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*Original Paper*

# Discussion on the Innovation Path of Entrepreneurship Mode of Small and Medium-sized Enterprises in the Context of Digital Economy

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***Abstract***

*Amid the rapid advancement of the digital economy, the widespread adoption of digital technologies such as big data, cloud computing, and artificial intelligence has profoundly transformed the entrepreneurial landscape and development dynamics of small and medium-sized enterprises (SMEs). These technologies provide SMEs with new opportunities to overcome resource constraints and drive innovative business models. This paper examines the core relationship between the digital economy and SME entrepreneurship, elucidates the empowering value of digital technologies for SMEs, and analyzes the operational challenges SMEs face in digital entrepreneurship. By integrating case studies and theoretical frameworks, the paper proposes targeted pathways for business model innovation. The findings aim to offer theoretical insights and practical guidance for SMEs to achieve efficient entrepreneurship and enhance core competitiveness in the digital economy, ultimately facilitating their high-quality entrepreneurial development.*

***Keywords***

*digital economy, small and medium-sized enterprises, entrepreneurial models, innovation pathways, empowerment development*

## 1. Introduction

With the continuous advancement of digital technologies, China's digital economy has expanded significantly. In 2021, its scale reached 45.5 trillion yuan, accounting for 39.8% of GDP, establishing it as a core driver of high-quality economic development. As a vital component of the national economy, small and medium-sized enterprises (SMEs)—comprising over 99% of all businesses—serve as primary platforms for entrepreneurial activities. They play an irreplaceable role in job creation, market

vitality stimulation, and innovation promotion. However, constrained by limitations in funding, technology, and talent, traditional SMEs struggle to adapt to the competitive pace of the digital era, facing challenges like high entry barriers, weak resource integration capabilities, and single profit models. The rise of the digital economy has broken the time-space constraints of traditional entrepreneurship, restructured resource allocation mechanisms, and opened new possibilities for SME innovation. In this context, exploring innovative entrepreneurial models for SMEs in the digital era not only enriches theoretical research in digital entrepreneurship but also provides practical guidance for SMEs to overcome development bottlenecks and achieve efficient entrepreneurship, holding significant theoretical and practical value.

## 2. Empowerment Value of Digital Economy for SME Entrepreneurship

The digital economy, with data as its core production factor and digital technology as its foundation, restructures production, distribution, and consumption processes. This transformation empowers small and medium-sized enterprises (SMEs) in entrepreneurship by overcoming the limitations of traditional models, as demonstrated in three key aspects.

First, lowering the barriers to entrepreneurship and expanding its scope. The widespread adoption of digital technologies enables small and medium-sized enterprises (SMEs) to bypass substantial investments in offline channels or large-scale equipment. Through digital platforms, they can efficiently connect resources, explore markets, and serve customers. For instance, industrial internet platforms allow SMEs to access technology, talent, and orders without building complete industrial chains, significantly reducing capital and technical barriers. Moreover, the digital economy transcends geographical and temporal constraints, enabling SMEs to tap into national and global market resources via online platforms. This removes regional limitations, thereby broadening their market reach.

The second strategy focuses on optimizing resource allocation to enhance entrepreneurial efficiency. Digital technologies enable precise matching and efficient integration of startup resources, addressing the challenges of resource fragmentation and poor coordination in traditional entrepreneurship. Big data analytics allows accurate market demand and consumer preference analysis, helping SMEs pinpoint targeted business directions and reduce decision-making uncertainty. Cloud computing provides cost-effective computing power without requiring substantial data center investments, lowering operational costs. Artificial intelligence replaces manual labor, streamlines startup processes, and boosts efficiency across production, marketing, and service operations, enabling SMEs to achieve asset-light, high-efficiency entrepreneurship.

Third, fostering model innovation to boost entrepreneurial dynamism. The digital economy has given rise to novel business models like live-streaming e-commerce, community marketing, platform partnerships, and flexible production, offering SMEs expanded options. By leveraging digital technologies, SMEs can transcend traditional constraints to develop “digital+” models, achieving breakthroughs in product innovation, service innovation, and profit model innovation. For instance,

Qinghe Rouhua Cashmere Products Co., Ltd. has transformed through digitalization by adopting smart production equipment and online marketing channels, establishing a "design + production + e-commerce" model. Within just four years, it rose to industry leadership, demonstrating how digital technology drives innovation in SME business models.

## 3. The Existing Dilemma of Entrepreneurship Models for SMEs in the Context of Digital Economy

Although the digital economy provides many opportunities for the innovation of the entrepreneurial model of small and medium-sized enterprises, limited by their own resource endowment and digital literacy, the current small and medium-sized enterprises still face many difficulties in the process of digital entrepreneurship, which restricts the innovation and development of the entrepreneurial model, mainly reflected in four aspects.

The first issue stems from weak digital entrepreneurship awareness and insufficient transformation drive. Many SME entrepreneurs still cling to traditional business mindsets, lacking adequate understanding of the digital economy and failing to recognize the value of digital technology in empowering startups. They perceive digital entrepreneurship as high-risk and costly, thus hesitating to adopt innovative digital business models. Moreover, some SME entrepreneurs lack digital literacy and the ability to leverage digital tools for entrepreneurial activities, making it difficult for them to adapt to the fast-paced rhythm of the digital economy. This results in their business models remaining stuck in traditional frameworks, hindering innovation breakthroughs.

Secondly, there is insufficient access to digital resources and weak technical support. Digital technologies, digital talent, and digital funding are the core pillars for small and medium-sized enterprises (SMEs) to engage in digital entrepreneurship and achieve model innovation. However, constrained by their scale, SMEs struggle to obtain adequate digital resources. Technologically, SMEs lack the capability for independent R&D of digital technologies, and their application of core digital technologies like big data and artificial intelligence often remains superficial, failing to achieve deep integration. In terms of talent, the scarcity of digital professionals and high recruitment costs make it difficult for SMEs to attract versatile talents with both digital skills and entrepreneurial capabilities. Financially, digital entrepreneurship requires substantial upfront investment, yet SMEs face limited financing channels and high financing difficulties, lacking sufficient funds to support the innovation and implementation of digital entrepreneurship models.

Third, the severe homogenization of entrepreneurial models and insufficient core competitiveness. Currently, some small and medium-sized enterprises (SMEs) lack innovative thinking in digital entrepreneurship, blindly imitating the digital business models of large or successful enterprises while failing to identify and position their core advantages. This results in significant homogenization of entrepreneurial approaches. For instance, many SMEs venture into live-streaming e-commerce and community marketing, but their lack of differentiated products and services makes it difficult to

establish core competitiveness, ultimately leading to cutthroat competition and unsustainable development. Meanwhile, some SMEs fail to accurately grasp market demands, resulting in a disconnect between their digital business models and market needs, making it challenging to achieve profitability.

Fourth, the digital ecosystem lacks synergy, and the entrepreneurial environment requires optimization. Digital entrepreneurship in the digital economy demands a robust digital ecosystem, including digital infrastructure, service platforms, and policy support systems. Currently, China's digital infrastructure development remains uneven across regions, with inadequate infrastructure in some remote areas hindering digital entrepreneurship among small and medium-sized enterprises (SMEs). Digital service platforms also need improvement, as some struggle to meet SMEs' personalized entrepreneurial needs. Additionally, the policy support system for SMEs' digital entrepreneurship is incomplete, with insufficient funding subsidies, tax incentives, and talent development, making it difficult to effectively support innovation and growth in digital entrepreneurship models.

## 4. Innovative Path of Entrepreneurship Model for SMEs in the Context of Digital Economy

In view of the existing difficulties of the current digital entrepreneurship model of small and medium-sized enterprises, combined with the empowering value of the digital economy and the characteristics of small and medium-sized enterprises, this paper proposes the innovation path of the entrepreneurship model of small and medium-sized enterprises from the four aspects of consciousness promotion, resource integration, model innovation and ecological construction, so as to help small and medium-sized enterprises achieve high-quality development of digital entrepreneurship.

(1) Strengthening Digital Entrepreneurship Awareness and Enhancing Digital Literacy

Digital awareness serves as the foundation for entrepreneurial model innovation. SMEs should prioritize cultivating digital entrepreneurship awareness and enhancing the digital literacy of both entrepreneurs and employees. Firstly, SME entrepreneurs should proactively acquire knowledge about the digital economy, understand how digital technologies impact business models, embrace the "digital + entrepreneurship" concept, break free from traditional mindsets, and explore innovative digital entrepreneurship approaches. Secondly, companies should strengthen employee training in digital literacy through workshops on digital technologies and digital operations, empowering staff to leverage digital tools for entrepreneurial activities and building a digitally competent team. Additionally, SMEs can broaden their perspectives and boost enthusiasm for digital entrepreneurship by participating in industry exchanges and case studies, learning from leading enterprises' digital entrepreneurship experiences.

(2) Integration of digital resources and enhancement of technical support

The acquisition and integration of digital resources serve as the cornerstone for innovation in digital entrepreneurship models among small and medium-sized enterprises (SMEs). SMEs should leverage their competitive advantages to actively consolidate diverse digital resources and strengthen

technological support. Technologically, SMEs may adopt a "co-research + absorption" approach by collaborating with universities, research institutions, and digital technology enterprises. By utilizing external technical resources, they can achieve deep integration of digital technologies with entrepreneurial activities, reducing innovation costs without heavy R&D investments. In terms of talent, SMEs can implement flexible recruitment and training models through school-enterprise partnerships and part-time employment to attract interdisciplinary digital professionals. Simultaneously, they should enhance internal talent development to improve employees' digital skills and entrepreneurial capabilities. Financially, SMEs should actively expand financing channels by engaging with government support funds, venture capital funds, and internet finance platforms to secure funding. They should also optimize fund utilization efficiency, prioritizing investments in core areas such as digital technology applications and entrepreneurial model innovation. For instance, the Lemon Bean Industrial Internet Platform provides end-to-end digital entrepreneurship services for SMEs, integrating technical, talent, and order resources to help them overcome resource shortages and achieve efficient entrepreneurship.

(3) Focus on Differentiated Innovation and Build a Characteristic Entrepreneurship Model

Differentiation is the key for SMEs to break through homogeneous competition and enhance core competitiveness. SMEs should leverage their core advantages, align with market demands, and develop distinctive digital entrepreneurship models. First, accurately identify market needs by using big data technology to analyze consumer preferences and market pain points. By combining their resource advantages and focusing on niche markets, they can create differentiated products and services while avoiding blind trend-following. For example, SMEs can target the personalized needs of niche groups, offering customized products and services through digital customization models to establish differentiated competitive advantages. Second, innovate profit models by moving beyond the traditional "product sales" approach. Develop new revenue streams such as "digital + services" and "platform + ecosystem" models. For instance, provide value-added services and membership programs through digital platforms to expand profit channels. Third, promote collaborative entrepreneurship across the industrial chain. Utilize digital technologies to collaborate with upstream and downstream enterprises, building an entrepreneurial ecosystem characterized by "division of labor, resource sharing," complementary strengths, and enhanced efficiency and competitiveness. For example, Qinghe Cashmere SMEs leverage regional e-commerce ecosystems and shared smart manufacturing platforms to achieve industrial chain synergy, drive innovation in entrepreneurial models, and boost industry competitiveness.

(4) Optimizing the Entrepreneurship Environment by Relying on Digital Ecology

A robust digital ecosystem serves as a crucial foundation for innovation in digital entrepreneurship among small and medium-sized enterprises (SMEs). SMEs should proactively leverage this ecosystem while driving its optimization. On one hand, they should actively integrate with industrial internet platforms and digital entrepreneurship service platforms to access resources, technical support, and

operational guidance, thereby reducing startup costs and enhancing efficiency. On the other hand, SMEs should actively participate in ecosystem development by collaborating with enterprises, universities, research institutions, and government agencies to improve digital infrastructure, upgrade digital services, and optimize policy support. Meanwhile, governments should strengthen support for SMEs' digital entrepreneurship through enhanced digital infrastructure, targeted subsidies, tax incentives, and talent cultivation policies to optimize the entrepreneurial environment. Digital service platforms should enhance their capabilities by providing tailored, professional services that address the specific needs of SMEs, thereby facilitating innovation in their business models.

## 5. Conclusion and Outlook

The rapid growth of the digital economy has created unprecedented opportunities for SMEs to innovate their business models. Digital technology not only lowers the barriers to entrepreneurship and optimizes resource allocation for SMEs, but also drives iterative upgrades in business models. However, SMEs still face challenges such as weak digital awareness, insufficient resource access, homogenized models, and inadequate ecosystem collaboration during their digital entrepreneurship journey, which constrain innovation and development. To address these issues, SMEs should enhance digital entrepreneurship awareness, integrate digital resources, focus on differentiated innovation, and leverage digital ecosystems. By adopting these strategies, they can drive business model innovation, break through development bottlenecks, and achieve high-quality entrepreneurial growth.

In the future, as digital technologies continue to evolve and the digital economy deepens, small and medium-sized enterprises (SMEs) will witness increasingly diversified and intelligent digital entrepreneurship models. SMEs should stay attuned to digital advancements, continuously enhance their digital literacy and innovation capabilities, actively explore "digital+" entrepreneurial approaches, strengthen collaboration with the digital ecosystem, and fully harness the empowering potential of digital technologies. Meanwhile, governments, universities, research institutions, and digital enterprises must work together to refine the digital entrepreneurship ecosystem, providing robust support for SMEs 'innovative digital ventures. This will propel SMEs to achieve greater growth in the digital economy and inject new vitality into the nation's high-quality economic development.

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