



The Role of Digital Adoption Attitude and Digital Literacy in Increasing Entrepreneurial Success In Digital Era

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Abstract. Transforming a business model into a digital business is both a challenge and an opportunity for entrepreneur. This research aims to analyze the effect of digital adoption attitudes and digital literacy on entrepreneurial success in the digital era. The research was conducted using a survey method, with a sample of 190 entrepreneur who had transformed their business to a digital business in Indonesia. Hypothesis testing uses Structural Equation Modelling analysis with software Smart PLS 3. The results of the analysis show that digital adoption attitude and digital literacy have a positive effect on entrepreneurial success in the digital era, and digital literacy mediates the effect of digital adoption attitude on entrepreneurial success in the digital era. The managerial implication of this research is the importance of developing digital literacy and a positive attitude towards the adoption of digital technology to increase the potential success for entrepreneurship in the digital environment.

1. Introduction

Entrepreneurship is a factor that can improve the economic welfare [1]. To adapt to digital challenges, industries and markets have transformed their traditional business models into digital business models [2]. This transformation is a challenge for entrepreneurship because it involves the use of digital technology [3]. Transforming business systems or using digital technology is very important for entrepreneurship because it can increase company efficiency and effectiveness, as well as business operations which ultimately can increase competitive advantage which has an effect on long-term sustainability. Technology can increase a company's adaptability and speed because it can open up new opportunities regarding what to do, how to do it, and for whom to do it [4].

In Indonesia, digital entrepreneurship is growing rapidly [5]. Thus, to develop digital entrepreneurship skills, people need to increase their understanding of digital literacy so that it can help improve economic conditions [6]. Entrepreneurs are required to prioritize increasing technological literacy in the current digital era. Technologically literate entrepreneurs will be able to use technology well, so they can make good decisions regarding what platform to use and when is the right time to use it, so that technology can be utilized well to create new entrepreneurship [4]. Having the knowledge and ability to use resources well can create opportunities to become a successful entrepreneur [7].

Digital entrepreneurial transformation is considered one of the appropriate strategies to respond to disruptive environmental changes [8]. Digital technology plays an important role in identifying, evaluating, and capitalizing on opportunities [9], increasing competitive power [10], increasing effectiveness and efficiency [11], and innovating [12]. So, entrepreneurs need to transform and have digital skills to survive and be able to contribute to the economy [13]. However, in accessing and utilizing existing digital technology, it is not uncommon for entrepreneurs to experience difficulties. There are several approaches to overcoming the problem, one of which is building an infrastructure program that focuses on training so that it



can increase knowledge, skills, and competence in the use of technology and digital literacy in an entrepreneurial context.

Several previous studies have discussed the goals and nature of digital entrepreneurship [14-15]. However, researches that focus on examining technology adoption and digital literacy in the context of digital entrepreneurship and its effect on Entrepreneurial Success are still rare [4]. Further research needs to be developed regarding Entrepreneurial Success and more specific influencing factors related to digital adoption and literacy possessed by entrepreneurs.

2. Literature Review

2.1. *Entrepreneurial success*

Entrepreneurial Success is related to financial and non-financial aspects [16]. Several researchers have different views on measuring Entrepreneurial Success. Entrepreneurial success is not always identified with wealth [17]. Entrepreneurial Success can be measured by income, level of expenditure, business sustainability, job creation, and wealth [18].

Digital entrepreneurship involves technology in building and running a business [19-20]. The entry of digital technology has had an effect on various aspects of business because it has changed the nature of business uncertainty in its processes and results, as well as how to deal with this uncertainty. Increasing business flexibility because digitalization makes processes and results in business easier [21-22].

Entrepreneurial Success due to digitalization can be effected by several factors, namely: the uniqueness of products and services in online networks connected to consumers, the digital platform used, and platform design [23]. Entrepreneurial Success for digitalized businesses is related to the benefits obtained from using various digital platforms in business. The success of business digitalization will be limited if the platform the company chooses is not appropriate and does not have good positioning [23].

2.2. *Digital adoption attitude*

The adoption of digital technology in business can make changes in various aspects such as business activities, company structure, infrastructure, and human capital that improve company performance [24-25]. Large companies can achieve the ability to adapt within the organization when the maturity stage in digital technology adoption has been reached [26]. As more companies adopt technology, their communication and knowledge improve, and this helps business processes become more efficient. Although the adoption of this technology may temporarily disrupt company operations due to the changes required, the new business processes run more efficiently after the adjustment. To support this change, companies also adjust their organizational structure to suit new business processes [27].

In the research of [28], it is stated that technology adoption can help achieve Entrepreneurial Success. Technology adoption leads to digital innovation which can effectively reduce barriers, thereby ultimately increasing business capabilities. Internet use and technology adoption have an effect on positive business aspects [29]. The research results of [30] shows that digital technology adoption is positively related to Entrepreneurial Success. Furthermore, the adoption of digital technology will affect digital literacy skills [31-33]. Based on the findings of the research results above, the following hypothesis is formulated:

H1: Digital Adoption Attitude has a positive effect on Entrepreneurial Success.



H2: Digital Adoption Attitude has a positive effect on Digital Literacy.

2.3. Digital literacy

Digital literacy is a concept built on media literacy, which requires a user to use digital media responsibly, wisely, and ethically [34]. Digital literacy is about how people understand, have a good attitude, and have the ability to use digital devices and technology correctly. This includes the ability to find information, access it, manage it, combine it, assess it, and extract the essence of digital resources. Apart from that, digital literacy also includes the ability to create new knowledge, communicate with other people through various media, and express oneself in certain situations [35]. Digital literacy means that people must recognize and be critical of the media. Digital literacy can be defined as the ability to master digital language to communicate using digital media. Therefore, it can be concluded that digital literacy is the ability to produce data and information to be presented to digital media users [13]. Digital literacy has four components, namely technical skills, creation, use of information, and communication [36].

Entrepreneurs can increase digital literacy to improve business performance. By using online platforms entrepreneurs can improve their skills and knowledge on various topics. With the existence of digital platforms, opportunities to develop businesses are increasingly open, thereby increasing opportunities for entrepreneurial growth in the digital era [37]. In the research of [13], it is stated that digital literacy effects digital entrepreneurship and the digital economy.

H3: Digital literacy has a positive effect on Entrepreneurial Success.

H4: Digital literacy mediates the relationship between digital adoption attitude and entrepreneurial success

3. Research Methodology

The population of this research are business people in Indonesia with various business fields who have digitalized their business. The sample size taken was 190 respondents. Data is distributed online using a questionnaire via Google Form. A Likert scale of 1-5 was used in this study. The variable construct was developed by adopting and modifying previous research from [38-42]. Hypothesis testing was carried out using Partial Least Square with Smart PLS 3 software. Data analysis in this study used two stages, namely analysis and interpretation in measurement and model structure testing [43]. To determine the loading factor and Average Variance Extract, a convergent validity test was carried out, while cross loading was carried out using a discriminant validity test, and for internal consistency analysis, Cronbach's Alpha [44-45] and composite reliability [46] were used.

4. Results

4.1. Validity and reliability test

After conducting analysis with PLS, the results show that all indicators in this study are valid and reliable because they have a loading factor > 0.50 , cross loading > 0.70 , Cronbach's alpha > 0.60 , composite reliability > 0.70 , and AVE > 0.50 [47].

Table 1. Result of validity and reliability test.

<u>Variable</u>	Indicator	Loading Factor	Cross Loading	Cronbach Alpha	Composite Reliability	AVE
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Digital Adoption Attitude	ADT1	0,863	0.919	0.938	0.956	0.844
	ADT2	0,945				
	ADT3	0.940				
	ADT4	0.925				
Entrepreneurial Success	DES1	0.936	0.933	0.963	0.971	0.871
	DES2	0.956				
	DES3	0.964				
	DES4	0.929				
Digital Literacy	DES5	0.878	0.760	0.906	0.923	0.578
	DL2	0.630				
	DL3	0.684				
	DL4	0.885				
	DL5	0.871				
	DL6	0.864				
	DL7	0.854				
	DL8	0.668				
	DL9	0.647				
	DL10	0.643				

4.2. Finding

The Goodness of Fit test is carried out by calculating the Q-Square value to measure whether the model and parameter estimates in this study can be said to be good. If it has a value greater than 0.33 then the Goodness of Fit value can be said to be good [48]. So, the model in this research can be said to be good because it obtained a value of 0.645.

Table 2. Measurement of Q-square.

Variable	R Squares	R Adjusted	Q-Square $=1-(1-R_1^2)(1-R_2^2)$
Entrepreneurial success	0.511	0.506	0.645
Digital literacy	0.275	0.271	

The causal relationship between variable constructs was tested using Structural Equation Modeling via PLS, the results were obtained:

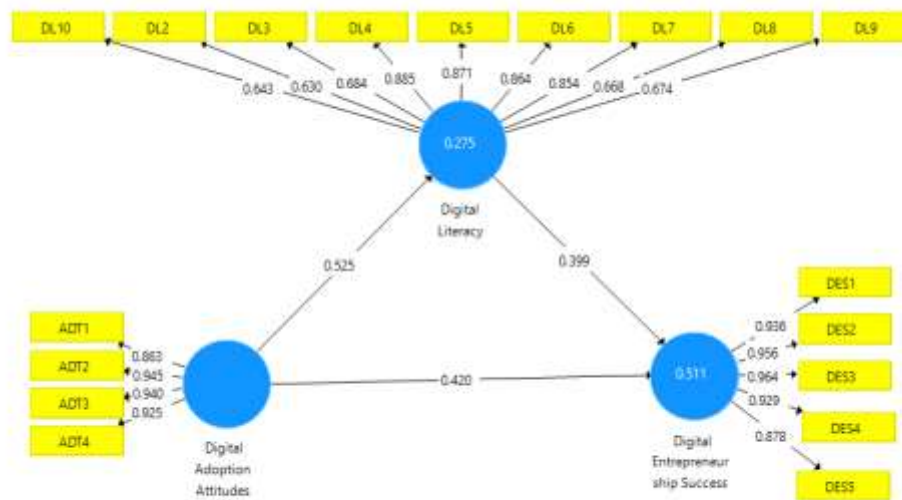


Figure 1. Result of SEM PLS analysis

Table 3. Hypothesis test result.

Hypothesis	Independent Variable	Dependent Variable	Original Sample (O)	T Statistic	P Value	Result
H ₁	Digital Adoption Attitude	Entrepreneurial Success	0.420	5.090	0.000	Significant
H ₂	Digital Adoption Attitude	Digital Literacy	0.525	9.292	0.000	Significant
H ₃	Digital Literacy	Entrepreneurial Success	0.399	5.664	0.000	Significant
H ₄	Mediating Effect of DL	Entrepreneurial Success	0.209	4.956	0.000	Significant

Hypothesis testing results obtained from the beta parameter coefficient in the original sample, statistical t-value and p-value were carried out using the PLS bootstrapping technique. Table 3 shows that Digital Adoption Attitude ($\beta=0.420$; $t=5.090$; $p=0.000$), Digital Literacy ($\beta=0.399$; $t=5.664$; $p=0.00$), mediating effect of digital literacy ($\beta=0.209$; $t= 4.956$; $p=0.00$) has a positive effect on Entrepreneurial Success, and Digital Adoption Attitude ($\beta=0.525$; $t=9.292$; $p=0.000$) has a positive effect on Digital Literacy. So that all hypotheses, H₁, H₂, H₃, H₄ are accepted.

5. Discussion

5.1. The effect of digital adoption attitude on entrepreneurial success

The results show that Hypothesis 1 is accepted, digital adoption attitude has a positive effect on Entrepreneurial Success. This shows that adopting digital technology can increase digital entrepreneurship's chances of achieving success because digital entrepreneurs tend to be more



able to utilize technology to improve their Entrepreneurial Success. This is in line with research results (Bratton, 2013; Chatterjee et al., 2020; Yong et al., 2022).

5.2. The effect of digital adoption attitude on digital literacy

The results of the analysis show that Hypothesis 2 is accepted, digital adoption attitude has a positive effect on digital literacy. This indicates that entrepreneurs who adopt digital technology tend to further improve their abilities and knowledge regarding digital literacy so they can utilize digital technology effectively. This is in line with research (Damerji & Salimi, 2021; Jędrzejka, 2019; Marshall & Lambert, 2018).

5.3. The effect of digital literacy on entrepreneurial success

The results of the analysis show that Hypothesis 3 is accepted, digital literacy has a positive effect on Entrepreneurial Success. This shows that the ability to understand and use digital technology effectively can increase the chances of business success in a digital environment. Digital literacy allows entrepreneurs to be more creative and innovative in developing business ideas that are relevant to technological developments, which will have an effect on their Entrepreneurial Success. This is in line with research (Primahendra et al., 2021; Young et al., 2020).

5.4. The mediating role of digital literacy on the relationship between digital adoption attitude and entrepreneurial success

The results of the analysis show that hypothesis 4 is accepted, digital literacy mediates the relationship between digital adoption attitude and Entrepreneurial Success. Digital literacy plays an important role as an intermediary that connects technology adoption attitudes to Entrepreneurial Success. So, if entrepreneurs have good digital literacy, then they can adopt digital technology effectively and use it to achieve business success, especially in the current digital era.

6. Conclusion

The findings of this research confirm that attitudes towards digital technology adoption and digital literacy have a positive effect on Entrepreneurial Success in the digital era. Digital literacy acts as a mediating factor between attitudes towards technology adoption and Entrepreneurial Success. The implication of this research is the importance of developing digital literacy and adopting a positive attitude towards digital technology in order to increase the potential for Entrepreneurial Success in a digital entrepreneurial environment. Further research can add other, more in-depth variables related to the factors that effect Entrepreneurial Success related to business digitalization to gain a more comprehensive understanding.

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