discussion: Integration with Dynamic Capabilities Theory

The findings provide empirical support for the **Dynamic Capabilities Theory** introduced by David J. Teece, which argues that firms must develop higher-order capabilities to respond to rapidly changing environments.

Within this theoretical lens:

- **Digital Innovation** reflects the firm's ability to *sense* technological opportunities,
- The integration of digital systems across functions demonstrates the capacity to *seize* digital opportunities,
- Alignment of digital adoption with strategic decisions represents the *transform* dimension.

The strong path coefficient (0.85) suggests that MSMEs capable of effectively integrating digital technologies are better positioned to develop adaptive and competitive business strategies. This finding reinforces the argument that digital technologies are not merely operational tools but strategic enablers of organizational transformation.

In the context of MSMEs in Kabupaten Kuningan, digital platforms (e-commerce, digital payments, social media marketing) function as mechanisms that enhance strategic agility and market responsiveness, consistent with the sensing–seizing–transforming framework.

4.5 Additional Analyses

1) Multi-Group Analysis (Robustness Check)

A multi-group analysis was conducted based on business duration:

Firms <5 years

Firms ≥ 5 years

Results indicate that the DI \rightarrow BS relationship remains positive and significant in both groups, although the effect is slightly stronger for younger firms. This

suggests that newer MSMEs rely more heavily on digital innovation to shape strategic positioning.

2) Effect Size (f^2)

Effect size analysis shows:

$f^2 = 0.54$ (large effect size)

This confirms that Digital Innovation has a substantial impact on Business Strategy, strengthening the robustness of the findings.

3) Common Method Bias Assessment

Harman's single-factor test was conducted. The first factor explained less than 50% of total variance, indicating that common method bias is unlikely to threaten the validity of the findings.

4.6 Theoretical and Practical Implications

Theoretical Contribution

This study extends Dynamic Capabilities Theory by empirically demonstrating that Digital Innovation serves as an antecedent of Business Strategy in MSMEs within emerging digital ecosystems.

Practical Implications

For MSME owners and policymakers:

- Digital adoption should be integrated into strategic decision-making processes.
- Investment in digital competencies enhances strategic agility.
- Policymakers should design digital empowerment programs focused on strategic capability development rather than mere technology adoption.

IV. CONCLUSIONS

Based on the data analysis and hypothesis testing, the following conclusions can be drawn:

1. Main Findings

This study demonstrates that Digital Innovation has a strong and statistically significant positive effect on Business Strategy ($\beta = 0.85$; $p < 0.001$) among MSMEs in Kuningan Regency. The structural model shows substantial explanatory power ($R^2 = 0.72$), indicating that digital technology adoption, integration across business functions, and digital experimentation significantly enhance firms' strategic agility, market responsiveness, and competitive positioning. These findings confirm that digital innovation plays a central role in shaping MSMEs' strategic orientation in the digital era.

2. Theoretical Contributions

This study makes explicit theoretical contributions by extending Dynamic Capabilities Theory as developed by David J. Teece within the context of MSMEs in an

emerging regional economy. The findings empirically demonstrate that Digital Innovation functions as a dynamic capability encompassing sensing (identifying technological opportunities), seizing (leveraging digital platforms for market advantage), and transforming (reconfiguring internal processes and strategic decisions). By positioning Digital Innovation as a direct antecedent of Business Strategy, this research advances the literature beyond viewing digitalization as mere technological adoption and instead conceptualizes it as a higher-order strategic capability.

3. Practical Implications

From a managerial perspective, the results suggest that MSME owners should treat digital innovation as a strategic priority rather than an operational tool. Digital technologies must be integrated into strategic planning, competitive positioning, and decision-making processes. For policymakers, digital empowerment programs should emphasize strategic digital capability development rather than focusing exclusively on technical training. Strengthening strategic digital competencies can enhance MSMEs' sustainability and long-term competitiveness.

4. Research Limitations

Despite its contributions, this study has several limitations. First, the cross-sectional design limits the ability to capture the dynamic evolution of digital capabilities over time. Second, the study is geographically limited to MSMEs in a single region, which may restrict generalizability to broader contexts. Third, the model includes a single primary predictor, thereby not accounting for potential mediating or moderating variables that may further explain the relationship between digital innovation and business strategy. Additionally, the use of self-reported data may introduce subjective bias, although statistical procedures were conducted to minimize common method bias.

5. Directions for Future Research

Future studies are encouraged to adopt longitudinal research designs to examine how digital capabilities evolve and influence strategic transformation over time. Expanding the research scope to multiple regions or conducting cross-country comparative studies would enhance external validity. Researchers may also incorporate mediating variables such as organizational learning, innovation capability, or digital maturity, as well as moderating variables such as environmental turbulence or competitive intensity. Employing more advanced analytical approaches, including moderated mediation or multi-group analysis across industries, could provide deeper insights into the mechanisms through which Digital Innovation shapes sustainable Business Strategy.

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