

**THE ROLE OF *DIGITAL TALENT* IN THE ACCELERATION OF GROWTH OF CONVENTIONAL MICRO-ENTERPRISES TOWARD *DIGITAL START-UP***

**Rizka Iffa Annisa<sup>1)\*</sup>, Didik Sugeng<sup>2)</sup>, Nur Annafi Syam Maella<sup>3)</sup>**

<sup>1,2,3</sup> Faculty of Communication Sciences, Dr. Soetomo University, Surabaya, Indonesia

<sup>1)\*</sup> [rizkaiffa2286@gmail.com](mailto:rizkaiffa2286@gmail.com)

***Abstract***

The concept of going digital has become an important focus for future economic development for everyone from micro businesses or MSMEs, and large technology companies, to national governments. With face-to-face business systems hampered, the pandemic has brought awareness to the importance of digitalization and developing digital skills for MSMEs throughout the world. The biggest challenge for MSMEs in carrying out transformation is the lack of digital talent that is owned and developed by MSMEs. The presence of digital talent, or what is usually called digital talent is very vital to be able to take advantage of market opportunities through digital communication strategies created in the industrial era 4.0, to accelerate the growth of micro-enterprises that are not yet technologically literate or not yet digital-based, which we call conventional MSMEs, moving towards start-up companies. digital-based or digital start-up. This can also take them out of the crush of increasingly tight competition. This research aims to find out whether the presence of digital talent with their digital skills and online communication strategies has an impact and influences readiness to face digital transformation so that it can accelerate the growth of conventional micro businesses towards digital-based start-ups or digital start-ups. This research was conducted on a group of MSMEs assisted by the village government in the Sidoarjo district, East Java, Indonesia. The results of this research show that the ability of digital talent has an important role and is very influential in the digital transformation process of conventional micro-entrepreneurs so that they can accelerate the growth of conventional MSMEs into digital start-ups while simultaneously taking them global with a wider market reach, not only national but also international.

*Keywords: Digital Talent, MSMEs, Conventional MSMEs, Digital Transformation, Digital Start-ups, Sidoarjo MSMEs*

**INTRODUCTION**

Smartphones have become an inseparable element of people's lives, especially among millennials and Generation Z, who grew up with mobile devices. So, currently, the sales method using mobile devices online and marketing via social media has become a booming trend. When the Covid-19 pandemic forced people to spend time at home, this trend became a necessity. Seeing this trend, MSMEs are encouraged to adapt and start digitalizing their business.

Digital talent itself is defined as human resources (HR) with the ability to master digital technology. A study conducted by Microsoft with IDC in 2018 stated that digital talent is one of the important keys to digital transformation. What President Jokowi said regarding the digitalization of MSMEs was very correct. MSMEs must

have internet access regardless of where they are, whether in cities or villages, they must have internet access. Then the need for digital talent, of course, the existence of digital talent is very important for MSMEs. Conventional micro-business actors must be equipped with digital talent capabilities so that they can change their activities from psychological space to cyberspace. So far, many MSMEs are not yet familiar with digital technology.

Based on the Kata Data Insight Center survey, 57% of MSMEs admitted to being in bad condition and it is estimated that around 47% are at risk of going bankrupt. Even though this sector contributes 60% of Indonesia's GDP (Gross Domestic Product) and absorbs more than 90% of the workforce.

## **LITERATURE REVIEW**

### **The influence and role of digital talent on digital transformation**

The past pandemic period forced every business actor to adapt to various changes and policies in the new normal era. MSMEs are no exception who feel this way. MSME players must pivot their strategy to be more focused on using digital technology support in all aspects. This means that MSME players must improve their digital skills. Those who have difficulty adapting to technological advances, inevitably have to recruit digital talent to improve their performance to be effective and efficient according to the technological support they have (Leahy & Wilson, 2014); (Hargittai & Shafer, 2006)

MSMEs are a part of entrepreneurship that has many opportunities that can be created through digitalization, so business actors must be aware of these opportunities to be better prepared and innovate sustainably (Hull, Hung, Hair, Perotti, & DeMartino, 2007); (Kraus, Palmer, Kailer, Kallinger, & Spitzer, 2018).

The readiness of MSMEs by increasing the digital skills of their human resources can later make these businesses better prepared for digital transformation. Digital transformation is very necessary to be able to minimize problems and later be able to utilize digital technology to help daily performance. Digital entrepreneurship has become a worldwide phenomenon that emerged through technology by changing all traditional physical things into digital (Hull, Hung, Hair, Perotti, 7 DeMartino, 2007); (Le Dinh, Vu, & Ayayi, 2018); (Kraus, Palmer, Kailer, Kallinger, & Spitzer, 2018).

Previous research that supports this research was conducted by Berman (Berman, 2012) namely that to achieve success in digital transformation a business must focus on customer value, use digital technology, and collaborate. Therefore, for MSMEs to be able to maintain their business and increase the scale of their network, they must also improve their digital capabilities or collaborate with existing digital talent.

## **RESEARCH METHODS**

The research used to examine the role of digital talent in accelerating the growth of conventional micro businesses towards digital start-ups is a type of correlation research combined with descriptive research where the main aim is to examine the relationship between two problem topics with the focus of the question 'Is there a relationship between the two topics?'. Not only that, researchers will also find out whether the relationship between the two topics is weak or strong. So that the results of research can be used for the benefit of humans, either individually or in groups.

To collect various data using survey and questionnaire methods with a quantitative approach to produce valid and reliable data.

An informant is an individual or group who provides relevant information, data or insight related to the research being researched. The informants in this research are

conventional micro business actors who are members of the village government-assisted MSME group in one of the villages in Sidoarjo district, East Java, Indonesia called Bluru Bangkit Sidoarjo.

This research was conducted on a group of MSMEs assisted by the village government in Bluru Kidul Village, Sidoarjo District, Sidoarjo Regency, East Java, Indonesia, whose members are more than 500 conventional micro business actors. The researcher took a random sample of 50 respondents who were members of the group. The following is the status of respondents who have filled out the form by distributing the questionnaire.

**Table 1.** Respondent Status

Status	Amount	Presentage
Conventional Micro Business Actors	40	80%
Customers	10	20%
Total	50	100%

In terms of respondent status, 40 people with a percentage of 80% are MSME players and the remaining 10 people with a percentage of 20% are consumers or customers. The steps used in this survey and questionnaire method are to create a list of questions according to the research being conducted. Then distributed to the respondents. Next, the data obtained from this survey was analyzed. The following is a list of questions in the distribution of survey methods and questionnaires distributed:

1. Is digitalization very important for MSMEs to develop into digital start-ups?
2. In your opinion, the presence of digital talent can expand your business network and marketing reach.
3. Does digital talent play a big role in accelerating digital transformation?

Based on the questions above, they are multiple-choice, linear scale, checkbox, and essay types.

## **RESULTS AND DISCUSSION**

### **Digital transformation of MSMEs**

Digital transformation of MSMEs is the process of switching conventional methods or physical space for MSME players towards the use of digital technology in various operational and managerial aspects or often called cyberspace. This includes the use of the internet, software, hardware and other digital platforms. Digitalization in MSMEs is not just about having an online presence, but also about how MSMEs utilize digital technology effectively to optimize the business development process towards a broader, digital-based business which we often refer to as a start-up or start-up company. Based on data from the Ministry of Trade (Kemendag) in 2023, the recorded value of transactions via digital or E-commerce reached IDR. 533 trillion. This value shot up sharply compared to the previous year when the value was IDR. 476 trillion. Various efforts have been made to encourage national economic recovery, one of which is the development of conventional MSMEs towards technology-based start-up businesses. MSMEs face various challenges, especially in the digital era like now. The reason is that many micro-business actors do not have digital intermediary media and digital talent themselves. They do not understand how and strategies to market products via the Internet, online shopping platforms, and social media. So this is the main obstacle for conventional micro businesses to develop towards digital start-ups.

Based on the problems above, researchers examine the phenomenon of the role of digital talent in the transformation of conventional MSME players who are currently developing toward digital-based start-up businesses with several theories including:

1. Interactivity, digital talent's ability to facilitate communication between consumers and business actors through creative content so that it can build brand awareness for conventional micro business actors digitally.
2. Demassification, creative content or video branding by digital talent can be reached by consumers in large numbers and wider networks because it is technology (digital) based.
3. Asynchronous, communication technology can send and receive messages at the desired time. Social media allows businesses to reach consumers and build more personal relationships.

### **Digital Talent**

Digital talent itself is defined as human resources (HR) with the ability to master digital technology. A study conducted by Microsoft and IDC in 2018 stated that digital talent is one of the important keys to digital transformation. Digital talent has emerged because more and more companies are involving technology in running their business.

Digital talent does not only have to be able to master digital technology. However, they also need to have the ability to develop a business through digital technology.

Currently, many MSMEs use the services of agencies or professional service providers to obtain digital talent that suits their business needs.

This can of course be profitable because usually the talents of third parties are trained and have sufficient experience to be able to compete directly with other parties in their field.

### **Digital Start-Ups**

According to academics and entrepreneurs from Silicon Valley, United States, Steve Blank and Paul Graham in their book, a digital start-up is a start-up company that utilizes digital technology to create solutions to the nation's problems.

This company has several characteristics that differentiate it from conventional MSMEs. First, digital start-ups are founded on innovation. They create new solutions to solve existing problems in the market by utilizing digital technology

Second, digital start-ups tend to focus on developing technology-based products or services that can change the way people interact or run businesses. They look for unmet market gaps and strive to provide unique added value through the creative use of technology.

Apart from that, digital start-ups also often have an adaptive nature and are responsive to change. They can quickly identify new trends, changing customer needs, or emerging business opportunities.

Their ability to respond to these changes allows digital start-ups to remain competitive and relevant in a rapidly changing business environment. Digital start-ups also tend to adopt scale-focused business models, to rapidly expand their reach and influence.

These start-ups are usually able to leverage technological advances, such as artificial intelligence or AI (Artificial Intelligence), Big Data, and the Internet of Things (IoT) to create new and different products or services.

The following is an explanation of the most basic differences between MSMEs and start-ups in table form;

**Table 2.** Differences between MSMEs (Conventional) and Start-Ups (Digital)

MSME	STARTUP
<p><b>Definition:</b> A business run by individuals, households, or small-scale business entities</p> <p><b>Vision:</b> To improve the welfare of the surrounding community</p> <p><b>Objective:</b> To generate profits and increase turnover</p> <p><b>Capital:</b> From personal or bank loans</p> <p><b>Idea:</b> Duplication in nature, established to seek profit so that the risk is lower</p> <p><b>Business reach:</b> Small scale and reach. Growing from a local scale and taking a long time to reach a national scale due to limited access to capital</p> <p><b>Technology:</b> Does not require special technology. Does not use technology significantly in operations.</p> <p><b>Age and durability:</b> 32% will die in the first three years (low risk)</p>	<p><b>Definition:</b> A start-up company that develops a product, either goods or services</p> <p><b>Vision:</b> Dominating the world, shaking up common things in society to the industry in which it operates</p> <p><b>Objective:</b> Making products that are liked by the public and capturing the market</p> <p><b>Capital:</b> Relying on investors or venture capital</p> <p><b>Idea:</b> Experimental, Bringing completely new ideas and breaking conventional patterns in society</p> <p><b>Business reach:</b> Unlimited and always focused on development and can even reach international levels</p> <p><b>Technology:</b> Technology-based, technology is one of the foundations and can even be the main product. And still need technology to achieve business growth</p> <p><b>Age and durability:</b> 92% die in the first three years (high risk))</p>

Based on the table above, we can understand that in today's era, business actors must be willing or not to be able to adopt technological advances to reach a wider market. The purpose of digital transformation in conventional micro-business actors in their efforts to be able to increase the competitiveness of MSMEs by expanding their networks and developing their businesses. In addition, digital transformation offers more efficient services and follows the latest technology trends. So that it allows micro-business actors to reach consumers not only at the local or regional level but also nationally and internationally.

Therefore, the presence of digital talents with all their expertise and communication strategies through digital media is very much needed and has an important role in the digital transformation process of MSME actors so that they can increase the scale of their businesses into a technology-based start-up class (digital start-up).

## CONCLUSION

This study aims to determine the role of digital talent in building conventional micro-businesses into digital start-up businesses. The right digitalization strategy can help conventional MSMEs achieve success in facing challenges and opportunities in the digital era.

Based on the research results referring to the three basic pillars of the title and subtitle of the research, namely the role of digital talent in accelerating the growth of conventional micro businesses towards digital start-ups, MSMEs need to invest time and resources in choosing and implementing technology that suits their business needs. Such as business management software, hardware, and information technology infrastructure needed to support digital operations including having digital talent in its efforts to expand the scale of the business which was previously a micro class can increase to be wider because it is supported by the ability of digital talents to utilize technology which finally conventional micro businesses transform into digital start-ups. The survey method used to obtain suggestions from respondents aimed at being able to develop the digital capabilities of micro business actors in Sidoarjo Regency or even become strategies for digital talents. By using this survey method, researchers gain insight from the audience regarding the importance of the role of digital talent in the growth of conventional MSME actors in Sidoarjo Regency into digital start-ups, so that they can take steps to immediately use the services of an agency or labor service provider to obtain or recruit digital talent that suits their business needs.

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