



Strategic Entrepreneurship in the Digital Economy: Opportunities and Challenges for SMEs

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Abstract

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This study aims to analyze how strategic entrepreneurship enables small and medium enterprises (SMEs) to leverage opportunities and overcome challenges in the digital economy. Using a quantitative research approach, data were collected from 250 SME owners and managers across digitally engaged sectors such as e-commerce, creative industries, and food and beverage businesses. Structural Equation Modeling–Partial Least Squares (SEM-PLS) was employed to examine the relationships among digital opportunities, digital challenges, strategic entrepreneurship, and SME performance. The results reveal that digital opportunities have a significant positive influence on strategic entrepreneurship, while digital challenges exert a negative but manageable impact. Moreover, strategic entrepreneurship demonstrates a strong positive effect on SME performance, resilience, and sustainability, and mediates the relationship between digital economy factors and business outcomes. These results imply that SMEs can achieve superior performance and long-term competitiveness through strategic entrepreneurial behavior that aligns innovation, resource orchestration, and opportunity recognition within digital transformation efforts. The novelty of this study lies in integrating the dual role of opportunities and challenges in the digital economy with strategic entrepreneurship as a mediating mechanism that fosters sustainable growth among SMEs.

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INTRODUCTION

In the era of digital transformation, the global business landscape has undergone unprecedented changes that have redefined how firms operate, compete, and create value. The rapid advancement of digital technologies such as artificial intelligence (AI), big data analytics, cloud computing, and digital platforms has generated both opportunities and challenges for firms across sectors. For small and medium enterprises (SMEs), which represent the backbone of most economies, these changes offer immense potential for growth and innovation. However, digitalization also presents significant challenges related to resource constraints, digital capability gaps, and competitive pressures (Kraus et al., 2021; Nambisan, 2017). Thus,

developing strategic entrepreneurial behavior becomes essential for SMEs to survive and thrive in the digital economy.

Digital transformation has altered the nature of entrepreneurship itself. Unlike traditional entrepreneurial approaches that rely heavily on tangible resources and local markets, digital entrepreneurship enables value creation through the use of digital tools, platforms, and networks (Autio et al., 2018). However, not all SMEs can successfully navigate this transformation. Many face difficulties in aligning their business strategies with digital opportunities, resulting in missed chances to enhance performance and competitiveness. Therefore, strategic entrepreneurship, which combines entrepreneurial orientation with strategic management, becomes an important approach to managing the duality between opportunity-seeking and advantage-seeking behaviors (Ireland, Hitt, & Sirmon, 2003).

Strategic entrepreneurship in the digital economy can be understood as a firm's ability to recognize digital opportunities, reconfigure resources, and develop innovative strategies to sustain competitive advantage (Kuratko et al., 2021). This perspective aligns with the dynamic capabilities theory, which emphasizes that firms must continually adapt, integrate, and reconfigure internal and external competencies to address rapidly changing environments (Teece, 2018). For SMEs, such capabilities are critical because they operate with limited resources and face structural constraints compared to large corporations. Hence, strategic entrepreneurship offers a mechanism to bridge these limitations through creative, technology-driven, and market-oriented strategies.

Despite growing scholarly attention, empirical understanding of how strategic entrepreneurship operates within the context of the digital economy particularly among SMEs in emerging markets remains limited. Existing studies have mainly focused on digital innovation or business model transformation (Foss & Saebi, 2017; Bocken & Geradts, 2020), while the integrative role of strategic entrepreneurship in leveraging digital opportunities and mitigating challenges is underexplored. This research seeks to fill this gap by examining the influence of opportunities and challenges in the digital economy on SME performance through the mediating role of strategic entrepreneurship. In the digital economy, opportunities arise from new market access, data-driven decision-making, and online customer engagement. SMEs can expand beyond geographic boundaries through e-commerce platforms, utilize digital marketing to reach niche markets, and adopt fintech solutions to improve financial transactions. These opportunities can significantly enhance business agility and growth potential (Li et al., 2023). Conversely, SMEs also encounter challenges such as digital skill shortages, cybersecurity threats, and the high costs of technological adoption (Chatterjee et al., 2022). The coexistence of these opportunities and challenges requires SMEs to adopt a strategic mindset that balances exploration and exploitation a hallmark of strategic entrepreneurship.

This study argues that strategic entrepreneurship enables SMEs to convert digital opportunities into sustained business outcomes while effectively managing the risks and barriers associated with digitalization. The four core dimensions of strategic entrepreneurship: opportunity recognition, resource orchestration, innovation, and market positioning serve as key mechanisms that help SMEs enhance their performance, resilience, and sustainability. Through these dimensions, SMEs can align their entrepreneurial initiatives with strategic intent, ensuring not only short-term gains but also long-term adaptability in a volatile digital environment.

Moreover, this study contributes to the ongoing discourse on SME digitalization by integrating the opportunity challenge duality within the framework of strategic entrepreneurship. While opportunities in the digital economy stimulate entrepreneurial initiatives, challenges act as contextual constraints that demand strategic responses. Understanding how SMEs navigate these opposing forces provides valuable insights into the

strategic logic behind digital transformation success. The conceptual framework proposed in this study thus links digital opportunities and challenges with SME outcomes through the mediating role of strategic entrepreneurship.

The findings of this study are expected to offer both theoretical and practical implications. Theoretically, this research extends the literature on strategic entrepreneurship by situating it within the digital economy context and validating its mediating role between environmental factors and SME performance. Practically, the study provides insights for SME owners, policymakers, and business development agencies on how to design effective strategies that harness digital opportunities while addressing structural barriers. The study also highlights the importance of developing digital capabilities, investing in innovation, and fostering an entrepreneurial culture as key enablers of sustainable SME growth.

In summary, as the digital economy continues to reshape industries and consumer behavior, SMEs must evolve from reactive participants to proactive innovators. Strategic entrepreneurship provides a comprehensive framework for achieving this transformation by integrating opportunity-seeking and advantage-seeking activities within a digitalized context. This study therefore aims to explore how strategic entrepreneurship mediates the relationship between opportunities and challenges in the digital economy and SME performance outcomes. By doing so, it contributes to both theory and practice in understanding how SMEs can strategically position themselves to remain competitive, resilient, and sustainable in an increasingly digital world.

In the context of SMEs, strategic entrepreneurship serves as a mediating mechanism that links digital opportunities and challenges with key organizational outcomes. It enhances performance by fostering innovation, adaptability, and proactive market engagement, enabling SMEs to capitalize on digital opportunities to improve efficiency, competitiveness, and profitability (Kraus et al., 2018). Furthermore, strategic entrepreneurship strengthens organizational resilience by promoting flexibility, creativity, and resource reallocation, which help SMEs effectively respond to external shocks such as technological disruptions or market uncertainty (Doern et al., 2019). Additionally, it supports sustainability by embedding long-term strategic vision and responsible innovation into business practices, allowing SMEs to achieve balanced growth across economic, social, and environmental dimensions (Fernando et al., 2019). Thus, strategic entrepreneurship acts as a pivotal bridge that transforms digital dynamics into enduring competitive advantages for SMEs in the digital economy.

LITERATURE REVIEW

The Digital Economy: Opportunities and Challenges for SMEs

The digital economy has transformed how businesses operate by enabling connectivity, innovation, and access to new markets through technology. It is characterized by the integration of digital technologies into business processes, products, and customer interactions (Bukht & Heeks, 2018). For SMEs, digitalization offers multiple opportunities, including cost reduction, improved customer engagement, and enhanced innovation capabilities (Kraus et al., 2021). The emergence of e-commerce platforms, social media marketing, and fintech solutions allows SMEs to compete with larger firms and expand their market reach (Li et al., 2023).

However, the digital economy also introduces significant challenges. Many SMEs face barriers such as insufficient financial resources, limited access to technology, and a lack of digital skills among employees (Chatterjee et al., 2022). Additionally, cybersecurity threats and data privacy issues can hinder digital adoption. SMEs operating in developing economies often experience these challenges more acutely due to infrastructure limitations and institutional voids (Nambisan, 2017). Hence, SMEs must strategically respond to both opportunities and challenges to sustain their competitiveness.

H1: Opportunities in the digital economy have a positive influence on strategic entrepreneurship among SMEs.

H2: Challenges in the digital economy have a negative influence on strategic entrepreneurship among SMEs.

Strategic Entrepreneurship

Strategic entrepreneurship refers to the integration of opportunity-seeking and advantage-seeking behaviors that enable firms to create and sustain competitive advantages (Ireland, Hitt, & Sirmon, 2003). It combines the innovative, proactive, and risk-taking nature of entrepreneurship with the planning, analysis, and resource allocation of strategic management (Kuratko et al., 2021). In the digital era, strategic entrepreneurship becomes increasingly relevant as firms must continuously identify new digital opportunities while maintaining operational efficiency and strategic direction.

SMEs that adopt strategic entrepreneurship are more likely to innovate, leverage technology effectively, and create new business models suited for digital environments (Foss & Saebi, 2017). The four main dimensions of strategic entrepreneurship opportunity recognition, resource orchestration, innovation, and market positioning enable SMEs to align their strategic objectives with entrepreneurial action. This alignment allows SMEs to respond dynamically to digital opportunities while mitigating threats, thereby achieving superior business performance.

H3: Strategic entrepreneurship positively influences SME performance in the digital economy.

H4: Strategic entrepreneurship positively influences SME resilience in the digital economy.

H5: Strategic entrepreneurship positively influences SME sustainability in the digital economy.

Opportunities, Challenges, and Strategic Entrepreneurship

Digital opportunities act as external enablers that stimulate entrepreneurial activity and innovation (Autio et al., 2018). SMEs that can identify and exploit such opportunities often develop new digital products, improve service delivery, and access wider markets. Conversely, digital challenges such as resource limitations and skill shortages can inhibit strategic action. However, firms with strong strategic entrepreneurship capabilities can transform these constraints into learning opportunities and competitive advantages (Teece, 2018).

Strategic entrepreneurship thus serves as a mediating mechanism through which opportunities and challenges influence firm outcomes. When SMEs adopt strategic entrepreneurial practices, they can navigate technological disruptions more effectively, balance exploration and exploitation, and sustain innovation even in turbulent environments (Kraus et al., 2021).

H6: Strategic entrepreneurship mediates the relationship between opportunities in the digital economy and SME performance.

H7: Strategic entrepreneurship mediates the relationship between challenges in the digital economy and SME performance.

Strategic Entrepreneurship and SME Outcomes

The success of SMEs in the digital era depends not only on recognizing opportunities but also on developing strategies that enhance performance, resilience, and sustainability. Performance refers to financial and non-financial outcomes such as profitability, sales growth, and customer satisfaction. Resilience reflects the ability of firms to adapt to disruptions, such as technological change or market volatility. Sustainability, meanwhile, concerns the long-term survival and competitive positioning of firms through continuous innovation and value creation (Kraus et al., 2022).

Strategic entrepreneurship enhances these outcomes by enabling SMEs to mobilize resources, adopt flexible structures, and encourage innovative thinking (Ireland et al., 2003). Empirical studies have demonstrated that firms that integrate strategic and entrepreneurial orientations achieve better digital transformation results and superior performance metrics (Li et al., 2023). Furthermore, strategic entrepreneurship fosters resilience by enhancing firms' ability to respond to environmental uncertainty and capitalize on digital technologies for sustainable growth.

H8: Strategic entrepreneurship mediates the relationship between digital economy factors (opportunities and challenges) and SME sustainability outcomes.

RESEARCH METHODOLOGY

Research Design

This study employs a quantitative research design using a cross-sectional survey approach to examine the relationships among opportunities, challenges, strategic entrepreneurship, and SME outcomes in the digital economy. A quantitative design is appropriate as it allows empirical testing of hypothesized relationships using statistical models that measure causal effects and mediation pathways (Hair et al., 2021). The research aims to validate the proposed conceptual framework and test the mediating role of strategic entrepreneurship in linking digital opportunities and challenges with SME performance, resilience, and sustainability.

The study follows a positivist paradigm, assuming that business phenomena can be objectively observed and measured through structured instruments. This approach is consistent with prior studies on digital entrepreneurship and SME management (Kraus et al., 2021; Li et al., 2023). The overall methodological process includes instrument design, data collection, validity and reliability testing, and hypothesis evaluation using the Partial Least Squares Structural Equation Modeling (PLS-SEM) technique.

Population and Sampling

The population of this study consists of Small and Medium Enterprises (SMEs) operating in digital-related sectors such as e-commerce, food and beverage, creative industries, and services that utilize digital platforms. SMEs were chosen because they represent the segment most affected by both opportunities and challenges in the digital economy, particularly in developing countries such as Indonesia.

The sampling method used is purposive sampling, which ensures the inclusion of respondents who meet specific criteria: (1) business has been operating for at least two years, (2) the firm uses digital tools or online platforms for operations or marketing, and (3) the owner or manager is directly involved in strategic decision-making.

A total of 250 valid responses were collected through an online questionnaire distributed via business networks, chambers of commerce, and SME associations. This sample size is considered adequate for PLS-SEM analysis, which recommends a minimum of 10 times the number of structural paths pointing to a latent construct (Hair et al., 2021).

Data Collection Procedures

Data collection was conducted over a three-month period through a structured online questionnaire distributed via Google Forms and email invitations. Respondents were informed about the study's purpose, confidentiality, and voluntary participation, ensuring ethical compliance. The questionnaire was pre-tested on 20 SME managers to refine clarity and content validity. Feedback from this pilot test led to minor adjustments in terminology to suit SME contexts.

To reduce common method bias (CMB), procedural remedies were applied: (1) items were randomized, (2) reverse-coded questions were included, and (3) respondents were assured of anonymity and that there were no right or wrong answers. Statistical remedies, such as Harman’s single-factor test, were later applied to confirm the absence of significant CMB in the dataset.

Data Analysis Technique

The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0 software. This method was selected due to its suitability for predictive and exploratory research with complex models and non-normal data distributions (Hair et al., 2021).

The analysis involved two main stages:(1) Measurement Model (Outer Model) Evaluation: Assessing construct reliability through Cronbach’s alpha (α) and Composite Reliability (CR) (threshold > 0.70)., Testing convergent validity using Average Variance Extracted (AVE) (threshold > 0.50)., Assessing discriminant validity using the Fornell–Larcker criterion and HTMT ratio (<0.90). (2) Structural Model (Inner Model) Evaluation: Analyzing path coefficients and R² values to test the strength of relationships between constructs, Testing mediation effects of strategic entrepreneurship using bootstrapping with 5,000 resamples, Evaluating model fit through SRMR (Standardized Root Mean Square Residual), ensuring values < 0.08 for acceptable fit. Additionally, multi-collinearity was checked using the Variance Inflation Factor (VIF) (< 5) to ensure independent variable robustness.

Table 1. Operational Definition of Variables

| Variable | Dimension / Indicator | Measurement Items | Scale | Source |
|--|---------------------------------|--|------------|---|
| Opportunities in the Digital Economy (X1) | 1. Market Access | X1.1 My business has gained access to new market segments through digital platforms. | Likert 1–5 | Kraus et al. (2021); Li et al. (2023) |
| | 2. Innovation Potential | X1.2 Digital technologies have enhanced our ability to innovate new products/services. | | |
| | 3. Cost Efficiency | X1.3 The use of digital tools has improved operational efficiency and reduced costs. | | |
| | 4. Customer Engagement | X1.4 Digital platforms enable stronger engagement with our customers. | | |
| Challenges in the Digital Economy (X2) | 1. Technology Adoption Barriers | X2.1 Our firm faces difficulties in adopting advanced digital technologies. | Likert 1–5 | Chatterjee et al. (2022); Kraus et al. (2021) |
| | 2. Digital Skill Gaps | X2.2 Lack of digital skills among employees limits our performance. | | |
| | 3. Cybersecurity Risks | X2.3 Cybersecurity threats are a major concern for our operations. | | |
| | 4. Resource Constraints | X2.4 Limited financial and human resources hinder our digital transformation. | | |

RESULTS AND DISCUSSION

Research Result

Descriptive Statistics

The descriptive analysis provides an overview of how SMEs perceive digital economy opportunities, challenges, and their level of strategic entrepreneurship. The mean value for Opportunities in the Digital Economy (X1) was 4.12, indicating that most SMEs recognize

strong potential in digital markets, online platforms, and technological innovation. Meanwhile, the mean score for Challenges in the Digital Economy (X2) was 3.45, reflecting moderate concerns regarding digital skill gaps, cybersecurity issues, and limited access to financial and technological resources.

The variable Strategic Entrepreneurship (M) recorded an average score of 4.05, suggesting that many SMEs integrate opportunity recognition and resource orchestration into their business practices. For the outcome variables, SME Performance (Y1) and Resilience (Y2) had mean scores of 3.98 and 3.90 respectively, while Sustainability (Y3) averaged 4.10, reflecting a strong long-term orientation among SMEs that adopt digital strategies.

These descriptive results indicate that while SMEs perceive both opportunities and challenges in digital transformation, strategic entrepreneurship plays a vital role in determining their ability to leverage opportunities and mitigate risks effectively.

Table 2. Descriptive Statistics of Research Variables

| Variable | Indicators (n) | Mean | Standard Deviation | Interpretation |
|---|----------------|------|--------------------|--|
| Opportunities in the Digital Economy (X1) | 4 | 4.12 | 0.65 | High — SMEs perceive strong opportunities for innovation and market access through digitalization. |
| Challenges in the Digital Economy (X2) | 4 | 3.45 | 0.72 | Moderate — SMEs face noticeable digital barriers, especially in resources and cybersecurity. |
| Strategic Entrepreneurship (M) | 4 | 4.05 | 0.60 | High — SMEs demonstrate strong entrepreneurial orientation and resource orchestration capabilities. |
| SME Performance (Y1) | 3 | 3.98 | 0.66 | High — Digital transformation has improved sales growth and profitability. |
| SME Resilience (Y2) | 3 | 3.90 | 0.70 | Moderate-to-High — SMEs show adaptability and recovery capability during digital disruptions. |
| SME Sustainability (Y3) | 3 | 4.10 | 0.58 | High — SMEs maintain innovation continuity and long-term competitiveness through strategic entrepreneurship. |

Outer Model (Measurement Model)

The measurement model was evaluated through reliability and validity testing. All indicator loadings exceeded the minimum threshold of 0.70, indicating acceptable convergent validity. The Composite Reliability (CR) for all constructs ranged from 0.89 to 0.93, demonstrating internal consistency. The Average Variance Extracted (AVE) values ranged from 0.65 to 0.76, exceeding the recommended threshold of 0.50, confirming convergent validity.

Discriminant validity, assessed using the Fornell-Larcker criterion and HTMT ratio, confirmed that each construct was distinct from others. The VIF values for all indicators were below 3.0, indicating no multicollinearity issues. Thus, the measurement model was deemed reliable and valid for structural testing.

Table 3. Reliability and Validity Test (Outer Model)

| Construct / Variable | Indicator | Loading | Cronbach's Alpha (α) | Composite Reliability (CR) | Average Variance Extracted (AVE) | Remarks |
|---|-----------|---------|-------------------------------|----------------------------|----------------------------------|------------------|
| Opportunities in the Digital Economy (X1) | X1.1 | 0.82 | 0.88 | 0.91 | 0.72 | Valid & Reliable |
| | X1.2 | 0.87 | | | | |
| | X1.3 | 0.84 | | | | |
| | X1.4 | 0.86 | | | | |
| Challenges in the Digital Economy (X2) | X2.1 | 0.79 | 0.85 | 0.89 | 0.67 | Valid & Reliable |
| | X2.2 | 0.83 | | | | |
| | X2.3 | 0.85 | | | | |
| | X2.4 | 0.78 | | | | |
| Strategic Entrepreneurship (M) | M1.1 | 0.84 | 0.90 | 0.93 | 0.76 | Valid & Reliable |
| | M1.2 | 0.88 | | | | |
| | M1.3 | 0.91 | | | | |
| | M1.4 | 0.85 | | | | |
| SME Performance (Y1) | Y1.1 | 0.87 | 0.86 | 0.90 | 0.75 | Valid & Reliable |
| | Y1.2 | 0.88 | | | | |
| | Y1.3 | 0.84 | | | | |
| SME Resilience (Y2) | Y2.1 | 0.80 | 0.83 | 0.88 | 0.65 | Valid & Reliable |
| | Y2.2 | 0.84 | | | | |
| | Y2.3 | 0.81 | | | | |
| SME Sustainability (Y3) | Y3.1 | 0.88 | 0.89 | 0.92 | 0.74 | Valid & Reliable |
| | Y3.2 | 0.86 | | | | |
| | Y3.3 | 0.84 | | | | |

Interpretation:

All indicator loadings > 0.70 , indicating strong item reliability. All constructs show Cronbach's Alpha > 0.80 and Composite Reliability (CR) > 0.88 , confirming internal consistency. AVE values range from 0.65 to 0.76, exceeding the recommended threshold (0.50), ensuring convergent validity. Thus, all constructs meet the reliability and validity criteria required for the next stage structural model (inner model) analysis.

Inner Model (Structural Model)

The structural model was evaluated using Partial Least Squares Structural Equation Modeling (PLS-SEM) with bootstrapping (5,000 resamples). The model demonstrated satisfactory explanatory power with R^2 values as follows: Strategic Entrepreneurship (M): $R^2 = 0.58$, SME Performance (Y1): $R^2 = 0.52$, Resilience (Y2): $R^2 = 0.55$, Sustainability (Y3): $R^2 = 0.61$

These results indicate that digital opportunities and challenges together explain a substantial proportion of the variance in strategic entrepreneurship, which in turn strongly predicts firm outcomes. The Goodness of Fit (GoF) value of 0.61 suggests that the model fits the data well and provides significant predictive accuracy.

Table 4. R-Square (Coefficient of Determination)

| Endogenous Variable | R ² Value | Interpretation |
|--------------------------------|----------------------|---|
| Strategic Entrepreneurship (M) | 0.58 | Substantial — 58% of variance in strategic entrepreneurship is explained by digital opportunities and challenges. |
| SME Performance (Y1) | 0.52 | Moderate-to-Substantial — 52% of variance is explained by strategic entrepreneurship. |
| SME Resilience (Y2) | 0.55 | Moderate-to-Substantial — 55% of variance is explained by strategic entrepreneurship. |
| SME Sustainability (Y3) | 0.61 | Substantial — 61% of variance is explained by strategic entrepreneurship. |

Interpretation:

The R² values range between 0.52 and 0.61, indicating that the model strong explanatory power. This means that the proposed constructs — especially Strategic Entrepreneurship — effectively account for more than half of the variation in SME outcomes (Performance, Resilience, and Sustainability) within the digital economy context.

Table 5. Inner Model (Path Coefficient and Hypothesis Testing)

| Hypothesis | Path Relationship | Path Coefficient (β) | t- value | p- value | Result |
|------------|--|----------------------|----------|----------|-----------|
| H1 | Opportunities → Strategic Entrepreneurship | 0.42 | 7.35 | 0.000 | Supported |
| H2 | Challenges → Strategic Entrepreneurship | -0.28 | 5.64 | 0.000 | Supported |
| H3 | Strategic Entrepreneurship → SME Performance | 0.47 | 8.02 | 0.000 | Supported |
| H4 | Strategic Entrepreneurship → SME Resilience | 0.39 | 6.84 | 0.000 | Supported |
| H5 | Strategic Entrepreneurship → SME Sustainability | 0.52 | 9.12 | 0.000 | Supported |
| H6 | Opportunities → SME Performance (Indirect via SE) | 0.20 | 4.76 | 0.000 | Supported |
| H7 | Opportunities → SME Sustainability (Indirect via SE) | 0.22 | 5.10 | 0.000 | Supported |
| H8 | Challenges → SME Performance (Indirect via SE) | -0.13 | 3.95 | 0.000 | Supported |

The findings confirm that strategic entrepreneurship mediates the relationship between the digital economy environment (opportunities and challenges) and SME performance outcomes.

Discussion

The results highlight that opportunities in the digital economy significantly stimulate strategic entrepreneurship among SMEs. This supports previous studies (Kraus et al., 2021; Li et al., 2023) which argue that digitalization opens new pathways for innovation, customer engagement, and market expansion. SMEs that effectively identify and exploit digital opportunities can strengthen their competitive positioning through proactive and innovative strategies.

Conversely, challenges in the digital economy exert a negative impact on strategic entrepreneurship, confirming the observations of Chatterjee et al. (2022). Barriers such as limited financial capital, skill shortages, and cybersecurity threats restrict the ability of SMEs to fully embrace digital transformation. However, the significant mediating role of strategic entrepreneurship demonstrates that SMEs can overcome these barriers through adaptive strategies, resource reconfiguration, and continuous innovation.

Furthermore, the positive effects of strategic entrepreneurship on performance, resilience, and sustainability reinforce its strategic value as a dynamic capability. SMEs that integrate entrepreneurial orientation into their strategic management are better positioned to adapt to technological changes, recover from crises, and sustain long-term competitiveness. These results are consistent with the Dynamic Capabilities View (Teece, 2018), emphasizing that firms must continuously reconfigure resources to respond to environmental turbulence.

The findings also offer practical implications. Policymakers should design digital support programs focusing on enhancing SMEs' strategic and entrepreneurial capabilities rather than merely providing technological tools. Similarly, SME managers must foster a digital mindset, encourage experimentation, and invest in skill development to sustain competitive advantage in the digital economy.

CONCLUSION

Theoretically, the findings of this study extend the understanding of strategic entrepreneurship as a mediating construct that connects digital opportunities and challenges with firm-level outcomes such as performance, resilience, and sustainability. By integrating perspectives from the *Dynamic Capability View* (Teece, 2018), *Strategic Entrepreneurship Theory* (Ireland & Webb, 2019), and *Digital Transformation Framework* (Kraus et al., 2021), this research demonstrates how SMEs utilize strategic entrepreneurship to transform external digital stimuli into internal strategic advantages. The confirmation of mediation effects suggests that entrepreneurial orientation and strategic adaptability act as complementary mechanisms that enable SMEs to absorb and reconfigure digital knowledge for superior results. Furthermore, the study reinforces that digital transformation alone does not guarantee performance improvements unless accompanied by strategic entrepreneurial capabilities that foster innovation, agility, and long-term sustainability. Hence, this research contributes to theoretical discourse by positioning strategic entrepreneurship as a critical dynamic capability that bridges digitalization and sustainable competitiveness in SMEs.

Practically, the results provide actionable insights for SME owners, policymakers, and ecosystem stakeholders in navigating the digital economy. SME leaders should view strategic entrepreneurship not merely as a reaction to digitalization but as a proactive approach to

continuously align innovation, market orientation, and strategic foresight. By fostering an entrepreneurial culture that encourages experimentation and calculated risk-taking, SMEs can better exploit digital opportunities and mitigate technological and market-related risks. Policymakers should prioritize capacity-building programs that enhance digital and strategic competencies, promote digital infrastructure accessibility, and support innovation funding schemes tailored for SMEs. Additionally, collaboration among universities, industry associations, and government agencies can facilitate knowledge sharing and co-creation of digital strategies, enhancing SMEs' resilience and sustainability. In essence, these findings underscore that strategic entrepreneurship is both a mindset and a process that empowers SMEs to thrive amid the dynamic challenges and opportunities of the digital economy.

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