

BUILDING MSME RESILIENCE IN DIGITAL TRANSFORMATION: CASE STUDY AT PURBALINGGA BATIK CENTER

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ABSTRACT

The contribution of MSMEs to economy sector, especially in developing countries, is very significant. In Indonesia, almost 90% of all business sectors. MSMEs have advantages over large companies because of their size and flexibility as well as agility and entrepreneurship. MSMEs have advantages compared to companies because of their size and flexibility as well as agility and entrepreneurship. However, MSMEs have the highest business risk of change, especially in the era of digitalization. Technological changes, millennial behavior and the pandemic that came at once meant that MSMEs were more severely impacted, suffered longer and recovered more slowly than larger businesses. One way for MSMEs to survive and be competitive is to have the ability to adapt to all rapid changes. This article examines the readiness and acceptance of digital technology among MSMEs in Purbalingga batik village in accepting change in the current era of triple disruption. The results of focus group discussions and in-depth interviews with MSME players in Purbalingga batik village show that difficulties and insecurity in using technology are the main obstacles that hinder business development.

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1. INTRODUCTION

The contribution of MSMEs to the economy, especially in developing countries, is very significant, where their number reaches almost 90% of all existing business sectors (Cull et al., 2006 and Ozgulbas et al., 2006) (1). SMEs are an important catalyst for resilience due to their role in providing livelihoods as two out of every three people work in SMEs (UNDRR, 2020) (2). SMEs are the foundation of global, national and local markets and play a major role in domestic and global supply chains. Large-scale companies that want to compete must choose suitable partner companies (suppliers), most of which are SMEs (Gunasekaran, Rai and Griffin, 2011) (3).

SMEs have several advantages over large companies because of their size and flexibility, as well as their agility and entrepreneurship which makes them easy to adapt to change. SMEs that are market and learning oriented and face strong competition tend to be more innovative and resilient (Salavou et al. 2004 (4)). However, despite this important role and superiority, ironically MSMEs are the most vulnerable businesses. In the current era of triple disruption which is occurring as a result of technological change, millennial behavior and the pandemic that has arrived at once, SMEs are more severely affected, suffer longer, and slower to recover than larger businesses (UNDRR, 2020). Based on previous research conducted by Rahmi (2020) (5), it shows that MSMEs are the type of business most affected by disruption due to the Covid-19 pandemic, especially those related to the automotive industry, steel industry, electrical equipment, textile industry, heavy equipment, tourism and crafts. . Meanwhile, MSMEs that were able to survive the Covid-19 pandemic were MSMEs that were able to adapt their business to innovative products and utilize sales through digital marketing (Rahmi, 2020).

Literature Review

Resilience in MSMEs

Resilience in SMEs is defined as the capacity or ability of an organization to adopt strong situation-specific and transformative actions when it encounters unexpected and complex new risk environments. In this way, of course MSMEs need to identify and respond to risks that will continue to change, MSMEs must also be able to survive and adapt to the changes that occur (Sulastrri et al, 2023) (6). Resilience can be seen as adaptability, responsiveness, sustainability, and competitiveness in developing markets (Gunasekaran, Rai and Griffin, 2011). The main factors identified as influencing resilience include Internal

Factors, External Factors and Enabler (Supporting) Factors. Internal factors consist of organizational structure, people management. External factors are globalization and supporting factors consist of: use of technology, agility in capital generation, information gathering, network capabilities, supply chain integration and flexibility, market knowledge, production quality, marketing and distribution techniques.

Digital-based SMEs

The technological revolution requires society to be adaptive to follow developments, especially to be able to maintain and improve its business. Digital technology can be defined as a mixture of information technology and computerized communication. In the current era of globalization, MSME actors can transform their business by utilizing existing technology, namely social media, online platforms, and e-commerce applications, to sell their products (Sri Wartini, et al, 2022) (7). The development of digital business-based SMEs needs to be considered from all sides, for example from a marketing perspective, SMEs need to adopt digital payments. Of course, digitalization of MSMEs is not limited to digital marketing alone. The aim is that the development of digitalization of MSMEs can encourage MSMEs in Indonesia to be digitally based so that they are able to survive in the digital market. Digital marketing will make it very easy for MSMEs to market their products. This is because its activities are not limited by space and time. It is hoped that digital marketing can be a solution in adopting existing policies and people's new lifestyles since the pandemic.

2. METHOD

This research was carried out at the Purbalingga batik center for seven months. The data used in this research includes primary data and secondary data. We obtained primary data through surveys, discussions and in-depth interviews with research informants. We target data collection to be completed within three months. The data needed includes the general identity of the informant, and information related to the obstacles felt in managing batik MSMEs in digitalization era.

Secondary data was obtained through reviewing various literature carried out by researchers related to the research topic. The population in this study were 20 batik center villages in Purbalingga. The selection of respondents in this research was determined based on the purposive sampling method, namely selecting a group of subjects based on certain considerations, with the aim of obtaining sampling units that have the desired characteristics. The consideration used in selecting the sample in this research was that the respondents were batik MSME owners (not just batik makers). This research design uses qualitative research. Qualitative research aims to describe and analyze phenomena, events, social activities, attitudes, beliefs, perceptions, thoughts of people individually and in groups (Afrizal, 2014) (8). The data collection technique in this research is in the form of a depth interview in the form of a semi-structured interview to find problems openly and in depth.

3. RESULT AND DISCUSSION

The results of interviews with MSME actors at the Purbalingga Batik center show that they are not yet ready to face the triple disruption era, both in terms of digital disruption, millennial disruption, pandemic disruption. First in terms of digital disruption. On average, batik MSMEs are over 40 years old, so in their daily lives and managing their businesses they are still very simple. The presence of digitalization, especially in business activities, certainly feels difficult for them. They realize the benefits of digital sales, but the limitations of age and ability mean that MSMEs are not ready and feel unable to adapt to the rapid development of technology.

Second, there is the influence of millennial disruption. The large number of millennial generations bringing changes to every corner of culture and daily life is a big factor for business today. The millennial generation not only brings innovation, but also drives trends and demand for goods and services. That way, many new opportunities will emerge (Widyawati, 2022) (9). MSME players find it difficult to keep up with market developments and market tastes which are changing so quickly, especially for batik consumers. It is difficult for them to enter the millennial market because of their limited capabilities.

The third disruption is pandemic disruption, where during the Covid-19 pandemic, MSMEs experienced a significant decline in sales, namely around 30% to 50%, mainly due to the policy of implementing endless restrictions on community activities (PPKM). This restriction is what is causing a change in behavior where we are becoming more accustomed to making online transactions. Until now, conditions have returned to normal, this change in consumer purchasing behavior by switching to online has not been followed by batik MSME players. They find it difficult to adopt technology in managing their business.

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The research results show that batik MSMEs in Purbalingga have the desire to survive, be adaptive, and still be able to compete in the current era of triple disruption, even with limited conditions. Viewed from the perspective of readiness to accept technology developed by Parasuraman (2000) (10), it is used to determine an individual's tendency to embrace and use new technology to achieve goals in their life. Technology readiness can be seen from four personality dimensions, namely: optimism, innovativeness, discomfort and insecurity. The dimensions of optimism and innovativeness are mental enablers that encourage people to accept new technology, whereas the dimensions of discomfort and insecurity are mental barriers. This is in accordance with the results of discussions we held with batik MSMEs in Purbalingga.

Batik MSMEs in Purbalingga feel uncomfortable in adopting technology because they feel less able to use technology. Apart from that, there is a feeling of insecurity when using technology in managing batik MSMEs. This perception or view is what is hampering batik MSMEs so that not many are taking advantage of current technology. Based on previous research, one effort to increase resilience in facing current disruption is by adopting technology and innovating (Gunasekaran, Rai and Griffin, 2011). Batik MSMEs must be ready to use technology both in terms of batik marketing and batik production. The use of digital marketing and technological innovation in batik equipment which continues to develop is a must if you want to remain competitive.

4. CONCLUSION

The conclusion of this research is that batik MSMEs must be willing and ready to utilize technology optimally in managing their batik centers so that they continue to be competitive, innovative and adaptive. There needs to be collaboration with both the Government and Universities to increase the readiness and skills of batik MSME players, especially in the use of technology in the future. The author would like to thank the Institute for Research and Community Service at Jenderal Soedirman University for funding this research through the Unsoed Competency Improvement Research Grant.

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