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FROM TRADITIONAL TO DIGITAL: THE READINESS OF SMALL ENTREPRENEURS FOR ONLINE BUSINESS EXPANSION

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Abstract:

The rapid advancement of the digital era has revolutionized societal lifestyles, streamlining daily activities such as buying and selling. However, many small entrepreneurs remain unaware of the critical role digital transformation plays in expanding their businesses globally. To address this gap, a preliminary survey was conducted to assess the interest and readiness of small entrepreneurs in leveraging digital technology for business growth. This study aims to explore the challenges and needs of small business owners in adopting digital tools for marketing and expansion. A quantitative survey approach was employed, involving 30 small entrepreneurs who participated in the Digital Marketing Workshop at the National Information Dissemination Centre (NADI) Bertam, Penang. Data were collected through structured questionnaires distributed to all participants. The findings highlight significant barriers to digital adoption, with limited computer literacy emerging as the primary challenge. Many entrepreneurs struggle with basic digital tools essential for effective marketing, while restricted internet access further hinders their ability to implement online strategies. Additionally, a lack of knowledge in key digital marketing techniques, such as search engine

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optimization (SEO), social media marketing, and email marketing, prevents them from maximizing their business potential in the digital landscape. The study provides crucial insights for policymakers and industry stakeholders to design targeted intervention strategies that address these challenges. By equipping small entrepreneurs with essential digital skills and knowledge, they can confidently embrace technological advancements and unlock new opportunities for business expansion. Strengthening digital literacy among small business owners is vital to ensuring their sustainability and competitiveness in the evolving digital economy.

Keywords:

Business Expansion, Digital Literacy, Digital Marketing, Digital Transformation, Small Entrepreneurs.

Introduction

Digital transformation in Malaysia is a comprehensive process involving the adoption of digital technologies across various economic sectors and daily life. It is well known that this transformation is crucial in driving the growth of Malaysia's digital economy, as stated in the Malaysia Digital Economy Action Plan (MyDigital). With consumers increasingly favouring online purchases and considering the opportunities presented by the digital economy, the process of adapting digital entrepreneurship must be comprehensively implemented to increase efficiency, productivity, and competitiveness in the era of globalization and the Fourth Industrial Revolution (IR4.0). According to the Malaysia Digital Economy Blueprint (MyDigital, 2021), this transformation is expected to contribute significantly to national GDP by empowering small entrepreneurs. Verhoef et al. (2021) also emphasize that digital transformation is critical for sustaining business growth in a globalized economy.

While the importance of digital transformation has been acknowledged by entrepreneurs across Malaysia, the adoption of digitalization among small entrepreneurs remains slow due to several key challenges. These include insufficient digital literacy and skills, limited market access, poor internet connectivity, unsuitable business products, and intense competition from well-established digital businesses. Furthermore, a lack of interest in adopting high-tech devices contributes to the difficulty small entrepreneurs face in integrating digital solutions into their business operations. There is no doubt that there are still small entrepreneurs, especially from the older generation, who are more comfortable continuing to use the old methods in managing their business. Nonetheless, adapting to digital transformation is crucial for sustaining relevance and achieving business growth in an increasingly competitive environment.

Therefore, collective efforts are required from various stakeholders to address this issue. The benefits of digital technology in business are undeniable. It can revolutionize business management and marketing, enabling entrepreneurs to reach broader, even international markets quickly and cost-effectively. Thus, small entrepreneurs need immediate assistance to keep pace with digital transformation. More research is needed to understand the root causes of low digital technology adoption among small entrepreneurs. This article investigates the challenges and needs of participants in implementing business through digital technologies

Literature Review

In this rapidly developing era of globalization, the ability to leverage digital technology is increasingly vital especially for small entrepreneurs aiming to expand their markets and compete globally. Digital transformation is no longer optional but necessary to ensure sustainability, profitability, and productivity. Despite its vast potential, small entrepreneurs face numerous challenges in fully utilizing digital tools. This literature review explores the importance of digital transformation, the challenges small entrepreneurs face, and the role of digital marketing in helping their businesses grow.

Digital Transformation and Its Business Development

Digital transformation refers to the integration of digital technologies into all aspects of a business, resulting in significant changes in operations and value delivery. According to Gartner (2020), digital transformation involves not only adopting new technologies but also changing organizational culture and operations to fully utilize these technologies. In the context of small businesses, digital transformation offers opportunities to expand markets, improve efficiency, and introduce new business models (Verhoef et al., 2021). However, small entrepreneurs often face resource, knowledge, and infrastructure constraints (Berger & Nakata, 2021).

Challenges Faced by Small Entrepreneurs

Mugambi and Wanjiru (2019) stated that the main barriers to digital transformation are low digital literacy and the inability to adapt to new technologies. In Malaysia, Hamzah et al. (2020) found that small entrepreneurs mainly struggle with a lack of knowledge about digital marketing tools and limited access to necessary technology. Furthermore, low awareness of the importance of digital transformation also hinders them from seizing digital opportunities (Aziz & Nor, 2020). While Matar and Sriram (2023) identified key factors shaping E-SME digital readiness through qualitative and quantitative methods, highlighting three main dimensions: technological awareness, agility, and implementation capability.

Digital Technology Literacy

To succeed in digital transformation, small entrepreneurs need appropriate digital knowledge and skills. Education and training play a key role in building digital literacy (European Commission, 2020). Training programs focusing on technologies like SEO, online advertising, and data analytics can help them overcome these barriers (Alford & Page, 2015). In addition, Sariwulan et al. (2020) stated that digital literacy exerts the most significant direct and indirect impact on the performance of SME entrepreneurs, highlighting its critical role in the development of business and marketing networks. Silva and Costa (2021) suggested that government and NGOs play crucial roles in offering education and support to help small businesses thrive in the digital economy.

Digital Marketing Opportunities

Small entrepreneurs must understand tools like SEO, social media marketing, and web analytics to fully benefit (Kingsnorth, 2019) because digital marketing is vital for helping small businesses grow globally. It includes using online platforms like social media, websites, and email to promote products or services (Chaffey & Ellis-Chadwick, 2019). This is supported by Omar et al. (2020), where digital marketing positively influences business performance and contributes to the establishment of more efficient business systems.

Internet Access in Rural Areas

Wang et al. (2022) emphasize that stable internet access, technological devices, and infrastructure are essential for digital businesses. Yet, many small entrepreneurs live in rural areas where access to these resources is limited. This makes it hard to build and sustain digital businesses. Accordingly, Conroy and Low (2022) provide evidence that broadband access is a key factor leading to a higher establishment birth rate across business size and gender in rural areas. Moreover, the empirical findings of Tan and Li (2022) demonstrate that the internet has a strong and positive impact on entrepreneurship, and this relationship remains robust even after controlling for endogeneity.

Based on the above literature review, it is clear that digital transformation offers various opportunities to expand the market for small entrepreneurs. However, several challenges still hinder small entrepreneurs from fully benefiting from these opportunities. Among the main barriers are the lack of digital literacy, limited access to technology, and low awareness of the importance of digital marketing. Therefore, increasing knowledge and providing training in digital technology must be prioritized to help small entrepreneurs adapt to the rapidly advancing and evolving digital era.

Research Methodology

This study adopts a quantitative research design through a preliminary survey aimed at exploring the readiness, challenges, and needs of small entrepreneurs in adopting digital technologies for business growth. The research focuses on small business owners located in Penaga, a rural district in the state of Penang, Malaysia. This site was purposefully selected due to its high concentration of informal entrepreneurs operating in traditional sectors such as food, services, and textiles, which are often underrepresented in digital transformation studies. The rural context also enables the investigation of infrastructural and connectivity-related constraints that are typically absent in urban-focused analyses.

A purposive sampling technique was employed to ensure that participants met specific criteria relevant to the study objectives namely, that they were active or aspiring entrepreneurs with limited prior exposure to structured digital marketing training. A total of 30 respondents were selected from attendees of the workshop titled "Small Entrepreneurs, Big Impact: The Power of Digital Marketing", organized at the National Information Dissemination Centre (NADI) in Bertam, Penang. This workshop, supported by local agencies, provided a relevant platform to recruit participants who were already demonstrating an interest in digital business transformation. Data collection was conducted using a structured questionnaire, which was divided into three main sections:

Section A: Captured demographic profiles, including age, education level, type of business, years of entrepreneurial experience, and monthly income.

Section B: Assessing the extent of participants' awareness of digital marketing and their integration of digital tools into business practices.

Section C: Explored perceived barriers to digital adoption, including technological literacy, financial limitations, and internet accessibility. The instrument was validated through expert review and pilot-tested with five similar respondents to ensure clarity, reliability, and internal consistency.

Descriptive statistics were used to analyse the data, including frequency distributions and percentage values. This approach was selected due to the exploratory nature of the study, which aims to establish baseline insights into digital readiness rather than test hypotheses. The research process followed an eight-phase framework, beginning with the identification of the target population and ending with the visual presentation of findings. These phases included determining the sample frame, designing and distributing the survey instrument, collecting and cleaning the data, and presenting the results through tables and graphical visualizations.

By adopting this methodology, the study offers an empirical foundation to inform policymakers, training providers, and support agencies in designing targeted interventions that address the actual needs of rural small entrepreneurs. While the sample size is limited, the study's purposive focus ensures depth and contextual relevance, providing valuable early-stage insights that can be expanded in subsequent research phases. The flow chart of the study methodology (Figure 1) depicts the eight phases of the survey process: identifying the target population, determining the sample size using convenience sampling, designing the questionnaire, distributing the forms to workshop participants, collecting feedback within a specified time frame, reviewing the data, conducting descriptive statistical analysis, and presenting the findings using tables or charts.

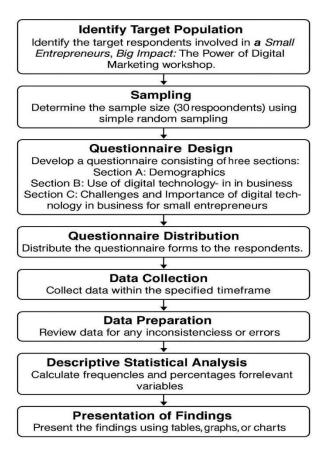


Figure 1. Flow Chart of Research Methods

Results and Discussion

Demographic Profile of Respondents

Table 1 shows the demographics of the respondents involved. The details of the demographic analysis of these respondents are based on age, education level, type of business, number of years in business, and monthly business income.

Table 1: Demographic Profile of Respondents

	Frequency	Percentage (%)
Age		
Under 20 years	2	6.7%
21-30 years	9	30%
31-40 years	9	30%
41-50 years	8	26.7%
Over 51 years	2	6.7%
Education Level		
PMR	2	5.9%
SPM/STPM	6	20.6%
Diploma	11	35.3%
Degree	11	35.3%
Type of Business		
Food	11	36.7%
Services	9	30%
Clothing & Health	5	16.7%
No Business	5	16.7%
Years in Business		
None (Just Started)	5	11.8%
Less than 1 year	6	11.8%
1-2 years	7	32.4%
3-4 years	9	23.5%
More than 5 years	3	20.6%
Monthly Business Income		
Less than RM500	7	23.3%
RM501-RM1000	8	26.7%
RM1001-RM1500	5	16.7%
More than RM1501	10	33.3%

Age of Respondents

The analysis revealed that the majority of respondents were aged between 21 and 40 years, accounting for 60% of the total sample. Specifically, 30% were aged 21–30 years, and another 30% were 31–40 years. Only 6.7% of respondents were below 20 years old, and another 6.7% were over 51. This suggests that most small entrepreneurs fall within the young to middle adult

age range, a group likely to demonstrate greater adaptability and potential for developing stable and sustainable businesses.

Educational Background

Most respondents possessed Diploma or Bachelor's Degree qualifications, each representing 35.3%. This was followed by SPM/STPM holders (20.6%) and those with PMR qualifications (5.9%). The relatively high level of formal education among respondents highlights the important role that education plays in equipping entrepreneurs with the skills and knowledge required to manage businesses and harness digital marketing tools effectively.

Business Type

Food business was the most dominant, with 36.7% of respondents (11 people) involved in this sector. Followed by service (30%) and clothing & health (16.7%). A small proportion, 16.7% of respondents, was not involved in any business, indicating that there were entrepreneurs who may be just planning to start a business. The choice to venture into food and service businesses indicates consistent market demand in the sector and higher profit potential through digital marketing compared to other business types.

Number Of Years Involved In Business

There were 11.8% of respondents who were new to business, which is less than a year. Meanwhile, most respondents had been in business for 1–2 years (32.4%) or 3–4 years (23.5%), and only 20.6% had been involved in business for more than five years. This indicates that the majority of small entrepreneurs are still in the early or intermediate stages of their business journey. However, despite being in the early stages of business development, they have strong potential to grow further through the implementation of effective digital marketing strategies.

Monthly Income Results

The analysis of monthly income reveals that 33.3% of small entrepreneurs earn more than RM1501, while 26.7% fall within the RM501–RM1000 range. On the other hand, 23.3% of respondents reported an income of less than RM500 per month. This significant variation in income levels likely reflects the diverse scales and stages of business development among respondents. While some have achieved notable financial success, others are still in the initial growth phase and may require additional support, particularly in adopting digital marketing strategies.

Overall, this demographic analysis paints a comprehensive picture of the participating small entrepreneurs. Although many are young and well-educated, there is marked variation in their business experience, types of enterprises, and income levels. These findings underscore the potential of digital marketing as a strategic tool to help small entrepreneurs seize opportunities, improve visibility, and address the challenges they face in a dynamic business environment.

Preliminary Survey Results

Level of Awareness of Small Entrepreneurs towards Digital Marketing

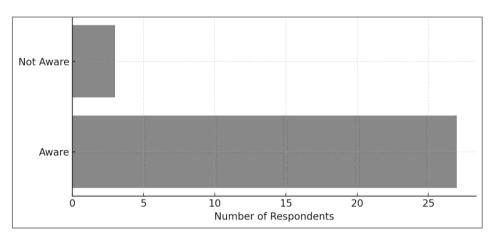


Figure 2. Level of Awareness about Digital Marketing

Figure 2 demonstrates that a substantial majority of respondents, 90% (27 individuals) reported awareness of digital marketing, while only a minority, 10% (3 individuals) indicated otherwise. This finding suggests a generally high level of conceptual familiarity with digital marketing among the sample. Such awareness is a critical foundation to digital adoption, particularly for small entrepreneurs seeking to expand their market reach and enhance online visibility. Nonetheless, the existence of a minority who lack foundational understanding underscores the need for targeted educational interventions. Introductory training in core digital marketing principles such as content strategy, audience targeting, and platform optimization can bridge this gap and prevent exclusion in an increasingly digitized marketplace. While the data indicate a promising baseline of receptivity to digital marketing, they also highlight the need to enhance entrepreneurs' practical competencies to fully capitalize on digital tools for sustainable business growth.

Awareness and Use of Digital Tools

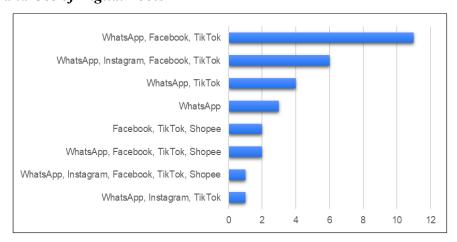


Figure 3. Use of Social Media Applications for Sales Promotion

Survey findings reveal high levels of digital marketing awareness among the respondents, with 90% indicating familiarity with the concept. This suggests a foundational readiness to engage with digital transformation initiatives. However, the practical application of digital marketing strategies remains limited despite high levels of awareness. As shown in Figure 3, the most frequently used combination of social media applications was WhatsApp, Facebook, and TikTok, with 10 respondents (33.33%) reporting the use of this trio. Other combinations included WhatsApp with Instagram, Facebook, and TikTok, indicating a tendency toward platform diversification. WhatsApp emerged as the most widely used tool, likely due to its ease of use, low cost, and capacity for direct communication.

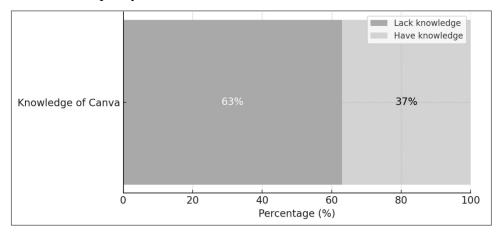


Figure 4. Level of Knowledge of Using the Canva Application for Digital Marketing

Despite this engagement with social media platforms, specific digital marketing tools such as Canva used for creating promotional content were less familiar to participants. As indicated in Figure 4, 63% of respondents lacked knowledge of how to use Canva for digital marketing purposes, suggesting a critical gap in visual content creation skills. Although awareness of digital marketing platforms exists, the ability to design compelling content or apply strategic techniques remains underdeveloped. These findings highlight a common disconnect between digital awareness and practical execution, which is a recurrent theme in rural digital entrepreneurship literature.

Challenges Faced by Small Entrepreneurs in Implementing Digital Transformation

The findings of the study revealed that the majority of respondents (90%) identified limited social media skills as the primary challenge they faced. This was followed by issues related to internet accessibility (77%) and financial constraints (63%). In addition, competitive pressure and lack of provision of workshops and training were similar challenges (50%) faced by small entrepreneurs. These results highlight that restricted access to stable and affordable internet significantly hampers small entrepreneurs' ability to engage in online marketing, maintain customer interactions, and fully utilize digital platforms. Moreover, the lack of digital literacy among both entrepreneurs and their employees limits the effective implementation of digital tools for business operations, marketing, and overall management. Financial limitations further constrain their capacity to invest in essential digital infrastructure, software, and training.

Table 2: Challenges Experienced by Small Entrepreneurs

Challenge	Percentage (%)
Business product not suitable for digital	43%
Lack of skills in using social media	90%
Strong competition from established digital businesses	50%
Lack of workshops or training	50%
Financial constraints	63%
Limited internet data quota	40%
Poor internet access	77%
Inability to search information online	10%

Moreover, small entrepreneurs face intense competition from established players in the digital marketing space. This challenge is further exacerbated by the lack of comprehensive government support, including limited digital literacy programs, insufficient financial incentives, and the absence of a conducive regulatory environment. These factors collectively hinder small businesses from fully capitalizing on the opportunities presented by the digital economy. Therefore, it is crucial for relevant stakeholders to address these issues in order to enhance the competitiveness, productivity, and overall growth of small enterprises.

Conclusion and Policy Implications

From this study, it can be concluded that the objectives of this research have been achieved, as the findings of this study clearly indicate a persistent gap exists between digital technology awareness and its actual implementation among small entrepreneurs in Malaysia, particularly in rural areas. Key barriers such as limited digital literacy, inadequate infrastructure, financial constraints, and insufficient exposure to essential tools like Canva, SEO, and social media analytics continue to impede the full utilization of digital technologies for business development. These challenges, if left unaddressed, risk marginalizing small entrepreneurs from participating meaningfully in the evolving digital economy.

To support a more inclusive digital transformation, several policy recommendations are proposed. First, there is an urgent need for a comprehensive national digital capacity-building initiative specifically designed for small and micro-entrepreneurs. This initiative should deliver modular, skill-tiered training programs that go beyond basic digital literacy and address platform-specific marketing strategies, content creation, and data-driven decision-making. Second, expanding digital infrastructure in rural and underserved areas must be prioritized under national initiatives such as JENDELA to ensure equitable access to stable, high-speed internet connectivity as an essential foundation for online business activity. Third, targeted financial incentives, including digital adoption grants, subsidized software access, and tax deductions for digital tool utilization, should be made more accessible to microenterprises with limited capital. Finally, the establishment of community-based digital innovation hubs comanaged by government agencies, private sector actors, and civil society could provide continuous support through mentorship, peer learning, and hands-on digital coaching.

While this study provides valuable early-stage insights into the digital readiness of small entrepreneurs, it is not without limitations. The sample size is modest and geographically limited to the Penaga district in Penang, which may constrain the generalizability of the findings. Moreover, the reliance on self-reported data introduces potential response biases. Future research should expand the geographical scope, employ larger and more diverse samples, and incorporate mixed method approaches such as in-depth interviews, digital skill assessments, and longitudinal tracking to provide a more nuanced understanding of digital adoption trajectories.

In conclusion, advancing the digital readiness of small entrepreneurs is not only critical for enterprise-level growth but also for achieving broader national development objectives. Bridging the digital divide will enhance the resilience and competitiveness of Malaysia's micro and small business sector and contribute meaningfully to long-term agendas such as the Sustainable Development Goals (SDG 2030) and the National Transformation Plan 2050 (TN50). A coordinated, inclusive, and evidence-based digital policy framework will be instrumental in unlocking the full potential of grassroots entrepreneurship in the digital era.

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