

The Effect of Digital Leadership on MSME Performance through Digital Transformation Readiness

The Effect of Digital Leadership on MSME Performance

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ABSTRACT

Businesses increasingly face pressure to adopt digital technologies to remain competitive. This study aims to examine the effects of digital leadership and digital transformation readiness on MSME performance, with digital transformation readiness as a mediating variable in MSMEs in Serang City. The study employed a quantitative survey approach. Data were collected from 120 MSMEs using structured questionnaires and analyzed with SEM-PLS. The results showed that digital leadership positively and significantly affects MSME performance and digital transformation readiness. Digital transformation readiness also has a positive and significant effect on MSME performance and serves as a significant mediator between digital leadership and performance. This indicates that enhancing MSME performance depends not only on leaders' ability to utilize digital technology but also on organizational readiness to integrate it across business processes. The study contributes theoretically to understanding digital leadership and transformation in MSMEs and offers practical guidance for policymakers and business actors to strengthen digital capacity, supporting adaptive and competitive MSME development in the digital economy era.

Keywords: Digital Leadership, Digital Technology, Digital Transformation Readiness, MSME Performance.

INTRODUCTION

In the digital era, rapid technological development has transformed management practices, encouraging Micro, Small, and Medium Enterprises (MSMEs) to adopt digital technologies to enhance competitiveness and sustainability. Digitalization helps MSMEs expand market reach, improve operational efficiency, and enhance service quality (Astuti & Rosita, 2024; Sitompul et al., 2024). MSME performance reflects business success through goal achievement, revenue growth, operational efficiency, and sustainability. MSMEs significantly contribute to employment and local development. However, globalization, rapid digitalization, and changing consumer behavior require MSMEs to adopt digital transformation to remain competitive and enhance productivity and innovation (Jurnalita, 2024; Lestari & Choirunissa, 2025; Masitoh & Mitasari, 2025). In Serang City, despite strong potential in trade, culinary, service, and creative industries, many MSMEs still face barriers such as low digital literacy, limited infrastructure, and inadequate organizational readiness, highlighting the importance of digital leadership and digital transformation readiness in improving MSME performance.

Digital leadership refers to a leader's ability to strategically guide organizations in utilizing digital technologies to enhance performance and innovation (Al-Husban et al., 2021; Fang et al., 2023). Studies by Handayani and Pujianto (2025) and Novitasari et al. (2025) indicate that digital leadership significantly improves organizational performance, including within MSME, by strengthening digital capabilities and fostering an innovation-oriented culture. However, the effectiveness of digital leadership depends on digital

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transformation readiness, which reflects the availability of resources, infrastructure, competencies, and organizational culture supporting digital adoption (Cyfert et al., 2025). As emphasized by Chwiłkowska-Kubala et al. (2023), organizational readiness is a critical determinant of successful digital transformation, since without adequate readiness, digital leadership cannot optimally influence business performance.

Based on an initial survey, many MSMEs in Serang City remain at a basic stage of digital adoption, mainly using social media and marketplaces without integrating digital technology into business management. This gap between digital leadership potential and organizational readiness limits applications in financial management, supply chains, customer analysis, and data-driven decision-making (Senadjki et al., 2024; Spanaki et al., 2025). Challenges include low digital literacy, limited investment, weak infrastructure, minimal training, and resistance to change, with digitalization often seen as a cost rather than a strategic investment, slowing progress and hindering productivity, efficiency, and market expansion. Therefore, examining digital transformation readiness as a mediator between digital leadership and MSME performance is essential for guiding effective policies and managerial strategies.

Previous studies have shown that digital leadership and digital transformation readiness play a strategic role in improving MSME performance. Handayani and Pujiyanto (2025) and Novitasari et al. (2025) found that digital leadership improves MSME performance by enhancing technological literacy, strengthening digital capabilities, and encouraging innovation. Furthermore, Chwiłkowska-Kubala et al. (2023) emphasized that digital transformation readiness is a key factor in successful technology adoption, while Sitompul et al. (2024) and Masitoh and Mitasari (2025) highlighted its role in increasing productivity, operational effectiveness, and market expansion. These findings underline the importance of examining digital transformation readiness as a mediating variable between digital leadership and MSME performance, particularly in Serang City.

This study offers novelty by developing an integrative conceptual model that positions digital transformation readiness as the main mediating variable between digital leadership and MSME performance, particularly in the context of MSMEs in Serang City. It not only tests the causal relationship but also explains the internal mechanism through which digital leadership improves performance via organizational readiness for digital transformation. By integrating managerial, technological, and organizational behavior perspectives, this research contributes to the literature on digital leadership and MSME digital transformation while providing practical recommendations for governments, MSME facilitators, and business actors to design more targeted and sustainable digital capacity strategies.

Although previous studies have examined the influence of digital leadership and digital transformation on MSME performance, several gaps remain. Most research focuses on the direct relationship between digital leadership and performance, with limited attention to the mediating role of digital transformation readiness. Moreover, existing studies mainly reflect metropolitan or national contexts, leaving the specific conditions of MSMEs in developing regions, such as Serang City, with diverse digital literacy, organizational readiness, and local business culture underexplored. Therefore, further research is needed to develop an integrative model that positions digital transformation readiness as a mediator linking digital leadership to MSME performance at the local level. This study aims to examine the effects of digital leadership and digital transformation readiness on MSME performance, with digital transformation readiness as a mediating variable in MSMEs in Serang City.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

The Effect of Digital Leadership on MSME Performance

The capacity of a leader to use digital technology to enhance decision-making, organizational management, and the development of sustainable innovation is known as digital leadership (Husseini et al., 2024; Zada et al., 2025; Novitasari et al., 2025). By speeding up technology adoption and streamlining business procedures, digital leadership

greatly enhances business performance in MSMEs. In the era of the digital economy, digital-based leadership may increase MSME productivity, organizational flexibility, and competitiveness, according to studies by El Sawy et al. (2020) and Sousa-Zomer et al. (2020). Strong digital capabilities enable leaders to incorporate digital technology into operational and strategic processes, allowing businesses to react to market shifts and technological upheavals more successfully.

In the context of MSMEs, digital leadership plays an important role in encouraging digital transformation and improving organizational performance. Digital leaders promote the adoption of digital tools, support innovation, and create a digital-oriented culture that enables organizations to operate more efficiently and reach broader markets (Veeraya et al., 2024). Through these capabilities, MSMEs can optimize operational processes, improve customer engagement, and increase their competitiveness in increasingly digitalized markets. Empirical evidence also indicates that digital leadership contributes positively to MSME performance. For instance, Lathabhavan and Kuppusamy (2024) found that digital leadership significantly enhances SME performance by strengthening organizational resilience and adaptability in uncertain environments. Similarly, Wang et al. (2024) show that digital leadership improves employee digital performance and innovation, which ultimately contributes to overall firm performance. Other studies also highlight that digital leadership supports digital capability development and entrepreneurial performance in MSMEs, which leads to improved business outcomes (Handayani & Pujiyanto, 2025; Muafi et al., 2025; Setiawan et al., 2025).

H1: Digital leadership has a positive and significant effect on MSME performance.

The Effect of Digital Leadership on Digital Transformation Readiness

Digital leadership plays a crucial role in building readiness for digital transformation, particularly in shaping strategic vision, technological readiness, and human resource capabilities (Aldhi et al., 2025). Leaders who are adaptive to technology tend to encourage organizations to develop digital infrastructure and a culture of innovation. Research by Li et al. (2018) and Verhoef et al. (2021) confirms that leadership that supports digital transformation directly contributes to increasing organizational readiness to adopt digital technologies sustainably. In the context of MSME, digital leadership is an important driver that enables organizations to prepare for digital change by aligning business strategies with emerging technologies. Leaders with strong digital competencies can promote the development of digital capabilities, encourage the adoption of new technologies, and support employees in adapting to digital work environments (Brunner et al., 2021). Such leadership fosters an organizational climate that supports experimentation, knowledge sharing, and continuous learning, which are essential for successful digital transformation (Gyamerah et al., 2025).

Empirical studies also highlight that leadership commitment plays a significant role in strengthening digital transformation readiness within MSMEs. Ghobakhloo and Iranmanesh (2021) emphasize that strong leadership support is essential for developing digital infrastructure and aligning organizational strategies with technological advancement. Similarly, Wu et al. (2025) suggest that leaders who actively promote digital awareness and technological experimentation can improve the ability of SMEs to adapt to digital transformation processes. Furthermore, Held et al. (2025) demonstrate that digital leadership contributes to building dynamic capabilities and a supportive digital culture, which ultimately strengthens organizational readiness for digital transformation.

H2: Digital leadership has a positive and significant effect on digital transformation readiness.

The Effect of Digital Transformation Readiness on MSME Performance

Digital transformation readiness, which includes aspects like resource readiness, IT readiness, cognitive readiness, cultural readiness, and strategic readiness, describes an

organization's preparation to embrace, integrate, and take advantage of digital technologies for innovation. Lokuge et al. (2019) conceptualized organizational readiness for digital innovation as a formative multidimensional construct, noting that approximately 90% of new ideas fail to be realized due to the absence of such readiness, underscoring how foundational it is before any transformation can yield results. In the MSME context, this readiness is particularly decisive given the limited resources and capabilities these firms typically possess. Teng et al. (2022) found that digital technology, employee digital skills, and digital transformation strategy are the three key resources that are positively correlated with both digital transformation and financial performance of MSMEs.

Empirical studies consistently demonstrate that digital transformation readiness directly and positively influences MSME performance. Díaz-Pelaez et al. (2025), drawing on the Technology–Organization–Environment (TOE) framework and Technology Acceptance Model (TAM) model with a representative sample of Peruvian MSMEs, confirmed that digital strategic orientation has a significant and direct influence on MSME performance, with the total effect becoming even greater when MSMEs also engage in innovative activities. Similarly, research in the Indonesian context reinforces these findings. A study on Indonesian MSME by Probohudono et al. (2025) found that digital IT capabilities serve as a partial mediator in the relationship between business strategy and MSME performance, highlighting the critical role of technological adaptability in ensuring the long-term sustainability of MSME in an increasingly digitized economy.

H3: Digital transformation readiness has a positive effect on MSME performance.

Digital Transformation Readiness as a Mediator

An MSME's capacity to methodically incorporate digital technology into all business operations is reflected in its readiness for digital transformation. Organizations that are well-prepared may make the most of technology's advantages to boost productivity, service quality, and business performance. Studies by Warner and Wäger (2019) and Kraus et al. (2022) show that digital transformation readiness acts as a crucial mediator between leadership's influence on improving MSME performance. The degree to which a company has the technology infrastructure, digital capabilities, and organizational culture required to successfully adopt and implement digital technologies is referred to as digital transformation readiness. For MSMEs, readiness is particularly important because limited resources require careful preparation and strategic direction from leaders to ensure successful digital transformation initiatives. Leaders who actively promote digital strategies and technological adoption can strengthen the organization's capability to integrate digital tools into business processes (Omrani et al., 2022).

Empirical studies also indicate that digital readiness plays a significant role in translating leadership initiatives into improved business outcomes. Jewapatarakul and Ueasangkomsate (2024) highlight that organizational readiness, including digital culture and knowledge acquisition, significantly influences the success of digital transformation among MSMEs. Similarly, Techanamurthy et al. (2025) demonstrate that readiness in digital infrastructure, governance, and leadership capabilities determines how effectively MSMEs implement digital transformation strategies. Furthermore, research by Held et al. (2025) emphasizes that digital leadership contributes to the development of dynamic capabilities and digital culture, which subsequently enhance organizational readiness and improve firm performance. Supporting this view, Sagala and Óri (2024) argue that MSMEs with higher levels of digital maturity and readiness are more capable of leveraging digital transformation to enhance operational efficiency and competitive performance.

H4: Digital transformation readiness mediates the influence of digital leadership on MSMEs' performance.

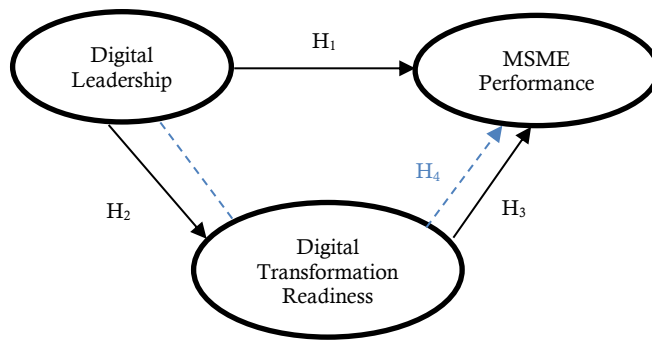


Figure 1. Research Framework

Figure 1 illustrates the research framework proposing that digital leadership plays a strategic role in improving MSME performance by strengthening digital transformation readiness. Leaders with digital competence and adaptability can encourage technology adoption, foster innovation, and enhance human resources and digital infrastructure. Digital transformation readiness then acts as a mediating mechanism and has a direct positive effect on MSME performance by enabling business process optimization, operational efficiency, and wider market access. This indicates that MSME performance is influenced both directly by digital leadership and indirectly through digital transformation readiness in MSME in Serang City.

RESEARCH METHODS

This study investigates the causal relationship between digital leadership, digital transformation readiness, and MSME performance using a quantitative approach and an explanatory research design. A quantitative approach was chosen because it provides objective measurements, statistical hypothesis testing, and more accurate generalization of research findings (Creswell & Creswell, 2017; Hair et al., 2021). This study is quantitative and employs an explanatory design and survey method. By evaluating developed hypotheses, explanatory design seeks to explain the causal links between variables. Using digital transformation readiness as a mediating variable, this method was employed to examine the impact of digital leadership on MSME performance. The survey method allows for systematic data collection from representative respondents, allowing for generalizability of the research results (Sekaran & Bougie, 2016).

This research was conducted in Serang City, Banten Province, focusing on MSMEs in the trade, services, culinary, and creative sectors. The location was selected due to the rapid growth of MSMEs and the need to enhance their digital capabilities. The study was carried out from September to November 2025, covering instrument preparation, data collection, data processing, and analysis of research results. The population included all MSMEs actively operating in Serang City that utilized digital technology for commercial purposes. Purposive sampling was employed, with the criterion that MSMEs must have used digital media for at least one year. The sample size was determined using the SEM-PLS approach, requiring at least ten times the largest number of indicators in a single construct, resulting in a minimum of 100 respondents to achieve stable and valid parameter estimates (Hair et al., 2021).

Digital leadership variables are measured through indicators of digital vision, technological competence, innovation support, and data-driven decision-making. Digital transformation readiness is measured through human resource readiness, technological infrastructure, digital culture, and business process readiness. MSME performance is measured through indicators of revenue growth, productivity, operational efficiency, and market expansion. These measurements are adapted to the MSME context and developed from relevant previous research (Verhoef et al., 2021; Kraus et al., 2022).

A structured questionnaire based on the research variable indicators, digital leadership, digital transformation preparedness, and MSME performance was sent in order to collect data. A five-point Likert scale, spanning from strongly disagree (1) to strongly agree (5), was employed as the measurement tool. The use of a questionnaire allows for the efficient and systematic collection of large amounts of data and increases the reliability of latent construct measurements (Sekaran & Bougie, 2016; Hair et al., 2021). Structural Equation Modeling based on Partial Least Squares (SEM-PLS) was utilized for data analysis with the aid of SmartPLS software. The SEM-PLS method was chosen because it is capable of testing complex structural relationships, accommodates relatively small sample sizes, and does not require strict assumptions of data normality. Convergent validity, discriminant validity, construct reliability, structural model testing, and mediation effect testing were among the steps of the analysis. This method is considered effective in testing research models based on causal and mediation relationships (Sarstedt et al., 2021).

RESULTS

This section of the study results displays the empirical findings of data processing using the SEM-PLS approach. The analysis included 120 MSME respondents in Serang City who met the study’s criteria. The investigation includes respondent characteristics, instrument validity and reliability tests, structural model evaluation, and hypothesis testing to explain the connection between digital leadership, digital transformation preparedness, and MSME performance.

Table 1. Respondent Characteristics

Characteristics	Category	Frequency	Percentage
Gender	Male	65	54.2%
	Female	55	45.8%
Age	< 30 years	28	23.3%
	30-40 years	45	37.5%
	> 40 years	47	39.2%
Length of Business	< 3 years	34	28.3%
	3-5 years	50	41.7%
	> 5 years	36	30.0%

Table 1 shows that the majority of respondents were male, primarily in the productive age range of 30–40 years, which suggests that MSME leadership in Serang City is dominated by experienced and active entrepreneurs capable of making strategic decisions. Most of the surveyed MSMEs have been operating for 3–5 years, indicating that these businesses have passed the initial startup phase and reached a relatively stable level of business maturity. This stage reflects a growth-oriented period where businesses are consolidating their operations, exploring market expansion, and seeking ways to improve efficiency and competitiveness. These characteristics highlight that while MSMEs in Serang City have established operations and a foundation for growth, they face increasing pressure from market competition and technological advancements. Therefore, strengthening digital capabilities, fostering effective digital leadership, and promoting organizational readiness for digital transformation are essential strategies for these MSMEs to enhance performance, optimize business processes, and sustain long-term competitiveness in an increasingly digital and dynamic business environment.

Table 2. Descriptive Statistics of Variables

Variables	Mean	Standard Deviation
Digital Leadership	4.21	0.61
Digital Transformation Readiness	4.10	0.65
MSME Performance	4.18	0.59

According to Table 2, which presents the descriptive statistics, all variables have mean values above 4.00, indicating that respondents’ perceptions fall into the high category. This suggests that MSMEs in Serang City demonstrate a strong level of digital leadership,

indicating that leaders are generally competent in using digital tools, possess a clear technological vision, and are capable of guiding their organizations through digital change. The high scores for digital transformation readiness reflect that these MSMEs are well-prepared to adopt and implement digital technologies, with adequate infrastructure, skilled human resources, and supportive organizational cultures. Meanwhile, the relatively high average for business performance suggests that these enterprises are achieving favorable outcomes in terms of productivity, efficiency, and market expansion. Furthermore, the low standard deviations observed across the variables indicate a high degree of homogeneity in respondents' answers, demonstrating that perceptions regarding digital leadership, transformation readiness, and business performance are consistent and stable, which enhances the reliability of the collected data and the robustness of the study's findings.

Table 3. Convergent Validity and Construct Reliability Test

Variable	Indicator	Outer Loading	Cronbach's Alpha	Composite Reliability
Digital Leadership	DL1	0.812	0.892	0.921
	DL2	0.834		
	DL3	0.856		
Digital Transformation Readiness	DTR1	0.821	0.905	0.932
	DTR2	0.845		
	DTR3	0.867		
MSME Performance	MP1	0.836	0.887	0.916
	MP2	0.854		
	MP3	0.871		

Table 3 demonstrates that all indicators were deemed legitimate for measuring the corresponding latent constructs since their outer loading values were greater than the 0.70 minimum requirement. This indicates that the research instrument has excellent convergent validity, making it suitable for testing structural relationships between variables. High validity strengthens the accuracy of measuring digital leadership, digital transformation readiness, and MSME performance. All constructs' Cronbach's Alpha and Composite Reliability values were greater than 0.70, demonstrating the study instrument's excellent degree of dependability. The indicators' great internal consistency in measuring the latent constructs ensured the accuracy of the collected data. This high reliability offers a solid foundation for additional structural model analysis and hypothesis testing.

Table 4. R-Square Value (Coefficient of Determination (R²))

Endogenous Variables	R-Square
Digital Transformation Readiness	0.612
MSME Performance	0.674

Table 4 shows the R-squared values, indicating the explanatory power of the model. Digital leadership accounts for 61.2% of the variation in digital transformation readiness, while the combination of digital leadership and digital transformation readiness explains 67.4% of the variation in MSME performance. These results demonstrate the model's strong predictive ability and confirm that the independent variables play a substantial role in influencing and explaining changes in MSME performance in Serang City, highlighting the importance of both effective digital leadership and organizational readiness for successful digital transformation.

Table 5. Path Coefficient Test

Hypothesis	Coefficient	t-statistic	p-values	Results
Digital Leadership → MSME Performance	0.312	3.245	0.001	Accepted
Digital Leadership → Digital Transformation Readiness	0.524	7.118	0.000	Accepted
Digital Transformation Readiness → MSME Performance	0.486	5.892	0.000	Accepted

All relationships between variables, as presented in Table 5, showed t-statistics above 1.96 and p-values below 0.05, indicating that all effects were statistically significant. Digital leadership directly and positively influenced MSME performance and also significantly enhanced digital transformation readiness. In turn, digital transformation readiness had a significant positive effect on MSME performance, showing that well-prepared organizations can optimize processes, make data-driven decisions, and improve competitiveness. These results highlight the complementary roles of digital leadership and digital transformation readiness in driving superior MSME performance and provide practical guidance for enhancing business outcomes in a digitalized environment.

Table 6. Mediation Effect Test (Indirect Effect)

Value Type	Path & Value
Mediation Path	Digital Leadership → Digital Transformation Readiness → MSME Performance
Coefficient	0.255
t-statistic	4.781
p-values	0.000
Results	Accepted

The findings of the mediation test, as shown in Table 6, suggest that the impact of digital leadership on MSME performance is significantly mediated by digital transformation preparedness. A notable indirect path coefficient of 0.255 indicates that the effect of digital leadership on performance is substantially strengthened when MSMEs are well-prepared for digital transformation. This underscores that improving MSME performance requires not only effective digital leadership but also a high level of organizational readiness to adopt and implement digital technologies. The hypothesis testing results confirmed that all proposed hypotheses were supported, reinforcing the conceptual model of this study.

These results demonstrate that digital transformation readiness functions as a crucial mediator, amplifying the influence of digital leadership on MSME performance in Serang City. Moreover, the findings highlight that digital leadership itself plays a strategic and multifaceted role, directly enhancing MSME performance while simultaneously fostering an environment conducive to successful digital transformation initiatives. This emphasizes the intertwined nature of leadership, organizational preparedness, and technological adoption in driving sustainable business success for MSMEs.

DISCUSSION

This discussion interprets the empirical findings on the influence of digital leadership on MSME performance with digital transformation readiness as a mediating variable, by linking statistical results with relevant theories and previous studies to better understand the dynamics of digital leadership, digital transformation readiness, and MSME performance in Serang City. The study's findings demonstrate that MSMEs' performance in Serang City is positively and significantly impacted by digital leadership. These findings suggest that MSME leaders with digital competence, technological vision, and adaptability can enhance management effectiveness, productivity, and market expansion. Digital leadership promotes data-driven decisions, digital marketing, and process optimization. Consistent with Verhoef et al. (2021) and Kraus et al. (2022), it strengthens organizational transformation, dynamic capabilities, and overall competitiveness,

confirming its critical role in driving superior MSME performance in a digitalized business environment.

The analysis indicates that digital leadership has a positive and significant influence on the digital transformation readiness of MSMEs in Serang City. This finding highlights the important role of leaders in preparing organizations to adopt digital technologies through the development of human resources, infrastructure, and supportive work cultures. Leaders who possess strong digital literacy and an innovation-oriented mindset are more capable of fostering a conducive environment for change, promoting technological learning, and minimizing resistance to digital initiatives. These results align with the study of Li et al. (2018), which found that digital leadership strengthens organizational digital capabilities and readiness to adapt to technological change. Similarly, Warner and Wäger (2019) emphasized that strategic leadership is a key driver in establishing sustainable digital transformation readiness. Therefore, the findings suggest that the success of digital transformation among MSMEs is strongly influenced by the effectiveness of digital leadership.

Furthermore, digital transformation readiness positively and significantly affects MSME performance. Well-prepared MSMEs can optimize processes, improve efficiency, leverage data-driven decision-making, and expand market access. These findings align with Teng et al. (2022) and Probahudono et al. (2025), who emphasized that digital readiness and transformation directly enhance operational performance and competitiveness. This suggests that digital transformation readiness acts not only as a mediator but also as a direct driver of superior MSME performance, highlighting the crucial role of leadership in guiding technological adoption and organizational change.

The mediation test results show that the impact of digital leadership on MSME performance is considerably mediated by digital transformation preparedness. This research suggests that a high degree of digital transformation preparedness will enhance the impact of digital leadership on corporate success. MSMEs may increase market access, boost operational effectiveness, and incorporate digital technology into all business activities thanks to this preparedness. This finding aligns with research by Kraus et al. (2022), which emphasizes that digital readiness plays a crucial role in strengthening the relationship between leadership and organizational performance. Research by Sousa-Zomer et al. (2020) also demonstrated that digital transformation readiness serves as a significant mediator in improving MSME performance through innovation capabilities and operational flexibility. Thus, this study provides empirical evidence that digital transformation readiness is a strategic variable that bridges the role of digital leadership in driving sustainable MSME performance.

The study's conclusions have applications for Serang City authorities and MSME leaders. MSMEs can improve their competitiveness, operational efficiency, and market reach by prioritizing the development of digital leadership skills and promoting digital transformation preparedness. To ensure that MSMEs are better prepared to navigate an increasingly digital business environment, policymakers and business support organizations should offer training, resources, and incentives to develop digital capabilities.

CONCLUSION

The results of data analysis utilizing the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method show that digital leadership significantly and positively affects MSME performance. Leaders who effectively utilize digital technology, manage organizational change, and make data-driven decisions are able to improve productivity, operational efficiency, and business competitiveness. The study also shows that digital leadership positively influences MSMEs' digital transformation readiness. Visionary and adaptive leaders help build organizational readiness by strengthening human resource competencies, providing technological infrastructure, and fostering an innovation-oriented culture. In turn, digital transformation readiness positively and significantly

affects MSME performance, highlighting that organizations well-prepared for digital adoption can optimize processes, improve efficiency, and expand market access.

Furthermore, digital transformation readiness acts as a significant mediating variable in the relationship between digital leadership and MSME performance, indicating that the impact of digital leadership on performance is stronger when readiness for digital transformation is high. Therefore, improving MSME performance depends not only on the quality of digital leadership but also on the organization's ability to systematically prepare for digital change. These findings suggest that local governments and MSME support institutions should strengthen digital leadership development, digital literacy training, and access to digital infrastructure. However, this study has limitations, as it focuses only on MSMEs in Serang City and uses cross-sectional data. Future research is recommended to include broader regional samples and consider additional variables such as digital innovation capability or government support to better understand MSME digital transformation.

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