The Role of Partnerships and Business Networks in the Growth of MSMEs in the Digital Age

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ABSTRACT

MSMEs have proven their vital role as economic pillars in various countries around the world. MSMEs have now transformed a lot. Major changes in the business landscape brought about by the digital age have also affected MSMEs. In fact, partnerships and business networks offer the potential to help MSMEs overcome the challenges they face. This study aims to examine the role of partnerships and business networks in the growth of MSMEs in the digital era. This research is a literature review using a qualitative approach, which means that it will analyse and interpret data using information and text from different sources. The study results show that the role of partnerships and business networks in the growth of MSMEs in the digital era is very important. Partnerships with large enterprises and other MSMEs allow MSMEs to expand access to markets and resources, while business networks help them connect with other business actors, increase visibility and provide collaboration opportunities. However, the success of these partnerships and networks depends on easy access to information technology and digital infrastructure.

1. INTRODUCTION

The background of this research plays a central role in deepening the understanding of why this topic is a crucial research subject. Firstly, MSMEs have convincingly proven their key role as economic pillars in countries around the world. In addition to creating jobs, MSMEs also empower communities and contribute inestimably to Gross Domestic Product (GDP) growth. In addition, they play a crucial role in sustaining economic diversity, maintaining the stability of the small and medium enterprise sector, and stimulating innovation and sustainable economic development (Gherghina et al., 2020). For these reasons, exploring aspects related to MSMEs is a priority in order to develop a deeper understanding and more effective solutions to advance the MSME sector worldwide.

The sea change that is changing the face of today’s business landscape, known as the digital era, has

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also had a significant impact on the MSME sector. Digital transformation fuelled by the development of Information and Communication Technology (ICT) has fundamentally modified the way MSMEs conduct their business operations (Subagja et al., 2022). ICT has enabled MSMEs to adopt more efficient and effective methods of communicating with their customers, interacting with business partners, as well as managing internal operational processes. The impact of this transformation has created a potentially huge dynamic, allowing MSMEs that are able to utilise technology well to gain a stronger competitive edge, even in a highly competitive global market (Martínez-Peláez et al., 2023; Suherlan & Okombo, 2023). This creates new opportunities for MSMEs to grow their business, reach a wider market, and improve their operational efficiency, thus becoming more relevant and competitive in this digital era (Agustian et al., 2023; Sudirjo, 2023).

Business partnerships and networks are invaluable tools for MSMEs to address and overcome the various challenges that come their way. When MSMEs forge partnerships with other companies, government agencies or financial entities, they open the door to unlimited potential (Purwanto et al., 2021). Through such partnerships, MSMEs can gain easier access to a wide array of resources that include financial capital needed for development, valuable technical assistance and knowledge in managing the business, as well as extensive networks that allow them to connect with potential business partners, new customers, and broader markets (Hermansyah, 2023; Salamah, 2023; Sukenti, 2023). These partnerships also help reduce the financial risks that may be associated with business growth, while accelerating the growth and development of MSMEs. Thus, business partnerships and networks are not only a means to build strong and beneficial relationships, but also a key to success in advancing MSMEs to greater heights in an increasingly complex and connected business era (Achmad, 2023).

MSMEs operating in the digital age are faced with unprecedented business complexities and dynamics (Firdausya & Ompusunggu, 2023). Amidst intensifying global competition, changes in fast-changing consumer behaviour, as well as lurking threats in the form of cybersecurity, MSMEs must become highly agile in navigating this rapidly changing terrain (Ausat & Suherlan, 2021). However, it should not be overlooked that the digital age also brings great potential. Through the use of technology and digital tools, MSMEs can seize unlimited opportunities, such as exploring global markets through e-commerce platforms, utilising digital marketing strategies to reach a wider audience, and mining data to optimise their business operations. So, in this digital era, MSMEs need to constantly adapt, innovate, and build a deep understanding of how to utilise technological developments to enhance their competitiveness and growth amidst complex challenges and opportunities.

In order to face the complex challenges and capitalise on the abundant opportunities of this digital era, it is essential to understand the role of partnerships and business networks in driving the growth and success of MSMEs. Understanding the dynamics of partnerships and business networks is a crucial cornerstone in developing effective strategies in the face of this ever-changing business environment (Håkansson & Ford, 2002). This research opens the door to investigate how partnerships and business networks concretely affect MSME performance, whether in terms of revenue growth, market expansion or operational efficiency. Moreover, it also explores factors that may facilitate or hinder MSMEs' collaboration with various entities, including other firms, government agencies, financial institutions and other business partners. With a deeper understanding of the roles and factors that influence business partnerships and networks, MSMEs can better utilise these tools as a means to achieve sustainable growth and success in an increasingly dynamic business environment.

The results of this research have great potential to be a valuable source of insight and play a crucial role in shaping a deeper understanding of the role of MSMEs in the ever-changing digital age. Hopefully, this research will provide a clearer and more contextualised view for MSME owners, giving them more detailed guidance in dealing with the diverse changes and opportunities that exist in the digital age. In addition, the results of this study also have significant implications for the government, which can use the findings of this study as a basis for formulating policies that support the growth of MSMEs, create an environment conducive to innovation and partnerships, and facilitate access to resources needed by MSMEs. Financial institutions and other stakeholders can also utilise the results of this study to develop more effective strategies for providing financial support, training and guidance to MSMEs. As such, this research plays a highly relevant and urgent role in helping MSMEs reach their full potential in facing and capitalising on the changes and challenges of the ever-evolving digital era.

2. THEORETICAL FRAMEWORK AND HYPOTHESES
The Digital Age

The digital age is a period in technological development characterised by the deep and widespread use of information and communication technology (ICT) in various aspects of human life (Mahardhani, 2023; Sutrisno, Kuraesin, et al., 2023). The digital age has changed the way humans interact, work, shop, communicate and access information. In the digital era, computer technology and the internet are widely utilised, enabling fast and efficient data collection, storage, processing and exchange (Rijal & Saranani, 2023). The digital age creates unprecedented global connectivity, allowing people to connect with individuals, businesses and organisations around the world in seconds via the internet (Gadzali et al., 2023; Harini et al., 2023). Businesses in the digital age tend to turn to online platforms, such as e-commerce and digital marketing, which are changing the way products and services are sold and marketed (Purnomo, 2023). Traditional media such as newspapers and television are facing challenges, as consumers turn to digital platforms to access news, entertainment and other content. The digital age is also witnessing the continued emergence of technological innovations such as artificial intelligence (AI), Internet of Things (IoT), cloud computing and blockchain (Sutrisno, Ausat, Permama, & Harahap, 2023). In addition, the digital age has changed the way humans communicate and interact with each other through social media and messaging apps, affecting social, political and cultural dynamics (Ausat, 2023; Azzaakkiyah, 2023; Purnama & Asdlori, 2023). The education sector is also undergoing major changes, with more generalised access to online educational resources and digital learning platforms. However, the digital age also brings challenges related to data security and privacy, which have become important issues. In addition, the digital era has created new economic opportunities, including the growth of giant technology companies and employment in related industries (Harahap, Sutrisno, et al., 2023). Governments and public institutions are also adopting digital technologies to improve services and interactions with citizens. The digital age is not just about technological change, but also about cultural, social, economic and political transformations that affect the way we live and work, opening the door to new innovations and opportunities, while presenting challenges around data management, cybersecurity and privacy balance in an increasingly connected world.

Business Partnerships and Networks

Business partnerships and networks are a form of strategic co-operation between two or more companies or business entities with the aim of achieving mutual benefit or win-win in a business context (Mohr & Spekman, 1994). They can take many forms and scales, and their objectives involve various aspects of business such as growth, product development, distribution, marketing, or even resource sharing. A business partnership, for example, involves an agreement between two or more companies to work together to achieve a common goal, such as developing a new product, sharing risk, or entering a new market together. This can take the form of an alliance, consortium, or cross-border partnership. On the other hand, business networks refer to the set of business relationships that firms establish with other firms, suppliers, partners, and customers, including both formal and informal relationships (Holm et al., 1996). Business networks can help companies expand their reach, gain access to wider resources, and create business opportunities. The objectives of business partnerships and networks may vary depending on the context, such as improved operational efficiency, access to larger markets, risk sharing, joint innovation, new product or service development, and business growth. In practice, partnerships and business networks provide a range of benefits, such as access to greater resources, improved competitiveness, reduced costs, greater growth opportunities, and increased innovation. They also help companies overcome challenges that may be difficult to address on their own. Concrete examples of business partnerships and networks include strategic partnerships between two technology companies to develop products together, alliances between manufacturers and suppliers in the supply chain, business partnerships between well-known brands and retail stores, and sector-specific business networks such as restaurant franchise networks. Business partnerships and networks are important strategies in the business world that enable companies to maximise their potential, mitigate risks, and achieve greater business goals through collaboration with other business entities (Farida & Setiawan, 2022).

MSME

MSME stands for ”Micro, Small, and Medium Enterprises”. The term refers to a group of businesses that are small to medium-sized in terms of number of employees, turnover, assets, and scope of operations (Sutrisno, Ausat, Permama, & Santosa, 2023). MSMEs are an important part of many countries' economies and play a role in creating jobs, driving economic growth, and supporting poverty alleviation (Rijal et al., 2023). The
following is a further explanation of MSMEs: 1) Micro Enterprises: MSMEs in the micro category are the smallest in terms of operational scale. They are often managed by one or two people, have limited turnover, and have relatively small assets. 2) Small Enterprises: Small enterprises are slightly larger in scale than micro, but still have a limited number of employees, limited turnover, and relatively small assets compared to large enterprises. Small enterprises may have more resources than micro enterprises and may pursue more significant growth. 3) Medium-sized Enterprises: Medium-sized enterprises are the largest in the MSME category. They have a larger scale of operations, with more employees, larger turnover, and more significant assets compared to micro and small enterprises. Medium-sized enterprises may have more resources and can operate on a larger scale (Arjang et al., 2023). MSMEs can operate in a variety of economic sectors, including trade, manufacturing, services, agriculture, and other sectors. They are often recognised as the backbone of the economy due to their significant contribution to economic growth and employment generation. The strengths of MSMEs include the ability to respond more flexibly to market changes, support innovation, and foster healthy competition in the economy (Ausat & Peirisal, 2021). They are also often a source of livelihood for entrepreneurs, help reduce unemployment, and provide direct economic benefits to local communities. Governments and other organisations often provide special support and incentives to MSMEs to aid their growth and development. In some countries, the definitions and criteria governing MSMEs may vary, but the basic principle is that MSMEs are businesses that are smaller in scale than large enterprises and play an important role in local and national economies.

3. RESEARCH METHOD
This study is a qualitative literature review that will analyze and interpret data gathered from various sources, focusing on the impact of partnerships and business networks on the growth of small and medium-sized enterprises (MSMEs) in the digital era. Data will be sourced from academic journals, books, research papers, and articles spanning from 1994 to 2023. The qualitative methodology used allows for a deeper exploration of complex subjects, integrating multiple information sources and diverse perspectives to enhance the analysis and credibility of findings. The data collection process involves examining textual content, seeking relevant information, and categorizing data for analysis, ultimately aiming to provide a comprehensive overview of the subject's evolution and potential recommendations for future research, while considering source credibility and methodological limitations.

4. DATA ANALYSIS AND DISCUSSION
The growth of Micro, Small and Medium Enterprises (MSMEs) is not only a vital pillar in a country's economic dynamics, but also plays a central, multidimensional role. As the mainstay of employment, MSMEs play a role in creating millions of job opportunities, enabling social mobility, and reducing the troubling unemployment rate (Ausat et al., 2023). In addition, the MSME sector is a driving force that cannot be ignored in national economic growth, generating income, sustaining domestic consumption, and significantly increasing national income. Not only that, MSMEs have also emerged as the frontline in the fight against poverty by providing opportunities for disadvantaged individuals and communities to overcome their economic problems. Amidst the rumblings of the ever-evolving digital age, partnerships and business networks are integral components that enable MSMEs to optimise their potential (Wulandari et al., 2022). Such partnerships provide access to resources, broader markets and the latest technologies, which in turn foster innovation, increased competitiveness and sustainability of their businesses. Therefore, the importance of appropriate and strategic support to MSMEs, as well as a proactive role in developing business partnerships, will continue to be key in strengthening a country's economic foundation and achieving sustainable growth. Micro, Small and Medium Enterprises (MSMEs) have an increasingly important role to play in the global economy, along with their ability to embrace immense potential and remarkable adaptation to ever-changing technological developments and shifting dynamics in an increasingly complex business environment (Hamdan, 2021). Amidst the wave of transformation fuelled by the digital age that is rampant across the globe, MSMEs are given tremendous opportunities to expand their capacities. They can utilise the wide array of digital tools and strategies available to expand their reach, improve operational efficiency, and bring innovation in their products and services. However, it cannot be ignored that along with these opportunities come equally significant challenges, such as intensified global competition, stricter demands for data security, and constant changes in consumer preferences that require readiness to adapt. In this context, the role of partnerships and business networks becomes crucial. Collaboration with other entities in the business...
ecosystem allows MSMEs to access far greater resources, knowledge and opportunities than they could achieve independently (Ausat, Widayani, et al., 2022). These partnerships are also instrumental in helping MSMEs overcome barriers and challenges that may be difficult to overcome on their own, allowing them to grow, innovate and compete more effectively. As such, smart and proactive business networking and partnership strategies will be a decisive factor in helping MSMEs succeed in this ever-changing digital age, making them key players in a dynamic global economy (Rodrigues et al., 2021).

Business partnerships, as a strategic move that needs to be emphasised, offer tremendous opportunities to fuel the growth and development of Micro, Small and Medium Enterprises (MSMEs) in the ever-transforming business landscape of the digital era. Collaboration with large corporations or e-commerce platforms opens a wide door for MSMEs to explore a wider, diverse, and often international market (Ausat, Siti Astuti, et al., 2022; Ausat & Suherlan, 2022). Amidst technological advancements and increasingly enabled connectivity, MSMEs can utilise these partnerships to venture into digital territory, with the ability to launch their products online, reach a global audience, and experience a substantial increase in sales. In addition to access to larger markets, these partnerships often provide additional benefits, such as access to advanced infrastructure, necessary financial support, and specialised training to hone MSME skills and knowledge. This makes it easier for MSMEs to deal with the complex challenges associated with the digital business ecosystem, enabling them to optimise their operational processes and, overall, become viable competitors in the highly competitive global arena (Rajala & Hautala-Kankaanpää, 2023). As such, it is important to recognise that business partnerships in the digital age are not only a profitable strategy, but also a crucial foundation that enables MSMEs to make important contributions in an increasingly connected and impactful global economy.

If we continue talking about MSME-to-MSME partnerships, we can highlight how essential such collaborations are in creating a highly competitive and dynamic business ecosystem. In addition to collaboration with large entities, MSME-to-MSME partnerships offer a variety of exciting opportunities in combining forces. This type of partnership opens the door for deeper exchanges in terms of experience, knowledge and resources (Fynn et al., 2022). For example, MSMEs can unite in joint marketing efforts that not only expand their market reach but also allow them to compete more effectively in promoting their products and services. Joint product development is another area that has the potential to generate unique and competitive innovations. In addition, sharing operational costs is a smart strategy that can reduce the financial burden that is often a major obstacle to business growth (Verhoef et al., 2021). In this collaborative atmosphere, MSMEs can experience the collective benefits of sustainable growth, creating an environment where MSMEs jointly support and nurture each other’s growth, creating synergies that have a positive impact in an increasingly dynamic business ecosystem. Hence, MSME-to-MSME partnerships not only create beneficial collaboration opportunities, but also enable sustainable growth and resilience in the face of fast-paced business dynamics. In this situation, MSMEs not only compete, but also complement each other to achieve mutual success.

Besides vital partnerships, business networks are also an integral component in supporting sustainable growth for Micro, Small and Medium Enterprises (MSMEs) in the evolving digital era. Business networks allow MSMEs to connect with a wide array of stakeholders in the business ecosystem, including suppliers who supply essential raw materials, distributors who help in product deployment, and even customers who are the foundation of the entire enterprise (Rizos et al., 2016). In the hyper-connected digital age, these networks can be expanded and enriched through various online platforms, which include dedicated business networks, industry discussion forums, social media groups, and even through participation in business events and industry exhibitions (Ohara, 2023). Through these networks, MSMEs gain access to broader collaboration opportunities, a deeper understanding of market trends, and the potential to build long-term relationships with mutually supportive stakeholders. In a complex business ecosystem, business networks play a central role in providing support, resources, and insights that enable MSMEs to adapt to change, compete effectively, and grow in an ever-changing environment (Anatan & Nur, 2023). As such, business networks become an invaluable foundation for MSMEs in exploring the opportunities offered by the digital age, creating a framework that enables sustainable growth and success in an increasingly connected global marketplace.

A deeper look into the role played by business networks reveals how vital they are in supporting Micro, Small and Medium Enterprises (MSMEs) in the ever-transforming digital age. Business networks play
a pivotal role in enabling MSMEs to expand their customer base by connecting them with diverse stakeholders, including potential customers that they have not reached before (Purwanti et al., 2022). In addition, through business networks, MSMEs can find new resources that support their operations and growth, including suppliers who can provide high-quality raw materials or investors who understand the potential value of MSMEs. Not only that, business networks are also a key source of insight into market trends and changes in consumer preferences (Dwivedi et al., 2021). In this turbulent digital age, partnerships through business networks can provide MSMEs with collaboration opportunities that may not exist without such connections, resulting in innovations and joint projects that add significant value. In addition, participating in business networks provides valuable opportunities for MSMEs to benefit from the experience and wisdom that fellow network members have gained, develop their own knowledge, and proactively adapt to changes in business dynamics. As such, a business network is not just a communication channel, but a crucial foundation in facilitating the growth and resilience of MSMEs in this challenging digital era, creating an environment where collaboration, growth and mutual success can flourish sustainably.

To achieve optimal results in building strong business partnerships and networks, it is important to recognise that the foundation of technology and digital infrastructure plays a very central role. Effective business partnerships and networks require easy and affordable access to advanced information technology (Harahap, Suherlan, et al., 2023; Sudirjo et al., 2023). Therefore, Micro, Small and Medium Enterprises (MSMEs) need fast and affordable internet access as a key foundation that enables them to participate in the ever-evolving digital economy (Harahap, Ausat, et al., 2023). In addition, the ability to understand, manage and utilise digital technology is important. MSMEs need to have an understanding and skills in operating various digital tools and platforms, such as e-commerce platforms, business management systems, and analytics tools. For MSMEs to compete effectively in the rapidly changing digital ecosystem, the government and relevant agencies have a strategic role in ensuring that this access is available and affordable for all MSMEs. They should work together to provide reliable digital infrastructure, organise training and education on digital technology, and promote initiatives that support the digital transformation of MSMEs. In doing so, digital technology and infrastructure will be key in ensuring that MSME business partnerships and networks develop optimally, resulting in sustainable growth and prosperity.

Overall, it is important to understand that the role of partnerships and business networks has a significant impact in driving the growth and sustainability of Micro, Small and Medium Enterprises (MSMEs) in the evolving digital era. Partnerships with large enterprises and other MSMEs provide MSMEs with an access point to expand their market coverage and obtain additional resources that support business development. In addition, business networks create strong connectivity with various business stakeholders, increase the visibility of MSMEs, and create collaboration opportunities that have the potential to create innovation. However, to reach their full potential, investments in accessible and affordable information technology and digital infrastructure are required. As such, MSMEs will have an adequate technological foundation to compete and thrive in the digital era that is full of opportunities and challenges. In conclusion, business partnerships and networks are not just an additional strategy, but a key element in ensuring sustainable growth and sustainability of MSMEs in an ever-evolving and connected digital era.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The conclusion drawn is that in the ever-evolving digital era, the role of partnerships and business networks has become increasingly essential in supporting the growth of Micro, Small, and Medium Enterprises (MSMEs). Through partnerships with large corporations and other MSMEs, these businesses gain broader access to markets, capital, as well as the resources and knowledge required to compete and thrive. Business networks enable MSMEs to build strong relationships with other business players, creating potential for collaboration, sharing experiences, and gaining valuable market insights. However, it's important to note that to achieve optimal results, MSMEs must have easy and affordable access to adequate information technology and digital infrastructure. Additionally, the success of partnerships and business networks heavily depends on MSMEs' ability to continuously learn, adapt, and enhance their digital literacy. Therefore, collaboration and connectivity in the digital era are key factors in helping MSMEs grow and compete effectively in the ever-changing market.

The implication is that governments and relevant institutions need to actively facilitate partnerships and business networks for MSMEs by ensuring easy access to digital infrastructure, training, and resources. MSMEs should proactively seek partnerships and join relevant business networks in their respective sectors.
Large companies and e-commerce platforms should consider mutually beneficial collaborations with MSMEs, such as providing specialized e-commerce platforms for them. Furthermore, MSMEs need to enhance their digital literacy and technology skills to fully leverage the potential of partnerships and business networks.

However, there are limitations to be considered in this context. The implementation of partnerships and business networks may face legal, logistical, and financial obstacles that need to be addressed. MSMEs with limited resources may encounter difficulties in accessing the digital infrastructure required to participate in partnerships and business networks. The success of partnerships and business networks can vary depending on the sector and region, necessitating tailored approaches. Overall, the role of partnerships and business networks in supporting the growth of MSMEs in the digital era is pivotal in harnessing the potential of these businesses and accelerating national economic development. With the right support, MSMEs can become significant drivers of the economy, creating employment opportunities and improving the well-being of society.

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