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Research Article

Beyond Digital Transformation: Strategic Trade-Offs Between Technology and Operational Advantage in Indonesia's Advertising Sector

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Abstract: This study explores how resource-constrained small and medium-sized enterprises (SMEs) in Indonesia's advertising sector adapt digital transformation strategies to achieve sustainable development. Using the case of Roxy Maharewa, an SME in Makassar Gowa, the research examines strategic trade-offs between investing in advanced digital platforms and operationally transformative physical assets. Guided by the Resource-Based View, Strategic Trade-off Theory, and Contingency Theory, this qualitative case study employs semi-structured interviews with key decision-makers. Findings reveal that prioritizing high-capacity production equipment eliminated structural cost disadvantages from outsourced printing, enabling twice to fourth times potential profit margin gains and strengthening market competitiveness. Rather than adopting a fully digital-first approach, the firm employed a hybrid strategy leveraging low-cost digital tools for internal efficiency while maintaining offline relationship management to align with client preferences and infrastructural realities. This asset-led hybrid model demonstrates how SMEs in emerging markets can integrate selective digital adoption with tangible investments to achieve both rapid returns and long-term sustainability. The paper contributes to the discourse on digital transformation by providing a context-sensitive perspective for policymakers and practitioners, emphasizing that in heterogeneous digital readiness environments, blended strategies can deliver superior economic and social.

Keywords: Digital Transformation; Hybrid Strategy; SMEs; Strategic Trade-Offs; Sustainable Competitiveness

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1. Introduction

In the post-pandemic global economy, digital transformation is increasingly positioned as a critical enabler of sustainable business growth. Empirical evidence suggests that SMEs adopting digital technologies achieve, on average, 25–30% increase in productivity and operational efficiency (Titin et al., 2024), with OECD data highlighting improvements in profitability, customer reach, and process automation (OECD, 2024). Beyond competitiveness, digital transformation is also viewed as a pathway toward sustainable development by enabling resource efficiency, reducing operational waste, and supporting adaptive market strategies. However, the benefits of digital adoption are far from evenly distributed, particularly in emerging economies where technological diffusion is constrained by infrastructure, cost, and human capital limitations.

In Southeast Asia, Indonesia's Digital Adoption Index (DAI) ranks among the lowest in the region, comparable to Cambodia, Laos, and Myanmar (World Bank Group, 2019). While SMEs account for 64.2 million enterprises, contribute 56–59% of GDP, and employ roughly 99% of the national workforce Sulastri et al. (2023), many remain hindered by high implementation costs, inadequate infrastructure, limited digital literacy, and cultural resistance to change (Faiz, 2023). These barriers often compel resource-constrained firms to prioritize short-term operational stability and asset dependability over long-term digital innovation, creating a strategic tension between digital-first prescriptions and the necessity of tangible operational advantages.

In Indonesia's advertising industry, which combines creative services with production-intensive operations, physical production assets such as high-capacity printers, cutting machines, and finishing equipment remain pivotal to maintaining competitive advantage. This is especially apparent in the Makassar-Gowa area of South Sulawesi, where demand for tangible advertising outputs continues across political campaigns, public events, and local retail promotions. In this context, Roxy Maharewa illustrates how SMEs manage the balance between adopting advanced digital platforms and acquiring physical assets that can transform operational capacity. Its strategic positioning demonstrates that when efficiency-driven innovations are adapted to local environmental conditions, they can foster both economic resilience and context-specific sustainable development.

This study addresses these dynamics by examining efficiency innovation as the deliberate optimization of existing resources to produce significant performance gains, rather than as a reluctant compromise. Framed through the Resource-Based View, Strategic Trade-off Theory, and Contingency Theory, the research aims to: (1) investigate the strategic rationale behind prioritizing physical over digital investments, (2) analyze how efficiency innovations support competitive positioning in traditional markets, and (3) demonstrate alternative hybrid pathways to sustainable competitiveness in emerging economies. The insights seek to expand the understanding of innovation strategies for policy and managerial practice, challenging universal digital-first narratives and advocating context-sensitive support systems that integrate both digital and physical infrastructure development.

2. Literature Review

Resource-Based View (RBV) and Strategic Asset Value

The Resource-Based View (RBV) posits that sustainable competitive advantage arises from resources that are valuable, rare, inimitable, and non-substitutable (Godwin-Opara, 2016). In the context of SMEs in emerging markets, physical assets such as high-capacity production equipment can serve as strategic resources by providing cost control, quality assurance, and rapid market responsiveness. Studies by Bouguelmouna (2021); Katsaliaki et al. (2022); Ayu & Parahiyanti (2022); Ekawarti & Tri (2022), show that ownership of specific physical assets creates switching costs and reduces imitability, thereby strengthening firms' bargaining power. These findings expand the traditional RBV focus on intangible resources, recognizing that tangible resources may outweigh knowledge-based capabilities in price-sensitive markets.

In the post-COVID-19 context, OECD (2021); UNCTAD (2022); Priyono et al. (2020), confirm that firms with internal production capacity demonstrate greater resilience to supply chain disruptions and volatile demand, particularly when combined with selective digital adoption. This aligns with the concept of asset-based resilience, where business durability is built by optimizing existing physical assets prior to large-scale digital infrastructure investments.

Strategic Trade-off Theory and Resource Allocation

Strategic Trade-off Theory highlights that resource scarcity forces organizations to make explicit choices between mutually exclusive strategic alternatives (Islami et al., 2020). SMEs in manufacturing-service industries frequently face a dilemma between investing in operational capacity versus digital infrastructure. Research by Furr et al. (2022) and Cardoni et al. (2020), indicates that in highly price-competitive markets, investments that remove structural cost disadvantages tend to drive profitability more rapidly. A meta-analysis by Alhosani & Alhashmi (2024), affirms that such decisions are moderated by market maturity, customer preference heterogeneity, and competitive intensity. Post-pandemic realities further emphasize this dynamic: Baig et al. (2020), found that the most effective SME recovery strategy follows an asset-first gradual digitalization model strengthening the physical asset base before expanding fully into digital investments.

Contingency Theory and Contextual Fit

Contingency Theory argues that no single strategy is universally effective; strategic success depends on the fit between internal capabilities and external conditions (Germanos, 2011). Contingency factors such as environmental uncertainty, limited digital infrastructure, and customer habits shape strategic effectiveness. Cardoni et al. (2020), found that in emerging markets, hybrid strategies combining basic digital tools with in-person engagement often outperform full digitalization. The International Labour Organization Charles et al. (2022), asserts that hybrid strategies help SMEs maintain customer relationships during market volatility, while Baig et al. (2020) emphasizes that hybrid engagement improves resilience in service sectors reliant on human interaction in the post-pandemic era.

Synthesis of Theoretical Perspectives

Together, these frameworks establish a coherent analytical foundation for SMEs in traditional sectors to craft competitive strategies under resource constraints. RBV underscores the identification and control of key assets; Strategic Trade-off Theory stresses disciplined resource allocation; and Contingency Theory ensures alignment with market realities. Figure 1 below presents the conceptual framework developed from this synthesis, illustrating the interrelationships between these theoretical lenses, the decision context of resource-constrained SMEs, and the resulting hybrid strategy pathway. The following section applies this integrated framework to a case study in Indonesia's advertising sector, examining how an SME navigates competitive pressures and asymmetrical digital transformation.

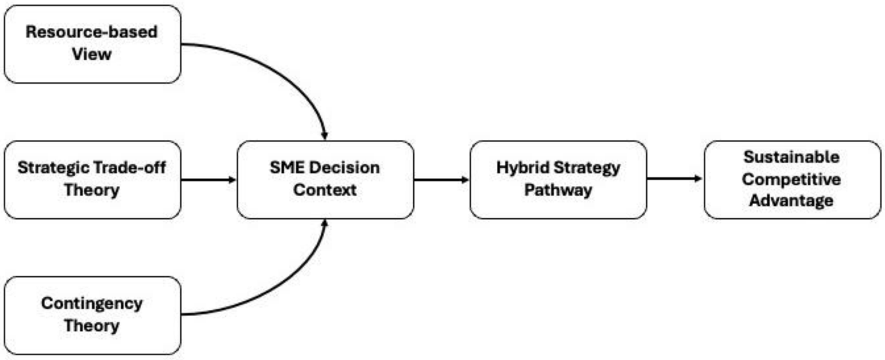

Figure 1. Research Conceptual Framework (Author's Work)

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3. Research Method

This qualitative case study investigates the strategic decision-making processes of resource-constrained SMEs using three complementary theoretical perspectives: the Resource-Based View (RBV), Strategic Trade-off Theory, and Contingency Theory. A case study design was selected because it allows in-depth examination of complex, context-dependent phenomena where the gap between digital transformation discourse and actual strategic priorities requires detailed empirical exploration. This approach is particularly suitable for SMEs in emerging markets, where structural constraints, uneven infrastructure development, and heterogeneous technological adoption demand context-specific strategic responses rather than universal digital-first models.

Roxy Maharewa, a small-to-medium advertising enterprise in Gowa, South Sulawesi, was purposively selected as a representative case of SMEs operating under these conditions. The firm illustrates the dynamics of post-pandemic market adaptation in an environment characterized by capital limitations, entrenched offline engagement norms, and uneven digital literacy among clients. Its operational context provides a coherent platform to assess how SMEs convert resource constraints into innovation logic through tactical prioritization of investments rather than comprehensive digital transformation.

Primary data were collected through semi-structured, in-depth interviews with three key informants: the company director, operations manager, and finance–accounting staff. Each face-to-face session lasted approximately sixty minutes and followed a theory-informed guide, with questions targeting resource evaluation criteria, decision-making mechanisms in investment trade-offs, and environmental contingencies influencing strategy. All interviews were audio-recorded with the participants' consent and transcribed verbatim.

The data were analysed thematically, with initial coding derived from the three theoretical frameworks. Pattern identification and theme development linked empirical observations directly to theoretical propositions. Manual coding using spreadsheet tools ensured transparency, traceability, and consistency throughout the analytical process. Methodological rigor was strengthened through triangulation across multiple organizational perspectives and validation via member checking to confirm interpretive accuracy. Ethical safeguards included informed consent, confidentiality assurances, and anonymization of all participant information.

By applying this methodological framework, the study generated an integrated dataset that reflects both the strategic rationale and operational realities of navigating the digital–physical investment dilemma. The following Results and Discussion section presents the findings through the lenses of RBV, Strategic Trade-off Theory, and Contingency Theory, illustrating how these perspectives intersect in shaping competitive strategy under resource constraints.

4. Results and Discussion

Resource-Based View: Strategic Importance of Physical Assets

Field findings strongly reaffirm the central assumption of the Resource-Based View (RBV), as discussed in the literature review, namely that sustainable competitive advantage arises from the possession of resources that meet the VRIN criteria (valuable, rare, inimitable, non-substitutable) and exhibit heterogeneity as well as resource immobility meaning they are difficult to transfer between firms. The Roxy Maharewa case offers a clear illustration that, in high-production-intensity service industries such as print-based advertising, ownership of high-capacity printing machinery is regarded by management not merely as an operational necessity, but as a strategic resource capable of fundamentally reshaping the company's competitive advantage structure.

As expressed by the finance-accounting staff, "*Kalau punya mesin sendiri justru margin lebih besar… bisa meningkatkan margin 2x sampai 4x dari margin sekarang*" (ALVIRA), the potential impact on profitability is both substantial and immediate. Internal estimates indicate that full control over this asset could drive profit margin increases of twice to fourth times of current conditions. These gains would result from eliminating third-party costs, improving production time efficiency, enhancing quality control, and reducing dependence on external supply chains.

In reality, Roxy Maharewa's entire production process is still outsourced through CV Roxy, which in turn relies on third-party printing providers. This arrangement creates double margin cuts that systematically erode pricing power and hinder market share capture, despite the company's strong relationship capital, solid reputation, and long-standing track record with key clients. As the interviewee noted, "*Kompetitor X punya mesin sendiri sehingga bisa raup margin yang lebih besar… Kalau kualitas lebih bagus, mereka karena punya mesin sendiri*" (ALVIRA), underscoring how asset heterogeneity directly impacts competitive positioning.

Compared to a direct competitor (Competitor X) that owns its own machine, this weakness is evident in two dimensions: (1) the competitor's higher profit margin stability; and (2) its ability to offer more attractive financial incentive schemes to marketing partners, thereby strengthening distribution channel loyalty. From a resource heterogeneity perspective, as outlined by (Bouguelmouna, 2021) and (Katsaliaki et al., 2022), the unique qualities of physical assets can serve as significant differentiators that are difficult to replicate. In Roxy Maharewa's case, the absence of this core asset creates a structural disadvantage that cannot be offset solely by social capital or market knowledge.

The formal proposal to purchase the machine submitted to the board of commissioners reflects awareness of asset specificity, recognizing that the asset has high strategic value, is difficult to substitute, and demands significant investment for competitors to imitate. Conceptually, these findings challenge the RBV's traditional bias toward intangible resources and instead demonstrate that in service industries with high physical process intensity, such as print-based advertising, tangible assets can serve as key levers for cost efficiency, quality control, turnaround speed, and pricing flexibility factors that directly impact market competitiveness. From a strategic standpoint, although active in the digital marketing sector which typically drives industry players to allocate substantial investments into online platforms, analytics, and automation, Roxy Maharewa has made physical asset ownership a central priority. This decision does not reflect a lag in adopting technology; rather, it stems from a deliberate evaluation indicating that, given the company's current market position and structure, resolving structural disadvantages through physical asset investment would yield a greater and more immediate value gain than implementing a full-scale digital transformation. Consequently, the company illustrates that, even within a "digital-native" industry, an asset-based strategy running counter to prevailing trends can prove more effective when measured against the RBV's criteria for competitive advantage and the specific market conditions in which it competes.

Strategic Trade-off Theory: Navigating Limited Resources

Field findings clearly illustrate how Roxy Maharewa applies the principles of Strategic Trade-off Theory as formulated within Porter's strategic positioning framework. This theory emphasizes that when resources are limited, a firm must make decisive and mutually exclusive strategic choices rather than partially dividing allocations, which risks creating a straddling position that lacks clear competitive direction.

In practice, although management recognizes the importance of developing a comprehensive digital infrastructure which includes the design of an integrated client portal and plans for implementing an AI-based customer service system, they have consciously identified the acquisition of a high-capacity printing machine as the primary priority. As the finance-accounting staff noted, "*Sekarang fokusnya kumpul modal untuk beli mesin… karena kalau punya mesin sendiri margin bisa dua sampai empat kali lipat dari sekarang*" (ALVIRA), highlighting the high-impact nature of this tangible investment.

The director's directive to "maximize turnover first" before committing to large-scale digital investments reflects a systematic preference for tangible investments that have a direct and measurable impact on profit margins rather than digital capabilities whose financial benefits are more speculative and long-term in nature. Analysis of the case reveals three core trade-off mechanisms at work. The first is scarcity constraints, where limited capital prevents the company from simultaneously financing both the machine acquisition and the AI system implementation. As reinforced by the operations manager, "dari *website tersebut… klien bisa lihat progress konten sosial medianya, tapi kita buat satu per satu dulu secara ekosistemnya*" (FANDEM), the pace of digital adoption is intentionally sequenced to preserve liquidity.

The second is strategic incompatibility, as the current cost structure oriented toward the MSME market is not yet aligned with the demands of high-margin corporate services without a significant increase in production capacity. The third is opportunity cost advantage, where owning the machine eliminates the double margin cut and delivers an immediate margin improvement greater than the incremental efficiency gains that partial digitalization could offer.

This logic is equally reflected in the company's sales strategy. Without the financial capacity to hire dedicated sales staff for out-of-home services, Roxy Maharewa operates a distributed sales model in which directors and managers actively visit potential clients while all employees assume dual roles as sales agents within their personal networks. As the director explained, "*Tetap ada 5 orang tim inti… sisanya freelance untuk handling event atau produksi*" (AZANI), illustrating human capital optimization under resource constraints. This approach is further reinforced through carefully selected freelancers, enabling market penetration expansion without significantly increasing fixed costs. In contrast to most competitors who channel funds into large-scale digital marketing strategies, Roxy Maharewa focuses on strengthening its people-driven outreach, a strategy that has a direct impact on revenue generation and customer loyalty.

Contingency Theory: Aligning with Market Realities

Within the framework of Contingency Theory, the optimal strategy is not a universal formula applicable to all organizations but rather the result of achieving a strategic fit between internal resources and capabilities and the demands and opportunities presented by the external environment. This principle is particularly relevant when examined in the context of Roxy Maharewa, an SME in the advertising sector operating in the Makassar-Gowa region, a growth centre in Eastern Indonesia characterized by gaps in technology adoption and digital infrastructure. Research findings show that demand behaviour and customer patterns within the target segments, primarily MSMEs and local institutions, continue to prioritise face-to-face interactions and personal relationships as the main drivers of trust and loyalty. Although the company offers digital marketing services, prospects acquired through online channels expect quick, direct, and personalized follow-up in order to convert into actual transactions. This creates a strategic requirement that digital lead generation must be paired with intensive offline relationship management for optimal conversion.

Analysis of contingency variables identifies four critical determinants. Environmental uncertainty is evident as digital adoption within the MSME segment remains equally split between digitally literate and non-digitally literate businesses, making a purely digital strategy risky as it could overlook half of the potential market. Organizational size is a limiting factor, with only five permanent employees constraining follow-up capabilities and after-sales service unless supported by multi-role strategies and flexible human resource deployment. Leadership characteristics play a role as well; the owner-manager, while part of a younger generation highly adaptable to technology, remains pragmatic in prioritizing investments according to cash flow and cost structure realities. Institutional environment factors also influence operations, as manual procedures still dominate public institutions for example, the requirement of physical presence at tax offices despite the existence of digital reporting systems slowing the potential for a full digital transition.

Based on these variables, the decision to implement a hybrid strategy emerges as a "high-fit, high-impact" choice. The company uses low-cost, lightweight digital tools such as the free version of Trello for project management, Google Drive for document collaboration, and WhatsApp for internal coordination to enhance administrative efficiency while preserving short-term investments for physical assets that directly boost margins and production capacity. This approach differentiates Roxy Maharewa from competitors who pursue full-online modernization for image-building purposes but risk losing effectiveness in a market with uneven digital adoption. The context-sensitive hybrid strategy maximizes environmental fit, sustains the relevance of value propositions for clients, and strengthens competitive positioning through a deliberate blend of direct relationship-building and operational efficiency.

Efficiency Innovation as a Conscious Strategy

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Research findings reveal that demand behaviour and customer patterns within the target segments, primarily MSMEs and local institutions, continue to place high priority on face-to-face interactions and personal relationships as the core determinants of trust and loyalty. As stated on interview, *"Klien atau customer tetap lebih suka dihubungi atau dilayani secara offline… leads lewat internet saja tidak cukup, mereka maunya di follow up lebih lanjut"* (ALVIRA).

Although the company offers digital marketing services, prospects acquired through online channels expect quick, direct, and personalized follow-up in order to convert into actual transactions. *"Tidak ada yang bisa fokus untuk follow up klien… gampang sekali lepas klien Roxy"* (ALVIRA) shows the importance of human touch within the conversion process. This creates a strategic requirement that digital lead generation must be paired with intensive offline relationship management for optimal conversion.

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Based on these variables, the decision to implement a hybrid strategy emerges as a "high-fit, high-impact" choice. The company leverages low-cost, lightweight digital tools such as the free version of Trello for project management, Google Drive for document collaboration, and WhatsApp for internal coordination to improve administrative efficiency without diverting short-term investment away from physical assets that directly enhance margins and production capacity. This approach differentiates Roxy Maharewa from competitors who pursue full-online modernization for image-building purposes but risk losing effectiveness in a market with uneven digital adoption. The context-sensitive hybrid strategy maximizes environmental fit, sustains the relevance of value propositions for clients, and strengthens competitive positioning through a deliberate blend of direct relationship-building and operational efficiency.

Integrated Analysis and Implications

The synthesis of the Resource-Based View (RBV), Strategic Trade-off Theory, and Contingency Theory reveals that Roxy Maharewa's approach is far from an ad hoc improvisation; rather, it is a deliberate, integrated, and internally coherent strategic response shaped by the interplay between available resources, structural constraints, and prevailing market realities.

From the RBV lens, the firm's emphasis on VRIN-compliant physical assets those that are Valuable, Rare, Inimitable, and Non-substitutable, represents a calculated pathway to neutralize structural cost disadvantages while simultaneously reinforcing its control over service quality and client relationship management. In choosing asset-led capacity enhancement over premature digital platform expansion, the company leverages the stability and operational leverage that key tangible resources can deliver in a context where such assets are both scarce and strategically defensible.

Through the framework of Strategic Trade-off Theory, this decision reflects the necessity for clear, uncompromising choices in resource deployment when operating under strict budgetary constraints. The strategy avoids the inefficiencies and competitive dilution associated with "straddling" multiple incompatible positions, instead channelling capital and management attention toward high-impact, high-certainty investments.

Viewed through the Contingency Theory perspective, the hybrid model adopted by Roxy Maharewa, combining selective, low-cost digital tools with intensive offline engagement, is a contextually rational adaptation to the technology adoption patterns and institutional realities of the Makassar-Gowa region. Local digital literacy remains heterogeneous, infrastructural gaps persist, and several administrative processes continue to rely on physical interaction, all of which make a purely digital approach suboptimal in the present conditions.

From this integrated analysis emerge four replicable strategic principles for similarly situated SMEs. First, critical asset prioritization involves identifying and investing in physical resources that can generate immediate and tangible competitive advantages. Second, human capital optimization focuses on assigning multi-role responsibilities to enhance productivity without causing proportional increases in fixed labor costs. Third, a hybrid engagement strategy is needed, which combines both digital and offline approaches to accommodate varying levels of technology adoption across market segments. Finally, capability extension through partnerships enables SMEs to access complementary resources and broaden market reach without requiring substantial capital investment.

The experience of Roxy Maharewa underscores that even within a nominally "digital-native" industry like advertising, the digital-first trajectory is not inherently the optimal path. Where market analysis indicates that erasing structural disadvantages through physical asset acquisition yields faster and more substantial competitive gains, an asset-led strategy augmented by hybrid tactics may present a far more context-fit and sustainable route to market leadership in emerging economies.

To highlight the contrast between this approach and the dominant industry orthodoxy, the following comparative Table 1 delineates the operational and strategic differences between a prevailing digital-first model and the asset-led hybrid strategy exemplified by Roxy Maharewa.

Tabel 1. Comparison of the Digital-First vs. the Asset-Led Hybrid Approach

Aspect	Digital-First (Mainstream)	Asset-Led Hybrid Strategy (Roxy Maharewa)
Investment Priority	Integrated digital platforms, AI, analytics	VRIN-compliant physical assets (printing machinery) + low-cost digital tools
Time to Profit Impact	Medium to long term	Immediate impact through elimination of double margin cut
Operational Efficiency	Fully technology-driven	Internal production control & cost efficiency
Quality Control	Dependent on third parties	High, under direct in-house control
Client Relationship	Predominantly online	Combination of digital engagement & intensive face-to-face interaction
Market Suitability	Digitally mature markets	Markets with heterogeneous digital adoption
Pricing Flexibility	Limited	High, due to lower internal cost structure
Infrastructure Dependence	High reliance on internet & online systems	Balanced between physical and light digital infrastructure
Key Risk	Delayed ROI if the market is unprepared	Asset maintenance and depreciation
Strategic Advantage	Rapid digital scalability	Immediate cost efficiency & high context-fit

Source: Author's work

Above comparison underscores that Roxy Maharewa's strategy emerges from a contextually grounded and evidence-driven decision-making process, rather than representing a lag in adopting prevailing industry trends. Far from being a symptom of technological inertia, the firm's asset-led hybrid approach reflects a strategic calibration to environmental realities, aligning investment priorities with the highest immediate impact on operational margins and market positioning. By directing resources toward VRIN-compliant tangible assets and complementing these with targeted digital adoption, the company achieves accelerated returns on investment while simultaneously building enduring competitive advantages well-suited to the structural and institutional characteristics of an emerging market. This dual outcome, rapid capital recovery coupled with defensible long-term differentiation, challenges the presumption that speed and sustainability are mutually exclusive, illustrating instead that, in resource-constrained contexts, a well-aligned, data-informed strategy can deliver both with greater certainty.

5. Conclusion

Within Indonesia's advertising sector, resource-constrained SMEs can not only sustain but also strengthen their market position by deliberately prioritizing operationally transformative physical assets ahead of full-scale digital adoption. The case of Roxy Maharewa demonstrates how tangible asset ownership, when aligned with market realities, can deliver immediate operational leverage. Through the combined analytical lenses of the Resource-Based View (RBV), Strategic Trade-off Theory, and Contingency Theory, the research finds that acquiring key production equipment specifically high-capacity printing machinery eliminates structural cost disadvantages, secures direct control over product quality, and enhances flexibility in meeting client needs. Such assets meet the RBV's VRIN criteria, transforming them into defensible sources of competitive advantage.

The findings also dismantle the assumption that digital transformation is the singular or superior pathway to competitiveness. In contexts where infrastructural limitations, heterogeneous levels of digital literacy, and strong client preferences for face-to-face engagement prevail, a hybrid strategic approach emerges as both pragmatic and high-impact. Roxy Maharewa integrates affordable, simple digital tools to streamline internal operations while continuing to build strong face-to-face relationships, resulting in a strategy well-aligned with market needs. This adaptable approach allows the firm to capture opportunities across both digitally mature and digitally cautious segments without overextending capital or operational risk.

A further contribution of this study lies in its articulation of efficiency innovation as a deliberate strategic choice. By reconfiguring human capital into multi-role functions, forging targeted partnerships, and monetizing underutilized assets, the firm was able to bridge capability gaps without heavy capital expenditure. These practices illustrate that innovation under constraint is not merely compensatory; it can be proactive, value-creating, and strategically transformative, enabling SMEs to remain resilient in volatile or resource-scarce environments.

From these insights, two actionable recommendations emerge. For SME leaders and practitioners, the adoption of a structured asset-priority assessment can help identify which tangible resources generate the most immediate and measurable competitive gains. Embracing hybrid digital offline engagement strategies allows better adaptation to varied customer profiles, while creative deployment of human capital into multifunctional roles enhances productivity without proportional cost increases. For policymakers, the evidence suggests the need for integrated SME support programs that balance digitalization assistance with financing for strategic physical infrastructure, while formally recognizing hybrid strategies as legitimate innovation pathways suited to emerging market conditions.

Ultimately, this study challenges the dominance of digital-first modernization narratives by reframing non-digital strategies as deliberate, context-sensitive decisions that, when carefully aligned with environmental conditions and organizational capacity, can deliver both rapid returns and sustainable competitive advantage. This reframing not only broadens the definition of innovation in emerging economies but also positions asset-led hybrid strategies as credible models for long-term growth.

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