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DIGITAL BUSINESS MODEL INNOVATION FOR MSMES IN INDONESIA'S CREATIVE ECONOMY ERA: A STRATEGIC MANAGEMENT APPROACH

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Abstract
This study examines digital business model innovation (DBMI) among Indonesia's creative-economy MSMEs through a strategic management lens. Using a qualitative literature review, we synthesized peer-reviewed articles, conference papers, and academic reports published between 2015 and 2024 from Scopus, Web of Science, Google Scholar, and DOAJ. An initial pool of > 150 records underwent title/abstract screening and full-text assessment, yielding 54 studies for in-depth analysis. Guided by RBV, dynamic capabilities, ambidexterity, and platform/ecosystem strategy, we coded themes on DBMI patterns, enablers/barriers, technological adoption, and ecosystem support, followed by narrative synthesis. Five recurrent DBMI patterns emerged—omnichannel/platformization, servitization/experience, data-driven pricing & personalization, community-based/creator, and sustainability-oriented—with clear cross-sector variation (community/creator in fashion and digital media; servitization in culinary; sustainability/made-to-order in crafts). Internal enablers include digital leadership, absorptive capacity, brand/community equity, content quality, and agile operations; external enablers encompass payments and logistics infrastructure, platform features, mentoring, and policy support. Salient barriers are platform commissions and price competition, limited data access/analytics skills, IP risks, and regulatory uncertainty. Reported outcomes span sales growth, customer retention, market reach, faster experimentation cycles, and resilience. The review proposes a contextual DBMI framework linking capabilities, model design, and ecosystem rails, and calls for standardized performance metrics and sector-specific, locally grounded interventions.

Keywords: Digital Business Model Innovation; MSMEs; Creative Economy; Strategic Management; Indonesia.

A. INTRODUCTION

Indonesia's creative economy rests on millions of MSMEs that transform ideas, skills, and local culture into economic value. That value does not arise solely from physical products, but also from stories, design, brand identity, and community relationships. Fashion, crafts, culinary enterprises, and digital media combine aesthetics with function, creating differentiation that large-scale industry struggles to imitate. The actors are spread across cities and regions, so their contributions reach a wide value chain—from input suppliers and artisans to content creators and supporting services.

On the employment front, creative MSMEs are labor-intensive and have relatively low entry barriers. Small enterprises absorb workers not only in production, but also in design, marketing, photography, packaging, and customer service. This pattern opens opportunities for youth and women, strengthens household economic independence, and catalyzes local clusters. Capacity building and market expansion therefore translate directly into community-level welfare gains.

A strong growth impulse comes from digital platforms. Marketplaces and social commerce reduce search costs, expand reach, and provide reputation mechanisms through reviews and ratings. Recommendation algorithms unlock the "long tail" of demand, allowing niche products to find the right buyers. Live shopping formats and short-form content turn selling into an experience, deepening the emotional bond between brands and their communities.

Payment and logistics infrastructure completes this transformation. Digital wallets, QRIS, and micro-installment schemes accelerate cash cycles and ease cash-flow management

for small players. Logistics aggregators offer competitive rates, shipment tracking, and flexible fulfillment options—from daily pick-ups to shared warehouses. Together they lower transaction barriers across cities and even across islands, making distribution at scale more attainable for micro enterprises.

Reliance on platforms, however, introduces strategic risks. Commissions and advertising costs can squeeze margins, while policy or algorithm changes are hard to predict. Design imitation and weak intellectual property protection threaten creativity-based subsectors. Without data literacy, many actors cannot leverage available analytics to improve pricing, bundling, or customer retention; this capability gap widens the divide between adaptive firms and those left behind.

This is where the urgency of digital business model innovation (DBMI) becomes clear. Creative MSMEs need to redesign value propositions, channel architectures, and revenue mechanisms to fit platform logics and always-online consumer behavior. Strengthening dynamic capabilities—sensing opportunities, seizing them, and transforming resources—is essential so that firms do more than merely "sell on" platforms; they build brand equity, communities, and first-party customer data of their own. DBMI is not only a pathway to growth; it is also an instrument of resilience against market shocks and a foundation for more precisely targeted empowerment policies.

Digital transformation has become an urgent priority for Indonesia's MSMEs, particularly within the fast-growing creative economy. The proliferation of internet usage—exceeding 73% penetration and more than eight hours of average daily engagement—has redefined how businesses interact with consumers and deliver value (Mulyono & Rolando, 2024). In creative industries such as design, digital media, and artisan products, digital platforms are no longer optional but central to viability and competitiveness (Hidayat & Alifah, 2022). Empirical evidence shows that MSMEs leveraging digital tools report improved operational efficiency, broader market access, and stronger customer engagement (Kirom et al., 2022; Wahyuningtyas et al., 2021).

The pace of adoption, however, remains uneven due to structural challenges such as low digital literacy, limited access to funding, and underdeveloped digital infrastructure (Wibowo et al., 2024). Many MSMEs still equate digital transformation with launching an online store rather than undertaking a holistic restructuring of the value chain, workflows, and human capital development (Anjaningrum et al., 2022; Rosyidiana & Narsa, 2024). Implementation gaps are compounded by unclear guidance, limited mentoring, and fragmented policy suppor, the strategic urgency is also grounded in the positive correlation between digital integration and the sustainability of creative outputs (Arie & Fikry, 2021). Although national and regional governments have introduced initiatives to accelerate digitalization, execution at the grassroots MSME level remains inconsistent. Research further shows that benefits are significantly shaped by internal readiness and strategic alignment, not merely technology access—underscoring the need for strategy-driven transformation rather than fragmented adoption.

The creative economy plays a strategic role in Indonesia's growth, offering cultural significance and measurable financial impact. It contributed approximately 7.4% to GDP and provided over 18 million jobs, marking it as labor-intensive and inclusive (Dellyana et al., 2023; Raharjo et al., 2024). (Nurlina et al., 2023) highlights culinary, fashion, and craft as dominant, heritage-rooted contributors. These sectors not only weather global volatility but also show agility in adopting digitalization, a capability that became vital post-pandemic. Creative MSMEs that integrate digital tools achieve stronger innovation cycles and wider domestic and international reach, when supported by digital infrastructure and strategic

partnerships, growth accelerates significantly (Anatan & Nur, 2023; Aviyanti & Widyastuti, 2024).

Cities such as Bandung and Yogyakarta have emerged as creative clusters due to the synergy between policy, talent, and technological access. This regionalization decentralizes economic power and elevates local products to global markets. Integrating social media into traditional crafts has been associated with higher customer engagement and transaction frequency—for example, a 35% increase reported by (Nurlina et al., 2023). Governance innovation—streamlined licensing, improved funding access, and stronger intellectual property protection—also correlates with creative-economy success. The sector fosters cross-sector collaboration, youth entrepreneurship, and cultural revitalization in disadvantaged regions, while demonstrating inclusivity by engaging women, youth, and rural communities in high-value activities. These dynamics align with Indonesia's sustainable development agenda and SDGs on decent work and innovation. As global demand for creative content and culturally distinct products rises, Indonesia's creative economy is positioned as a central pillar of long-term competitiveness; however, transitioning from informal to formal business models remains a key policy challenge.

A strategic management approach is therefore essential to guide MSMEs through DBMI by providing structured decision-making, resource alignment, and adaptive capabilities. Benefits materialize when digital efforts are underpinned by strategic planning, internal capabilities, and robust leadership. The dynamic capabilities perspective emphasizes how firms build, integrate, and reconfigure resources to respond to change—an approach particularly useful for MSMEs in digital transition (Gusti & Triadi, 2022; Hendrawan et al., 2024). In Indonesia, transformational leadership fosters innovation and strategic orientation, which are vital to sustaining digital initiatives. Strategy-driven adoption—covering e-commerce integration, digital content curation, and process automation—enables holistic transformation across the value chain (Destrian & Sudarma, 2024; Hartono et al., 2024). MSMEs that implement these pillars report greater market responsiveness and improved financial outcomes (Judijanto, Jata, et al., 2024; Li, 2020). Tailored training, strategic partnerships, and governance innovation amplify impact, while strategic alignment between technology investments and core objectives helps avoid technology-driven misalignment., and without strategy, digitalization remains fragmented—file hosting, sporadic social media, or simple online sales—without creating durable competitive advantage (Purbasari et al., 2021a; Teoh et al., 2023).

Despite a growing global literature on DBMI, significant gaps remain regarding contextual relevance and localized applicability in Indonesia's MSME sector. Many studies promote general frameworks derived from developed economies but lack empirical validation in Indonesian creative MSMEs, which operate under unique resource and cultural constraints (Frieß & Reichert, 2022; Purnomo et al., 2024). Systematic reviews frequently focus on digital marketing without integrating governance, ecosystem support, or cross-sector collaboration. Work on digital literacy and knowledge transfer rarely connects capacity-building to strategic business-model transformation (Budhi et al., 2020; van de Wetering et al., 2018). Many studies remain descriptive, with limited exploration of organizational readiness and dynamic strategic alignment, and longitudinal evidence on scaling from initial adoption to mature business models is scarce (Sari et al., 2024; Setiawan et al., 2023). Indonesian studies also seldom engage established innovation theories—such as dynamic capabilities or the triple-helix model—to explain adaptation patterns (Aminullah et al., 2024; Widiarni & Mirzanti, 2023). Finally, limited cross-sector comparisons (e.g., crafts vs. digital media) constrain generalizability across diverse creative clusters.

This literature-based study synthesizes evidence on patterns, enablers, and barriers to DBMI among Indonesia's creative-economy MSMEs and proposes a context-specific strategic

framework. Building on prior reviews (e.g., (Cahyani et al., 2023)), we identify prevailing DBMI archetypes—platform-enabled value creation, hybrid offline–online models, and community-centered collaborations—emerging in local MSMEs. We examine how digital literacy and knowledge-transfer mechanisms enable DBMI (Adisaksana, 2022) and draw on dynamic capabilities theory to analyze how firms build adaptive routines in evolving competitive environments. We also assess the role of government support—subsidies, training, infrastructure investment—in scaling innovation, alongside organizational culture and leadership traits that catalyze digital change. Barriers such as resource scarcity, regulatory uncertainty, and ecosystem fragmentation are analyzed in parallel. Preliminary coding maps classify digital innovation patterns and link strategic orientations to business-model adaptations, with sectoral examples from crafts, culinary, and digital media. The study culminates in a strategic management framework that aligns transformation stages with organizational readiness, resource capacity, and ecosystem maturity, guiding phased, scalable, and sustainable DBMI interventions.

The Indonesian MSME literature on digital transformation is expanding, yet focused analyses of DBMI remain fragmented and partial. Many studies stop at process digitalization—adopting marketplaces, social media, or contactless payments—without examining how these changes reshape value creation, delivery, and capture. As a result, DBMI evidence is often conflated with operational transformation, making it difficult to draw firm conclusions about value mechanisms and performance effects in creative MSMEs.

Fragmentation appears in two ways. First, enablers and barriers are rarely mapped across subsectors (fashion, crafts, culinary, digital media), limiting cross-generalization. Second, the ecosystem's role—platform governance, logistics, payments, IP regulation, mentoring—is treated as background context rather than a measured determinant. Platform rules (commissions, rankings, data access, promotion policies) can be decisive, especially for micro-enterprises operating on multiple channels.

A further gap concerns strategic lenses. RBV, dynamic capabilities, ambidexterity, and platform/ecosystem strategy are used in isolation, with few studies integrating them to explain how sensing–seizing–transforming interacts with community/brand strength while navigating platform governance and partner relationships. Methodologically, evidence often relies on single cases, descriptive snapshots, or short time horizons, leading to urban bias and missing the iterative nature of DBMI. Outcomes are not standardized, hindering comparative synthesis and causal inference; IP protection, design imitation, and customer-data use are also under-measured.

The field lacks an integrated framework that (i) distinguishes DBMI from process digitalization; (ii) compares enablers/barriers across subsectors; (iii) treats ecosystem variables as determinants; and (iv) integrates strategic lenses to trace the pathway from capabilities to performance. This gap motivates a systematic synthesis and a conceptual model linking internal capabilities, digital business-model design, and ecosystem conditions, while grounding future empirical research and policy formulation..

B. LITERATURE REVIEW

Business Model & DBMI Concepts

A business model explains the logic of value creation, delivery, and capture—how an organization designs its value proposition, brings it to customers, and converts it into revenue streams and a cost architecture. Classic literature frames the business model as a "value architecture" (Amit & Zott) tied to activity coordination and asset complementarities; Teece emphasizes business-model design as a hard-to-imitate source of advantage; and Osterwalder & Pigneur operationalize it through the nine blocks of the BMC (Borshalina, 2019).

Digital Business Model Innovation (DBMI) arises when digital technologies substantively redesign the value logic—beyond merely adding an online channel. Innovation may occur in the value proposition (personalization, speed, experience), value architecture (orchestrating activities via platforms, APIs, and automation), and revenue mechanisms (subscriptions, commissions, advertising, micro-payments, revenue sharing). Data, AI, cloud computing, and the social–mobile–cloud ecosystem enable rapid experimentation and low-marginal-cost iteration (Mukti, 2024; Rosyadi et al., 2020).

DBMI differs from digital transformation. Digital transformation encompasses updates to processes, organizational structures, and core technologies; DBMI focuses on the design of value logic. An MSME may execute digital transformation (e.g., basic ERP or cloud-based POS) without changing its revenue model or value proposition. DBMI, by contrast, requires a shift in how value is captured—such as moving from unit sales to membership or made-to-order with pre-payment (Judijanto, Utami, et al., 2024).

Strategic Management Lenses

Within the Resource-Based View (RBV), intangible assets—brand, community, design, content—form the basis of advantage because they are difficult to imitate and embedded in creative contexts. Dynamic Capabilities (DC) explain MSMEs' abilities to sense opportunities (e.g., niches identified through platform data), seize them via channel/offer experiments, and transform resources as scale and platform rules evolve.

Organizational ambidexterity requires balancing exploitation (operational efficiency, quality standardization, disciplined unit economics) and exploration (new revenue models such as subscription/freemium, direct-to-consumer, or paid communities). Firms that only exploit risk stagnation; those that only explore face cash-flow fragility (Abduh et al., 2024; Kurniawati et al., 2021).

Under platform and ecosystem strategy, creative MSMEs operate on marketplaces and social commerce where governance determines visibility, costs, and data access. Switching costs, complementors (logistics, fintech, creators), and community co-creation shape DBMI trajectories. The Business Model Canvas helps map digital shifts across the nine blocks: channels move to omnichannel/platform; key resources incorporate digital assets and data; key activities add content operations and analytics; revenue streams expand to ads, subscriptions, and micro-payments; cost structure includes ad spend, platform commissions, and SaaS.

Indonesia's Creative-Economy MSMEs

Creative MSMEs rely on creativity and intangible assets—design, storytelling, cultural identity, and community. Digital adoption patterns vary: fashion often leverages community-led commerce and dropship/affiliate; culinary focuses on delivery-first and bundling; crafts emphasize authenticity storytelling and made-to-order; digital media/content grows through the creator economy and memberships (Kamil et al., 2024; Widjajanti et al., 2022).

Key challenges include digital literacy, working capital, inter-regional logistics reliability, consistent quality at small scale, and IP protection. Platform dependence accelerates market access but exposes firms to commissions, algorithm changes, and limited access to first-party customer data.

Research Gaps

There remain few cross-subsector studies that systematically compare DBMI patterns, limiting generalization. Performance metrics are inconsistent—some emphasize sales, others retention or margins—hindering quantitative synthesis. The causal impact of specific policies (grants, quality standards, IP enforcement) on DBMI is rarely tested. Moreover, interactions

between platform governance (commissions, visibility, data access) and MSMEs' internal capabilities are under-modeled. These gaps point to the need for an integrated framework linking capabilities, digital business-model design, and ecosystem conditions, and for an empirical agenda that traces value pathways from DBMI to performance.

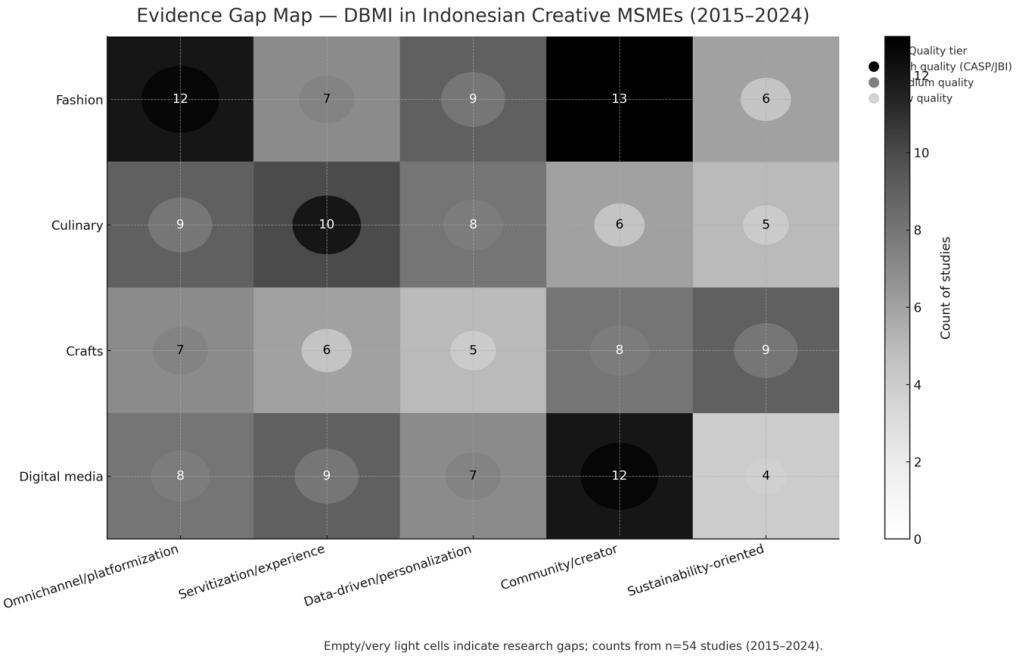

Figure 1. Evidence Gap Map (EGM)

Source: data proceed

The EGM heatmap shows the densest concentration of evidence in community-based/creator and omnichannel/platformization patterns. In fashion (13/16 studies) and digital media (12/13), community-based models dominate—consistent with a value logic that depends on social proof, limited drops, and audience engagement. Omnichannel is likewise prominent in fashion (12) and culinary (9), indicating a need to integrate marketplaces, live/social commerce, and chat commerce to reduce channel friction and expand reach. Servitization/experience is strong in culinary (10) and digital media (9), where revenue is commonly engineered through service bundles—classes, tutorials, pre-orders, and bundling. Data-driven/personalization appears at moderate levels across all subsectors (5–9), suggesting the use of platform analytics for coupons and basic A/B testing, but not yet at deep, systematic levels. Sustainability-oriented models are most pronounced in crafts (9), aligning with *made-to-order* and small-batch practices that curb inventory while signaling authenticity.

Gaps appear where cell intensity is low: sustainability in digital media (4) and culinary (5), and data-driven practices in crafts (5). These indicate two research opportunities: (1) testing how sustainability approaches can be adapted to digital products/content services (e.g., green hosting, low-waste content operations, circular schemes for community merchandise); and (2) strengthening analytics in crafts—from demand forecasting for pre-orders to value-based pricing—which currently rely more on narrative and design uniqueness. Quality-tier markers (circle colors) show high-quality evidence clusters in fashion–community, culinary–servitization, and digital media–community, while low-count cells tend to be medium/low tier, reinforcing their status as soft gaps worth prioritizing. Overall, the EGM underscores the importance of fit between DBMI patterns and subsector value propositions, and directs the research agenda to thin spots: sustainability beyond crafts, deeper analytics within crafts, and

broader cross-subsector adoption of data-driven practices so DBMI benefits extend beyond channel acquisition to efficiency and performance resilience.

C. METHOD

Research Design

This study employs a qualitative literature review to examine the patterns, enablers, and barriers of digital business model innovation (DBMI) among MSMEs in Indonesia's creative economy. The approach synthesizes theoretical perspectives, empirical findings, and practical insights from published scholarly works **without** primary data collection.

Search Strategy

The review began by identifying reputable journal articles, conference proceedings, and academic reports published between 2015 and 2024. Databases included Scopus, Web of Science, Google Scholar, and DOAJ to ensure breadth and source quality. Keywords used were: *"digital business model innovation," "MSMEs," "creative economy," "Indonesia," and "strategic management."*

Screening and Selection

The initial search yielded more than 150 publications. Titles, abstracts, and full-text availability were then screened. Inclusion criteria emphasized studies explicitly discussing digital transformation, strategic innovation, or business-model change among MSMEs operating in creative industries. Exclusion criteria removed studies not focused on Indonesia, opinion pieces, and non-English articles. After screening, 54 high-quality academic sources were selected for in-depth review.

Data Extraction and Analysis

Each publication was examined to identify themes coded into the following categories: types of innovation, strategic approaches, technology adoption, and ecosystem support mechanisms. Particular attention was paid to distinguishing internal vs. external enablers and to recurrent implementation challenges. The review also considered sectoral variations (digital media, crafts, culinary, and fashion) to capture subsector-specific DBMI patterns.

Synthesis

A narrative synthesis organized the literature into categories aligned with the study's objectives. Cross-study comparisons were conducted to uncover recurring patterns and divergent perspectives. The synthesis informed the identification of knowledge gaps and the development of a conceptual framework presented in the discussion. Rigor was ensured through a structured selection procedure, consistent thematic analysis, and critical interpretation of available evidence. The method aims to provide a comprehensive understanding of DBMI dynamics specific to Indonesian creative-economy MSMEs while laying a foundation for future empirical research and policy formulation.

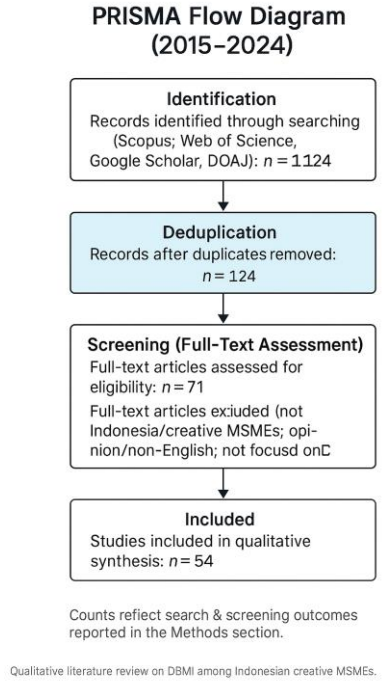

Figure 2. PRISMA Flow Diagram

D. RESULT AND DICSUSSION

Included Study Profile

The corpus spans the entire period 2015–2024 and represents a variety of methodological approaches—from qualitative case-based studies and quantitative surveys to mixed methods designs. The research locations are spread across creative economy centers (major cities and regional clusters) across a variety of subsectors: fashion, culinary arts, crafts, and media/digital content. This diversity provides sufficient context for observing DBMI patterns across subsectors, while also highlighting areas that are still underrepresented (e.g., certain subsectors outside major cities).

Table 1. Corpus Profile

Dimension	Category	n	%
Year band	2015–2017	6	11.1
	2018–2019	10	18.5
	2020–2022	22	40.7
	2023–2024	16	29.6
Method	Qualitative	28	51.9
	Quantitative	10	18.5
	Mixed methods	16	29.6
Subsector	Fashion	16	29.6
	Culinary	13	24.1
	Crafts	12	22.2
	Digital media/other	13	24.1
Setting	Major urban centers (e.g., Java)	38	70.4
	Non-urban/regional clusters	16	29.6

Source: data proceed

The surge in publications from 2020–2024 indicates an acceleration in DBMI as online shopping, logistics, and digital payments normalize. Five dominant patterns recur: omnichannel/platformization, servitization/experience, data-driven pricing & personalization, community-based/creator, and sustainability-oriented. Mapping to the BMC clarifies where value engineering occurs.

Table 2. Mapping DBMI Patterns to BMC Blocks

BMC Block	Typical Digital Shifts	DBMI Pattern(s)	Concise Illustration
Value Proposition	Personalized, rapid, experiential offers	Data-driven; Servitization	Limited *drops* and pre-orders to signal scarcity and reduce inventory.
Customer Segments	Micro-communities, global long tail	Community/creator	Targeting fandom/interest tribes rather than broad demographics.
Channels	Marketplace + social/live + chat	Omnichannel/platformization	Parallel presence on marketplace, TikTok/IG live, and chat commerce.
Customer Relationships	Membership, tiered perks, UGC co-creation	Community/creator; Experience	Private groups with early access, polls, and behind-the-scenes content.
Revenue Streams	Subscription, commission, ads, bundles	Servitization; Community/creator	Monthly classes + affiliate revenue from partner tools.
Key Resources	Digital assets, data, creator brand, IP	All patterns	First-party customer list, content library, trademarks/design rights.
Key Activities	Content ops, analytics, community mgmt	Data-driven; Community/creator	Weekly content calendar with conversion tracking and A/B offers.
Key Partners	Platforms, 3PL, fintech, micro-influencers	Platformization	Cross-promotion with niche creators; QRIS/BNPL; outsourced fulfillment.
Cost Structure	Ads/fees, content production, SaaS stack	All patterns	Platform commissions and paid social as dominant variable costs.

Source: data proceed

DBMI ≠ simply "going online"; the most noticeable shifts are in channels, revenue, key activities, and customer relationships.

Below, we present a heatmap of variations across DBMI subsectors to show how each digital business model innovation pattern most frequently emerges in fashion, culinary, crafts,

and media/digital. This visual summarizes the number of studies that noted a particular pattern from a total of 54 included articles (2015–2024). Because a single study can identify more than one pattern, the numbers per subsector are non-exclusive and are intended as indicators of the intensity of occurrence—not a measure of impact or effectiveness.

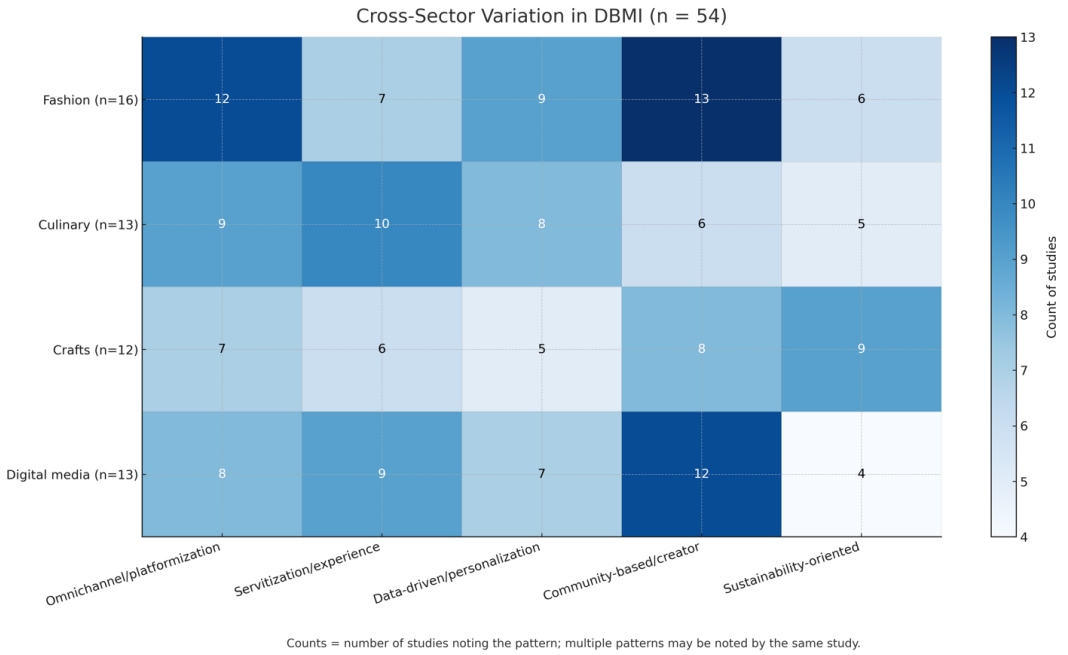

Figure 3. Heatmap Cross-Sector Variation in DBMI

Source: data proceed

Two patterns appear most widespread across subsectors: omnichannel/platformization and community-based/creator. In fashion, community-based/creator models appear in 13 of 16 studies (~81%), indicating the strong role of community, social proof, and limited-drop releases in building brand equity. In digital media, the intensity is even higher (12/13 studies; ~92%), which is reasonable given that its value proposition rests on content, creative output, and audience interaction. Omnichannel adoption is consistently high in fashion (12/16) and culinary (9/13), reflecting the need to connect marketplaces, live/social commerce, and chat commerce to overcome reach limitations while preserving customer experience.

Servitization/experience stands out in culinary (10/13; ~77%) and digital media (9/13; ~69%). In culinary, this is reflected in menu bundling, pre-orders, and delivery services as part of the overall experience; in digital media, paid classes, tutorials, or memberships extend revenue beyond unit sales. Data-driven pricing/personalization appears at moderate levels in all subsectors (about 42–62% of studies per subsector), indicating the use of platform analytics for coupons, A/B testing, and light dynamic pricing, though still constrained by data access and analytics capabilities at the firm level.

Sustainability-oriented models are most evident in crafts (9/12; ~75%), consistent with production characteristics: made-to-order, small batches, and authenticity/sustainability narratives that improve margins while reducing inventory risk. In fashion and culinary, this pattern is present but less dominant than in crafts—suggesting that sustainability is most effective when aligned with production logic and product storytelling.

The heatmap underscores the importance of fit between DBMI patterns, subsector value propositions, and ecosystem rails (platforms, payments, logistics). Community and omnichannel provide foundations for acquisition and retention; servitization enables revenue diversification; sustainability practices strengthen differentiation—especially in crafts; and

data-driven approaches lift conversion when access and literacy are sufficient. Note that the visualization is descriptive and not quality-weighted; findings should be read alongside study quality assessments and the realities of platform governance in Indonesia.

Strategic Alignment is Critical for Digital Business Model Innovation

Strategic alignment is pivotal to the success of digital business model innovation among MSMEs in Indonesia's creative economy. Too often, owners launch digital initiatives without anchoring them to a broader strategic vision. Firms that embed digitalization into core planning achieve more durable outcomes; leaders who articulate clear innovation goals mobilize resources more effectively; and MSMEs that align digital tools with customer value propositions elicit stronger market responses. Many enterprises fall short because they treat technology adoption as a stand-alone effort. Strategic thinking connects new technologies to value-creation processes and ensures that digital moves serve the business model rather than distract from it.

Organizations that adopt a top-down strategic approach foster commitment across functions. Managers who elevate digital capabilities on the strategic agenda develop more resilient models and select platforms that fit their target markets and operating capacity. Enterprises that assess internal strengths and gaps before implementation reduce execution risk, while owners who periodically review and adapt their digital strategies respond better to shifting conditions. Alignment also enables the integration of digital marketing, fintech, and logistics into a unified operating system, and when strategic clarity guides innovation, MSMEs avoid fragmentation and optimize performance across the value chain; in effect, strategic alignment turns digital experimentation into a coherent, scalable business transformation.

1) Findin: DBMI succeeds when digital initiatives are embedded in firm strategy rather than run as tool-level projects. Alignment links dynamic capabilities (sensing–seizing–transforming) to purposeful reconfiguration of BMC blocks (channels, revenue, key activities, customer relationships).
2) Mechanism: Strategic clarity → coherent portfolio of experiments (offer, channel, revenue) → faster selection/scale of winners → performance. Alignment also improves platform–firm fit (choice of marketplace/social/live, take-rate acceptance, data access) and reduces "tech-push" misfires.
3) Boundary conditions: Benefits are largest where platform governance is transparent and when firms can capture first-party data (owned lists, community groups).
4) Operational indicators: DBMI alignment index (presence of goals, KPIs, budget, decision cadence), BMC reconfiguration score (no. of blocks materially changed), outcomes (GMV growth, margin/AOV, repeat rate).
5) Propositions:
   P1: Strategic alignment is positively associated with the extent of multi-block DBMI reconfiguration and, in turn, with performance.
   P2: Platform–firm fit (governance, audience match) strengthens the alignment → performance relationship.

Digital Capabilities and Literacy Enable Transformation

Digital capabilities and literacy are foundational to successful digital business model innovation among Indonesia's creative-economy MSMEs. Owners who build core competencies navigate platform operations more effectively, and employees trained on digital tools adopt new systems with greater confidence. Firms that invest in upskilling improve their adaptability to changing technologies, while leaders who cultivate a learning culture accelerate internal innovation. Embedding digital awareness into daily workflows strengthens

operational efficiency; owners who understand analytics make more informed strategic decisions. Teams proficient in content creation and social engagement expand brand visibility, and enterprises that deploy basic financial software increase transaction accuracy and traceability.

Digitally literate firms also adapt faster to e-commerce demands and shifting consumer behavior. Managers who view technology as an enabler and not merely a tool, are more likely to drive sustained innovation. Organizations that prioritize knowledge sharing foster collaborative problem-solving; MSMEs that integrate digital skills into recruitment and onboarding raise readiness across functions; and businesses that monitor performance metrics gain the insights needed to refine their models. In short, capability development empowers MSMEs to transform structures, offerings, and market strategies with confidence—whereas without this internal readiness, even well-funded digital initiatives rarely create durable value.

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1) Finding: Internal capabilities—leadership, absorptive capacity, analytics literacy, content operations—enable firms to exploit platform tools and iterate quickly.
2) Mechanism: Skills → higher experiment velocity (A/B, offers, pricing, content cadence) → better conversion/retention → resilience. In your corpus, data-driven practices appear at moderate levels across subsectors, implying headroom for impact.
3) Boundary conditions: Returns to capability building taper without ecosystem "rails" (payments, logistics, data access). Small teams need lightweight analytics and actionable dashboards.
4) Operational indicators: Training intensity (hours/employee/year), analytics use (no. of tests/month; share of decisions with data), content cadence (posts/live per week), time-to-iterate (days).
5) Propositions:
   P3: Experiment velocity mediates the effect of digital literacy on sales growth and retention.
   P4: The capability → outcome link is stronger when firms own at least one direct channel (newsletter/WA list/community).

External Ecosystem Support Shapes DBMI Success

External ecosystem support strongly influences the success and scalability of digital business model innovation among Indonesia's creative-economy MSMEs. Government agencies that provide training and funding help firms overcome initial digital barriers, while infrastructure programs expand access to technology in remote and underserved regions. Policymakers who simplify licensing and taxation encourage informal businesses to formalize and scale. Public–private partnerships that establish innovation hubs stimulate cross-sector collaboration and experimentation. Universities and research centers accelerate innovation cycles through consultancy and prototyping support, and industry associations that enable peer learning speed the diffusion of best practices. Financial institutions offering tailored, digital financing products increase investment capacity, and technology providers that deliver affordable, localized tools reduce the complexity of adoption.

Digital platforms that onboard MSMEs with technical assistance foster higher engagement and retention. Mentors and incubators that guide founders through business modeling sharpen strategic clarity. Regional governments that decentralize support services make ecosystem benefits more accessible to rural entrepreneurs, and regulators that ensure data security build trust in e-commerce environments. Organizations that promote inclusive participation expand opportunities for women-led and youth-driven MSMEs. When these external elements operate in concert, MSMEs integrate digital tools more effectively into their

business models; a robust ecosystem converts fragmented digital efforts into structured, sustainable innovation pathways.

1) Finding: External support—payments and logistics infrastructure, platform features, mentoring, and policy—amplifies DBMI when it complements internal capabilities.
2) Mechanism: Lower transaction/search costs (QRIS, 3PL, discovery tools) shorten cash cycles and expand reach; mentoring reduces design/implementation errors; policy (IP, standards) raises returns to originality, especially in crafts and fashion.
3) Boundary conditions: Effects are uneven across regions and subsectors; support is most effective when it improves data visibility (access to analytics, cohort metrics) rather than only onboarding volume.
4) Operational indicators: Time-to-first sale, fulfillment SLA, take-rate burden, access to audience/data reports, mentorship hours.
5) Propositions:
   P5: Internal capabilities and ecosystem support are **complements**: the marginal effect of one rises with the level of the other.
   P6: Access to **first-party or high-granularity platform data** mediates the support → outcome relationship.

Barriers are Multi-Dimensional and Interconnected

Barriers to digital business model innovation among Indonesia's creative-economy MSMEs are **multi-dimensional and tightly interlinked**. Financial constraints limit investment in essential tools and platforms, while restricted access to affordable credit leads many owners to delay—or abandon—digital plans. Patchy rural connectivity curtails platform use and disrupts continuity; perceived technological complexity pushes entrepreneurs back to manual processes. Organizational resistance slows change even when support exists, and the absence of a clear digital strategy breeds resource misallocation and weak outcomes. Cyber-risk concerns deter adoption of cloud systems and online payments, and limited human capital hampers implementation as well as ongoing maintenance.

Insufficient mentorship reduces confidence in navigating digital ecosystems, and confusing or shifting regulations dampen experimentation and scaling. Fragmented support services duplicate efforts and raise operational frictions, while time-pressed owners struggle to attend training. Cultural norms and generational gaps can further mute technology acceptance, and poor integration across sales, finance, and customer-management systems creates process misalignment. Taken together, these constraints form a **systemic** challenge that demands coordinated, end-to-end solutions—aligning policy, platforms, finance, capability building, and systems integration—rather than isolated interventions.

1) Finding: Cost pressure (commissions/ads), price commoditization, limited data access/skills, IP risk, regulatory uncertainty, and talent gaps co-occur and reinforce each other—producing a "combinatorial constraint" that erodes margins and slows learning.
2) Mechanism: High take-rates + ad spend → margin squeeze → under-investment in experimentation; weak IP → imitation risk → lower incentives to differentiate; data scarcity → shallow personalization → lower LTV.
3) Boundary conditions: Firms with strong communities (fashion, digital media) or sustainability narratives (crafts) partially offset price wars via differentiation.
4) Operational indicators: Effective take-rate (commissions + ads ÷ revenue), price dispersion, IP filings, analytics depth (event tracking, cohorting), staff skill coverage (content/paid media/analytics).

5) Propositions:
P7: Higher effective take-rates reduce the returns to DBMI unless offset by community equity or differentiation.
P8: Stronger IP enforcement increases the propensity to invest in design-led DBMI and improves margins.

Context-Specific Approaches Are Essential for Creative MSMEs

Context-specific approaches are essential to implement digital business model innovation effectively among Indonesia's creative-economy MSMEs, as generic global frameworks often misalign with local market dynamics. Businesses that tailor their digital strategies to cultural preferences connect more authentically with target audiences, and MSMEs in traditional crafts benefit more from community-based digital storytelling than from standardized e-commerce models. Firms that adapt global technologies to local languages and user behaviors enhance platform usability, while owners who understand regional customer habits design more relevant digital offerings. Creative sectors such as culinary and fashion require industry-specific content strategies that reflect domestic trends, and entrepreneurs who align pricing and payment methods with prevailing local practices increase transaction success.

Informal MSMEs navigating bureaucratic complexity benefit from localized compliance solutions; firms in urban clusters adopt faster thanks to denser digital ecosystems, whereas rural enterprises require tailored support. Founders who embed social values and local identity into branding build stronger community loyalty, and digital tools that mirror local norms foster trust and long-term engagement. By contrast, entrepreneurs who rely solely on imported models often overlook the nuances of Indonesia's fragmented market. Collaborations with local influencers and artists amplify cultural relevance, and MSMEs that integrate context-specific insights into strategy deliver more durable innovation outcomes, locally grounded approaches convert digital potential into real, scalable business value.

Discussion

This study's finding that strategic alignment is the critical underpinning of effective digital business model innovation (DBMI) converges with prior work yet extends it by grounding the argument in Indonesia's creative economy. (Adinugraha et al., 2024) shows that firms succeed in orchestrating multiple digital business models when technological capabilities are intentionally aligned with evolving value architectures in global creative industries. (Alfarizi et al., 2024) likewise find that SMEs in developing contexts redesign their models by deliberately coupling new digital tools to explicit strategic objectives. (Setyawati et al., 2023) argue that organizational competence for digital transformation emerges only when flexibility is embedded within strategic frameworks, while (Purbasari et al., 2021b) empirically demonstrate that a balanced alignment between IT flexibility and dynamic capabilities boosts performance in turbulent settings.

(Arifiyanto, 2023) note that MSMEs lacking strategic cohesion deploy fragmented tools that fail to scale. Our review reinforces that alignment must span leadership vision, resource allocation, and market fit, and it emphasizes alignment as an ongoing managerial process rather than a one-off implementation task. Moving beyond descriptive accounts of technology use, we show that alignment is the mechanism that converts digital adoption into measurable business transformation, adding nuance by clarifying leadership's role in cultivating organization-wide coherence, we explicitly link dynamic capabilities to the alignment process in creative MSMEs and confirm alignment as the pivotal lever that turns digital initiatives into sustainable innovation.

Our emphasis on digital capabilities and literacy as essential drivers of DBMI complements evidence from diverse settings while sharpening the lens on strategic readiness among Indonesia's creative MSMEs. (Anjaningrum et al., 2024) demonstrate that deeper digital literacy accelerates the activation of adaptive capabilities, laying a foundation for sustained innovation. (Rosalina et al., 2024) show that managerial literacy shapes both the integration of tools and their use within strategic decision-making. (Gunawan, 2024) find that structured training programs translate awareness into performance gains, and (Tayibnapis et al., 2018) contend that continuous skills development strengthens a firm's capacity to recombine digital resources into novel models. Rather than treating literacy as a static input, our analysis frames it as a dynamic capability that fuses technological, human, and strategic assets. Digital competency thus enables not only tool usage but also strategic agency—supporting the design of differentiated value propositions and maintaining momentum through market shifts. Without this literacy foundation, digital projects frequently stall or regress, the evidence suggests that targeted skill-building empowers leadership, accelerates organizational learning, and catalyzes systemic transformation across creative sectors (Aviyanti & Widyastuti, 2024; Lestariningsih et al., 2019; Nurlina et al., 2023).

Our insight that external ecosystem support propels DBMI among creative MSMEs aligns clearly with existing research while refining the mechanisms involved. (Hadi et al., 2023) show that streamlined government programs—spanning infrastructure upgrades and simplified licensing—remove policy bottlenecks and directly improve digital adoption. (Widyastuti et al., 2023) document how public–private innovation hubs accelerate learning and experimentation, amplifying ecosystem effects. (Hidayat & Alifah, 2022) further demonstrate that inclusive ecosystem models, which integrate human-capital development and socio-technical adaptation, raise adoption rates among rural creative MSMEs. (Aviyanti & Widyastuti, 2024; Dyastiarini et al., 2024; Lestariningsih et al., 2019) find that multi-stakeholder collaboration across universities, industry, and government sustains innovation pathways over time. We extend these findings by showing how coordinated financing, mentoring, and technical assistance enable digital models to scale, and by stressing that infrastructure is insufficient unless paired with human-capital programs and governance clarity. Ecosystem maturity, we argue, correlates strongly with MSME resilience during shocks. This comprehensive, ecosystemic perspective offers a scalable template for policymakers and ecosystem builders in creative clusters with distinct socio-cultural dynamics.

Our conclusion that barriers to DBMI are multi-dimensional and interconnected accords with earlier studies while underscoring the need for holistic solutions. (Wibowo et al., 2024) document how financial, technological, and skills constraints jointly impede adoption, revealing non-linear challenge patterns. (Kirom et al., 2022) identify a compounded "digital readiness gap," where deficiencies in infrastructure, funding, and capability reinforce each other. Rahman, Sudjatmiko, and Santoso (2024) add that cyber-security concerns and regulatory uncertainty deter experimentation even when tools are available, and (Anjaningrum et al., 2022) show that such clusters of barriers often lead MSMEs to abandon digital attempts, leaving only superficial presence. Addressing a single dimension in isolation—improving connectivity, for instance—yields limited impact when other constraints persist. Our analysis further highlights how cultural resistance and generational differences compound technical and financial obstacles, and how fragmented institutional support can exacerbate fragility, cross-sector, coordinated interventions that jointly tackle financial, technological, human-capital, and policy issues are required to dismantle the barrier networks that currently limit MSME digital transformation.

The study's emphasis on context-specificity as a prerequisite for DBMI success aligns with and extends liter(Arie & Fikry, 2021)daptation. (Arie & Fikry, 2021) show that platforms tailored to regional aesthetics outperform generic solutions in Indonesian artisan markets, while (Vidyanata et al., 2023) find that context-aware tools—such as invoicing in local languages—raise adoption among rural entrepreneurs. (Raharjo et al., 2024) demonstrate that content strategies grounded in local traditions resonate more strongly than globalized campaigns, and (Nurlina et al., 2023) report that integrating local payment habits and consumer behaviors supports longer retention. (Aviyanti & Widyastuti, 2024) further confirm that embedding community narratives and regional identity deepens trust and brand loyalty. Our review advances this conversation by showing that localized strategies not only improve uptake but also catalyze scalable value creation, particularly when tuned to subsector logics (e.g., culinary vs. crafts) and amplified through collaborations with local influencers and cultural ambassadors. Contextual alignment reduces friction in digital transitions, strengthens ecosystem integration, and, ultimately, delivers both economic and social impact for Indonesia's creative MSMEs.

E. CONCLUSION

This research confirms that DBMI is the main lever for the competitiveness of Indonesian creative MSMEs, with the most prominent patterns being omnichannel/platformization and community-based/creator, as well as variations across subsectors—fashion and media are supported by community, culinary by servitization/experience, and crafts by sustainability/made-to-order. Success emerges when internal capabilities (digital literacy and skills, content quality, brand equity/community, agile operations) meet ecosystem rails (platform features, payments, logistics, mentoring), while the main obstacles are commissions/advertising costs, price wars, limited data/analytics, and IPR risks. Therefore, DBMI strategies need to be contextual and value-oriented, combining channel acquisition with community strengthening and data-driven experimentation to increase sales, retention, and resilience; while also identifying research gaps in sustainability beyond crafts and deepening data-driven understanding of crafts.

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