

Digital Transformation SMEs by Analysis SWOT

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Abstract. Digital transformation is a change that occurs in an organization or business due to the use of digital technology comprehensively. Digital transformation can improve the performance of small and medium enterprises (SMEs) in terms of efficiency, innovation, and competitiveness. However, digital transformation also poses challenges and risks for SMEs, such as costs, competencies, security, and cultural changes. Therefore, SMEs must conduct a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) to evaluate the internal and external factors affecting their digital transformation. SWOT analysis can help SMEs determine the strategy that suits their **conditions** and goals. The research method used in this paper is a literature study, which collects, analyzes, and summarizes information from various sources related to digital transformation, SME performance, and SWOT analysis. The results of this study are expected to provide insights and recommendations for SMEs who want to do or improve their digital transformation. The novelty of research with SWOT analysis is the ability to produce findings or suggestions that are new, relevant, and valuable based on the evaluation of strengths, weaknesses, opportunities, and threats of an object of research.

Keywords: Digital transformation, SMEs Performance, SWOT Analysis

1. Introduction

Using technology for more information and communication is a widespread make challenge new to the trade sector. Since the emergence of the internet that arrived moment, This Keep going innovate and evolved, the world to be a close end finger; the whole world can be affordable with one click, and we can search, find, and buy goods and services around the world [1]. Many years Lastly, the emergence of digital transformation is A phoneme important in study system information strategy [2]. Digital transformation is marked by using new digital technology to enhance significant business lize a deep digital technology framework to increase products and services, optimize efficient operation, industrial process automation, improve experienced customers, and change business models [3].

Companies must develop by building connections through connection to get access to ability digitization and to source power. As for the Source power that can be accessed externally, this can influence performance companies [4]. Not only must big companies react to the transformation from traditional going to digitization business micro, small and medium enterprises (MSMEs) also participate. Digital transformation is conducive to increasing Power and competitive comprehensive business micro, small and medium enterprises (MSMEs).

Micro, small, and medium enterprises (MSMEs) represent big businesses worldwide and contribute to the new and developing global socio-economy represent throughout the sector economy; SMEs represent part important from order entrepreneurship and contribute to the development and sustainability area [5]. According to the latest Commission Europe report, 25 million European SMEs contribute almost half of the European GDP [6]. In Asia, MSMEs cover 96% of the whole business in Asian countries and contribute to the growth of the regional economy and the progress of a country SMEs comply with position strategic and own role necessary in the structure of the Indonesian economy where the MSME sector, according to Bank Indonesia (2023), contributes significantly to Product Gross Domestic (GDP) as much as 61.1%, exports as much as 14.4%, and absorption power Work as much as 97.1%.¹

If compared to big, small, and medium enterprises (SMEs). Own problems like scale small, weak anti-risk ability, proprietary funds self who needs to be more, and difficult financing social [7]. Meanwhile, in the digital era, when This demand changes, all aspects are more efficient, fast, and inexpensive. In the case part, prominent SME entrepreneurs are Still Not Ready to face change arch will see part of the digital transformation of SMEs from side opportunities and threats and how SMEs develop strategies for face competition in this digital era with SWOT analysis.

2. Literature Review

2.1 Digital Transformation

Digital transformation or *Digital transformation* is a change method in handling work that uses technology information for more effective and efficient use [8]. Digital transformation is a radical process / external standard involving your power, including utilizing existing digital technologies moment That For produces external organization for new experiences [9]. term transformation refers to a change in an organization that significantly influences the structure of organization Alone [4]. Digital transformation is changes caused by technology caused by digital business.

2.2 SMEs

It covers transformation organization, process, and technology-oriented goals necessary to succeed in the digital age, called SMEs whose business amount of personnel is below a certain threshold. SMEs by global own the abbreviation "SME" used in the European Union and by organizations international such as World Bank, United Nations, and Organizations World Trade (WTO) [10].

¹ Bank Indonesia, Bank Indonesia MSME Development Framework, *aces 22 october 2023*, <https://www.bi.go.id/id/umkm/program-pengembangan-umkm/default.aspx>.

According to the definition Commission Europe (2016) (in Kawung et al., 2019), UKM refers to a business micro with the amount, not enough ten employees and a turnover annual not enough from 2 million to a business small the amount not enough 50 employees and a turnover annual not enough 10 million and effort medium company sized big with not enough of 250 employees and turnover annual not enough of 50 million. Whereas according to SME Regulation criteria, Government No 7 of 2021 in Indonesia, SMEs with Micro Enterprises have venture capital until with a maximum of IDR 1,000,000,000.00 (one billion rupiahs) no including land and buildings place business, small businesses have venture capital more from IDR 1,000,000,000.00 (one billion rupiahs) to with a maximum of IDR 5,000,000,000.00 (five billion rupiahs) no including land and buildings place business, and Medium Enterprises have venture capital more from IDR 5,000,000,000.00 (five billion rupiah) up to with a maximum of IDR 10,000,000,000.00 (ten billion rupiah) no including land and buildings place effort.

2.3 SWOT Analysis

SWOT analysis systematically identifies various factors to formulate corporate strategy internal Strengths and Weaknesses environment as well as external Opportunities and Threats faced by the business world. SWOT analysis is used to identify opportunities and challenges and how SMEs develop strategies for competing in the digital era [12]. SWOT analysis systematically identifies various factors to formulate corporate strategy. Strategic planning evaluates some projects or speculation businesses' strengths, weaknesses, opportunities, and threats [13].²

3. Research Methods

This approach studies literature and models literature with sources of data obtained based on empirical data sourced from official literature, as for technique sourced data collection from relevant literature with topic study like journals, books, and scientific articles. Furthermore, in the study, this use method will use SWOT analysis to identify internal and external factors in SME digital transformation. The study's internal factors are Strengths (S) and Weaknesses (W). meanwhile, factor external, Opportunities (Opportunities) and Threats (Threats) are described in the following templates:

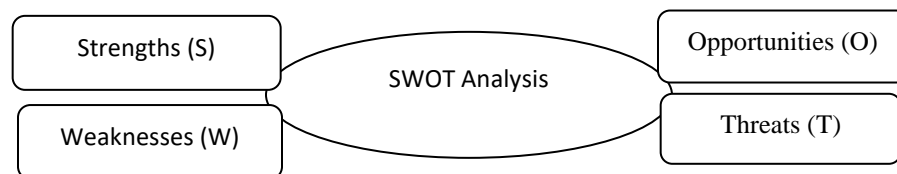


Fig. 1. SWOT Template

² Government Regulation No. 7 of 2021 Indonesia

4. Results

4.1 MSMEs In the Economy

SMEs become the backbone of the world economy. SMEs account for 90% of activity business and contribute more than 50% of field jobs worldwide. A survey conducted by the World Bank shows that the average SME covers about 96% of all the world's listed companies and represents about 50% of forced work roduct Gross Domestic (GDP). Big No is recorded if combined with some informal SMEs, so the contribution becomes bigger Again [14]. In many countries and particular countries of the Organization for Economic Cooperation and Development (OECD), SMEs are a crucial player in the economy and ecosystem more companywide are very important for the economy of the country. SMEs' contribution to product domestic the country's gross domestic product (GDP) has increased to 38.3 percent in 2018 from 37.8 percent in 2017 [15]. In Indonesia, in part, prominent people in business belong to micro, small, and medium enterprises (SMEs). The percentage of about 99% of entrepreneurs in Indonesia are people in business, micro, small, and medium py strategic positions in every country's economy. SMEs play a crucial and essential role in the economy of Europe and are considered a machine growth economy. According to the latest Commission Europe report, 25 million SMEs contribute almost half of the European GDP according Li et al.,(in Becker & Schmid, 2020). Meanwhile, Asian SMEs tend to dominate community corporations in all countries of the Asian region, and they cover more than 96% of the whole Asian business [16]. Furthermore, SMEs provide about 75% of employment in sector non-financial business (NFBS) EU-27; around 21 million SMEs were active in EU-27 in 2020, accounting for 99.8% of all companies [17]. 93% of these SMEs are business micro [17]. In 2020 EU 27 SMEs created 53% of the total value added and 65% of the total field EU NFBS work in developed countries, as quoted from data from the Ministry of Industry and Technology China information, SMEs in China donate more than 50% of tax, more than 60% of GDP, more than 70% to innovative technology, and more than 80% of the field Work power Work urban. SMEs are a crutch main progress of the national social and development economy in each country, as well as the sector important for expanding capacity field work and reducing conflict employment.

4.2 SWOT Analysis of SMEs In the Digital Era

4.2.1 Strength

From a global perspective, it has been acknowledged that SMEs play a crucial role in the development and growth of the economy products through the SME sector, development digitization, and the demographic bonus in 2035 to be potency in increased sector business [18]. Digitization is one direction of the leading development economy, from small businesses to attention in various countries ne growth-capable economy increasing the country's foreign exchange, encouraging growth economy more evenly, open field work, sustaining needed community, and spurring the economy when critical. SMEs influence acquisition product domestic gross and supply field Work (Susilowati et al., 2020). In developing countries, Rahman et al. (in Susilowati et al., 2020) create fieldwork and growth economies.

Meanwhile, in developed countries, MSMEs are very important, not only group businesses that absorb the most power Work compared to business large (UB), like the case in moderate country's development, but also its contribution to the formation or growth of the most significant gross domestic product (GDP). Compared to contributions from big business [20]. SMEs have proven to sustain the country's economy during the crisis and pushed for adaptation to competition business and competition in the Century pandemic. The current digital era opens opportunities for increased performance and contribution to the economy nationally with the government's support. As the crisis demonstrated finance and economics previously, SMEs have proven more potent than large and multinational companies.

4.2.2 Weakness

Digital transformation is critical for SMEs to go out from crisis continuity caused by the epidemic and help the development period long Es to adapt to draft Industry 4.0 and the capabilities of SME organizations to face challenges are only part any constraints felt by SMEs, access financing is the most significant. Financial constraints negatively influence sales companies and growth field work he most severe obstacles to adopting digital business platforms between customers and sellers. The customer was potentially demanding for obtained when doubt appeared around the correct business process. This naturally impacts on profits and sustainability of the company [21]. The number of possible factors affecting SMEs in utilizing technology needs analysis to continue. According to F. Ajmal and NM Yasin (in Andriani et al., 2020), state limited resources and understanding, SMEs need to be Ready To adopt a digital business platform.

4.2.3 Opportunity

Deep digital transformation business has brought Lots of opportunities for innovation in all industries. From retail to knowledge life, from pharmacy to banking, we look at inventions that return products, services, and experiences presented in full to the market [22] states that technology Industry 4.0 provides ample opportunity for the SME sector to increase power competitiveness. SME's possible big will become winners from the shift; SMEs can often apply more digital transformation fast than company significant because they can develop and implement new IT structures from the beginning more easily. In this era, there are Lots of opportunities and profits for business that can be achieved by utilizing an internet network. For example, push cost production Because accessing material rawer is easy, shorten track marketing, or expand the market through the internet network so efficient and effective production can be improved [12].

4.2.4 Threat

Threat is an obstacle for SMEs to reach their desired position [12]. SMEs, in general, face considerable challenges like changes in technology, lack of capital, lack of access to source power, especially finances, constraints in access to the information business, capacity technology that does not adequate and low usage, cost high transportation, difficulty in communicating, the problems posed by processes and regulations consuming bureaucracy time and expensive, increasing competition and constraints related capacities with knowledge, innovation, and creativity g are

business family and the need for more analysis deep about readiness in adopting technology. The modifications fueled by the digital age can be considered factors supporting and inhibitors continuity of SME business [21]. SMEs tend to be more vulnerable and usually own more, have little sources of internal power, and need to be more capable of overcoming gap liquidity with fast adapting business models, procedures, operations, and channels of marketing [15].

5. Conclusion

Study This describes digital phenomena in the current industrial era 4.0. Implementation of technology by entrepreneurs not only becomes essential but becomes conditionally developed for business and business models. SMEs are influential in the world economy, particularly in developing countries and the OECD. SMEs donate part big from activity business, field jobs, and products domestic gross in various countries. SMEs are also considered machine growth economies in Europe and Asia. Digital transformation delivers opportunities for SMEs to create and enter the environment with new business, openness, and access consequently. Consequently, digitization can create more impact good for SMEs. SME digital transformation in a study is depicted with SWOT analysis, where analysis is used to see internal factors consisting of strengths and weaknesses as well as external factors consisting of opportunities and threats for SMEs in the digital era.

6. Implications

Digital transformation and technology adoption for SMEs is an essential strategy in this era. Digitization's impact period is extended for SMEs in the economy. Digital transformation can increase income by optimizing business processes and offering products or appropriate services with market needs. Accessibility to a broader customer base with the internet and social media as means of promotion and distribution. Enhancement of efficiency operational with automated business processes, e.g., management inventory, buying, selling, and recording finance. Involve more customers active with giving fast, easy, and personal service through applications or digital platforms. With good impact, digitization for SMEs must quickly accelerate. Digital acceleration is a must supported by various parties, especially the government as a policy maker.

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