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Designing a Policy Model for the Creation and Development of Digital Entrepreneurship Based on Competitive Advantage and Innovation in Knowledge-Based Businesses

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Abstract

The purpose of this study is to examine the design of a policy model for the creation and development of digital entrepreneurship based on competitive advantage and innovation in knowledge-based businesses. The present research is applicable in terms of purpose, and quantitative and descriptive-correlational in terms of methodology. The statistical population consists of employees and managers of knowledge-based companies in the city of Kerman in 2024, totaling 1,740 individuals, from whom 560 participants were selected through simple random sampling. The data collection instrument was a researcher-developed questionnaire. Structural equation modeling (SEM) and the SPSS and AMOS software packages were used to analyze the quantitative data. The findings showed that the proposed model for the creation and development of digital entrepreneurship based on competitive advantage and innovation in knowledge-based companies demonstrates an acceptable level of fit. Competitive advantage and innovation have direct effects on the creation and development of digital entrepreneurship in knowledge-based firms. Components of competitive advantage—including technical expertise and knowledge, branding, service quality, high standards, responsiveness, organizational agility, after-sales service and support, supply chain management, and superior efficiency—significantly influence the creation and development of digital entrepreneurship. Collectively, the competitive advantage components explain 0.358 of the variances in the creation and development of digital entrepreneurship in knowledge-based companies.

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Extended Abstract

Introduction

The complex and dynamic economic and technological environment requires innovative and flexible approaches to the management and development of businesses. Moreover, the misalignment between existing policies and strategies and the real needs and potentials of knowledge-based firms leads to reduced efficiency and effectiveness of these policies. Consequently, the lack of coordination between developmental strategies and innovative capabilities can result in suboptimal use of resources and opportunities, ultimately diminishing the competitive advantages of such enterprises (Armutcu et al., 2023). Digital entrepreneurship, as a new business paradigm in developing countries, provides a suitable foundation for economic growth and development. This emerging phenomenon enables numerous entrepreneurial opportunities through digitalization. Digital entrepreneurship inherits the diverse and dispersed nature of research in entrepreneurship and management (Panahzadeh Khanamiri et al., 2023).

Innovation and competitive advantage are two key determinants of success for knowledge-based firms operating in the realm of digital entrepreneurship. Innovation is defined as the implementation of a new or significantly improved product or service, a new process, a modern marketing method, or a new approach to organizing business activities, work environments, or external relations. This comprehensive definition indicates that innovation is not limited to advanced technological development; rather, it encompasses transformation across all dimensions of businesses, companies, and organizations. Innovation refers to the ability to combine resources in new ways to create new goods, develop new production methods, open new markets, and, in some cases, reorganize an entire industry (Azeem et al., 2021). Competitive advantage, on the other hand, consists of a set of factors or capabilities that consistently enable a company to outperform its competitors and cannot be easily imitated by others (Denga et al., 2022). Knowledge-based businesses, particularly those operating in technology and innovation sectors, must identify and leverage their competitive advantages. However, many of these firms face challenges in recognizing, analyzing, and implementing their competitive advantages. Such challenges often stem from the absence of a coherent and practical framework for evaluating and exploiting these advantages (Hoang & Böckel, 2024). Therefore, the central question of this study is: *What is the appropriate design for a policy model aimed at creating and developing digital entrepreneurship based on competitive advantage and innovation in knowledge-based businesses?*

Theoretical Framework

Digital Entrepreneurship

Digital entrepreneurship is a modern form of business that provides a suitable foundation for economic growth and development, especially in developing countries. This emerging phenomenon, enabled by technological assets such as the Internet and information technology, is capable of creating numerous entrepreneurial opportunities through digitalization (Fard et al., 2021).

Competitive Advantage

Competitive advantage refers to the set of assets, characteristics, and capabilities that enable an organization to perform beyond its competitors in the market. With the growing emphasis on sustainability and sustainable development, organizations are now required to consider economic, social, and environmental dimensions to enhance their competitiveness. As a result, achieving *sustainable competitive advantage* has become a central priority for organizations (Gravand & Nejati Pilehroud, 2023).

Darvishanpour et al. (2025) examined the design of a transformational model for digital entrepreneurial ecosystems. The findings revealed that digital entrepreneurship, as the core phenomenon, creates value through innovation and agility and is rooted in digital technologies such as artificial intelligence and blockchain. Causal factors (organizational factors, technological infrastructure, human factors), contextual factors (legal and socio-cultural environments), and intervening factors (economic-market conditions and security considerations) dynamically interact to shape this phenomenon. Central relationships include the impact of causal factors on resource creation, the role of contextual factors in maintaining stability, the moderating role of intervening factors, and the facilitative role of strategies in supporting development. The consequences encompass economic growth, job creation, financial transparency, improved quality of life, and digital justice. The study recommends that governments enhance digital infrastructure, formulate supportive regulations, expand digital training programs, establish venture capital funds, and promote public acceptance of digital entrepreneurship through cultural initiatives.
Kashef Arzanagh and Nayebzadeh (2024) investigated the effect of audience awareness of the Islamic Azad University (Electronic Branch) brand on its competitive advantage, considering the mediating roles of positioning and market orientation. The findings confirmed that audience awareness of the brand positively affects both positioning and market orientation, and that these two variables, in turn, influence competitive advantage. Moreover, the mediating roles of positioning and market orientation in the relationship between brand awareness and competitive advantage were validated. This research, focused on the Electronic Branch of Islamic Azad University, offers recommendations to enhance managerial insights regarding the development of this academic brand.

Research Methodology

In terms of objective, the present study is applicable; and in terms of execution, it is quantitative and of the descriptive-correlational type. The statistical population comprises 1740 employees and managers of knowledge-based companies in Kerman city in 2024, among whom 560 individuals were selected using a simple random sampling method. The data collection instrument was a researcher-made questionnaire.

Research Findings

Quantitative data were analyzed using Structural Equation Modeling (SEM) with SPSS and AMOS software. The results indicated that the model for creating and developing digital entrepreneurship based on competitive advantage and innovation in knowledge-based companies exhibits an acceptable fit. Competitive advantage and innovation have a direct impact on the creation and development of digital entrepreneurship within knowledge-based companies. Specifically, the components of competitive advantage—namely, technical expertise and knowledge, branding, service quality, high standards, responsiveness, organizational agility, after-sales support and services, supply chain management, and superior efficiency—significantly influence the creation and development of digital entrepreneurship in these companies. Collectively, these components of competitive advantage explain 0.358 of the variances in the creation and development of digital entrepreneurship in knowledge-based companies.

Conclusion

The present study was conducted with the aim of examining the design of a policy model for the creation and development of digital entrepreneurship based on competitive advantage and innovation in knowledge-based businesses. These findings are consistent with the results of

previous research by Darvishanpour et al. (2025), KashefArzanagh & Nayebzadeh (2024), Abhkiz et al. (2024), Shahraki et al. (2024), Masah Choolabi et al. (2023), Porter & Kramer (2023), Moya et al. (2022), Snihur et al. (2022), Fartash (2022), Nambisan & Baron (2021), and Autio & Rannikko (2021). Fartash (2022), emphasizing the impact of innovation on business models, observed that high standards and technical expertise can effectively enhance competitiveness in companies. International research also places significant emphasis on the importance of competitive advantage and its role in digital innovation and entrepreneurship.
Based on the research findings, the following recommendations are proposed:
1. Allocate greater financial and human resources to Research and Development (R&D) units focused on digital innovations in products and processes, and establish evaluation systems to continuously assess the effectiveness of implemented innovations.
2. Create online training programs for employees, particularly in areas related to new digital technologies and digital business tools. Additionally, conduct professional development courses to familiarize employees with an innovative culture and new skills.

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Conflicts of Interest
The authors declare that they have no financial or non-financial, personal, professional, or institutional conflicts of interest relevant to this work.

Conflicts of Interest
The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Data Availability Statement
The data supporting the findings of this study are available from the corresponding author upon reasonable request.

AI Use Statement
The authors declare that no generative artificial intelligence (AI) or AI-assisted technologies were used in the preparation, writing, or editing of this manuscript.

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Ethics Approval
All procedures performed in this study were conducted in accordance with the ethical standards of the responsible institutional and national research committee.