

Title: Pathway towards SME competitiveness: Digital capability and digital business model innovation

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Abstract: Digital transformation has irrevocably redefined the landscape of contemporary business operations, heralding a new era in which DBMI has emerged as a critical strategic lever for competitive survival. Anchored on the dynamic capabilities theory, present study aims to meticulously investigate the influence of digital capability (antecedent) on DBMI and a keen focus on how DBMI, in turn, influences SME competitiveness (outcome). By adopting purposive sampling approach, data were collected from 132 SMEs representatives holding management positions in Malaysia using Google Form. The PLS-SEM analysis was rigorously carried out to verify the proposed hypotheses. The empirical findings illustrate that digital capability positively affects all components of DBMI. Of these, value creation, value proposition, and value capture innovation significantly bolster SME competitiveness, whereas value delivery innovation does not exhibit a similar effect. Considering the scarcity of empirical research on the antecedents and outcomes of DBMI, this study contributes to the theory of dynamic capabilities and improves the current literature on DBMI by providing empirical insights from Malaysian SMEs context. By affirming the role of digital capability and elucidating how DBMI can enhance competitiveness, the findings offer actionable guidance for SMEs navigating the complexities of a volatile business environment. Since this study focuses specifically on Malaysian SMEs within emerging economies, it paves the way for future investigations in developed economies and diverse regional contexts to further validate and expand upon the relationships identified between DBMI antecedents and outcomes.

Keywords: Digital transformation, Digital capability, Digital Business, Model Innovation (DBMI), Dynamic capabilities theory, SME competitiveness

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