

Transformation of the Business Strategy Model of the MSME Industry in Makassar City Through a Digital Marketing Approach: A Mixed Methods Study

Haeril^{1*}, Indrayani Nur², and Hamka³

^{1,3} University of Muhammadiyah Bone, Bone, 92716, Indonesia

² Bosowa University, Makassar, 90231, Indonesia

ABSTRACT

Purpose – This study examines how digital marketing is associated with the transformation of MSME business strategies in Makassar City and how this transformation relates to competitive advantage and business performance.

Design/methodology/approach – An explanatory sequential mixed-methods design was used. The quantitative phase employed Structural Equation Modeling with SmartPLS, followed by qualitative inquiry through interviews, observations, and documentation to explain the quantitative patterns.

Finding/Results – Digital marketing was positively associated with business strategy transformation ($\beta = 0.731$, $p = 0.000$) and business performance ($\beta = 0.582$, $p = 0.000$). Business strategy transformation was positively associated with competitive advantage ($\beta = 0.689$, $p = 0.000$), while competitive advantage was positively associated with business performance ($\beta = 0.754$, $p = 0.000$). Qualitative findings identified digital literacy, product innovation, content-creation capability, government support, and access to technology as relevant conditions.

Originality/Value – This study contributes to the MSME digital transformation literature by proposing an integrated framework that explains how digital marketing capabilities are translated into business strategy transformation, competitive advantage, and performance outcomes. Unlike previous studies that predominantly examine isolated digital adoption effects, this research combines SEM-based evidence with qualitative insights to reveal the organizational conditions enabling transformation among MSMEs in an emerging-market context. The findings offer context-specific implications for MSMEs and policymakers in Makassar City.

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*Corresponding Author at:

University of Muhammadiyah Bone, Jl. Abu Dg. Pasolong No. 62, Biru Urban Village, Bone Regency, South Sulawesi, 92716, Indonesia.

E-mail address: haerilkacong@gmail.com

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1. Introduction

Digital transformation offers substantial opportunities for micro, small, and medium enterprises (MSMEs), yet increased use of technology does not automatically lead to better performance. The literature indicates that digitalization creates value when technology is connected to changes in strategy, processes, and business models, meaning that partial adoption of digital platforms may generate only limited benefits (Verhoef et al., 2021; Ben Slimane et al., 2022; Sagala & Óri, 2024). Digital orientation among MSMEs may also produce a performance pattern that is not always linear because initial investment, capability adjustment, and organizational change can create costs before economic benefits become visible (Escocz Barragan & Becker, 2025). These findings suggest that the central issue for MSMEs is not simply whether technology is used, but how it is integrated into the ways firms create, deliver, and capture value. Within this perspective, digital marketing provides an important entry point because it connects directly with the market while also requiring firms to reorganize customer relationships, sales channels, information management, and marketing decisions. Accordingly, the relationship between digital marketing and strategy transformation should be understood as an organizational process rather than merely a change in promotional media.

This issue is particularly relevant to MSMEs in Makassar City, which operate in a local competitive environment that is increasingly connected to marketplaces, social media, digital payments, and application-based services. The source manuscript indicates that MSME actors use Instagram, TikTok, Facebook, WhatsApp Business, marketplaces, QRIS, and e-wallets to expand market reach and facilitate transactions, while simultaneously facing limited content-creation skills, shortages of digitally skilled human resources, and intense online competition. Evidence from the Indonesian context also indicates that e-commerce adoption may be associated with improved MSME performance, although the benefits depend on the firm's ability to integrate technology into business activities (Wirdiyanti et al., 2023). A study conducted specifically in Makassar found that information-technology awareness and digital marketing were associated with product distribution and MSME performance, indicating that the city's local characteristics warrant further examination (Halik et al., 2023). The phenomenon in Makassar therefore cannot be explained adequately by the number of platforms used because differences in firms' ability to manage technology may lead to different strategic consequences. This study consequently focuses on how digital marketing is related to strategy transformation, competitive advantage, and business performance.

Conceptually, digital marketing can be viewed as a capability that enables MSMEs to recognize changes in demand, interact with customers, test market messages, and adjust their offerings more rapidly. Research on small firms shows that social media use and digital marketing capabilities can strengthen customer engagement, innovation capability, and performance when they are supported by adequate organizational processes (Borah et al., 2022; Ye et al., 2022; Zahara et al., 2023). Chatterjee et al. (2024) likewise show that social media marketing can be associated with strategic competitive advantage in SMEs, while Marolt et al. (2022) indicate that the performance benefits of social media may operate through relational social commerce capability and competitive advantage. These findings suggest that the effects of digital marketing are layered: technology can facilitate market interaction, but strategic value emerges when the information and interactions it generates are translated into capabilities that are difficult to imitate. This perspective is consistent with the Resource-Based

View (RBV), which positions valuable resources and capabilities as a basis for building competitive advantage (Barney, 1991). Digital marketing in this study is therefore not treated solely as a promotional activity, but as a resource that may initiate changes in business strategy.

Business strategy transformation is particularly important for MSMEs because they have more limited resources than large firms and must select forms of digitalization that fit their capacities. Previous research shows that digitalization in SMEs is more effective when accompanied by business-model experimentation, strategic alignment, leadership, agility, and the ability to reconfigure resources (Bouwman et al., 2019; Canhoto et al., 2021; Troise et al., 2022; Malodia et al., 2023). Studies of digital business model innovation further show that change may occur in value creation, value proposition, value delivery, and value capture rather than only through the use of specific technologies (Teoh et al., 2023; Trischler & Li-Ying, 2023; Fang et al., 2024). Within MSMEs, this process often develops gradually because strategic decisions must be adjusted to the availability of skills, capital, networks, and digital readiness (Pingali et al., 2023; Soluk et al., 2023). Consequently, shifts from offline sales to omnichannel arrangements, from cash to digital payments, and from traditional promotion to content marketing can be interpreted as indicators of reconfiguration rather than merely as the adoption of tools. This reasoning explains why Business Strategy Transformation is positioned as a central construct between Digital Marketing activities and competitive outcomes.

The literature from the past five years is dominated by three broad patterns of findings. First, digital transformation in SMEs tends to be associated with performance when firms possess adequate internal capabilities, including digital capability, agility, innovation capability, and readiness (Civelek et al., 2023; Arranz et al., 2023; Saeedikiya et al., 2024; Zhang et al., 2024; Kim & Jin, 2024). Second, research on business model innovation emphasizes that technology must be connected to value design and organizational configuration to produce competitive outcomes (Andersen et al., 2022; van Tonder et al., 2024; Fang et al., 2024). Third, systematic reviews show that SME digital transformation remains shaped by contextual heterogeneity, resource constraints, external support, and differences in stages of digitalization (Philbin et al., 2022; Costa Melo et al., 2023; Sagala & Őri, 2024; Gao et al., 2026). The dominance of these findings shifts the discussion from whether digitalization is beneficial to the mechanisms and conditions through which digitalization creates value. Even so, the specific relationships among digital marketing, strategy transformation, competitive advantage, and business performance are still frequently examined separately.

Despite growing evidence on digital transformation among SMEs, previous studies have largely examined digital adoption, digital capability, or performance outcomes as separate phenomena. Less attention has been given to understanding how digital marketing activities are converted into strategic transformation processes that subsequently generate competitive advantage. Moreover, limited studies have combined statistical relationship testing with qualitative explanations of how MSMEs develop the internal capabilities required for such transformation. A number of studies use surveys to examine relationships among digital capability, social media, business model innovation, or competitive advantage, but statistical findings do not always explain how SME actors change their day-to-day practices after adopting technology (Chatterjee et al., 2024; Marolt et al., 2022; Fonseka, 2022). Conversely, qualitative studies offer richer accounts of reconfiguration and business-model change, but they do not always test relationships among variables in a structured model (Andersen et al., 2022; Khurana et al., 2022; Saeedikiya et al., 2024). The research gap addressed by this study is

the need to connect these two types of evidence within a model that explicitly positions Digital Marketing, Business Strategy Transformation, Competitive Advantage, and Business Performance in the context of MSMEs in Makassar City. An explanatory sequential mixed-methods approach was used so that the quantitative results could be followed by qualitative explanations of the conditions that support or constrain transformation. This position also enables the study to interpret digital marketing as both a market-facing capability and a trigger for reconfiguration, as described by Dynamic Capability theory (Teece et al., 1997).

Based on this gap, the study aims to analyze the relationship of Digital Marketing with Business Strategy Transformation and Business Performance, the relationship of Business Strategy Transformation with Competitive Advantage, and the relationship of Competitive Advantage with Business Performance among MSMEs in Makassar City. The study also uses qualitative findings to explain factors accompanying the transformation process, particularly digital literacy, innovation, content creation, government support, and access to technology. Theoretically, the study connects the RBV with Dynamic Capability theory to explain how digital resources may acquire strategic value when they are reconfigured into more adaptive business practices (Barney, 1991; Teece et al., 1997). Empirically, the study places the four main constructs within a single framework and tests the structural paths reported in the SEM results. Practically, the model can help MSMEs and policymakers distinguish between instrumental technology adoption and strategy transformation that requires organizational capabilities. The conclusions remain bounded by the evidence and methodological details available in the source manuscript.

2. Literature Review & Hypothesis Development

2.1. Theoretical Foundations: RBV and Dynamic Capabilities

The Resource-Based View explains competitive heterogeneity through resources and capabilities that create value and are difficult to replicate (Barney, 1991). In a digital setting, however, possession of technology alone is unlikely to sustain advantage because digital tools are widely accessible and change rapidly. Dynamic Capability theory complements the RBV by emphasizing the ability to sense opportunities, seize them, and reconfigure resources as environments change (Teece et al., 1997). Recent SME studies support this extension by showing that digital transformation depends on reconfiguration, organizational agility, digital readiness, and the capacity to combine internal and external resources rather than on technology adoption alone (Canhoto et al., 2021; Civelek et al., 2023; Soluk et al., 2023; Saeedikiya et al., 2024). This combined perspective is relevant to Makassar MSMEs because digital marketing may initially be a relatively accessible resource, whereas sustained value depends on how firms embed it in strategy, customer management, distribution, and decision-making.

2.2. Digital Marketing and Business Strategy Transformation

Digital marketing encompasses the use of digital channels to communicate value, interact with customers, gather market information, and support transactions. Its strategic significance for SMEs is not limited to online promotion because social media, marketplaces, digital advertising, and customer interaction tools can alter how firms identify demand and configure market-facing activities. Evidence shows that social media and digital marketing capabilities are related to innovation capability, customer engagement, and business performance, but the effects often depend on complementary organizational capabilities (Borah et al., 2022; Ye et al., 2022; Zahara et al., 2023). Digital business model studies similarly show that SMEs redesign

value creation, value proposition, value delivery, and value capture when they integrate digital technologies into business routines (Teoh et al., 2023; Fang et al., 2024). In this study, business strategy transformation refers to changes in value proposition, customer relationships, digital channels, revenue streams, key resources, and strategic partnerships. Accordingly, the first hypothesis is formulated as follows.

H1. Digital marketing is positively associated with business strategy transformation.

2.3. Business Strategy Transformation and Competitive Advantage

Business strategy transformation reflects more than the replacement of offline tools with digital ones. It involves reconfiguring how the enterprise creates and delivers customer value, coordinates resources, and responds to market signals. Studies of SME digitalization show that business model experimentation, strategic alignment, and organizational agility can help firms translate digital resources into differentiated offerings and stronger competitive positions (Bouwman et al., 2019; Troise et al., 2022; van Tonder et al., 2024). Fang et al. (2024) further demonstrate that several dimensions of digital business model innovation are associated with SME competitiveness, while Chatterjee et al. (2024) link social media marketing processes to strategic competitive advantage. For Makassar MSMEs, transformation may therefore be reflected in the move toward omnichannel sales, digital payment, content-based promotion, and technology-enabled customer relationships. These changes are expected to strengthen the firm's ability to differentiate and respond to the market. The second hypothesis is therefore stated as follows.

H2. Business strategy transformation is positively associated with competitive advantage.

2.4. Competitive Advantage and Business Performance

Competitive advantage represents the firm's capacity to create superior customer value or operate in ways that competitors cannot easily match. Within the RBV, such advantage emerges when resources and capabilities are combined into valuable and difficult-to-imitate configurations (Barney, 1991). Recent SME research indicates that competitive advantage can function as a mechanism linking digital or social-commerce capabilities to business outcomes (Marolt et al., 2022). Studies on digital capability and digital business model innovation also suggest that stronger market responsiveness, customer relationships, and differentiated value propositions can support performance, although the magnitude of the effect varies across contexts (Fang et al., 2024; Kim & Jin, 2024). In the present study, competitive advantage is reflected through product uniqueness, service quality, market responsiveness, innovation capability, and customer loyalty. The third hypothesis is formulated accordingly.

H3. Competitive advantage is positively associated with business performance.

2.5. Direct Relationship Between Digital Marketing and Business Performance

Digital marketing may also be associated directly with business performance because digital channels can expand customer reach, accelerate communication, support transactions, and reduce some market-access costs. Empirical work has reported positive relationships between social media usage, digital marketing capability, e-commerce adoption, and SME performance in several emerging-market contexts (Borah et al., 2022; Wirdiyanti et al., 2023; Zahara et al., 2023). Nevertheless, the literature also indicates that digital investment does not guarantee performance when firms lack strategic alignment or complementary capabilities (Bouwman et al., 2019; Escob Barragan & Becker, 2025). The direct path is therefore tested alongside the sequential relationships involving transformation and competitive advantage. The fourth hypothesis is stated as follows.

H4. Digital marketing is positively associated with business performance.

2.6. Conceptual Framework

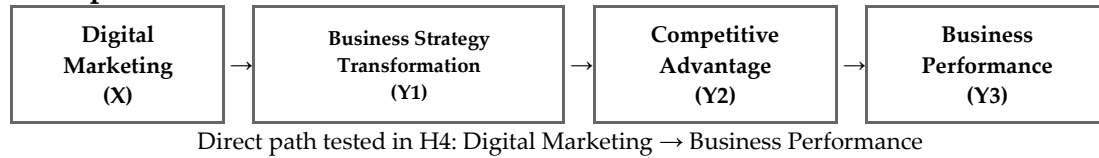


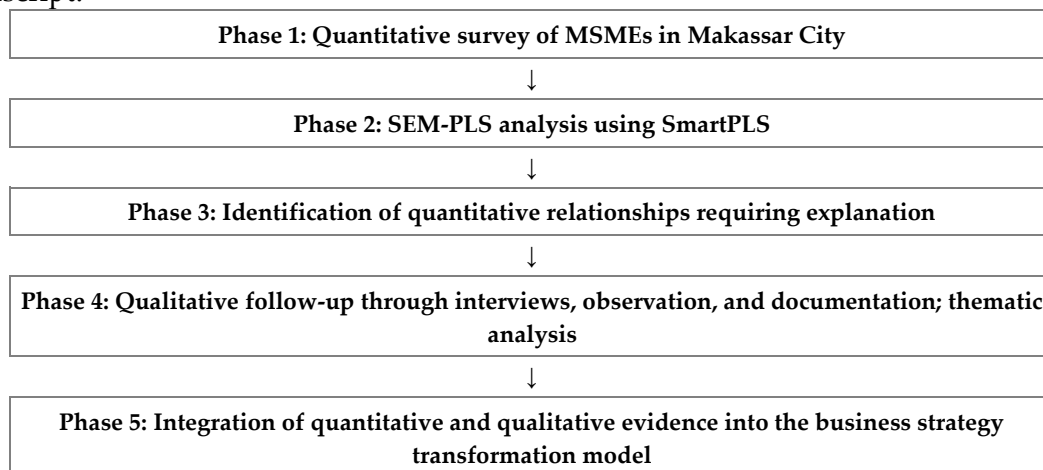
Figure 1. Conceptual framework of the tested relationships

The model also includes a direct path from Digital Marketing to Business Performance (H4). The source manuscript describes Business Strategy Transformation as a mediating construct; however, the available statistical results report direct path coefficients only. An indirect-effect test is therefore required before mediation can be claimed empirically.

3. Methodology

3.1. Research Design

This study used an explanatory sequential mixed-methods design in which quantitative data were collected and analyzed first, followed by qualitative inquiry intended to explain the statistical patterns. The design was selected because the research sought both to test the relationships among Digital Marketing, Business Strategy Transformation, Competitive Advantage, and Business Performance and to understand the organizational conditions surrounding those relationships. The quantitative component used a survey and Structural Equation Modeling with SmartPLS, while the qualitative component used interviews, observations, and documentation. The sequencing placed the SEM results as the basis for the subsequent qualitative interpretation. Integration occurred at the interpretation stage by relating the quantitative paths to qualitative themes concerning digital literacy, innovation, content creation, government support, and access to technology. No additional methodological parameters were reconstructed beyond those reported in the source manuscript.



Source: Authors' research procedure.

Figure 2. Explanatory sequential mixed-methods procedure

3.2. Research Setting, Population, and Participants

The study was conducted with MSME actors in Makassar City, South Sulawesi, Indonesia. The available source manuscript identifies MSMEs as the quantitative research population and indicates that qualitative follow-up involved MSME actors who had experience with digital

transformation. However, the manuscript does not report the quantitative sample size, sampling frame, sampling technique, inclusion or exclusion criteria, the number of qualitative informants, or the period of data collection. These details are necessary to evaluate representativeness, statistical power, and qualitative information adequacy and should be supplied by the authors before submission. [SUPPORTING DATA REQUIRED: quantitative sample size; sampling technique; participant criteria; number and selection of qualitative informants; data-collection period.]

3.3. Instruments and Data Collection

Quantitative data were collected through a survey instrument covering the four constructs in the conceptual model. The source manuscript identifies Digital Marketing through digital promotional and market-facing activities and describes Business Strategy Transformation through changes in value proposition, customer relationships, digital channels, revenue streams, key resources, and strategic partnerships. Competitive Advantage is reflected through product uniqueness, service quality, market responsiveness, innovation capability, and customer loyalty, while Business Performance is treated as the outcome construct. The manuscript does not provide the item wording, scale anchors, number of items per construct, instrument source, pilot-testing procedure, or content-validity process. Qualitative data were collected through in-depth interviews, observations, and documentation to explain how MSMEs adapted their strategies during digital transformation. [SUPPORTING DATA REQUIRED: questionnaire items and scale; instrument source/adaptation; expert review or pilot test; interview guide and duration.]

3.4. Validity, Reliability, and Quantitative Analysis

The quantitative data were analyzed with Structural Equation Modeling using SmartPLS. The reported output includes path coefficients and p-values for four structural relationships. In PLS-SEM, interpretation normally requires assessment of both the measurement model and the structural model, including indicator reliability, internal consistency reliability, convergent validity, discriminant validity, explained variance, effect sizes, and bootstrapped uncertainty estimates (Hair et al., 2022). Those statistics were not reported in the source manuscript and are therefore not fabricated in this revision. The p-values reported as 0.000 are retained as originally documented; in conventional statistical reporting, this output is interpreted as $p < .001$ rather than a literal probability of zero. [SUPPORTING DATA REQUIRED: outer loadings; Cronbach's alpha/rho_A/composite reliability; AVE; HTMT or other discriminant-validity evidence; R^2 ; f^2 and/or Q^2 if used; number of bootstrap subsamples; confidence intervals; missing-data handling; SmartPLS version and algorithm settings.]

3.5. Qualitative Analysis and Mixed-Methods Integration

Qualitative evidence was analyzed thematically. Based on the source manuscript, the analysis resulted in five interconnected themes: digital literacy of MSME owners, continuous product innovation, capability to create marketing content, government support, and access to internet and technology. A replicable thematic procedure would ordinarily specify transcription, initial coding, category development, theme refinement, and credibility checks. Because those operational details were not reported, this revision retains only the documented thematic outcomes and does not invent coding frequencies, quotations, intercoder statistics, or saturation claims. Integration was performed by using the qualitative themes to interpret why some MSMEs were better positioned to convert digital marketing adoption into strategic transformation and competitive outcomes. [SUPPORTING DATA REQUIRED: coding

procedure; number of coders; theme validation/credibility checks; evidence of data saturation or information power if applicable.]

4. Result and Discussion

4.1. Result

Profile of MSME sectors. The reported sample composition was dominated by culinary businesses, which accounted for 45% of the MSMEs. Fashion and service businesses each represented 20%, while craft businesses represented 15%. The distribution shows that the quantitative evidence reflects several business sectors, although the source manuscript does not provide the number of observations represented by each percentage. The sectoral composition should therefore be interpreted descriptively rather than as evidence that the same pattern applies to all MSMEs in Makassar City.

Table 1. Sector composition reported in the study

MSME sector	Share (%)
Culinary	45
Fashion	20
Services	20
Crafts	15

Digital marketing practices and strategic changes. The descriptive findings indicate that social media and marketplaces enabled MSMEs to extend customer reach beyond South Sulawesi, while digital payments and marketplace-based transactions supported more efficient transaction processes. Digital content was also associated with greater brand recognition and brand awareness. At the same time, MSMEs reported persistent constraints in content creation, availability of digitally skilled human resources, and competition in online marketplaces. The observed transformation was reflected in shifts from conventional promotion to digital marketing, from offline sales to omnichannel arrangements, from cash payments to QRIS and e-wallets, and from traditional promotion to content marketing. These patterns provide the operational context for the structural relationships reported below.

Structural model results. The SEM results reported four positive structural relationships. Digital Marketing showed the largest reported coefficient toward Business Strategy Transformation ($\beta = 0.731$), while the relationship between Competitive Advantage and Business Performance had the largest coefficient among the paths leading directly to performance ($\beta = 0.754$). Business Strategy Transformation was positively related to Competitive Advantage ($\beta = 0.689$), and Digital Marketing was also directly related to Business Performance ($\beta = 0.582$). All four p-values were reported by SmartPLS as 0.000. Because the source manuscript does not provide confidence intervals, standard errors, R^2 values, effect sizes, or measurement-model statistics, the table should be read as a summary of the reported path coefficients rather than a complete PLS-SEM assessment.

Table 2. SEM path coefficients

Hypothesis / Path	Coefficient (β)	p-value	Decision
H1: Digital Marketing $\rightarrow$ Business Strategy Transformation	0.731	0.000	Supported
H2: Business Strategy Transformation $\rightarrow$ Competitive Advantage	0.689	0.000	Supported
H3: Competitive Advantage $\rightarrow$ Business Performance	0.754	0.000	Supported

Hypothesis / Path	Coefficient (β)	p-value	Decision
H4: Digital Marketing $\rightarrow$ Business Performance	0.582	0.000	Supported

Notes: SmartPLS output reported $p = 0.000$ for each path; conventionally, this is interpreted as $p < .001$. No indirect-effect statistics were available to test mediation.

Qualitative findings. The qualitative findings provide contextual explanations for the quantitative relationships. Five themes were reported: digital literacy, continuous product innovation, marketing-content capability, government support, and access to internet and technology. Together, the themes suggest that platform adoption is not sufficient by itself; MSME owners also need the knowledge and organizational capacity to integrate digital tools into market decisions and business routines. The qualitative data therefore support an interpretation in which business strategy transformation depends on both internal capabilities and enabling external conditions. The source manuscript did not include verbatim interview quotations or coding frequencies, so no additional quotations or theme prevalence estimates are introduced here.

Table 3. Qualitative themes documented in the study

Qualitative theme	Interpretive role in transformation
Digital literacy	Supports the ability of owners to understand and use digital platforms strategically.
Product innovation	Helps MSMEs adjust offerings in response to changing customer preferences.
Content-creation capability	Enables consistent digital communication, product presentation, and customer engagement.
Government support	Provides an external enabling condition for digital empowerment and capability development.
Technology and internet access	Provides the infrastructure required for sustained use of digital channels.

4.2. Discussion

The positive relationship between Digital Marketing and Business Strategy Transformation indicates that MSMEs with stronger digital marketing practices also tended to report greater strategic adjustments in market access, customer interaction, and business routines. However, given the cross-sectional nature of the study, this finding should be interpreted as an empirical association rather than definitive evidence that digital marketing directly causes strategic transformation. The reported coefficient ($\beta = 0.731$) is consistent with the observation that firms shifted toward social-media promotion, marketplaces, omnichannel sales, digital payments, and content marketing. From a Dynamic Capability perspective, these shifts can be interpreted as reconfiguration because the firms changed combinations of channels, customer interfaces, payment practices, and promotional routines in response to a digital environment. This interpretation is consistent with Canhoto et al. (2021), who show that digital alignment in SMEs develops through sensing, seizing, and reorganization, and with Teoh et al. (2023), who describe digital business model innovation through changes in value creation, proposition, delivery, and capture. It also aligns with Malodia et al. (2023), whose mixed-method evidence emphasizes the role of entrepreneurial digital self-efficacy and leadership in SME digital

transformation. Within this study, digital marketing therefore appears to function as a market-facing trigger that is associated with broader strategic adaptation.

The first relationship should nevertheless not be interpreted as evidence that the mere presence of digital channels causes strategic transformation. The qualitative findings indicate that digital literacy, content capability, and technology access condition how MSME actors use digital platforms, which offers a plausible explanation for why similar technologies can generate different organizational outcomes. This is compatible with Pingali et al. (2023), who conceptualize digital readiness in emerging-market SMEs through technological sensemaking, agility, and implementation, and with Zhang et al. (2024), who find that digital capability and organizational agility are closely connected to SME digital transformation. Sagala and Ōri (2024) likewise emphasize that SMEs need digitalization strategies aligned with their own baseline capabilities and limitations. The present findings therefore extend the digital-marketing interpretation by locating the strategic value of a platform in the capability to use information and interactions generated by that platform. This reading also explains why limited digital human resources and content-creation skills remained important barriers despite the availability of social media and marketplaces.

The positive association between Business Strategy Transformation and Competitive Advantage ($\beta = 0.689$) indicates that changes in the business configuration were connected with a stronger competitive position. In the source manuscript, transformation involved digital channels, customer relationship practices, payment systems, and content-based promotion, while competitive advantage was reflected in product uniqueness, service quality, market responsiveness, innovation capability, and customer loyalty. Under the RBV, the competitive implication does not stem from the digital tools themselves because competitors can access many of the same platforms; it stems from how firms combine those tools with internal knowledge and routines (Barney, 1991). This interpretation is supported by Fang et al. (2024), who show that digital capability promotes several dimensions of digital business model innovation and that value creation, value proposition, and value capture innovation strengthen SME competitiveness. It is also consistent with Chatterjee et al. (2024), who relate social media marketing to strategic competitive advantage through value-related mechanisms. The Makassar results therefore position business strategy transformation as a plausible organizational pathway through which widely available technologies become firm-specific competitive practices.

The relationship between Competitive Advantage and Business Performance had the strongest reported coefficient among the performance paths ($\beta = 0.754$). This pattern is conceptually consistent with the proposition that market responsiveness, differentiation, innovation, service quality, and customer loyalty can translate into stronger performance when they create superior customer value. Marolt et al. (2022) provide a relevant comparison by showing that competitive advantage mediates the relationship between relational social-commerce capability and business performance, while Fang et al. (2024) link selected digital business model innovations to SME competitiveness. The result also resonates with broader evidence that digital capabilities improve entrepreneurial or firm performance when they are converted into opportunity-related or adaptive capabilities (Kim & Jin, 2024; Troise et al., 2022). However, the present manuscript does not provide disaggregated indicators of sales, profit, market share, or growth, so the meaning of Business Performance should not be expanded beyond the construct as measured by the authors. The finding is strongest as

evidence that a more favorable competitive position was statistically associated with the study's reported performance construct.

Digital Marketing also showed a direct positive association with Business Performance ($\beta = 0.582$), indicating that part of the performance relationship may occur without passing through the sequential transformation and competitive-advantage paths represented in the conceptual framework. A direct relationship is plausible because social media, marketplace participation, digital payment, and digital communication can reduce some transaction frictions and broaden customer access. Related research has found positive relationships between social media use and SME performance (Borah et al., 2022; Ye et al., 2022), between e-commerce adoption and MSME performance in Indonesia (Wirdiyanti et al., 2023), and between digital marketing capabilities and SME marketing performance (Zahara et al., 2023). At the same time, Bouwman et al. (2019) and Escoz Barragan and Becker (2025) caution against assuming a simple linear payoff from digitalization because strategic alignment, experimentation, and resource allocation shape the eventual outcome. The Makassar result can therefore be interpreted as evidence of a direct association while still recognizing that the quality of strategic integration may determine the sustainability of that benefit.

The qualitative themes deepen the interpretation of all four structural paths by identifying conditions that cannot be reduced to path coefficients. Digital literacy and content-creation capability represent internal human and knowledge resources, product innovation reflects the ability to renew offerings, and technology access provides the infrastructure for repeated digital activity. Government support is different because it represents an external enabling condition that may compensate for resource constraints common among MSMEs. This combination is compatible with research showing that SME digital transformation depends on both internal capabilities and networks or institutional support (Crupi et al., 2020; Soluk et al., 2023; Philbin et al., 2022). It also aligns with Saeedikiya et al. (2024), who identify enabling conditions and barriers surrounding dynamic capabilities in SME digital transformation. The mixed-methods contribution of the present study lies in showing that the positive structural relationships are embedded in a capability environment rather than occurring independently of owner skills and external support.

The findings also clarify the theoretical position of the study. RBV is useful for explaining why digital literacy, content capability, customer relationships, and innovation can become strategically valuable resources, but it is less explicit about how those resources are renewed when markets and technologies change. Dynamic Capability theory addresses that limitation by explaining the sensing, seizing, and reconfiguring processes through which firms adapt resources over time (Teece et al., 1997). Recent SME research increasingly combines these perspectives when examining digital transformation (Civelek et al., 2023; Saeedikiya et al., 2024), and the current results follow the same logic: Digital Marketing represents a market-facing capability, Business Strategy Transformation reflects reconfiguration, and Competitive Advantage represents a strategic outcome associated with the reconfigured resource base. The evidence does not establish a new universal theory, but it provides a context-specific sequence that connects these constructs in Makassar MSMEs. This is a more defensible contribution than claiming that digital marketing alone constitutes a sustainable competitive advantage.

Finally, the study contributes to the global SME digital-transformation literature by examining an emerging-market city context and by combining SEM relationships with qualitative explanations. Systematic reviews continue to note fragmentation in definitions, mechanisms, and success conditions for SME digital transformation (Ben Slimane et al., 2022; Costa Melo et

al., 2023; Sagala & Óri, 2024; Gao et al., 2026). The Makassar case adds evidence that market-facing digitalization may be linked to performance through both a direct path and a broader sequence of strategy transformation and competitive positioning. Nevertheless, the model should be interpreted cautiously because the available manuscript does not report the sample size, complete measurement model, indirect effects, or detailed qualitative procedure. These omissions prevent a rigorous assessment of mediation, statistical power, construct validity, and transferability. The conceptual novelty is therefore best framed as the integration of digital marketing, strategy transformation, competitive advantage, business performance, and qualitative enabling conditions within one mixed-methods model, subject to verification of the missing methodological information.

5. Conclusion and Suggestion

This study examined the transformation of MSME business strategy in Makassar City through a digital marketing approach using an explanatory sequential mixed-methods design. The reported SEM results showed positive associations between Digital Marketing and Business Strategy Transformation ($\beta = 0.731$), Business Strategy Transformation and Competitive Advantage ($\beta = 0.689$), Competitive Advantage and Business Performance ($\beta = 0.754$), and Digital Marketing and Business Performance ($\beta = 0.582$), with all p-values reported as 0.000. The qualitative findings indicate that digital literacy, product innovation, content-creation capability, government support, and access to technology accompany the transformation process. Taken together, the findings suggest that digital marketing is most meaningfully interpreted as part of a broader reconfiguration of business strategy rather than as an isolated communication tool. The model links market-facing digital practices with strategic change, competitive positioning, and performance while recognizing that the strength of these conclusions depends on the completeness of the underlying methodological evidence.

Theoretical implications. Theoretically, the study suggests that digital marketing can be positioned as a market-facing resource whose strategic value depends on reconfiguration. This interpretation connects RBV and Dynamic Capability theory without assuming that digital technology is inherently rare or inimitable. The positive relationships among Digital Marketing, Business Strategy Transformation, Competitive Advantage, and Business Performance are consistent with a sequence in which digital interaction generates opportunities for strategic adjustment and competitive differentiation. However, because indirect effects were not reported, the study should not claim that mediation has been statistically established. Future model testing can strengthen the theoretical contribution by estimating indirect paths and by comparing alternative models in which digital capability, innovation capability, or environmental conditions serve as moderators or antecedents.

Practical implications. Practically, MSME owners should treat digital marketing as part of business redesign rather than as a stand-alone promotional activity. The qualitative findings indicate that investments in digital literacy, content capability, product innovation, and reliable technology access are necessary complements to the use of social media and marketplaces. Policymakers and support institutions can use this distinction when designing digital-empowerment programs: training that focuses only on platform operation may be less useful than programs that integrate market analysis, content development, customer relationship management, payment systems, and strategic planning. The role of government support reported by participants also suggests that capability-building programs can reduce some constraints faced by resource-limited MSMEs. These implications are drawn from the

reported Makassar context and should be adapted rather than generalized mechanically to other regions.

Suggestion. Further studies should test the model with fully reported measurement and structural assessments, explicitly estimate indirect effects, compare sectoral groups, and examine additional organizational, technological, and environmental conditions.

6. Limitations and Future Research

The study is limited to MSMEs in Makassar City, which restricts the transferability of the findings to other regions, industries, and institutional settings. More importantly, the available manuscript does not report several methodological details required for a complete evaluation of the quantitative and qualitative evidence, including sample size, sampling technique, measurement-model statistics, bootstrap settings, confidence intervals, and the qualitative coding procedure. The model also reports direct structural paths but does not provide indirect-effect tests, so mediation should not be stated as an empirical finding. Future research should replicate the model with fully reported measurement and structural assessments, test indirect effects explicitly, compare sectoral groups, and examine additional organizational, technological, and environmental conditions. Longitudinal or repeated-measures designs would also help distinguish short-term digital adoption from sustained strategy transformation and would provide stronger evidence about temporal ordering.

Declaration of AI and AI-assisted technologies in the writing process

During the preparation of this work, the authors used ChatGPT to support grammar checking, language refinement, and improvements in clarity and readability. After using this tool, the authors reviewed and edited the content as needed and take full responsibility for the accuracy of the data, analysis, interpretation, references, conclusions, and final content of the publication.

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