

INNOVATION IN BUSINESS MANAGEMENT: THE KEY TO SUCCESS IN THE DIGITAL AGE

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Abstract

The development of the business world cannot be separated from digitalization or the era of information technology, especially the presence of the internet. The digital world and the internet bring significant changes and influences on business management today. Therefore, innovation in managerial processes is needed to survive in this fast-paced era. This results in business management, both micro and macro scale, it is necessary to adapt to the digital world and the internet. One of the innovations that can be done is to use digitalization in every aspect of business management. Therefore, this study aims to discuss the urgency of digitalization in business management in order to produce an adaptive and survivable business. This research is qualitative research with a literature study approach. The literature obtained comes from published journal articles and articles from the websites of agencies relevant to the discussion. The results showed that innovation in the form of digitalization can affect various aspects of business management such as marketing management, operational management, to human resource management. Digitalization in business management is indeed a challenge because it requires deepening the digital world in order to be able to use it for better business management.

Keywords: Digitalization, Management, Business

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INTRODUCTION

The business world is a very dynamic one. Therefore, in order for a business to be successful, it needs to be adaptive in every circumstance (Mellita & Elpanso, 2020). So that businesses are not left behind by competitors, digitalization is one of the changes that must be started in the modern era like today (Haqqi & Wijayati, 2019). The use of digital media certainly cannot be separated from the use of the internet. With all the facilities provided by the internet, consumers can easily access digitalization. However, many business people are still unfamiliar with how digitalization works and have not been able to operate their business digitally. According to data collected by the Indonesian E-commerce Association (idEA) in May 2021, around 13.7 million actors, accounting for 21% of micro, small and medium enterprises (MSMEs), have tried to adapt to the digital

ecosystem Putri (2022). However, more than 70% of MSMEs continue to use conventional methods to run their business.

The reason is, most MSME businesses are currently run by individuals who are usually elderly. These business people are a bit slow in adopting digital services because they are hesitant about technology (Sunarsi, 2020). Certain businesses have the ability to adapt, but often fail. Therefore, business people must continue to study business digitalization so that they can make good ways to retain consumers.

Business digitalization is also associated with the use of Artificial Intelligence (AI), which is said to be able to provide many new advantages (Asyifah et al., 2023). One such advantage is AI's ability to process big data quickly and accurately, which could change the way companies operate in various industrial sectors.

However, the significant digital transformation taking place in the Indonesian industry today requires businesses to adapt their technology. According to Puspitadewi (2019), companies today must have digital capabilities to fulfill their functional tasks. However, it is possible that those who cannot keep up with these developments quickly will face challenges. Many industrial sectors in Indonesia are working on optimal digitalization. According to Karami (2018), a company can improve its operational and organizational performance by using information systems. According to the results of the study, operational performance is influenced by digitalization (Bahas & Yamit, 2022). In other words, the results of digitalization have a significant influence on the results of operational performance to be carried out.

Digitalization and organizational practices are highly beneficial to operational performance. This means that the actions of researchers can contribute significantly to the digitization and performance of companies. Where the implementation of organizational practices and digitalization can improve operational performance efficiently and effectively. Because these three variables have mutually beneficial strengths and provide progress for the business. For example, if companies want to keep up with the times for the benefit of the company, they must implement the process of digitizing the business. This is done so that the company can keep up with the times and facilitate work efficiently. With organizational practices, companies can plan and achieve their goals, and the company's operational performance is an output that can be perceived by employees.

RESEARCH METHODS

This research is qualitative research with a literature study approach. Various references are obtained from journals that have been indexed through the Google search engine. In addition, other references are also obtained through website articles published by certain agencies that are credible and relevant to what is discussed in this study.

The articles that have been obtained are curated into several articles that are worthy of discussion on the basis of the relevance of the topic to research. The articles or publications discussed are also from publications from 2013 to 2023 (last 10 years). This is done so that this research is expected to be able to answer the challenge of novelty so that what is discussed remains relevant at this time.

RESULT AND DISCUSSION

Management is the effective use of resources to achieve goals. Management is useful in various lines of life. One of the most important in business management, or management in running a business/business (Hakim et al., 2023). In management, there

are several management functions that are used to make it easier to achieve the desired goals. Management functions are a series of activities carried out in management based on their respective functions and follow a certain stages in their implementation. Management functions consist of four functions, namely:

- a. Planning, which is a process that involves efforts made to anticipate future trends and determine the right strategies and tactics to realize organizational targets and goals. Among the trends in the business world now, for example, how to plan an environmentally friendly business, how to design a business organization that is able to compete in global competition, and so on. Or also plan a business activity that has been carried out to run better more effectively and efficiently, for example planning the transfer of equipment from conventional to modern, even more modern with machine power with sufficient power and capital can produce a good product in an efficient time.
- b. Organizing, which is a process that concerns how the strategies and tactics that have been formulated in planning are designed in a fast and resilient organizational structure, conducive organizational systems and environment, and can ensure that all parties in the organization can work effectively and efficiently to achieve organizational goals. Such as programming or scheduling activities in a business or organization, be it routine activities or special activities that are not routinely carried out. So that the results to be obtained will be more maximum and planned.
- c. Directing, namely the process of implementing the program so that it can be carried out by all parties in the organization and the motivating process so that all parties can carry out their responsibilities with full awareness and high productivity. In the case of Directing, usually in an organizational activity led by the head in one group, whose task is to command his subordinates or divide work according to the ability of subordinate staff so that the activities carried out can be done properly effectively and efficiently.
- d. Controlling, which is a process carried out to ensure that all series of activities that have been planned, organized, and implemented can run according to the expected target even though various changes occur in the business world environment faced. Many experts have different views on the function of management but the essence remains the same, that; Management consists of various processes consisting of certain stages that serve to achieve organizational goals. And each stage has a relationship with each other in the achievement of organizational goals.

There are several reasons why management is very important, including the following.

- a. Work is heavy and difficult to do independently, so a division of labor, tasks, and responsibilities is required to complete it.
- b. If management is implemented well, the company will succeed.
- c. Good management will reduce waste and increase the usability and yield of all potentials possessed.
- d. Management sets rules to reduce waste

- e. Management shapes the way of thinking and acting
- f. Management is always necessary in the team.

In carrying out business management, innovations are needed so that the management process does not stagnate aka dynamic. After all, innovation is needed because management involves many human elements, especially as human resources. As is known, humans themselves are so dynamic and keep up with the times. One of the rapid developments and impossible to be left behind by humans is the development of information technology in the form of the internet and the digital world. When involving individuals in management, it is like using the internet and other digital services to facilitate the management process to occur.

Digitalization in management

Artificial intelligence, also known as AI, is now critical to businesses. Today, many businesses are investing more in AI technology to optimize their performance. As a result, the use of AI technology has many advantages over conventional methods in various ways.

First, efficiency and speed. AI can do many things at once, such as information processing, data filling, and transaction processing, so companies can save time and costs. Furthermore, consistency and accuracy in processing large and complex data, AI, also known as "machines", can produce more accurate and consistent output. Third, more rational decision making. Artificial Intelligence is programmed to process huge amounts of data and can provide better thinking about things like business strategy, inventory, and sales. These decisions can then help business people make smarter and effective decisions for the betterment of their company. Lastly, there's the ability to adapt to each situation. AI can process complex data and offer various solutions to every problem customers face, allowing companies to deliver the right services that match customer preferences.

The importance of digitizing business management today

Generating business and IT value in today's organizations requires an information technology or information systems (IT/IS) strategy that can be supported by a business strategy (Atikah et al., 2023). All types of businesses can generate increased productivity by using information technology (Nata et al., n.d.). On the contrary, the condition of SMEs in Indonesia shows that they are trial-and-error efforts, not plans (Prayitno et al., 2019). The human resources of traditional SMEs are poorly educated, lack of capital, inadequate technical knowledge, basic utilities, and appropriate or improved technology, as well as lack of training and skill development.

Even so, digitalization in business management is not only implemented in macro-scale businesses but also micro-scale businesses such as MSMEs. From the aspect of business management, digitalization of MSMEs is indeed a promising solution for MSME players (Evangeulista et al., 2023). However, for MSMEs to enter digitalization is not easy in getting MSME players into the digital ecosystem.

Technological progress, which increases the productivity and efficiency of economic factors of production such as capital, labor, and other resources, is a theoretically accepted step to remove economic border barriers. According to Prasanna

(2019), technological advances make production inputs more widely used in the production process. Although man has limited abilities (physical, knowledge, time, and attention), his needs are unlimited. These results suggest that scientific discoveries are needed to improve economic production systems, and small and medium-sized enterprises (SMEs) can use these findings to harness new scientific breakthroughs for commercial purposes. To meet their needs and overcome their limitations, people are motivated to do so. Moreover, in an organization, this division of labor, duties, and responsibilities will form formal cooperation and attachment. In this organization, the desired goals will be achieved and heavy and difficult work can be completed properly.

Business Management Operations Function

If it is based on its operational functions, the management functions performed according to certain stages will be significantly different from the management functions performed during the implementation of business activities (Batlajery, 2016). The management of a business organization can be divided into functions based on how it is used. Here are some of its functions:

- a. Human resource management, is a type of management used based on its function to obtain human resources and manage human resources to optimally carry out management functions.
- b. Production management, is a type of management used based on its function to get the best human resources for the company. The process of converting input resources into output products, either goods or services, is known as production activities.
- c. Marketing management, is a management activity that has the aim of discovering what is actually needed by consumers and how its fulfillment can be achieved. To get what they need and want, individuals and groups work in marketing management. Marketing management enables HR to carry out social and managerial processes through which they create, offer, and exchange products of value to others.
- d. Financial management, is management that essentially seeks to ensure that business operations are able to achieve their goals economically, namely based on profits. The tasks of financial management include planning where financing is obtained from and how the capital obtained is appropriately allocated to business operations.
- e. Information management, information management is part of the management function that aims to ensure that business operations continue to operate well in the long run. To guarantee this, information management is responsible for providing all information related to the company's operations, both internal and external information, so as to ensure that business operations continue. The use of information technology, such as computers, TV, and radio, makes information management easier both in planning, working, and providing business information needed at any time.

Benefits of digitization

After the Covid-19 pandemic, the trend of business digitalization continues to grow. Many business people, both MSMEs and large companies, have begun to carry out digital transformation of their respective businesses to maintain and improve their services to

consumers. This is one of the many advantages that can be gained from digitizing a business.

First, transactions become simpler and more effective. One of the most prominent selling points compared to business digitization is the ease of transactions. Digitalization allows businesses to complete transactions with customers without having to talk to them directly. In addition, digital transactions can increase the speed of company operations for each service offered.

Second, digitalization allows companies to achieve greater success in a wider market. This is despite the fact that the businessman has the opportunity to enter a wider market. Businesses can communicate with customers from different places, even thousands of kilometers away, through online interactions.

Third, operations are becoming more organized. Digitization is essential to complete many tasks at one time more quickly and easily. It deals with the types of searching, archiving, and storing data.

The Role of Digitalization

After the pandemic hit this country, digitalization of MSMEs has been increasingly carried out (Pinem et al., 2022). Physical stores almost no longer exist, so becoming an online store that is ready to face the digital age is a promising prospect. Due to millennial consumer behavior when using technology, the government intervenes to support MSMEs in digitalization. With digitalization, the price of finished goods will become more accessible to buyers anywhere and anytime. People often use social media such as Facebook, Instagram, and Twitter to find and build relationships. The businesses can also utilize personal blogs and websites in this way (Febriyantoro & Arisandi, 2018). If MSME financial management only depends on paper-based bookkeeping from journals or ledgers, they are very vulnerable to manual errors, defects, or damage (Sudirman, 2020). However, by applying financial digitization technology, the business bookkeeping process has become more modern and systematic. To improve the welfare of MSMEs, this digital bookkeeping can even be done automatically. Therefore, the owner or manager can access the organization's systems anytime and anywhere. In addition, business sales can be made anytime and anywhere, increasing the company's profits. The benefits of digitalization include the following.

- a. **Save Marketing Costs:** Digitalization of MSMEs helps MSME business owners reduce marketing costs when compared to conventional marketing methods.
- b. **Broader Marketing:** The digitization of MSMEs allows business owners to market their products in more regions using websites and mobile applications.
- c. **Higher Revenue:** Since more sales are followed by more marketing, the greater marketing reach of the business will make more money. It is very important that MSME business people use social media to market their goods.
- d. **Making it Easy for MSME Actors to Serve Consumers in Real Time:** This digitalization of MSMEs allows MSME players to serve their consumers in real time, even though they work remotely.

- e. Have a Chance to Compete with Large-Scale Businesses: Before the advent of digital marketing, MSME business owners did not have the opportunity to compete with larger businesses. This is due to the fact that consumers are still unfamiliar with MSME products. Because the MSME digitization system is easy to use, the goods sold by MSMEs are becoming better known by consumers.

CONCLUSION

In business, not only good managerial skills are needed but also the ability to adapt to changing circumstances. One form of adaptation that is very crucial in this technological era is digitalization in business management. Digitalization has many roles and benefits in setting up or managing both micro and macro scale businesses. Through digitalization, many aspects of management can be carried out more efficiently and effectively with a high level of accuracy. Therefore, digitalization is not only used in one aspect of management, such as marketing for example, but can also be used since the production process. Digitalization is not only limited to online marketing using social media, but also the use of artificial intelligence both in the production process and financial management.

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