Digital Innovation And Business Strategy for SMEs: Building Resilience In The Society 5.0 Era

Inovasi Digital dan Strategi Bisnis Untuk UKM: Membangun Ketahanan di Era Society 5.0

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Abstract

Micro, Small and Medium Enterprises (MSMEs) have long been the main pillars of Indonesia's economic structure, driving the wheels of the economy with a significant contribution. However, in dynamic economic conditions, the existence and growth of MSMEs are still being tested. The biggest challenge MSME players face is the change in business paradigm marked by the Society 5.0 era. Technology has become a significant force that has fundamentally changed the business landscape. These changes create great opportunities, but they also introduce uncertainty. Digitalization is the key to optimizing these opportunities, especially in marketing MSME products. This research analyses MSME development strategies to build business resilience in the new era of 5.0 society. Even though technology has created more significant opportunities for MSMEs, their readiness to adapt to digitalization has not yet been fully realized.

In conclusion, MSMEs face a significant paradigm shift in the Society 5.0 era. Digitalization is the key to increasing the resilience of MSME businesses by implementing technopreneurship, although their readiness to adopt these changes is still a concern. Innovation in terms of products, involvement in exhibitions and festivals, use of social media and influencers to promote products, building business relationships, improving service quality, understanding social media, and selling through marketplaces are some of the strategic steps that need to be taken to ensure the continuity of MSME businesses in society 5.0.

Keywords: digitalization, strategy development, MSMEs, business resilience, society 5.0
Abstrak
Usaha Mikro Kecil dan Menengah (UMKM) telah lama menjadi pilar utama dalam struktur ekonomi Indonesia, menggerakkan roda perekonomian dengan kontribusi yang signifikan. Namun, dalam kondisi perekonomian yang dinamis, eksistensi dan pertumbuhan UMKM masih terus diuji. Tantangan terbesar yang dihadapi pelaku UMKM adalah perubahan paradigma bisnis yang ditandai oleh era Society 5.0. Teknologi telah menjadi kekuatan utama yang mengubah lanskap bisnis secara fundamental. Perubahan ini menciptakan peluang besar, tetapi juga menimbulkan ketidakpastian. Digitalisasi menjadi kunci untuk mengoptimalkan peluang tersebut, terutama dalam pemasaran produk UMKM. Tujuan penelitian ini adalah menganalisis strategi pengembangan UMKM untuk membangun ketahanan bisnis era new Era society 5.0. Kendati teknologi telah menciptakan peluang yang lebih besar bagi UMKM, namun kesiapan mereka dalam beradaptasi dengan digitalisasi belum sepenuhnya terwujud. Kesimpulannya, UMKM menghadapi perubahan paradigma yang signifikan dalam menghadapi era Society 5.0. Digitalisasi menjadi kunci untuk meningkatkan ketahanan bisnis UMKM dengan menerapkan technopreneurship, meskipun kesiapan mereka dalam mengadopsi perubahan tersebut masih menjadi perhatian. Inovasi dalam hal produk, keterlibatan dalam pameran dan festival, penggunaan media sosial dan influencer untuk mempromosikan produk, pembangunan relasi bisnis, peningkatan kualitas layanan, pemahaman media sosial, penjualan melalui marketplace adalah beberapa langkah strategis yang perlu ditempuh untuk memastikan kelangsungan bisnis UMKM di society 5.0.

Kata kunci: digitalisasi, pengembangan strategi, UMKM, ketahanan bisnis, society5.0

Introduction
Micro, Small and Medium Enterprises (MSMEs) are one of the most dominant economic fields for Indonesian business people. The development of MSMEs, especially during the financial crisis, has progressed very rapidly. According to BPS data, the micro industry grew faster than the small industry from 2013 to 2015. Many small and medium enterprises (MSMEs) believe this sector has extraordinary potential to boost the economy. During the crisis period in Indonesia, micro, small and medium enterprises absorbed labour and Gross Domestic Product (GDP) (Widyaastuti, Nuswantoro, & Sidhi, 2016). People's economic development can be strategically assisted by the action of micro, small and medium enterprises (MSMEs) (Budiarto, 2019). Profitable businesses, including micro, small, and medium enterprises, have the potential to increase
employment opportunities and provide economic services to the community. As a result of the rapid development of information and communication technology (ICT), society and industry are experiencing significant transformation along with digital effects. Digital media has become one of the most essential elements in developing a business. To maintain business in the era of society 5.0, which has an impact on changes in the way of working in various fields, including in the business sector, the things that underlie increasing the capacity of MSMEs must be considered. With the emergence of Society 5.0, many small and medium enterprises (MSMEs) offer innovative technology-based business innovations. This creative business includes online shopping, motorcycle taxis, and others (Mashur et al., 2019).

The Society 5.0 era changes the entire management chain for every MSME actor. The period of Society 5.0 is a technological transformation that every MSME business actor must undergo. The concept of Society 5.0 is centred on the business actors themselves, where all activities carried out will be based on implementing existing technology. Indonesia's industrial and technology sectors are developing rapidly in this era of globalization. This situation causes industrial companies to operate quickly and effectively to become competitive. Therefore, industrial business players must move swiftly and efficiently to face market competition. The challenges faced by micro, small and medium enterprises (MSMEs) certainly cannot be avoided, even though they have shown that they are essential for the national economy. The challenges faced by MSMEs can be categorized into two categories: (1) internal and external problems. Internal problems arise from MSMEs and hinder commercial growth, such as low quality of human resources, commercial network standards, and market penetration capacity (Budaart, 2019). (2) External problems are problems that come from outside the MSME itself; these primarily include the trade climate, infrastructure, regional autonomy, consequences of free trade, and contemporary market expansion. Therefore, efforts must be made to encourage and expand MSMEs.

Regarding business growth, players must be able to survive and compete with other companies. As a result, businesses must be able to formulate profit strategies that will help them improve their operations. Therefore, it is essential to consider development strategies when discussing MSME growth. The results desired by MSME players will be influenced by the decisions and techniques used during MSME development. Changes in
the way of doing business in the era of society 5.0 force business people to adapt towards digitalization. If you want to survive in competition in the period of society 5.0, the ability to master digital devices and the internet is an important thing to master. This research is basic research with the theme Digitalization and Strategy Development for Micro, Small and Medium Enterprises in Building Business Resilience in the Era of Society 5.0 by utilizing digital marketing media such as social media, one of which is Instagram. This research is urgent to answer the digitalisation issue and develop MSME strategies for building business resilience in the Age of Society 5.0. This research is urgently carried out because MSME businesses can absorb a large workforce, meaning that MSME businesses also help reduce unemployment, which impacts reducing poverty levels (SDGs).

Research Methods

This research uses a combination of quantitative and qualitative techniques. The study was conducted in the city of Surabaya. The choice of Surabaya as a research location was due to the growth of small and medium enterprises (MSMEs) with a contribution of 283.43 trillion USD in the Society 5.0 era. Individual MSME actors are the unit of research analysis—data collection through in-depth interviews, observation, documentation and surveys. The research data analysis process was carried out using an interactive model qualitative data analysis method adapted to the approach proposed by Miles and Huberman. Quantitative analysis will be used for survey data to evaluate trends in survey results.

Results And Discussion

Digitalization in Micro, Small and Medium Enterprises (MSMEs)

In line with technological advances, 5.0, such as smartphones, social media, internet, and web applications, encourages inclusive digital business. In business resilience in the era of society 5.0, technology can facilitate access to improve business performance for micro, small and medium enterprises (MSMEs). The digitalization of MSMEs is one of the efforts made by MSME players to market MSME products. This changes business models using digital technology to improve processes and create value.
Currently, technological developments bring new opportunities for people to become entrepreneurs and cross-border technologies such as e-commerce and social media have been widely adopted by companies (Rahayu & Day, 2015). Digital platforms such as Instagram, TikTok, and Facebook have features to connect MSMEs to the global market, which makes it easier for business actors to market and sell various kinds of products online. MSME players can sell their products through social media, so the digitalization of MSMEs that utilize online sales through marketplaces is considered capable of facing the resilience of business competition in society 5.0.

**MSME problems**

If problems are identified, micro, small and medium enterprises (MSMEs) in Indonesia vary in how they run their businesses. This is one of the factors inhibiting the growth of this sector. MSME problems can be categorized into two main ones, namely internal and external issues. The following explains the difficulties of MSMEs:

1. Internal Problems
   a. **MSME Human Resources are less than optimal**
      
      For micro, small and medium enterprises (MSMEs), company progress and growth depend on the quality of human resources. However, many small and medium businesses (MSMEs) face problems that have not been managed well, especially regarding limited skills, knowledge and expertise. This causes most people working in MSMEs to have limited skills, capacity, work ethic, personality and deep understanding of entrepreneurship. Cross-sector improvements are needed to improve the quality of human resources in the MSME ecosystem (Budiarto, 2019). This improvement can include increasing capacity through education and training, developing skills through special training programs, increasing work ethic through motivation and understanding work values, developing personality through character building, and increasing understanding of entrepreneurship. By detailing and improving these elements, it is hoped that the quality of human resources in MSMEs can be improved as a whole, opening up more opportunities for growth and innovation.
   
   b. **Lack of Business Networks and Limited Ability to Penetrate Global Markets**
Micro, Small and Medium Enterprises (MSMEs) usually have limited sales networks and low levels of market penetration. Several factors that contribute to limiting MSME market penetration are limited production capacity and quality, which causes them to be unable to meet market needs (Budiarto, 2019). MSMEs often use traditional marketing methods and do not conduct in-depth market research. In addition, MSMEs face many problems related to business networks, such as difficulties in providing sustainable and high-quality raw materials. This is a significant obstacle in running business operations efficiently and maintaining consumers' expected quality standards. Another factor contributing to low penetration is a lack of resources and knowledge of modern marketing strategies and effective supply chain management. Efforts to increase business networks and market penetration of MSMEs must concentrate on increasing sustainable production capacity, better marketing methods, and more in-depth market research. In addition, supporting access to sustainable and high-quality raw materials can be a strategic step to overcome these obstacles. This will help MSMEs to expand market coverage and increase their competitiveness amidst increasingly fierce competition.

c. Financial Problems

The availability of capital is essential for a business's growth and sustainability. The production process of micro, small and medium enterprises (MSMEs) is greatly influenced by capital issues. MSMEs need adequate funding to enable them to develop and thrive. MSME players continue to experience capital problems, which have become classic problems. Currently, MSMEs are encouraged to gain access to funding sources with low levels of access from financial institutions, especially banks. Although there are various particular loans for small business owners, many MSMEs face difficulties in getting financial support from banks or other financial institutions, and this is due to multiple factors and reasons. To overcome this problem, current funding policies must be thoroughly evaluated, and strategic steps must be taken to increase MSMEs' access to capital. Initiatives such as increasing access to information about financial products, providing financial training, and encouraging collaboration between the private sector and government can help MSMEs overcome the capital constraints they face, duplicating these problems.
d. Problems with the Use of Technology by MSME Actors

Technology integration in the operations of micro, small and medium enterprises (MSMEs) can provide significant added value to various products and services owned by MSMEs. Despite this, most MSMEs still have difficulty adopting technology that can help their production process optimally. Some problems indicated by the ineffective use of technology include tests for MSMEs to maintain the quality of services and products, lack of innovation, insufficient production technology, and the possibility of low productivity (Budiarto, 2019: 34). To overcome these technological obstacles, MSMEs must concentrate on increasing their capacity and understanding of the technology they use. Technology training and coaching can be essential in improving MSME skills and knowledge about software, applications and systems that can increase production efficiency. Apart from that, collaboration with parties who are technology experts can be an excellent strategy to overcome the internal inability of MSMEs to utilize technology optimally. In this way, MSMEs can take advantage of the potential of technology to increase productivity, quality and innovation to meet growing market demands.

e. Organization and governance

MSMEs operate with a traditional management model. Most Micro, Small and Medium Enterprises (MSMEs) are run by individuals who act as owners and managers of the company, often with employees who come from their families and family members. This condition shows no clear separation between operations and management functions. Apart from that, weaknesses in organization and management can be seen from the lack of implementation of legal entities in most MSMEs. Most MSMEs do not adopt legal entities, indicating that knowledge about the importance of legal entities for business continuity is not yet considered necessary. Most also choose to continue operating within the traditional framework without understanding the positive implications that legal entities have. Therefore, a lack of understanding of organizational and management elements and knowledge regarding legal entities can hinder the growth and protection of micro, small and medium enterprises (MSMEs). Increasing awareness and education about the benefits of legal entities and developing a more structured organizational model can
help improve the progress and sustainability of MSMEs in the increasingly complex challenges facing global business.

2. External Problems

a. Uncertainty in the Business Climate in the Disruption Era

Even though government policies to encourage Micro, Small and Medium Enterprises (MSMEs) are improved yearly, this sector's business situation is still imperfect. The existence of unhealthy competition between large and small-scale businesses shows how unhealthy this business environment is. In addition, various licensing elements cause problems, such as the long time required to extend investment permits, slow export procedures, which cause logistics and transportation costs to become uncompetitive, and high levels of corruption at customs, roads and ports (Budiarto, 2019). Disruption or significant changes often occur in the business environment, especially in changing times. Companies face significant challenges to remain relevant and innovate according to the dynamics of changing times. MSMEs cannot develop well because the business environment is imperfect, and there are unhealthy competition and licensing problems. Therefore, continuous efforts to create supportive, transparent and efficient policies are essential to start a business environment that supports the growth and progress of micro, small and medium enterprises (MSMEs) in an era of constant change.

b. Limited Facilities and Infrastructure

Limited infrastructure and facilities are the main factors limiting the performance of micro, small and medium enterprises (MSMEs). The impact can be seen in conditions where MSME products may have better quality during production but experience difficulties when reaching the market. Even though MSME products are of high quality, they have problems competing with products from more advanced industries because of this situation. Basic infrastructure, advertising and marketing are often part of the infrastructure and facility limitations. Small and medium-sized businesses (MSMEs) often struggle to find practical marketing tools, meaning their products don't get the attention they should. In addition, high rental prices or lack of adequate location options are two factors that often cause difficulty in finding a strategic business location. To overcome limited facilities and infrastructure in MSMEs, the
government can provide better access to basic infrastructure, assist in marketing and advertising, and encourage MSME owners to purchase strategic business locations. In this way, MSMEs can overcome these problems and build a stronger foundation to grow and become more competitive.

c. Massive Modern Market Development

The rapidly developing modern market poses a threat to small and medium enterprises (MSMEs) because the competition can marginalize them. The development of contemporary markets such as supermarkets, minimarkets, hypermarkets and department stores has spread to various regions in Indonesia. This situation endangers the sustainability of local MSME businesses such as food stalls, grocery stores and traditional markets. Even though the government is aware that the development of modern markets can be detrimental to MSMEs, it is often difficult for the government to stop this market expansion. Changes in consumer preferences towards current needs have been recognized as a severe threat to the sustainability of MSME businesses. In this case, more proactive policies are needed to help small and medium enterprises (MSMEs) and ensure their sustainability amidst increasingly fierce market competition. The government, business actors and related institutions can work together to create a balanced business ecosystem and support the growth of contemporary markets and small and medium enterprises (MSMEs).

d. Impact of Regional Decentralization

Effective implementation of the principles of regional autonomy can positively contribute to maximizing local economic potential, making the region a strong economic force. This success can spur the growth of Micro, Small and Medium Enterprises (MSMEs) as one of the positive impacts. Properly implemented regional autonomy can increase regional independence, creating an environment that supports the growth of MSMEs. However, if the spirit of restricted freedom is interpreted and enforced incorrectly, this can result in false incentives. For example, there may be a burdensome new tax for MSMEs without commensurate benefits. As a result, the competitiveness of MSMEs could decline, and overall business growth could be hampered if this policy is not corrected quickly. Therefore, it is essential to support the implementation of regional autonomy oriented towards local economic development with policies that support and encourage the growth of MSMEs.
Collaboration between local governments, business actors and the community is vital in formulating sustainable, transparent policies that positively impact regional economic development.

**MSME Development Strategy**

With many business actors developing in this sector, micro, small and medium enterprises (MSMEs) play an essential role in the economy. Even so, adapting to the flow of digitalization in the business world is the biggest challenge MSME players face today. In the digital era, MSMEs must have a solid strategy to compete and survive in an increasingly changing market. MSME players must understand the importance of developing strategies that align with advances in information and communication technology when facing the dynamics of the digital economy. An MSME development strategy is essential to achieving goals and creating more resilient MSMEs. Choosing the correct method that suits the characteristics of each business will significantly influence the final results and development plans of MSMEs. The right strategy is essential to develop MSMEs because they can respond quickly to market and technological changes. The more appropriate the method chosen by MSMEs, the greater their chances of success in the digital era and increasing the competitiveness of their business. Therefore, implementing a development strategy appropriate to the times is the key to success for MSMEs who want to continue to develop and adapt to changes worldwide.

Given its importance in business, the micro, small and medium enterprise (MSME) development strategy focuses on establishing as many MSMEs as possible that apply technopreneurship principles. The main goal of this strategy is to build a sustainable business that continues to grow. This development requires long-term plans and specific actions to achieve goals. According to Abdurohim (2021), the development of MSMEs can be considered the accumulation of winning points in this context. Technopreneurship has many benefits for MSMEs. First, technological advances encourage MSMEs to remain relevant and competitive in an increasingly sophisticated market. Second, technopreneurship opens opportunities to create new jobs, positively impacting employment. Third, MSMEs are encouraged to develop sustainably, adapting to changes in market trends and consumer needs. Lastly, MSME participation in technopreneurship
can increase. Examples of startup businesses such as Gojek, Grab, Tokopedia, Shopee, Traveloka, and Tiket.com show how this strategy can be successful in various industries. Startups have succeeded in creating innovation in services and helping the growth of jobs, MSMEs and the economy. So, by using a technopreneurship approach as a strategy for developing MSMEs, there is an opportunity to achieve business success and sustainability in the digital era.

Strategy is a holistic approach that includes planning, implementing, and executing ideas over a certain period. According to Nofrizal (2017), the management strategy process consists of a systematic approach to making important decisions and a framework that explains organizational goals. According to William J. Stanton, strategy is a basic plan of action that an organization will take to achieve its goals (Amirullah, 2020). Strategy is a way for some companies to face and anticipate future challenges and opportunities. A strategy must provide a clear vision and outline of what a company or organization should do. According to Egim & Nenengsih (2019), trading strategies include liquidation, joint ventures, geographic expansion, diversification, acquisitions, product development, market penetration, and sales. The three main strategy categories are business, investment, and management (Herfita et al., 2017). First, management strategy includes a macro approach that managers can implement; this includes development strategies such as product development, pricing, acquisitions, marketing, and financial planning. Second, investment strategy is related to investment orientation. Companies that implement aggressive growth strategies or seek to penetrate the market through innovation, opening new divisions, and increasing sales, for example, can implement this strategy. Third, a business strategy that focuses on growth is a strategy that focuses on investment. Overall, strategy is essential to leading a company or organization, ensuring sustainability, and providing a clear picture of the steps necessary to achieve goals.

MSME Business Resilience in the Era of Society 5.0.

Several elements, such as quality, production capacity, and digital literacy, must be considered when developing digital MSMEs. According to Arianto (2020), the millennial generation plays an essential role in this effort, primarily through reseller techniques, which include dividing them into buzzers, influencers and followers.
Technology and innovation are critical to the progress of digital MSMEs because they can solve various production problems and help in the product packaging process—marketing.

This study obtained data that several MSME players have used social media for marketing and influencers to promote MSME products. This can indirectly increase consumer awareness. Digital marketing strategies such as using social media platforms like Facebook, Instagram and TikTok can help MSMEs engage with netizens or social media users. In this context, digital marketing requires interesting content about products or services. This content must include information about MSME products and services and other elements that help marketing and build a positive image of the products and services created. MSMEs can leverage the full potential of their digital presence to reach a broader market and support their business growth by combining technology and effective digital marketing strategies.

**Conclusion**

Research shows that implementing technopreneurship is an effective MSME development strategy for building business resilience in the Society 5.0 era. Several MSME players, such as Shopee and Tokopedia, have entered digital markets to expand their market. Adopting technopreneurship as an MSME development strategy provides business success and sustainability opportunities in the digital era. Apart from that, developing MSMEs to build business resilience in the Society 5.0 era has a strategic role in improving the economy throughout the country. MSME players consider development strategies when growing their businesses. In developing MSMEs, the strategies chosen and implemented will influence the final results or goals desired by MSME actors. The better the method used, the better the achievements of MSME players. Thus, in the current era of society 5.0, business actors must have the will to continue to develop by utilizing technology in developing MSMEs. In business resilience in the age of society 5.0, technology can facilitate access to improve business performance for micro, small and medium enterprises (MSMEs). Digitalization of MSMEs is one of the efforts for business resilience in the era of society 5.0, namely in the process of marketing MSME products by MSME players through digital platforms such as Instagram, TikTok, and Facebook,
which have features to connect MSME players to the global market which makes it easier for business actors to market. And sells various kinds of products online. MSME players can sell their products through social media, so the digitalization of MSMEs that utilize online sales through marketplaces is considered capable of facing the resilience of business competition in society 5.0.

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