Optimising Global Competitiveness of MSMEs through Innovative Strategies for Digital Business Development

Sutrisno¹*, Ike Susanti², Murthada³

¹Program Studi Manajemen, Fakultas Ekonomi dan Bisnis, Universitas PGRI Semarang, Indonesia
²Program Studi Manajemen, Fakultas Ekonomi, Universitas Islam Lamongan, Indonesia
³Program Studi Pendidikan Ekonomi, Fakultas Ilmu Pendidikan, Universitas Muhammadiyah Mahakarya Aceh, Indonesia

Email: sutrisno@upgris.ac.id¹, ik33susanti@unisla.ac.id², murthadagayo@gmail.com³

Abstract. In the current era of globalisation, rapid changes are taking place in the business paradigm. Digital transformation has become the main key in advancing business at the global level. Therefore, efforts to optimise the competitiveness of MSMEs are a must to remain relevant and compete in an increasingly competitive global market. This research aims to explore and identify optimal innovative strategies for MSME digital business development. This research uses a qualitative literature review method by retrieving data from Google Scholar from 2022 to 2023. The study results show that optimising the global competitiveness of Micro, Small and Medium Enterprises (MSMEs) through innovative strategies for digital business development is not just an option, but a necessity in this digital era. As the backbone of the economy, MSMEs need to utilise information technology, e-commerce, and digital platforms to create a competitive advantage in the global market. With the adoption of digital innovation, MSMEs can improve operational efficiency, expand markets, and build sustainable collaborations.

Keywords: Global Competitiveness, MSMEs, Innovative Strategy, Digital Business

1. Introduction

In the ongoing era of globalisation, there are rapid changes in business paradigms that affect the dynamics of the global economy as a whole. Digital transformation is emerging as a major factor that plays a crucial role in driving business progress at the global level [1]. In response to this shift, it is important for Micro, Small and Medium Enterprises (MSMEs) to take steps to optimise their competitiveness to remain relevant and competitive in an increasingly competitive global market [2]. By adopting innovative strategies that include the application of digital technology, MSMEs can replace their traditional business models with solutions that are more adaptive and responsive to international market changes, allowing them to expand their reach and optimise their performance amidst rapidly evolving challenges.

Micro, Small, and Medium Enterprises (MSMEs) not only act as an integral element in the economic structure, but also have a significant strategic role. MSMEs are not only providers of employment, but also drivers of local economic growth that can create multiplier effects and drive related sectors [3]. As business actors that are responsive to market dynamics, MSMEs have the capacity to capture new opportunities and respond to consumer needs with greater flexibility than large businesses [4]. Therefore, detecting, identifying and developing innovative strategies is crucial to strengthening MSME competitiveness at the global level. By adopting an innovation-focused approach, MSMEs can engage the latest technologies, design adaptive business models, and build collaborative networks that enable them to compete effectively in an increasingly complex and dynamic global marketplace.

Micro, Small, and Medium Enterprises (MSMEs) are often faced with complex challenges, including but not limited to limited resources, limited access to global markets, and a lack of understanding and application of digital technology [5]. These constraints are critical factors that limit the growth potential and competitiveness of MSMEs in this ever-changing business landscape. Therefore, the adoption of innovative strategies in digital business development is considered a highly desirable solution to overcome these barriers [6]. By utilising digital technologies, MSMEs can design more efficient business models, increase their visibility in the global
market through online platforms, and significantly strengthen their presence in the digital realm. Moreover, by improving their understanding of digital technologies and implementing innovative solutions, MSMEs can overcome operational barriers and improve their competitiveness, opening up new opportunities for long-term growth and development.

The process of digital business development is not only a means of enabling Micro, Small and Medium Enterprises (MSMEs) to gain better access to global markets, but also a key pillar in improving operational efficiency and opening up opportunities for innovative breakthroughs in products and services. Far beyond the concept of outreach, the implementation of digital solutions in MSMEs has the potential to bring about a fundamental transformation in the way they conduct their business operations [7]. By utilising digital technology, MSMEs can improve efficiency in various aspects, from inventory management to marketing. More importantly, better adaptability to fast-changing market dynamics is one of the significant impacts of the integration of digital solutions. As such, the increased capability of MSMEs to respond to market changes is more assured, enabling them to play a proactive role in a dynamic and competitive business ecosystem.

Optimising the competitiveness of Micro, Small and Medium Enterprises (MSMEs) not only serves as an internal effort to strengthen their position in the market, but also makes a substantial contribution to the achievement of the Sustainable Development Goals (SDGs). Focused on sustainable economic growth, improving the competitiveness of MSMEs creates a positive impact on economic development at large [8]. In addition, through the provision of decent work, MSMEs make a significant contribution to the achievement of SDGs related to employment, strengthening social structures and improving people's welfare. In addition, these optimisation efforts also create a conducive environment for industrial innovation, which in turn supports the achievement of sustainable development goals relating to increased productivity and efficiency in the economic sector. Therefore, the strategic role of MSMEs in accelerating the SDGs reflects the importance of understanding the linkages between business competitiveness and sustainable development to achieve positive and holistic outcomes in the global development agenda.

While there has been much research on MSMEs and digital business, there is still a lack of in-depth research on innovative strategies specific to optimising MSMEs' global competitiveness. This research will fill this knowledge gap and provide practical guidance for MSMEs in facing global challenges.

1.1 Global Competitiveness

Global competitiveness refers to the ability of an entity, such as a company or a country, to effectively compete on an international scale [9]. It encompasses a myriad of factors influencing the entity's ability to attract attention, maintain market share, and enhance its business performance in the global market. Global competitiveness includes aspects such as innovation, operational efficiency, product or service quality, adaptability to market changes, and accessibility to international markets. In the business context, companies with high global competitiveness can produce products or services that meet international standards, forge strong partnerships, and leverage innovative technologies and business strategies. The ability to compete globally is crucial in facing increasing competition and the ever-changing dynamics of the international market [10]. Therefore, efforts to enhance global competitiveness become a pivotal focus for various entities aiming to sustain and thrive in the global market.

1.2 Micro, Small, and Medium Enterprises (MSMEs)

Micro, Small, and Medium Enterprises (MSMEs) refer to a business sector that includes entities with relatively small operational scales compared to large corporations. MSMEs exhibit characteristics in terms of the number of employees, revenue, and assets that are more limited [11]. The MSME category involves three segments based on their operational scale: micro-enterprises with 1-9 employees, small enterprises with 10-49 employees, and medium enterprises with 50-249 employees. MSMEs play a strategic role in the economy by significantly contributing to job creation, local economic growth, and serving as agents of innovation and creativity. Despite often facing challenges such as limited resources and access to global markets, MSMEs have advantages in flexibility, responsiveness to local markets, and the potential to be key players in inclusive and sustainable economic development [12]. Therefore, supporting and developing MSMEs becomes a crucial focus in efforts to enhance economic resilience and reduce economic disparities at both regional and global levels.

1.3 Innovative Strategies

Innovative strategies refer to approaches focused on developing new ideas, processes, or products with the aim of enhancing competitiveness and providing significant added value [13]. Innovation in the context of business strategy includes creative and unique renewals or changes in products, services, business models, or operational processes. Innovative strategies involve efforts to create a competitive advantage by leveraging
technology, research and development, and a deep understanding of market needs. This not only includes creating new products or services but also sustainable improvements to existing products or processes. Innovative strategies are key to meeting the demands of an ever-changing market, improving efficiency, and creating differentiation that sets an entity apart from its competitors [14]. By adopting innovative strategies, an organization can establish a strong foundation for long-term growth and resilience amid the evolving dynamics of business.

1.4 Digital Business

Digital business refers to the transformation of how business is conducted by leveraging digital technology in all aspects of operational and business strategies [15]. This includes the use of information technology, the internet, as well as other digital platforms and solutions to modernize business processes, enhance operational efficiency, and create added value for customers. Digital business involves integrating technology in the development, marketing, sales, distribution, and service of products or services [16]. With the adoption of digital business, companies can leverage big data for market analysis, design more measurable marketing campaigns, enhance customer interaction through online platforms, and create a more personalized and responsive consumer experience. Furthermore, digital business opens up new opportunities for innovative business models, such as online sales, subscription services, or membership-based platforms. Overall, digital business reflects a paradigm shift from traditional to digital business models, enabling companies to remain competitive and relevant in an ever-evolving era of information technology.

2. Method

This research will utilize a qualitative literature review method, sourcing data from Google Scholar within the timeframe of 2022 to 2023. The initial stage of the research involves the identification and collection of relevant sources from Google Scholar, including articles, journals, and scholarly publications related to the optimization of global competitiveness for MSMEs through innovative strategies in digital business development. After identifying relevant sources, the next step is to conduct an in-depth analysis of each selected source. This process involves extracting key information, including core concepts, methodologies used, research findings, and conclusions drawn. Qualitative analysis will be employed to understand various perspectives, findings, and views presented by researchers in the literature. The identified sources will be thematically analyzed to identify trends, patterns, and relationships among relevant concepts related to optimizing global competitiveness for MSMEs through innovative strategies in digital business development. The qualitative approach will allow researchers to gain a profound understanding of how innovative strategies in digital business can influence the global competitiveness of MSMEs. Furthermore, the chosen timeframe from 2022 to 2023 will provide a comprehensive understanding of recent developments in scholarly literature, covering changes in trends, technology, and business practices that may impact the optimization of MSMEs' competitiveness. The conclusions drawn from this analysis will form the theoretical foundation for further research on innovative strategies in digital business development for MSMEs and its implications for global competitiveness.

3. Result and Discussion

In the ongoing era of globalisation, the role of Micro, Small and Medium Enterprises (MSMEs) is not only the backbone of a country's economy, but also an important catalyst for realising inclusive and sustainable economic growth. MSMEs not only create jobs, but also bring positive impacts to related sectors, enriching the overall economic structure. In this context, the importance of optimising the global competitiveness of MSMEs is a necessity, considering the challenges of an increasingly complex and dynamic market. Therefore, innovative strategies in digital business development are not only important, but also key in achieving this goal. Through the adoption of relevant digital solutions, MSMEs can not only expand their reach to global markets, but also improve operational efficiency, create innovative products and services, and respond quickly to evolving market changes. Thus, efforts to strengthen the position and contribution of MSMEs in the global economy require a holistic approach involving innovative strategies in integrating digital business.

Firstly, it is important to recognise that Micro, Small and Medium Enterprises (MSMEs) often face significant challenges in navigating the cut-throat global marketplace. This challenge is further complicated by the fact that MSMEs have to compete with large corporations that have access to more abundant resources. Therefore, to ensure survival and success on the global stage, MSMEs need to adopt a digital business
development strategy which is the right choice. Through this approach, MSMEs can utilise the sophistication of digital technology to create a competitive advantage. Digital business development strategies not only provide opportunities to expand market share and achieve greater customer engagement, but also enable MSMEs to improve operational efficiency, optimise supply chains, and respond quickly to changes in the dynamic global marketplace [17]. By integrating digital business solutions, MSMEs can form a solid foundation to compete effectively and sustainably in the ever-evolving global business ecosystem.

In the context of global business dynamics, the role of digital innovation has become increasingly crucial, opening the floodgates for Micro, Small and Medium Enterprises (MSMEs) to realise the full potential of operational efficiency, improved product and service quality, and the creation of closer global connectivity. By adopting information technology, e-commerce platforms, and digital solutions, MSMEs can utilise these tools as key means to accelerate their growth [18]. Digital innovation gives MSMEs the ability to optimise operational processes, from inventory management to marketing strategies, which in turn can improve efficiency and productivity [19]. In addition, through the integration of digital technology, MSMEs can improve the quality of their products and services, present added value to customers, and expand their competitiveness at the local and global levels. The use of e-commerce platforms and digital technology is also key to opening wider access doors to the global market, allowing MSMEs to forge partnerships and explore business opportunities at the international level. Thus, digital innovation is not only a means to improve operational efficiency, but also a strategic driver for the growth and sustainability of MSMEs amidst the ever-evolving global competition.

First of all, it is important to recognise that the use of information technology opens up various opportunities for Micro, Small and Medium Enterprises (MSMEs) to manage their business more efficiently. Through computerised inventory management systems, sophisticated data analysis, and business process automation, MSMEs can optimise their entire operations. The implementation of information technology not only increases the productivity level of MSMEs, but also produces positive effects in reducing production costs, making products more affordable for consumers, and ultimately, increasing their competitiveness in an increasingly complex global market [20]. Moreover, information technology enables MSMEs to increase their visibility in the digital realm, expand their market reach, and identify new opportunities to explore [21]. By integrating these innovations, MSMEs can create a strong foundation for sustainable growth, making information technology not only an operational tool, but also a strategic enabler in achieving competitive advantage in a dynamic global market.

E-commerce, as one of the main pillars in the digital business development strategy, brings very positive implications for Micro, Small, and Medium Enterprises (MSMEs). Through e-commerce platforms, MSMEs can expand their market coverage globally without being limited by geographical boundaries. Engaging in the digital marketplace gives MSMEs direct access to global consumers, opening up very significant sales opportunities [22]. In addition to supporting global expansion, participation in e-commerce also provides benefits in the form of efficiency and ease of shopping for consumers. By providing a more efficient and convenient shopping experience, e-commerce increases customer satisfaction, creating a closer relationship between MSMEs and their consumers. Increased customer satisfaction not only results in better customer retention, but also helps in building a positive brand reputation. Thus, e-commerce is not only a means to expand market reach, but also an effective tool to build a strong and sustainable digital business foundation.

Digital platforms designed to support collaboration and connectivity between Micro, Small and Medium Enterprises (MSMEs) play a very strategic role in optimising global competitiveness [23]. Through active participation in digital platforms that support collaboration, MSMEs can establish close co-operation, share resources, knowledge and business opportunities. Such collaborative processes not only enhance the innovative capacity of MSMEs but also open doors to expand their market reach through mutually beneficial partnerships. Engaging MSMEs in digital collaborative ecosystems allows them to collectively overcome possible barriers, explore new opportunities, and capitalise on synergies that drive growth [24]. In addition, collaborative platforms can be a vehicle for MSMEs to build an extensive professional network, open up space for the exchange of ideas and experiences, and support holistic business growth. With these digital platforms in place, MSMEs not only become active participants in the digital economy, but also create a solid foundation to enhance their competitiveness in the ever-evolving global stage.

While innovative digital business development strategies are key to achieving optimised global competitiveness for Micro, Small and Medium Enterprises (MSMEs), they are also faced with a number of challenges that need to be overcome. One of the main obstacles is the lack of access to and understanding of digital technology. This challenge creates a gap in technology adoption among MSMEs, hampering their potential to fully capitalise on the advantages of digital business. Government support is therefore crucial, particularly in the form of in-depth training programmes, intensive mentoring, and financial incentives specifically designed to help MSMEs overcome their lack of understanding and access to digital technology.
Through these measures, the government can help pave the way for MSMEs to implement innovative strategies more effectively, stimulate digital business growth, and improve their competitiveness on a global level. By supporting the understanding and adoption of digital technology among MSMEs, the government is building a solid foundation to realise the full potential of MSMEs in the evolving digital business ecosystem.

By adopting innovative strategies in digital business development, Micro, Small and Medium Enterprises (MSMEs) not only open up new opportunities, but are also able to overcome global challenges, making them major players in the dynamic global economy. In an era of rapid technological change, adaptation and innovation are key to ensuring that MSMEs are not only able to adapt to the changing market dynamics, but are also able to maintain their relevance and competitiveness at the global level. Innovative strategies in digital business enable MSMEs to explore new emerging opportunities, improve operational efficiency, and add value to their products and services. By utilising digital technology, MSMEs can be more responsive to global market changes, strengthening their position in the competitive business ecosystem. Therefore, innovation in digital business development is not only a necessity to adapt, but also a solid foundation for the sustainable growth and success of MSMEs in the face of the complexity of today's global economy.

4. Conclusion

In conclusion, the imperative to optimize the global competitiveness of Micro, Small, and Medium Enterprises (MSMEs) through innovative digital business development strategies is unequivocal in the contemporary digital era. Serving as the backbone of the economy, MSMEs must harness the potential of information technology, e-commerce, and digital platforms to carve out a distinctive competitive edge in the expansive global market. The adoption of digital innovations empowers MSMEs to not only enhance operational efficiency but also to broaden their market reach and establish sustainable collaborations. However, amidst these promising prospects, challenges loom large, particularly the prevalent lack of access to and understanding of digital technology.

To truly propel the optimization of global competitiveness for MSMEs through innovative digital business development strategies, concerted and strategic efforts are paramount. The government plays a pivotal role by prioritizing the fortification of digital infrastructure, ensuring swift and affordable internet access, and formulating policies conducive to the growth of MSMEs within the digital ecosystem. Concurrently, there is a pressing need to expand educational and training programs to empower MSMEs with a profound understanding of digital technology. Financial support and tax incentives are integral components to incentivize the widespread adoption of digital technology among MSMEs. Moreover, offering digital business mentoring and consulting services can provide pragmatic guidance to MSMEs in the adept implementation of digital strategies.

Crucially, fostering collaboration between MSMEs, technology companies, and financial institutions is essential to cultivate an ecosystem that supports the sustainable growth of digital businesses. By implementing these comprehensive measures, MSMEs are poised to confront challenges more effectively and capitalize on opportunities within an increasingly digitized global business landscape. The envisioned outcome is a thriving MSME sector, resilient in the face of digital disruptions, and adept at leveraging the digital paradigm for sustained global competitiveness.

References


