

Innovation Management For Small-Scale Entrepreneurs In The Digital Era

Lapiti Gokmatua Sagala

Prodi Akuntansi, STIE IBMI Medan

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ABSTRACT

Innovation management is an important part of improving competitiveness for entrepreneurs, especially small-scale ones, who operate in the ever-evolving digital era. At present, there are still many small-scale entrepreneurs who still have not implemented management arrangements that can keep up with the times. At this time, it is certainly expected that all entrepreneurs can follow the trend, especially in financial management. This aims to increase efficiency and ease in processing data, both data financial and other data. The purpose of this study is to analyse how small-scale entrepreneurs can utilise innovation management to adapt to digital changes and improve their business performance. The method used in this research is a literature study and qualitative analysis by collecting data from various sources related to innovation management and the challenges faced by small-scale entrepreneurs. The sources of this research can be data collected from various valid sources and other scientific essays. The results show that small-scale entrepreneurs should be able to apply digital technology in their business processes, introduce innovations in products and services, and increase human resource capacity to support digital transformation. This research is expected to provide insights for small-scale entrepreneurs to utilise innovation management in facing the challenges of the digital era.

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Corresponding Author:

Lapiti Gokmatua Sagala
Prodi Akuntansi, STIE IBMI Medan
vera.hermawan@unpas.ac.id

INTRODUCTION

The development of digital technology has brought big changes in the business world, including for small-scale entrepreneurs. Along with the widespread use of the internet and information technology, small-scale entrepreneurs are faced with the challenge of surviving and thriving in an increasingly competitive market. Small-scale entrepreneurs in Indonesia are still faced with the problem of lagging behind when compared to other countries, especially countries in the Asian Region. . This can be seen from the digital transformation of Indonesian MSMEs, which only reached 13 per cent in 2020 and is targeted at 47 per cent in 2024, while China and Japan have reached 48 per cent and 54 per cent respectively in 2020 and have the potential to reach 78 per cent and 84 per cent in 2024. Therefore, strategies to accelerate transformation and management innovation are needed from various aspects, namely market access, production quality control, finance and financing, organisational management, production capacity, supply, and distribution and

logistics. To stay ahead of the competition in today's digital economy, entrepreneurs need to create and implement cutting-edge technologies and business strategies. To build business processes with optimal performance in the face of fierce competition, organisations can respond to market changes faster by putting customers first. One way to meet these challenges is to implement effective innovation management. Innovation can cover various aspects, from products, processes, to business models, all of which are heavily influenced by advances in digital technology.

Innovation management plays an important role in the development and progress of a company and mastering competition. An entrepreneur needs innovation management to organise ideas resulting from creativity and innovation, which may become very numerous. The existence of these ideas must be organised and arranged systematically to suit business development, through a structured, systematic, efficient and sustainable system.. This change has been seen in a variety of industries, from retail to transport. This era is characterised by innovations that not only expand, but also transform traditional ways of doing business and interacting. Technologies such as artificial intelligence (AI), Internet of Things (IoT), and big data have created new business models that shift conventional ways of working in various industry sectors, from transportation and accommodation to retail and finance. In this era, companies that are able to adapt quickly and present innovations according to market needs have a great opportunity to lead the market. Conversely, companies that are slow to adapt or not responsive to change are in danger of being displaced from the competition. The era of disruption offers not only opportunities, but also great challenges, especially in the field of entrepreneurship. Competition is becoming more intense as technology allows new players to enter and compete with large, established companies. Consumers are also experiencing changing patterns of behaviour and preferences, where they increasingly prioritise flexibility, speed and personalised experiences. This forces entrepreneurs to be more innovative, responsive and risk-taking (Azmi & Castrawijaya, 2024).

The purpose of this study is to identify the factors that influence innovation management in small-scale entrepreneurs in the digital era, as well as analyse the ways in which entrepreneurs can leverage innovation to improve their business performance

METHOD

This research uses the literature study method and qualitative analysis to examine and explore the concepts of innovation management and its relationship and application to small-scale entrepreneurs in the digital era. Data were and theories obtained from collected through studies books, scientific journals, and research reports related to innovation and digital technology. Data were analysed using content analysis techniques, providing a descriptive overview. Analysing data to identify innovation and product development strategies applied by various companies. The analysis involves evaluating the strategies applied based on market conditions and current technological trends. In this research, the sources used are in the form of books both printed and e-books as well as several journals, with a total of 26 literature sources that can support research.

RESULTS AND DISCUSSION

Small-scale entrepreneurs in the digital age must innovate in two key aspects: product and process. Product innovation refers to the development of new products or the improvement of existing products using new technologies. Process innovation on the other hand involves changes in the way companies produce or provide services by utilising information technology and automation

If a company is experiencing a decline in sales and revenue but with unknown reasons, then innovation can be one of the solutions that should be considered. Business competitors who continue to achieve achievements should be aware as a business requires innovation. A market with the same business competitors will not be a problem when the company's market share still remains high, this is because the company continues to innovate so that it can compete (Fajar et al., 2024)

Technology as a Catalyst for Innovation

In research conducted (Syashtra & Amrizal, 2019) found a relationship in terms of income and behaviour of small entrepreneurs in the form of the ability to use smartphones. In the form of an increase in income in a business with owners who are able to use smartphones. In entrepreneurs who are able to use smartphones in addition to being able to promote their products, entrepreneurs can also create new innovations in their products by following trends or looking for information that is widely obtained from online sources. Meanwhile, to market products the recommended application is an on-demand service such as: GoFood from Gojek or Grab Food from Grab. This indicates that technology can be a source as well as a means to accelerate the occurrence of an innovation

In addition, technological developments require companies to make changes towards digital, one of which is in the payment system. Quick Response Code Standard (QRIS) is one of the trending payment media and its users have increased from the previous year. The unification of various QR codes from PJSP is called QRIS which is a cashless payment system that is very widespread today. Security, speed and convenience in payment. Based on research conducted by (Hana et al., n.d.) found an increase in income in MSMEs that provide QRIS services to their businesses. Therefore, it is recognised by the public as an efficient and easy payment tool. From the results of the research conducted, the income of Kediri City MSMEs has increased since the implementation of QRIS by ASPI and Bank Indonesia. In addition, it was found that there was a tendency for consumers to look for the availability of payment services using QRIS in an MSME. This indicates the need for comprehensive innovation management for an entrepreneur in order to keep up with existing competition.

Technology acts as a major catalyst in increasing productivity and economic (Ningsih, 2024). Information technology has enabled companies efficiency to speed up production processes, reduce operational costs, and improve product and service quality. According to the endogenous growth theory proposed by Romer (1990), innovation and investment in technology are key factors in creating growth long-term . Technology not only changes the way we work and do business, but also economic creates new opportunities that were unimaginable before.

Challenges Faced by Entrepreneurs

Introducing new technologies and incorporating them in solutions can create innovative ideas. In a digital age filled with potential and challenges, small-scale social entrepreneurs are emerging as a transformational force in creating positive impact in various walks of life. Through the utilisation of advanced technology, development of inclusive solutions, and accurate measurement of impact, small-scale social entrepreneurs in the digital age have the potential to create significant positive change.

According to Sinaga (2024) with a commitment to ethical values and an awareness of global challenges, social entrepreneurs and technology can together shape a future that is more equitable, sustainable, and positively impactful for all of society. In the ever-evolving dynamics of the digital age, the concept of small-scale social entrepreneurs and the impact of technology is becoming increasingly relevant in creating positive change in the world. Small-scale social entrepreneurs in the digital age involve innovations that bridge social gaps through the utilisation of advanced technology.

Based on research conducted by (Sabila et al., 2024) for 2020, only 5.87% of the 26.7 million internet users in Central Java use the internet for business. Only 21.18% of the 5.87% use e-commerce as a business medium (sales). In other words, the data shows that digital transformation among MSMEs is still very low. For this reason, it is necessary to empower MSMEs to remain competitive in building businesses and contributing to economic growth in Central Java so that to overcome this, a series of MSME empowerment events will be held in various locations through face-to-face training consisting of increasing understanding of financial literacy, business financial management and financing programs from banks and non-banks for more than 1000 MSMEs in Central Java. For example, Buku Warung, a startup that provides a financial ecosystem that focuses on improving the welfare of MSMEs through various services such as financing, financial services, and e-commerce was present at the event.

Effective Innovation Management Strategy

The Importance of Product and Service Innovation Strategies innovation Product is the result of the development of new products by a company or industry, whether existing or not. From old products an innovation is needed to replace , the old product. Replacement products that are totally new or with the development of old products that are more modern and up to date, can increase consumer desire in the decision product purchase . "Releasing innovative new products and increasing customer loyalty" (Razeghi, 2008).

According to Sinaga (2023), u to overcome these challenges, small entrepreneurs need to develop innovation management strategies that focus on strengthening human resources, such as digital skills training and more efficient innovation management. In addition, small businesses can collaborate with technology companies to access digital solutions that are more affordable and relevant to their needs. Improving human resource skills, in creating products innovative requires a , competent workforce with high creativity

Therefore, what business actors must remember is to upgrade skills, knowledge, and employees before making innovative products. The implementation of this innovation strategy is very important increase to business competitiveness, so there is nothing wrong

with doing it immediately. Remember that competitors will continue to compete, so never stop .innovating (Dharmawan, 2024)

CONCLUSION

Based on the data and findings above shows that innovation management is very important for small-scale entrepreneurs in facing the digital era. One of the signs that a company needs management in this digital era is when the company does not compete with competitors and there is a decrease in company revenue. Innovation management itself can occur in various parts of a business activity, such as when producing, manufacturing to marketing and sales. Technology itself cannot be separated from innovation management and can accelerate a new idea that can support the company's progress by accelerating product production and helping marketing product to be better known by the wider community. However, based on field data, there are challenges for small-scale entrepreneurs in running or creating a technology. This is certainly related to skills in using technology so that one of the innovation management strategies is to improve human resources, namely by holding training or seminars that can improve skills.

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