



Strategic Leadership and Digital Transformation in Driving SME Performance in Indonesia

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Article Info

Received : 24 January 2026
Revised : 13 March 2026
Accepted : 29 March 2026

Keyword:

Leadership strategy;
Digital transformation;
SME performance.

ABSTRACT

This study aims to explore the role of strategic leadership in driving digital transformation and its implications for the performance of small and medium-sized enterprises (SMEs) in Central Jakarta. The phenomenon under examination stems from the persistent gap between the adoption of digital technology and the optimization of SME performance within the context of the digital economy. This study employs a qualitative approach using a case study design, which allows for an in-depth understanding of organizational experiences and internal dynamics. Data were collected through semi-structured interviews, participatory observation, and documentation from 8–12 informants selected using purposive and snowball sampling techniques. The results of the thematic analysis indicate that digital transformation is influenced by leaders' ability to formulate a digital vision, foster organizational learning, and manage the challenges of change, particularly regarding digital literacy and human resource resistance. Furthermore, digital transformation has been shown to contribute to improved SME performance through operational efficiency, market expansion, and increased competitiveness, in line with the findings of recent qualitative studies that emphasize the importance of leadership and adaptive capabilities in the SME digitalization process (Sutardi et al., 2026). This research provides theoretical contributions by enriching the digital transformation literature based on a qualitative approach, as well as practical implications for developing SME leadership capacity. Future research is recommended to expand the geographic context and methodological approach to gain a more comprehensive understanding.



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1. Introduction

Digital transformation has become a global phenomenon that is fundamentally reshaping the business landscape, including in the small and medium-sized enterprise (SME) sector. In many countries, digitalization serves not only as an operational tool but also as a key strategy for enhancing competitiveness and business sustainability. The integration of digital technology into business processes has proven capable of improving operational efficiency, product innovation,

and overall organizational performance (Gyamerah & Afshari, 2025). In this context, strategic leadership plays a crucial role as a driver of change, guiding organizations in navigating increasingly complex digital disruptions.

In Indonesia, SMEs make a significant contribution to the national economy, both in terms of employment and their contribution to the Gross Domestic Product (GDP). However, digital transformation in this sector still faces various challenges, such as limited digital literacy, access to technology, and organizational readiness to adopt change (Susanto et al., 2026). Particularly in urban areas like Jakarta, although digital infrastructure is relatively more advanced, not all SMEs are able to optimize digital technology to improve business performance sustainably (Setyawan & Kurniawan, 2025).

Empirical evidence from the field indicates that the success of digital transformation is determined not only by technology adoption but also by leadership's ability to formulate and implement adaptive strategies. Previous studies have revealed that many SME operators face difficulties in integrating a digital vision into their daily operational practices (Lestari, 2026). Furthermore, weak strategic leadership often hinders organizational change processes, particularly in fostering a culture of innovation and collaboration that supports digital transformation (Kurnianingsih, 2025).

From a social and cultural perspective, digital transformation also brings changes to business interaction patterns, consumer behavior, and organizational structures. Digitalization drives SMEs to adapt to a more open and competitive business ecosystem, which ultimately impacts business sustainability (Syarkani, 2025). Therefore, it is crucial to understand how strategic leadership shapes digital transformation experiences and processes within a local context, particularly in Jakarta as Indonesia's digital economic hub.

Although various studies have examined the relationship between digital transformation and SME performance, most still employ quantitative approaches that focus on the relationships between variables (Persada et al., 2025; Prihandono et al., 2024). These approaches have not been able to delve deeply into the aspects of experience, meaning, and processes encountered by business owners in implementing digital transformation. Consequently, there is a research gap that requires a qualitative approach to achieve a more comprehensive understanding.

Based on this background, this study aims to explore the role of strategic leadership in driving digital transformation and its implications for SME performance in Jakarta City, DKI Jakarta Province. The study focuses on business owners' experiences, strategic decision-making processes, and the dynamics of digital transformation implementation. Theoretically, this study is expected to enrich the literature on strategic leadership and digital transformation based on a qualitative approach. Practically, this study is expected to provide recommendations for SME business owners and policymakers in designing effective digital transformation strategies.

2. Materials and Methods

This study employs a qualitative approach using a single-case study design. This approach was chosen because it allows the researcher to gain an in-depth understanding of the phenomenon of strategic leadership in the digital transformation process of SMEs within a real-world, specific context. The case study provides a space for exploring the internal dynamics of the organization as well as the holistic experiences of business owners (Senak & Mahmud, 2024).

The research was conducted among SMEs in the creative economy and digital commerce sectors in Central Jakarta, DKI Jakarta Province, during the period of January–March 2025. The selection of the location was based on Jakarta's characteristics as a hub for the economy and digitalization in Indonesia, with a relatively high level of technology adoption. The research subjects were SME owners and managers directly involved in strategic decision-making. The criteria for informants included: (1) having adopted digital technology for at least two years, (2) being active in digital business management, and (3) being willing to serve as research informants.

The informant selection technique used purposive sampling developed through snowball sampling until data saturation was reached (Ismail et al., 2025).

Data collection was conducted through semi-structured interviews, participant observation, and documentation. Interviews were used to explore informants' experiences and strategies in depth, while observation was conducted to gain a firsthand understanding of business practices. Documentation, including business reports, digital content, and organizational archives, was used as supporting data. This combination of techniques allows for the application of methodological triangulation to enhance data credibility (Dwiyanti et al., 2025).

Data validation was conducted through source and method triangulation, member checking, and the creation of an audit trail. Triangulation involved comparing data from various sources to ensure the consistency of findings (Subekti & Novianti, 2025). Member checking was performed by confirming the results of interpretations with the informants, while the audit trail was used to maintain the transparency of the research process (Wafdana, 2025).

Data analysis utilized the Miles and Huberman interactive model, which includes data reduction, data presentation, and drawing conclusions. Data were analyzed iteratively to identify patterns and relationships among concepts (Senduk et al., 2025). Additionally, thematic analysis was employed through an open-coding process to identify key themes related to strategic leadership and digital transformation (Faraka & Kurniawan, 2025). This approach enables a deep interpretation of the phenomena under study.

3. Results and Discussions

The results of the data analysis show that strategic leadership in the digital transformation of SMEs in Central Jakarta is characterized by leaders' ability to formulate a focused, long-term digital vision. Informants revealed that digitalization is not merely the adoption of technology, but rather part of an integrated business strategy. One informant stated, "We're not just jumping on the bandwagon of online sales; from the very beginning, we've planned how digital tools can help expand our market." This statement reflects that the success of digital transformation is heavily influenced by how leaders perceive technology as a strategic tool rather than merely an operational one. This finding demonstrates that a clear direction and vision serve as the primary foundation in the digitalization process of SMEs.

In addition, the digital transformation process also reveals a dynamic of organizational learning that unfolds gradually and continuously. Most informants acknowledged that they faced knowledge gaps in the early stages, but actively adapted through hands-on experience, training, and interactions with other business operators. One informant explained, "At first, we didn't understand how to use the marketplace, but after experimenting and participating in training, we were finally able to grow." This process demonstrates that digital transformation does not happen instantly, but rather through an adaptation process involving collective learning and reflection on experience.

On the other hand, the implementation of digital transformation also faces various structural and cultural challenges. Limited digital literacy among human resources is a major obstacle frequently encountered by SME operators. Some informants also mentioned resistance to change, particularly from employees accustomed to conventional systems. As one informant stated, "Not all of our employees are ready for the digital system, so we have to teach them gradually." This situation indicates that digital transformation requires not only technological readiness but also organizational readiness to manage change.

Despite facing various obstacles, digital transformation has a significant impact on improving SME performance. Informants reported increases in sales, operational efficiency, and market reach after adopting digital platforms. One informant stated, "Since moving to an online platform, our sales have nearly doubled." These findings indicate that digitalization can create new

opportunities for SMEs to grow, particularly in the context of business competition that is increasingly technology-driven.

Discussions

The findings of this study reinforce the view that strategic leadership is a key factor in the success of SMEs' digital transformation. Leaders' ability to formulate a clear digital vision that is integrated with business strategy aligns with the concept of transformational leadership, which emphasizes the importance of direction, inspiration, and the ability to manage organizational change (Supraptiningsih & Garibaldi, 2026). In this context, leaders serve not only as decision-makers but also as change agents who shape the digital mindset within the organization.

Findings regarding the challenges of digital transformation indicate that human factors remain a crucial element in the digitization process. Limited digital literacy and resistance to change are significant barriers, as also found in the study by Andayani et al. (2026). However, this study suggests that strategic leadership can serve as a mediator in overcoming these barriers through a more inclusive and phased approach. In other words, the success of digital transformation is not determined solely by technology but also by leaders' ability to manage social change within the organization.

The positive impact of digital transformation on SME performance identified in this study is also consistent with previous studies showing that digitization can enhance productivity and business competitiveness (Sudirman, 2025; Rayhan & Rahmadhinta, 2025). However, this study emphasizes that these effects are not automatic but rather highly dependent on how digital strategies are designed and implemented. This offers a new perspective that the relationship between digital transformation and SME performance is contextual and influenced by leadership factors.

In practical terms, the findings of this study emphasize the importance of strengthening strategic leadership capacity to support the digital transformation of SMEs. SME development programs should not only focus on improving technical skills but also on strengthening leadership capabilities in managing change and innovation. Theoretically, this study contributes by enriching the literature on digital transformation through a qualitative approach that emphasizes aspects of experience, meaning, and social processes.

Nevertheless, this study has limitations regarding its geographical scope, as it focuses solely on Central Jakarta; consequently, the findings cannot yet be broadly generalized. Therefore, future research is recommended to expand the geographical scope and combine qualitative and quantitative approaches to gain a more comprehensive understanding of digital transformation among SMEs in various contexts.

4. Conclusions

This study demonstrates that strategic leadership plays a fundamental role in driving the success of digital transformation among SMEs in Central Jakarta. Key findings indicate that the success of digitalization is not solely determined by technology adoption but is heavily dependent on leaders' ability to formulate a clear digital vision, foster organizational learning, and adaptively manage the challenges of change. Digital transformation is understood as a dynamic and contextual process, in which experience, social interaction, and human resource readiness are key factors influencing its implementation. Furthermore, digital transformation has been shown to have a positive impact on SME performance, particularly in improving operational efficiency, expanding market reach, and driving business growth, consistent with recent studies on the role of leadership and digital capabilities in enhancing SME performance (Sutardi et al., 2026; Putri & Syahputra, 2026).

Theoretically, this study contributes to enriching the literature on digital transformation by emphasizing the importance of strategic leadership and social processes within organizations—

aspects that have been under-explored in quantitative approaches. Practically, the findings suggest that SME development should focus not only on enhancing technological capabilities but also on strengthening leadership competencies and organizational learning. From a policy perspective, more integrated support is needed in the form of digital leadership training and technological literacy for SME actors. Nevertheless, the study's limitations regarding its specific geographical context open opportunities for future research to expand the geographical scope, compare various business sectors, and combine methodological approaches to gain a more comprehensive understanding of SME digital transformation in Indonesia.

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