





2022, vol. 9, issue 2, 54-64


RESEARCH ARTICLE


<https://doi.org/10.5281/zenodo.7474316>

The “Rambo” MSMEs Survival Strategy in 5.0 Society Disruption Era

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Abstract

The encouragement program of MSMEs to remain competitive in the era of disruption to society 5.0, all technology, and sustainability emphasizes the relevance of business model innovation as the primary basis in managing and improving business competitiveness capabilities. This study explores the “Rambo” MSMEs survival strategy in the 5.0 society disruption era. This type of research is exploratory qualitative research, with the respondents being digital MSMEs enterprises under the assistance of the government through the Cooperatives and MSMEs Service. Data collection techniques use in-depth interviews and non-probability sampling (purposive sampling) following predetermined criteria. The analysis was carried out through data triangulation (data reduction, data presentation, and summarization). Results suggest three substantive conclusions 1) long-term managerial orientation is a key factor in developing a business model in MSMEs, 2) five business model capabilities support, in combination with the management approach, the business model development in established MSMEs, 3) open innovation is a concrete precondition of business model innovation. Therefore, the MSMEs owner needs both to actively consider their management approach towards the business model and develop some key dynamic capabilities in their organizations to implement the business model, an approach also valid for post-Covid-19 management.

Keywords: competitiveness, innovation, capability, society 5.0, sustainability

Introduction

The contribution of MSMEs to innovation-based growth and job creation has become a new concern in recent years. A large body of evidence shows that MSMEs make a significant and increasing contribution to innovation systems by introducing new products and adapting existing products to customer needs (Natalia & Ellitan, 2019). The government has generally increased the priorities of policies directed at MSMEs while focusing more on promoting innovation. This policy must consider the challenges and opportunities posed by new technologies and globalization for MSMEs. They also have to find the right balance between measures that address common issues related to novelty and sustainability tailored to the different needs of different

types of MSMEs (Muljani & Ellitan, 2019).

Research and development have become a more important instrument for increasing competitiveness capabilities in the international economy. MSMEs seem to be at a disadvantage for these two factors, so they can potentially threaten the death of MSME competitiveness in line with increasing globalization. While many MSMEs give up when their competitiveness declines, others have found ways to improve their position in the national and international markets (Tjandrawinata, 2022). To understand the impact of globalization on MSME innovation, the determining factors that can encourage adapting to industrial conditions include production, labor and capital, and knowledge. The ability of SMEs to create, access, and commercialize knowledge will be a fundamental force in increasing their competitiveness in national and international markets (Obeidat, 2016).

The main problem for MSMEs classified as potential innovators is that when they find new technology, they must first identify the commercial potential so that later they can implement technology to support increasing competitiveness in the industry (Soegoto, 2018). In addition, the internal problems of MSME businesses are seen from core competencies, information resources, and knowledge so that the formulation and implementation of business strategies are hampered, while from the outer side, all forms of problems that can threaten business continuity come from outside (Puspita, Christiananta, & Ellitan, 2020). The complexity resulting from fewer financial resources, more negligible or non-existent R&D facilities, fewer technical capabilities, difficulties in recruiting multidisciplinary skilled employees, and a less structured approach to innovation will encourage MSMEs to find ways to develop innovation capabilities as the basis for managing their business. They can compensate for this difficulty by relying on the strength of their size, more minor bureaucratic procedures, flexibility, and high adaptability (Bahrin, Othman, Azli, & Talib, 2022).

The innovation policy should be in the form of support used to "legitimize" the role of innovation to be actively involved in closing the knowledge and capability gap. This legitimacy role consists of making MSMEs familiar with the role of third parties in the form of experts to improve the internal operational capabilities of the business (Holroyd, 2020). Government involvement in formulating policies for MSMEs to create innovation as a form of business development toward increasing competitiveness must be based on the assumption that MSMEs want to be helped and can use knowledge to define problems and find solutions to these problems (Carraz & Harayama, 2019). Researchers are trying to examine implementing innovation-based business strategies to increase MSMEs' competitiveness capability in City. Interestingly, there has never been a study conducted on MSMEs, the majority of which are large companies that are relatively more stable as we know that the problems faced by MSMEs are divided into two aspects, external and internal.

Internal problems are seen from the capabilities, core competencies, and information and knowledge resources. The formulation and implementation of business strategies are hampered, while from the outer side, all forms of problems that can threaten business continuity come from outside. Implementing an innovation-based business strategy can be a role model for other cities' stakeholders to increase their national and international competitiveness. So the success of implementing this marketing strategy depends on the ability of MSMEs not to limit the breadth of market reach so that customers from various regions can access them easily. From the research background and problem formulation above, we can arrange the research objectives, including 1) analyzing internal and external problems that hinder the innovation of MSMEs in the City, 2) analyzing the relationship between innovation and competitiveness in the era of disruption to society 5.0, and 3) identify the process of implementing alternative strategies for increasing the competitiveness of SMEs in the City based on innovation to face the era of disruption to society 5.0.

Research Urgency

This program will increasingly threaten the existence of MSMEs if they do not have competitive capabilities that meet the standards of the era of society 5.0, which are based on innovation and sustainability strategies. So, MSMEs need empowerment in implementing strategic models that can encourage their competitive capabilities in an integrated manner. Support government programs in the smart city development process by developing digital-based business management to be replicated more easily by MSMEs.

Theory and literature review

Innovation as a Key Factor to Increasing Competitiveness

When faced with an industry situation that relies on a cost competition strategy, MSME players have five strategic options in responding to competition, including: (1) not changing anything and suffering a loss in profitability and market share; (2) reducing wages and other production costs to compete with larger producers; (3) shifting production from high-cost locations to low-cost locations; and (4) switching to products and markets that tend to be based on innovation (Anis, Christiananta, & Ellitan, 2018). The market demand for innovative products in knowledge-based industries is high and rapidly growing, facing challenges in the number of workers who can contribute optimally according to needs. Given the shift in competitive advantage towards innovation-based industries, many predict the demise of MSMEs. However, the reality is that the contribution contributed by MSMEs has increased rapidly by implementing strategies to maintain or even increase their competitiveness more massively. MSMEs contribute significantly to innovation-based business systems by introducing new products and adapting existing products to customer demand (Eller, Alford, Kallmünzer, & Peters, 2020).

The relative advantage of being one of the MSMEs innovators shows that there are more innovative activities in electronic computing equipment and process control instruments which can generally identify based on (1) the level of capital intensity; (2) the extent to which an industry is concentrated; and (3) the total number of innovative activities in the industry. Large industries have capital, advertising, concentration, and unionization advantages. In contrast, MSMEs excel in highly innovative industries with limited resources (Geibel & Manickam, 2022). The program can distinguish Innovation-based business capability improvement schemes in MSMEs from two types: (1) capital equipment or innovations realized by input and (2) design innovations. In capital equipment-based innovation, MSMEs acquire new technologies or products that enable them to benefit from innovations developed elsewhere. In comparison, design innovation refers to gradual improvements in products that do not radically change their functionality or technology base but allow the company to meet better customer requirements (Farooq et al., 2019).

The program must emphasize the role of design innovation for MSMEs because it can open up great opportunities to increase competitiveness in the industry. A solid basis for MSME enterprises is in the form of technical skills in designing innovative designs that require understanding product functions according to customer demands and a sharp analysis of the constraints the manufacturing system poses.

The Concept of Empowerment in the Age of Society Disruption 5.0

Empowerment in the era of disruption 5.0 or disruptive innovation emphasizes the concept of digitization because, in this period, the digital economy, artificial intelligence, big data, and robotics began to emerge. The implementation is carried out thoroughly in various industrial fields, including business management. When making the empowerment program a success, it must involve all internal and external stakeholders. The success of this program is determined by the collaboration of three aspects, namely (Ibáñez et al., 2021): (1) entrepreneur skills; (2) institutional strengthening as an economic force to produce quality halal products; (3) digipreneur (the synergy of MSMEs with the digital economy community as an effort to empower the digital-economy).

In this case, the empowerment program is aimed at facilitating vulnerable community groups in the use of digital technology as various alternative solutions are needed, such as providing education on the development of their potential, training programs for the use of digital technology so that potential MSMEs can be highly competitive in the national industry and international innovation-based. The success empowerment program can be seen from the fulfillment of the principles that must be met, including:

Table 1. Empowerment Principle

Principle	Definition
Equality	Positioning with an equal relationship based on knowledge, expertise, and experience that a person has with institutions that carry out community empowerment programs.

Principle	Definition
Participation	Stimulates independence from the community because the basis of empowerment is participatory, planned, implemented, monitored, and evaluated so that the objectives will be optimal.
Independence	Trying to appreciate and prioritize the potential possessed by a person related to independence without having to depend on other parties.
Sustainability	Strive to plan empowerment programs on an ongoing basis so that a person can be independent and more empowered in the end.

Source: (Damoah, 2020)

Facing the era of disruptive innovation, the City Government is seriously preparing itself by empowering MSMEs to be highly competitive with the latest innovations. With the initiation of the model for increasing the competitiveness of MSMEs, it can be a real support for the City Government in improving the MSME economic sector after the Covid-19 pandemic at national and international levels. In addition, the successful implementation of this strategy is also a form of smart city development efforts that can become a potential platform by contributing 6.84 percent to regional economic growth. Several aspects are emphasized regarding the contribution of the strategy model to the development of smart cities, as follows:

Table 2. Smart City Program

No	Aspect	Include
1	<i>Smart governance</i>	Information disclosure, licensing, public services
2	<i>Smart branding</i>	Micro-enterprise Sector, regional tourism, e-mail
3	<i>Smart economy</i>	Crafts, souvenir centers, processed snacks
4	<i>Smart giving</i>	Population, layout, Indonesian cards are great
5	<i>Smart society</i>	Thematic countries, job search data, great gates

Source: (Indonesia Government, 2019).

According to Li, Su, Zhang, & Mao (2018) state research on the internationalization process of companies through digitalization can be seen in Uppsala's strategy model. This is largely due to the simplicity of the model and the incorporation of a dynamic view of internationalization which is built on the premise that lack of knowledge due to differences between countries is a critical barrier to decision-making regarding internationalization in Uppsala's model (see Figure 1) assumes that the state of internationalization ('market knowledge' and 'market commitment') influences perceived opportunities and risks which in turn influence 'commitment decisions' and 'current activities' (change aspect) so that the development of opportunities through this model can influence their investment behavior. The more knowledge about the market, the more valuable the resources and the stronger the commitment to the industrial competition will increase the business performance of MSMEs.

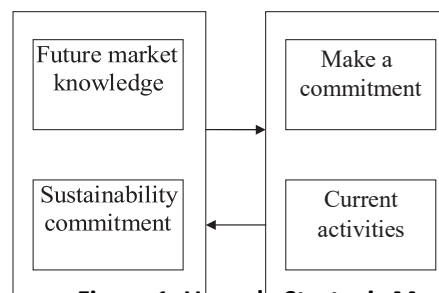


Figure 1. Uppsala Strategic Model
Source: (Li, Su, Zhang, & Mao, 2018)

The strategy at the digital industry level directs every activity and behavior of MSME actors to build excellence and improve their business performance significantly, both in the near and long term. The strategy applied relates to how companies can compete effectively to build a sustainable competitive advantage. The infrastructure used in business activities needs to be always sophisticated and up-to-date (Juergensen, Guimón, & Narula, 2020). Some challenges faced in the era of society 5.0 are security, capital, employment, and privacy. However, several benefits can be generated after the industrial revolution 4.0, namely encouraging research, adjustment and optimization. Then, several principles in the era of society 5.0 allow every company to identify and implement various scenarios such as (1) Interoperability, namely the ability of machines, devices, sensors, and humans to connect and communicate via the internet; (2) Information transparency that can provide information system capabilities by enriching digital models and sensor data; (3) Technical assistance which describes the ability of the assistance system to assist humans in collecting data and making visualizations to be able to make good and wise decisions (Reuschke, Mason, & Syrett, 2020).

There are two main types of knowledge: objective knowledge that can be taught and experiential knowledge gained through experience. Opportunities offered by advanced technology in the internationalization process are faster access to foreign market information, using digital media as a sales channel or third-party services (Kraus et al., 2018). Digital marketing is a general term for marketing products or services using digital technology, especially on the Internet, but also includes cell phones, display advertising and other digital media. The vehicles used in implementing digital marketing include search engine optimization (SEO), influencers, search engine marketing (SEM), content marketing, data-based marketing, and campaign marketing that can relatively be created, viewed, used, distributed, modified, reviewed, and evaluated periodically on digital electronic devices. Digital media is often contrasted with print media, even though its unique form can be identified in principle (Zahra, 2021).

Research conducted by Yunus and Wahob (2021) explains that digital marketing is an effective platform for understanding their customers and competitors better for MSMEs, they can collect a large amount of information about customer behavior automatically. Such behavioral information is invaluable to businesses as it allows them to understand customers deeply. In addition, Wiliandri (2020) research produces findings that describe the activities of MSMEs who can easily and cheaply manage their customers' information through digital media. Therefore, by entering the era of society 5.0, MSMEs can gain market knowledge about customer culture and foreign market industries of interest. This knowledge will influence market penetration decisions about how, when and whether digital marketing programs are effective to adapt at the international level.

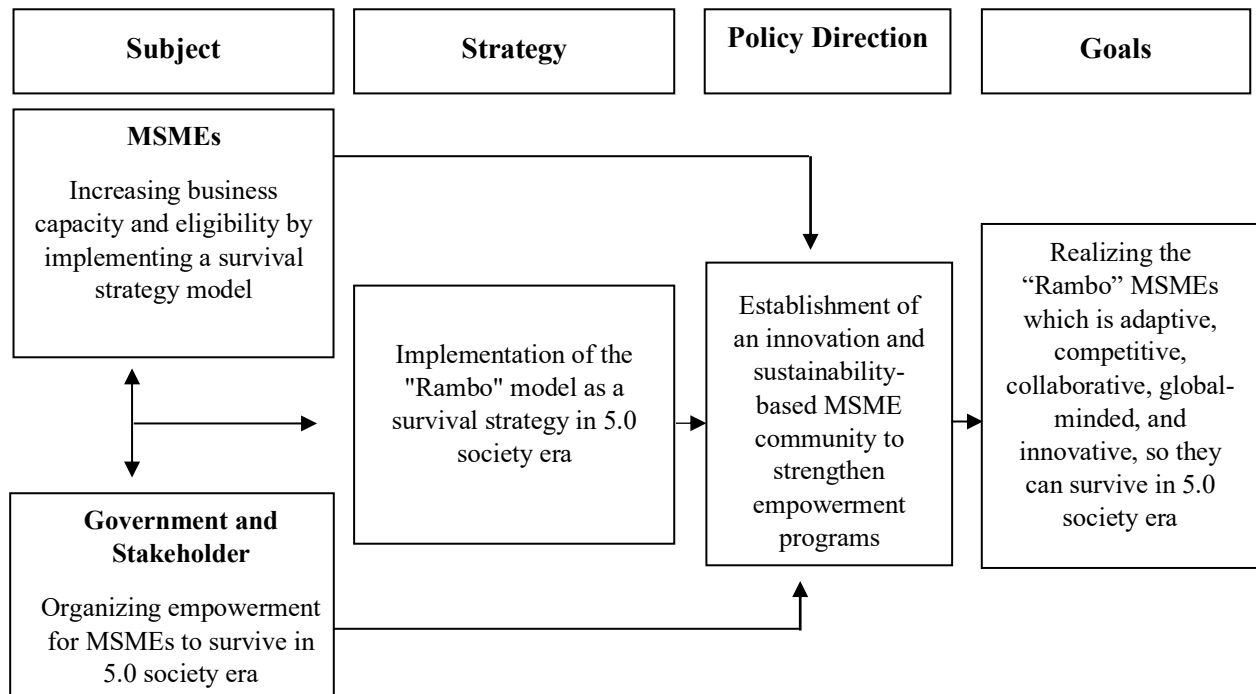


Figure 2. Conceptual Framework

This research focuses on MSMEs whose most businesses have started to rise from adversity due to the Covid-19 pandemic, so the right strategy is to adapt to the era of society 5.0. The main objective is to strengthen business performance and marketing technology infrastructure by providing easier-to-use digital access to obtain data and information and expand market reach. The government initiated the "Rambo" model strategy as the main instrument in implementing innovation-based empowerment programs so that MSMEs can make a significant contribution to increasing economic competitiveness at the global level. The output of this program is to realize MSMEs that are superior, global-minded, and observative so that they can face the era of society 5.0.

Methodology

This research method uses an exploratory qualitative approach to identify the process of implementing the "Rambo" model as the main strategy for MSMEs to survive in the era of society 5.0. The sampling process was obtained through the Ministry of Cooperatives and SMEs, which were considered to have technological infrastructure readiness and could optimally apply the "Rambo" model to their MSMEs and use a non-probability sampling technique (purposive sampling) which selects samples in a continuous and growing network. Sumatra, DKI Jakarta, Java, and Bali were chosen as benchmarks so that the improvement of MSME competitiveness capabilities can be comprehensive (Xing, 2021). The data obtained will be analyzed through data collection, reduction, presentation, and concluding.

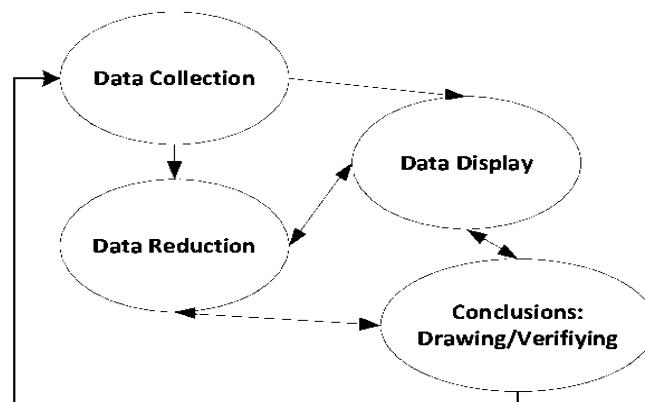


Figure 3. Qualitative Research Method

The type of data is primary data in direct responses from informants regarding the readiness to implement the "Rambo" model through in-depth interviews. Primary data in the form of interviews combined with secondary data in the form of literature studies to formulate the ideal model for SMEs in implementing survival strategies in the era of society 5.0. Some of the questions asked in the in-depth interview process included: (1) How did you learn about the practice of an innovation-based capability improvement strategy?, (2) What did you do when you received information about an innovation-based capability improvement strategy? Are you immediately interested in implementing it?, (3) What are the main advantages that make you interested in implementing an innovation-based capability improvement strategy scheme?, (4) What are the steps you take? Do you do it yourself or use a vendor? (5) What are the advantages of your innovation-based capability improvement strategy?

Findings and Discussion

Readiness of MSMEs to Face 5.0 Society Era

The provinces of Sumatra, DKI Jakarta, Java, and Bali, are one of Indonesia's assets that have implemented the industrial revolution 4.0 scheme for almost nine years and are still growing rapidly. The government continues to strive to continuously improve the quality of business capacity, especially MSMEs, through educational support, mentoring, and the addition of sophisticated infrastructure. MSMEs in Sumatra, DKI Jakarta, Java, and Bali are also expected to start reducing imports of goods from abroad to try to make and create goods that can penetrate the global market (Agaton & Cueto, 2021). The industrial era 4.0 and society 5.0 will soon go hand in hand where developed countries have the ambition to digitize all aspects of life. Society 5.0 is not only about technology but also government policies and regulations that encourage MSMEs to share big data and increase collaboration to create innovations. Currently, MSME business capabilities are still limited because other entities own the data needed, so there is a need for cooperation to create a new system that is more secure and effective. Results This strategic step encourages more entrepreneurs to share information and develop better products (Batac, Baquiran, & Agaton, 2021).

The focus of the era of society 5.0 is a great opportunity for local governments to accelerate the transformation of their society. The industrial world will face various challenges and opportunities, especially for Indonesian workers, there will be the annihilation of job opportunities due to the massive digitization of business processes. The government must provide regulations in each region so that MSMEs can produce competitive and unique products (Costa & Castro, 2021). According to Dannenberg et al. (2020) there are three benefits of digital platforms in the era of society 5.0 that must be implemented, namely: (1) Innovation which includes new business models based on the ability of innovators to design strategies through digital platforms such as the education, catering, health, and even legal industries; (2) Inclusivity through digital platforms means that all types of services can be easily provided and reach many markets in various regions; (3) Efficiency shown by the development of digital platform innovation, automatically business processes will become more effective and efficient both in terms of manufacturing and marketing.

The challenges of SMEs facing the era of society 5.0 include: (1) The problem of digital economy control, which affects the behavior of people who used to shop at retail stores, now switch to online shopping on a massive scale. The socio-cultural aspects that are getting used to this need special attention so that there are not many physical retail stores that fall; (2) The problem of inequality caused by current work can be done by an automated system, so it is necessary to prepare skills for the future and relatively large capital; (3) The issue of unfair competition to watch out for when one platform dominates too much, so users cannot determine the most suitable service choice for them to face the era of society 5.0, many improvements are needed, especially in the technological aspect because mastery of technology is the main key to determine competitiveness in the digital industry (Gavrila & Ancillo, 2021).

Table 3. Income Turnover of MSMEs for 2017-2021 Period

Comodity	2017	2018	2019	2020	2021
Handy Craft	33,549,450,000	32,531,600,000	31,513,750,000	30,495,900,000	29,478,050,000
Batik	1,301,391,000	1,310,995,700	1,320,600,400	1,330,205,100	1,339,809,800
Beverages	725,000,000	702,550,000	680,100,000	657,650,000	635,200,000
Food	16,307,671,500	19,858,674,400	23,409,677,300	26,960,680,200	30,511,683,100
Fashion	867,976,150	1,011,811,380	1,155,646,610	1,299,481,840	1,443,317,070
Convection	224,500,000	214,001,400	203,502,800	193,004,200	182,505,600

Source: (Dinas Koperasi dan UKM Jawa Tengah, 2021)

Overview of the Implementation of the "Rambo" Innovation-Based Survival Strategy Model

The government has initiated a commitment to build a technology-based industry that is globally competitive through the acceleration of industry 4.0 and society 5.0, which is marked by the implementation of "Rambo: Innovation-Based Survival Strategy Model" as a road map and strategy to adapt to the digital era

that is currently underway. The "Rambo" model can provide a clear direction for the movement of digital marketing schemes according to the needs of the global industry. The preparation of this road map needs to involve various relevant stakeholders ranging from government agencies, MSME associations, industry associations, technology providers, and research and educational institutions. Implementing the "Rambo" model will certainly be successful and on target through the commitment and active participation of all parties. The government has the opportunity to prepare five industries that focus on implementing the "Rambo" model, namely food and beverage, textiles, automotive, electronics, and chemicals. These five industries are expected to become the backbone and have a significant economic contribution to the region towards smart economics. This will be a clear example of a scheme capable of encouraging new job creation and new technology-based investment. Furthermore, the MSME ecosystem is expected to attract foreign investment, improve the quality of technology-based human resources, develop innovation, and harmonize rules and policies that stimulate governments in other provinces to adopt the "Rambo" model of MSME business performance can be implemented comprehensively.

In implementing the "Rambo" innovation-based survival strategy, comprehensive operational procedures must be provided to be right on target, effective, and efficient. The main advantage of the "Rambo" model is that it makes it easier for the market to access data and information related to the products offered by MSMEs so that economic turnover is prioritized for local products. This shows the government's contribution to boosting MSME business performance digitally in market penetration. Meanwhile, the main features of the "Rambo" model include (a) digital content to display visualizations of MSME products offered (such as photos, videos, descriptions, and prices) in the application; (b) Application encryption security to guarantee transactions between MSMEs and their consumers; (c) Ease of use of applications that make access anytime and anywhere with lower data usage costs; (d) A relatively frequent discount policy is given to allow more purchases to occur; (e) The AdSense feature is massively aimed at promoting MSME products or brands on customers' social media. The successful implementation of the "Rambo" model in improving MSME business performance in the digital industry requires high consistency to be optimal. The rapid improvement in technology infrastructure is also one of the key factors in opening up access to information for MSMEs to penetrate the market and expand market share to the international level. The multiplier effects of the "Rambo" model are (1) the increasing involvement of stakeholders at the international level in the field of smart economic development and (2) the increasing effectiveness of MSME governance based on integrated advanced technology.

The Suitability of the "Rambo" Innovation-Based Survival Strategy Model for MSME Market Penetration in the 5.0 Society Era

The digital platform has indeed been set up to be used by MSMEs to penetrate foreign markets through virtual offerings. Digital platforms have several unique characteristics, requiring a 3D environment that allows businesses to offer customers a virtual, real-life shopping experience without physically visiting. Products can be visualized in 3D and interact in real-time conditions. It should be noted, however, that the adaptation of MSMEs to the use of technology on digital platforms is still in the process and developing stages. Then the metaverse concept will play an important role in the future and radically change the way we do business processes (Haneberg, 2021).

When choosing a profitable market, MSMEs will seek a balance between benefits, costs and risks. Based on the research results Jorge-Vázquez (2021) developed a two-stage model to select a profitable market, including the first stage based on an evaluation of the attractiveness of market size, followed by an evaluation of the market's structural attractiveness (for example, variable costs, structural compatibility, and government policies). Each digital platform has its unique audience, themes, culture and rules, which must be learned before entering the metaverse. MSMEs can decide to compete on more than one digital platform simultaneously to increase revenue, brand awareness, and knowledge of the target market. To gain a wider knowledge of foreign markets, MSMEs need to mobilize innovation and creativity in displaying attractive stores on digital platforms. In addition, this market penetration strategy offers an opportunity to learn about competitors to enhance the business learning experience, increase brand awareness, and earn more profits.

When entering foreign markets, MSMEs must decide whether to use local marketing mixes or develop new localized digital-based mixes for international markets.

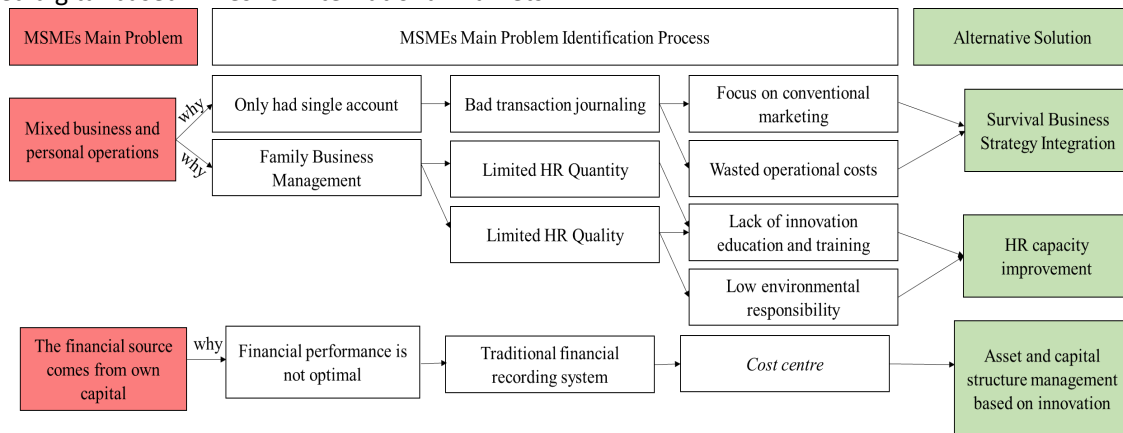


Figure 4. Integrated Survival Strategy Model in 5.0 Society Era “Rambo”

The model in Figure 4 is based on a generic web-based Key Performance Indicator (KPI) to ensure it is more effective and suitable for the digital industry in terms of (1) Conversion rate involving the proportion of visitors or buyers who continue to participate through subscriptions; (2) New visitors vs. regular visitors who focus on the proportion of visitors or existing buyers who are increasingly loyal and even able to invite or influence new potential buyers to buy the product; (3) The level of abandonment is fluctuations in the cancellation of product purchases that need to be consistently observed by the manager to be evaluated and made improvements in order to increase customer loyalty to brands and products; (4) Cost per conversion is a calculation of the total cost required by MSME actors to campaign through social media or other means when penetrating the market (Sugandini et al., 2019).

Key Performance Indicators (KPIs) are very important for evaluating the success of the business performance and are measured in the form of calculations or ratios that are integrated with business strategies based on location and type of process. From a digital marketing perspective, it is important to note that selecting an appropriate Key Performance Indicator (KPI) is essential for effective monitoring of business performance and providing an opportunity for MSMEs to make the necessary decisions to ensure continuous improvement. The success of Key Performance Indicators (KPIs) can be measured by intensely and regularly reviewing business performance based on engagement in digital platforms related to the use of “consumer engagement” to build brand awareness. The key is that digital platforms allow like-minded people to interact and exchange information about the content on offer so that online customers are attracted to fun, informative and unique activities. This information can be used to attract customers while respecting the ethics of the online community.

Conclusion and further research

This study found that the contribution of the survival strategy model in the 5.0 society era provides access to information to obtain digital market segmentation, appropriate market targeting, and effective product positioning. To take advantage of opportunities and answer the challenges of the era of society 5.0, MSMEs should have data, technology, and data literacy capabilities. Data literacy is needed to improve skills in processing and analyzing big data to improve public and business services. Technological literacy shows the ability to utilize digital technology to process data and information according to their needs to gain market knowledge that will minimize risk and increase their confidence in their ability to penetrate the market in the digital industry.

MSMEs should have innovation skills, including creativity and curiosity, problem-solving, and risk-taking. Other skills that are no less important are leadership skills, responsibility, having ethical and moral values, productivity, accountability, flexibility, adaptation, social, cross-cultural, initiative, and

independence. The government can take advantage of the advantages of the "Rambo" model in the post-Covid-19 pandemic to facilitate MSMEs in developing business capabilities, expanding market share, and increasing members of international-scale strategic partnerships. However, the specific weakness of this program is that it only focuses on digitizing marketing strategies without integration into other business processes. Suggestions for implementing an integrated digital marketing strategy should include guidelines for understanding consumer behavior, accessing market data more easily, and using social media as a form of continuous communication that shows the proximity of MSMEs to customers.

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