Examining the Challenges of the Crisis in Indonesia in Terms of Business Model Tactics

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Abstract
Penelitian ini membahas tentang inovasi model bisnis sebagai perencanaan dan perancangan cara-cara baru dalam menjalankan bisnis, dengan perubahan dan perbaikan proses bisnis, baik secara internal maupun kolaborasi eksternal. Inovasi bertujuan untuk menciptakan proses kerja yang baru, sehingga meningkatkan nilai tambah bagi para pemangku kepentingan. Metode penelitian menggunakan pendekatan kuantitatif dan kualitatif, dengan melibatkan pemilik UMKM sebagai subjek penelitian. Pemilihan responden dilakukan secara non-probability purposive sampling. Melibatkan 110 UMKM di Indonesia, analisis statistik menggunakan SPSS versi 25. Temuan menunjukkan dua jenis model bisnis, start-up dan transformasi, mengindikasikan UMKM menciptakan strategi untuk mempertahankan bisnis. UMKM memaksimalkan aplikasi, media sosial, dan pasar online. Rekomendasi yang diberikan adalah UMKM fokus pada strategi inovasi model bisnis, tidak menunggu sumber daya baru, dan mendukung pemerintah melalui sosialisasi, infrastruktur, dan bantuan modal.

Kata Kunci: Strategi Model Bisnis Inovasi, UMK Indonesia, Krisis
Abstract
This research discusses business model innovation as the planning and design of new ways of doing business, with changes and improvements to business processes, both internally and in external collaboration. Innovation aims to create new work processes, increasing the added value of stakeholders. The research method uses quantitative and qualitative approaches, involving MSME owners as research subjects. Non-probability purposive sampling was used to select respondents. Involving 110 MSMEs in Indonesia, statistical analysis used SPSS version 25. Findings show two types of business models, start-up and transformation, indicate MSMEs create strategies to maintain business. MSMEs maximize apps, social media, and online marketplaces. Recommendations suggested that MSMEs focus on business model innovation strategies, not wait for new resources, and support the government through socialization, infrastructure, and capital assistance.

Keywords: Business Model Innovation Strategy, Indonesian SMEs, Crisis

INTRODUCTION
During the Covid-19 pandemic, countries around the world are facing unprecedented challenges, with far-reaching consequences for their economies. Many countries have implemented strict measures such as lockdowns and restrictions on outdoor activities to curb the spread of the coronavirus. Indonesia is one of the countries where the virus is spreading rapidly, posing significant challenges for the government in managing the growing number of cases. When news information is abundant, uncertainty increases, creating confusion about the veracity of news and rumors. Anxiety is heightened when community leaders or health authorities make major mistakes in forecasting the development of an outbreak (Taylor, 2022). Government and societal responses have had a profound impact, and will continue to shape the world. Given the ongoing pandemic and its devastating impact on various aspects of society, it is reasonable to anticipate significant changes in the post-pandemic world compared to the pre-pandemic era (Bieber, 2022). The government implemented various policies, including social distancing, implementing curfews, and promoting remote working. Communities have been severely affected by government regulations, leading some companies to make difficult decisions such as reducing employees, closing branches, or even shutting down altogether. Some communities affected by corporate policies were caught off guard, prompting them to seek survival strategies, such as turning to MSMEs. During the pandemic, many previously thriving businesses have experienced a significant decline in operations. Furthermore, the adoption of social distancing measures to mitigate the transmission of the virus has had a notable effect on the services industry, particularly in sectors that heavily rely on face-to-
face interaction. The vulnerability of this sector to change is significantly higher due to its heavy reliance on small and micro enterprises, setting it apart from the manufacturing sector (Belitski et al., 2022). Micro, small, and medium enterprises have had a significant impact as they fulfill operational needs that were traditionally done on-site but now require a reduction or even suspension of business activities in physical stores. Small and large companies, capable of building platform-based ecosystems, have been the forces of "creative destruction," value creation, and value appropriation since the pandemic began (Acs et al., 2021). Small and medium-sized enterprises have faced various challenges during the pandemic, struggled to stay afloat during the initial lockdown and faced barriers in reaching out to their customer base.

![Indonesian MSME's Users](chart1)  
**Chart 1-1 Indonesian MSMEs of Technology User**  
*Source: Kata data Insight Center (KIC) (2020)*

According to researchers from the Center for Indonesian Policy Studies (CIPS), the level of digitization of Micro, Small, and Medium Enterprises (MSMEs) is currently still low. Therefore, existing policies are required to be able to increase digitalization through the industrial revolution 4.0. Data from the Ministry of Cooperatives and Small and Medium Enterprises (2020) shows that only 13 percent of MSMEs use digital platforms such as marketplaces and social media to promote and sell their products. “The level of digitization is low,” (Siti Alifah Dina, 2020). The rapid development of e-commerce affects some MSMEs in Indonesia because some areas have internet limitations and technological tools have difficulty handling development, so most still use social media, for example, the applications namely WhatsApp and Instagram where the application is not in a special edition of business.
Based on the above description of the problems experienced by MSMEs, the relationship from research has hopes in providing solutions and convenience for MSMEs to improve their innovation business model by making business through during the pandemic period to the end. And then the technical problems, the Government hopes to improve supporting infrastructure so as not to miss out on developments and provide socialization or understanding of technology and also its use for MSMEs in Indonesia for example, considering that there are still many who do not know small things such as digital applications in general. That way, this research aims to watch and determine the continuity of business model innovation and what strategies are often applied by MSMEs to the innovation business model during the covid-19 period. In addition, the main reason for creating a technique within the innovation business model is required immediately for this case when the understanding remains minimal for Indonesian MSMEs it's difficult to seek out and match what steps should be applied immediately.

Innovation business model strategy is a quality improvement strategy in innovating to develop a business to be able to penetrate the market. Many researchers have researched innovation business model strategies through canvas business model approaches and most research focuses on one area or one business, but research related to approaches through the innovation business model framework and research conducted from several businesses in Indonesian MSMEs is still rare, and especially in the pandemics condition. The innovation from this research connects the innovation business model strategy as the main driver in the innovation business with several Indonesian MSMEs through representatives from several regions and sectors, most of which have been registered with the ministry of cooperatives and SMEs in the development of MSMEs in Indonesia.

The business model describes the rationale for a way organizations create, deliver, and capture the worth of business model generation explaining how companies are ready to
respond quickly to customer desires by providing the simplest value within the company (Osterwalder & Pigneur, 2013). Innovate business models in a variety of industry contexts for the design of new sources or modification of existing resources, sometimes without a large investment in research and development (R&D). Companies need innovation to run a sustainable business because business models need to change to create corporate value that can compete with competitors.

According Karlson (2017) Phases in the business model innovation process are preparation, generating ideas, integration, and implementation. A company’s competitive advantage in the future is not determined by innovative products and processes but is determined by innovative business models (A. B. and O. Gassmann, 2016). Business in Indonesia is regulated and defined as Trade Through Electronic Systems (PMSE), in this case, is a trade transaction of goods and or services conducted through a series of electronic devices and procedures, as stipulated in Government Regulation No. 71 of 2019 (“PP 71/2019”). PMSE in its popular terminology is commonly known by consumers as E-Commerce. Companies or businesses involved in PMSE have different innovation business models, according to how electronic systems are used to run businesses and earn income (O. Gassmann & Schweitzer, 2014).

Law No. 7 of 2014 on Trade (Trade Law) and Law No. 19 of 2016 on Amendments to Law No. 11 of 2008 on Information and Electronic Transactions (Consumer Protection Law) is a reference for every business actor in conducting trade transactions, both conventional trade, and trade through online or e-commerce. Research theory types of innovation business models are adapted from the research of Sustainable Business Model Innovation (Geissdoerfer et al., 2020) through the following chart figure:

Figure 2-1. Types of Business Model Innovation
RESEARCH METHOD

Mixed research methods are research approaches that combine qualitative research with quantitative research to solve research problems (Creswell, 2012). The mixed research method is a research method by combines two qualitative and quantitative research methods in a research activity so that more comprehensive, valid, reliable, and objective data will be obtained. (Sugiyono, 2016). The overall purpose of mixed research methods is to expand and strengthen research conclusions and the use of these methods contributes to answering one’s research questions. So, in the end research with mixed methods acquires high knowledge and validation. To support the results of the study, an additional interview was conducted in writing with 10 respondents representing the total number of 110 respondents in the study and then the results were summarized to explore their responses related to the innovation business model strategy. Responses to the summary results come from the questionnaire’s constructed answer on the thought plan for developing the MSME innovation business model, this question is not determined by any score and only reviews the basic understanding and implementation of the innovation business model in Indonesian MSMEs during the pandemic.

RESULT AND DISCUSSION

Validity and Reliability Test

The validity test results for the Indonesian MSMEs variable (Y) with the number of 10 statements were declared valid after being compared with the value of r table (N -2 = 110 - 2 = 108) the results showed a value of 0.1874. pearson correlation value is 0.805; 0.797; 0.713; 0.685; 0.787; 0.837; 0.796; 0.711; 0.708; and 0.722, the entire statement of variable Y above the value of rtable or > 0.1874. The validity test result for the Indonesian MSMEs variable (X1) with the sum of 5 statements was declared valid after comparison with the table r value (N -2 = 110 - 2 = 108) the result showed a value of 0.1874. pearson correlation value is 0.858; 0.862; 0.811; 0.843; and 0.773, the entire statement of variable X1 above the value of rtable or > 0.1874. The validity test results for the Indonesian MSMEs variable (X2) with the number of 6 statements were declared valid after being compared with the value of r table (N -2 = 110 - 2 = 108) the result showed a value of 0.1874. pearson correlation value is 0.795; 0.834; 0.754; 0.759; 0.730; 0.769; 0.646; 0.686; and 0.732, the entire statement of variable X2 above the value of rtable or > 0.1874. The validity test results for the Indonesian MSMEs variable (X3) with the number of 6 statements were declared valid after being compared with the value of r table (N -2 = 110 - 2 = 108) the result showed a value of 0.1874. pearson correlation value is 0.858; 0.862; 0.811; 0.843; and 0.773, the entire statement of variable X3 above the value of rtable or > 0.1874. The validity test results for the Indonesian MSMEs variable (X2) with the sum of 5 statements was declared valid after comparison with the table r value (N -2 = 110 - 2 = 108) the result showed a value of 0.1874. pearson correlation value is 0.858; 0.862; 0.811; 0.843; and 0.773, the entire statement of variable X2 above the value of rtable or > 0.1874. The validity test results for the Indonesian MSMEs variable (X3) with the number of 6 statements were declared valid after being compared with the value of r table (N -2 = 110 - 2 = 108) the result showed a value of 0.1874. pearson correlation value is 0.858; 0.862; 0.811; 0.843; and 0.773, the entire statement of variable X3 above the value of rtable or > 0.1874. The validity test results for the Indonesian MSMEs variable (X2) with the sum of 5 statements was declared valid after comparison with the table r value (N -2 = 110 - 2 = 108) the result showed a value of 0.1874. pearson correlation value is 0.858; 0.862; 0.811; 0.843; and 0.773, the entire statement of variable X3 above the value of rtable or > 0.1874. The validity test results for the Indonesian MSMEs variable (X3) with the number of 6 statements were declared valid after being compared with the value of r table (N -2 = 110 - 2 = 108) the result showed a value of 0.1874. pearson correlation value is 0.858; 0.862; 0.811; 0.843; and 0.773, the entire statement of variable X3 above the value of rtable or > 0.1874.
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The results of the reliability test analysis in this study to assess whether each variable construct is worth using in the study by reviewing Cronbach’s Alpha value from MSMEs Indonesia of 0.916; the preposition value has a value of 0.884; value chain of 0.908; and revenue logic with a value of 0.920, by comparing between Cronbach’s Alpha score with a minimum score of 0.70 (Eisingerich and Rubera, 2010) Cronbach’s alpha reliability level minimum is 0.70, and the four variables in the study can be concluded Reliability.

Regression Results:

From the equation of regression results above, it can be interpreted that the variable constant is 11.297 where at the time variable X1 is the preposition value, variable X2 is the value chain, and the variable X3 is revenue logic is worth 0 then the value of MSMEs Indonesian (Y) is 11,297, this result is significant at alpha 5% in the Coefficient table of SPSS Output. The coefficient value (X1) of 0.436 means that if there is an increase in the preposition value variable by 1 point assuming others remain, it will increase the value of Indonesian MSMEs by 0.436. Variable coefficient value (X2) of 0.272, a positive value indicates a relationship in the same direction as Indonesian MSMEs, which means that if there is an increase in the value chain by 1 point and others remain it will increase the value of Indonesian MSMEs by 0.272. The variable coefficient value (X3) is 0.474 which means that if there is an increase in the revenue logic variable by 1 point assuming others remain, it will increase the value of Indonesian MSMEs by 0.259.

Hypothesis Test (T-Test)

Testing through T-statistic and Ttable each variable is free, with the following explanations:

1. Value Preposition (X1), T-statistic (3,220) > T-table (1.9826) then the hypothesis is supported/accepted.
2. Value Chain (X2), T-statistic (3,590) > T-table (1.9826) then the hypothesis is supported/accepted.
3. Revenue Logic (X3), T-statistic (4,276) > T-table (1.9826) then the hypothesis is supported/accepted.
Discussion

The results of the study obtained are reviewed based on Garyfox’ perspective who is a strategy and innovation specialist, divided the business model category into 2 business models, namely: the first, a business model that is specific to companies that have been running for a long time in the sense that the company is already operating first so that the possibility in establishing a new business model and a more innovative business model strategy requires the company to realign the company’s arrangements to achieve significant changes. The second business model category from GaryFox is the business model of start-up companies or new ones running, not so much effort in changing strategy or it can be concluded that start-ups can adapt faster than long-running companies. Start-up companies can set and implement innovation strategies directly on the business model seriously as a first step before running the company.

In reality, many MSMEs in Indonesia, particularly those that are newly established, face various financial problems. They frequently face start-up capital constraints, limited access to capital, and cash flow management challenges. This affects their ability to design and implement innovative business strategies. Nevertheless, some MSMEs that have been operating for more than 2 years may have more experience managing their finances. They can make adjustments in their business models based on a better understanding of the market and customer needs. On the innovation front, MSMEs tend to face challenges in creating products or services that are truly innovative and differentiate themselves from competitors. This can be due to limited resources and access to technology and knowledge required for significant innovation. In terms of business models, Indonesian MSMEs often adopt more traditional business models, especially in more conservative sectors. However, with the trend of business model transformation, MSMEs are starting to explore new business models that are more adaptive and responsive to market and technological changes. Thus, the real condition of Indonesian MSMEs is that they face various challenges in terms of finance, strategy, innovation, and business models. However, with the right support from the government, financial institutions, and a thriving business ecosystem, they have the potential to continue to grow and contribute to the national economy.

This opinion is supported by research from Geissdoerfer et al., (2018) researched together with colleagues to create a category of business models owned by businesses based on a common type of business model innovation, there are 4 categories, namely: Start-up, with business conditions whose business model is not specified at this time and newly created business models; Business Model Transformation, in the sense of a business
that has a business model and is preparing in the transition of other business models; Business Model Diversification, which is categorized for businesses that have established a business model then add a business model that has just been created and Business Model Acquisition, a business category for business people with additional business models obtained and integrated. Indonesian MSMEs, it is more inclined to the transformation innovation business model and the other innovation business models are usually owned by businesses with medium and upper levels that have been operating for a long time or large companies that have adequate resources. If the innovation business model of Indonesian MSMEs is categorized at levels 3 to 4, it will be difficult to reach the business model needed so MSMEs in Indonesia will lose their way in determining the business model carried out and taking innovation business model strategies that are not on target.

The discussion and research results reviewed the results of this study and the results of previous research conducted in Indonesia and other countries, as follows: The closest research to the results of this study is research from (Permatasari & Dhewanto, 2013) and (Matzler et al., 2013), there are similarities in determining the strategy of the innovation business model as well as evidence of the successful creation of the right innovation business model strategy. What is different is the category of innovation business models and research objects conducted on large businesses that are quite well known, as well as innovation business models and innovative business model strategies have successfully had a place to conquer the international market. Although not the same in terms of innovation in business model categories and case study objects used, this can be a motivation for MSMEs by utilizing resources by suppressing the focus of customer segments, proposition values, and business partners. Takupiwa Nyangga (2020) and Kim Klyver (2021) SMEs run businesses with online systems and activities to use social media fully to deal with crises during the pandemic become a differentiating strategy based on the situation faced. Crisis strategy by exploiting and suppressing the impact of the crisis through innovative business activities and predicting social changes that occur in society, following the real situation of MSMEs in Indonesia which makes people more sensitive to any significant changes in the market and more sensitive to business model innovation by determining and creating effective and easy-to-apply strategic (Takupiwa Nyanga & Herbert Zirima, 2020).

While the difference is seen in research from (Choi & Sethi, 2021) and (Saeed and Nor, 2020) namely business innovation strategies through business operations transfer during the pandemic have similarities with Indonesian MSMEs, people in Indonesia use social media and marketplaces to maximize their business, and business marketing that relies on social
media has been widely used first by the people of Indonesia at large although there are still some obstacles that are still the government’s duty to improve infrastructure. (Bijaya Kumar, 2019) which discusses innovation business models for new companies, especially in the digital field. The study of exploration of innovation business models and the determination of the right strategy for Indonesian MSMEs studied how people’s ability to manage businesses leads to market competition with competitive advantages, especially during the pandemic. It is no longer about how the creation of an innovation business model and its strategy for newly pioneered businesses that still do not know the market and have not determined what business model is the basis of the business.

Detailed Discussion of Each Condition of The Indonesian MSMEs Business Model Innovation Strategy During the Pandemic

![Diagram of MSMEs Development Based on Statements](image)

When viewed from each variable statement; Responding to the development of MSMEs felt during the pandemic contained in the preposition variables, MSMEs have tried business innovation through the assessment stage of the benefits of previous products or services and then the creation of new products with their uniqueness can provide benefits and satisfaction for business owners and customers. In addition, products and prices determined by business owners are still difficult to accept by all levels of customers, and the benefits obtained are uncertain due to the impact of the pandemic, making it confusing for MSMEs to recognize and follow market developments. While variable chain statements about responses that describe the condition of business models during the MSME pandemic do not have a special focus on the customer segment precisely from this situation they learn and understand the difficulty of switching to the creation and development of new business models that are more innovative through new resources. Finally, the response of MSMEs to variable income logic reports, when activity restrictions have an impact on business profits,
not only that, business owners do not have to rely on the implementation of online transaction systems to keep operating but operations can still be carried out through offline by complying with government regulations that are as complete as health protocols to meet customer needs even though they risk having to incur additional costs because if forced in implementation. Online Operation. Not all MSMEs have the ability in this field and do not bear the loss of damaged or expired goods because MSMEs try to monitor directly.

Figure 4-2. MSME's Efforts in Business Model Innovation Strategies

If the response of MSMEs is reviewed based on the framework of the innovation business model; All variables are combined in 1 (one) innovation business model framework, MSMEs in Indonesia during the pandemic have made innovation efforts to create business models, and bring considerable positive influence to businesses, as well as feel the difference between old business models and business models that innovate to maintain business in crises to remain operational and competitive in market competition. Business owners have started an online system and some even rely on dual systems in digital-based business operational innovation systems (online and offline) although not all MSMEs agree that if this becomes a necessity, MSMEs can survive even if they only rely on their resources during the pandemic, these findings are also supported by a study (Kathan et al., 2016). The main goal of Indonesian MSMEs is to create an innovation business model strategy to enhance business development that increases profits and makes business finances effective and efficient during the pandemic or after that period. The development of Indonesian MSMEs is nothing but innovation in products, the main known understanding of business model innovation has not been maximized, especially for micro and small scales that are not familiar with the innovation business model. Product innovation is not enough opportunities for differentiation, imitation products, and short product cycles to increase Indonesian MSMEs that are needed is to create an innovation business model strategy to
improve business development that increases profits and makes business finances effective and efficient during the pandemic or after that period (Matzler et al., 2013). If MSMEs want to outperform competitors in the market competitively, what is needed is the analysis of strategies and strategies to compete in the market by utilizing their business resources (Abraham, 2013).

CONCLUSION

Based on the results of the analysis and explanation, it was concluded that Indonesian MSMEs are still in the category of startups and some MSMEs are in the process of transforming business models, only large companies outside the MSME scale are included in the startup business category. category diversification of business models into the business model analysis. Operational systems run through online and offline MSMEs have no difficulty in maintaining the business model, besides MSMEs maximize applications, social media, websites, and marketplaces to make it easier for MSMEs to reach market segments and facilitate approaches to customers to get to know MSMEs. Not only that, Indonesian MSMEs have carried out their role well in supporting the country’s economy through creativity and uniqueness created such as the existence of product and service variants involving traditional models or characteristics of the country that are packaged attractively to provide a positive response for customers and communities in the market. MSMEs have been registered with the ministry of cooperatives and MSMEs in government development, so that by registering, the government can reach out, socialize, and monitor the development of MSMEs in Indonesia. Government policies make it easier for Indonesian MSMEs to connect and be able to cooperate with fellow MSMEs or large companies both domestically and abroad. The courage in innovating products is also unquestionable, even though try to experiment with creating more innovative business models with simple strategies according to their understanding of business conditions. Customer satisfaction assessment is the main basis for MSMEs to determine the level of target customers and suppliers needed as well as customer needs and also what kind of market is needed.

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