Super Smart SMEs: How Emotional Intelligence Drives Entrepreneurial Success in Sleman

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Abstract. This study aimed to identify and analyze the entrepreneurial skills of small and medium-sized enterprises (SMEs) in Sleman, particularly in dealing with the Super Smart Society 5.0 era. The study used an instrument developed by the WEF in 2019 to evaluate ten skill criteria. Data from 70 respondents were analyzed using descriptive statistics and frequency distribution. The study found that emotional intelligence was the most dominant skill instrument possessed by SME entrepreneurs in Sleman. Emotional intelligence is essential for effective leadership, innovation, risk management, and problem-solving. The findings of this study have implications for policy-makers and practitioners to develop training programs that support the development of emotional intelligence in SME entrepreneurs to enhance their competitiveness in the digital era.

Keywords: SMEs · Emotional Intelligence · Entrepreneurial Skills · Society 5.0

1 Introduction

In early January 2019, a new idea emerged from the Country of Japan, namely society 5.0, which was presented at the Economic Forum in Davos, Switzerland. This idea is a response to the Industrial Revolution 4 which was initiated by the Country of Germany [1]. Society 5.0 offers people-centered community activities. The concept of society 5 is a balance between economic progress and solving social problems by utilizing a system that connects the virtual world and the real world. Capital is not the main thing in society 5, but data that connect and move everything to overcome inequality.

Society 5 is an era where all technology is a part of humans themselves. Internet is not only for information but for living life. So that technological developments can minimize the gap in humans and economic problem in the future. The concept of Society 5 was adopted by the Government of Japan in anticipation of global trends because of the emergence of the Industrial Revolution 4. Society 5 is the answer to the challenges that emerged because of the Industrial Revolution era. This era was accompanied by the emergence of various fluctuation, uncertainty, complexity, and ambiguity.

Society 5 is a time in which human-centered society balances economic progress with solving social problems by a system that integrates cyberspace and physical space. Society 5 will balance economic development and solve social problems. The competencies needed by Society 5.0 are the ability to solve complex problems, think critically, and be creativity.

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In Society 5, new value created through innovation will eliminate gaps. Such as regional disparities, age, gender, and language. Therefore, the provision of products and services is likely to be well provided for the diverse needs of individuals and groups. This method will be able to create a society that is able to solve its social problems with the existing balance of economic development [2].

The implementation of Industrial Era 4 in Indonesia has not yet been completed. Digital transformation is growing rapidly in the Industrial Era 4 and has an impact on the rapid development of technology and the economy. This impact can be enjoyed by everyone easily. Every aspect of people's lives can be reached by big data and IoT. Therefore, to strengthen the role of society in the success of the digital transformation, the community must be able to take advantage of rapidly developing technology into business opportunities. To realize this, it takes the role of all parties, both government and non-government, to be able to answer the challenges of the nation by empowering all levels of society.

Indonesia itself is a potential market for the digital economy. The magnitude of the potential of the digital economy in Indonesia is proven by the value of USD 27 billion in 2018. This figure makes Google optimistic that in 10 years Indonesia's digital economy will reach USD 100 billion. Gradually, factors that can support these developments are the use of technology and improvement of the quality of Indonesia's Human Resource (HR).

There are many advantages that will be obtained by SMEs with the existence of technology in this era of Society 5. Among other things are a wider market reach, the existence of efficiency because with this digitalization will create efficiencies in the fields of production, services, transportation, and so on. Moreover, digitalization is needed to expand the marketing network, so that its products can reach other regions or countries, especially for certain products.

Indonesia's potential as an e-commerce and digital technology giant in the future is still very large. This is because the Indonesian population, the majority of whom are millennials and generation Z, are technology literate generations and are active users of social media. According to Emarketer, the number of smartphone users in Indonesia in 2018 reached 100 million people. The number is very large and makes the digital SMEs market remain promising in the future.

During the pandemic, it is known that the number of e-commerce consumers is increasing. The pandemic has also changed the lifestyle of the Indonesian people to be more digital. Therefore, it is estimated that after this pandemic pass, the digital lifestyle will continue. So that the transformation of SMEs into digital SMEs is something that cannot be avoided by all of us. This is also influenced by changes and technological developments throughout the world, especially developed countries.

In this case, technology will coexist with society and become part of people's lifestyle in this era. In the era of society 5, big data, the Internet of Things, artificial intelligence, drones, robotics, and augmented reality will develop. This technology, which was previously only used in industry, will blend into people's lives. For example, there will be smart homes, self-driving cars, drones delivering goods or food, more interactive online classroom, and so on. The purpose of society 5 is to make humans more prosperous, to help human productivity with technology so that humans can enjoy life more easily.

SMEs are one of the sectors that are also quite important in the era of society 5. Currently, SMEs that have transformed towards digital are still relatively few, namely around 16% of all MMSME in Indonesia. This is due to the level of community readiness for the use of technology which is still relatively low and internet connectivity is not yet available in all places.

Based on the above background, this study will examine the readiness of SMEs in facing life in the era of society. In addition, based on the result of this study, it will be used to provide socialization about the era of society 5 to entrepreneurs so that they are able to prepare themselves.

2 Literature Review

2.1 Digital Transformation

We are now in a new era, where globalization and the evolution of digital technologies such as the Internet of Things (IoT), artificial intelligence (AI) and robotics bring significant changes to society. Society's environment and values are becoming increasingly diverse and complex. The wave of digital transformation has become a pillar of industrial policy.

Today, the world is faced with challenges on a global scale, such as depletion of natural resources, global warming, and increasing economic inequality. We are now in an age of challenging uncertainty, with increasing complexity at all levels. Therefore, it is very important for us to take full advantage of technology to gain new knowledge and create new values by making connections between "people and things", "real and virtual world", as an effective and efficient way to solve problems in the society, and create a better life for people, and maintain healthy economic growth.

Society 5.0 will be an ecosystem that will provide sustainability at all economic, environmental, social, and political levels, with a focus on people and value creation. The frameworks and technologies developed in the era of society 5.0, will contribute to solving social challenges around the world.

The amount of e-commerce during the pandemic is increasing and can change the lifestyle of the Indonesian people to be more digital. And this lifestyle will continue even after the pandemic is over. Therefore, the digitalization transformation of SMEs cannot be avoided. This change needs to be addressed by preparing the aspects needed in society 5.0, such as technology, environment, and human resources. Society 5, will create new values, overcoming gaps in terms of distance, language, religion, age, and gender. This new value is created from new innovations that are realized in the form of products and services. Therefore, technology plays important role in this era of society 5.0.

Technology that was once only used in industry, will now be integrated into people's lives. For example, there will be smart homes, driverless cars, food delivery drones, more interactive online classroom, and so on. The goal of society 5.0 is to make humans more prosperous, helping human productivity with technology so that humans can more easily enjoy life.

Society 5.0 as "a human-centered society that balances economic progress with the resolution of social problems by a system that deeply integrates cyberspace and physical

space" [3]. Although this new vision exposes policies and actions at the community level, these initiatives are founded on and rely heavily on organizations as the most influential institutions in modern society.

The vision of society 5.0 is responsible economic development and solving social problems in a sustainable manner [4]. Knowledge about a society that prospers human beings is needed for the purpose of this sustainability [3]. The characteristic of a human-centered society is the balance of economic development through solving individual social problems with a combination of cyber and physical space with adequate infrastructure support to realize a modern society [5]. The Society 5.0 concept radically changes the solution of social sustainability problems with a regional solution orientation. Therefore, human needs that are not available in their area will be met quickly from other areas [6]. Society 5.0 suggest using advanced technology and products for the connection of people and things, as well as sharing knowledge and information to create new value in society [2]. Society 5.0 predicts the use of modern technology and information to free people from tiring routine work and increase the use of available information [5]. An aging society, regional depopulation and low individual participation are one of the reasons for the emergence of technology in the era of society 5.0. Society 5.0 minimizes a lot of routine work, limited physical abilities of employees and limited range of work.

2.2 Digital Transformation in SMEs

The SMEs sector is one of the most important sectors in the era of society 5.0. SMEs have now transformed towards digital, but the number is still relatively small. This is due to the low level of community readiness for the use of technology and internet connectivity which is now yet available in all places. For this reason, cooperation from various parties is needed, such as the government, entrepreneurs, the public and the academic world to create SMEs that are ready to face the era of society 5.0 the competitiveness of cooperatives in the West Java region, Indonesia, in Economic Community 5.0 by identifying the correlation between digital capabilities, digital orientation, employee resilience, government support, digital innovation and competitiveness [7]. Digital orientation and government support have a positive and significant effect on digital innovation, on the contrary; digital capabilities and employee resistance did not show any effect. Digital orientation, government support and digital capabilities also have a positive and significant effect on competitiveness. Meanwhile, employee resilience and digital innovation have no effect on competitiveness. Digital innovation was also found not to mediate the relationship between digital orientation, government support, digital capabilities and employee resilience and competitiveness.

The research of [8] review the concept of Japanese society being a super intelligent society in the era of society 5.0. They found that Society 5.0 seeks to leverage technological advances to solve problems currently threatening Japan, such aging, birth rates, dan lack of competitiveness. This concept can also be used by the world community for sustainable development purposes, by creating new innovations to solve the problems they face.

[9] studied the utilization model of SMEs facing the era of society 5.0. The results of their research show that SMEs must transform in developing their processed food products and build a good image through information.

3 Methodology

This study is survey research, where the data are obtained by using a questionnaire that has been prepared by the researcher. Respondents in this study were SMEs entrepreneurs in Yogyakarta area. This study was conducted to identify the readiness of SMEs in facing society 5.0.

The data that have been collected will be analyzed using descriptive analysis and frequency distribution. The variable that will be observed is the skills of SMEs entrepreneurs in dealing with society 5.0. This variable refers to the World Economic Forum (2019).

Skills that must be possessed in the era of society 5.0:

1. Analytical thinking and innovation
2. Active learning and learning strategies
3. Creativity, originality and initiative
4. Technology design and programming
5. Critical thinking and analysis
6. Complex problem-solving
7. Leadership and social influence
8. Emotional intelligence
9. Reasoning, problem-solving and ideation
10. Systems analysis and evaluation

4 Result and Discussion

The data processed in this study were 70. Based on the demographics of respondents, 64% of SMEs in Sleman only had 1 product, then 15% of SMEs had 4 products, 11% of SMEs had 2 products, the remaining 7% of SMEs had 3 products. As for the age of the company, 34% of SMEs in Sleman were 2 years old, 26% of SMEs in Sleman were 3 years old, 21% of MSMEs in Sleman were 4 years old, 10% of SMEs in Sleman were 5 years old, 6% of MSMEs in Sleman were 1 year old, then those aged 7 years and 13 years each as much as 1%. When viewed from the demographic, most of the MSMEs that are respondents are companies that are just developing.

Based on answers from SMEs actors who are respondent, the following is a description of the skills possessed by SMEs (Table 1).

Based on the data table obtained, it is known that most of the SMEs entrepreneurs in Sleman, Yogyakarta, already have the skills to support the community in the 5.0 era. This is shown by the value of 43% of SMEs entrepreneurs who already have ten skills formulated by the World Economic Forum in 2019. The details of each of these skills are as follows:

As many as 69% of respondents often use analytical and innovative thinking skills in running their business. SMEs entrepreneurs also always learn and participate in learning and training related to their business in the context of developing and strengthening their business, this is indicated by the value of 51% of respondents. Currently, there have been many trainings conducted by organizations, both private and government. SMEs entrepreneurs are also expected to create creations that can identify their business

Table 1. Data Processing Results

No	Skill	Never	Sometimes	Often	Always
1	Analytical thinking and innovation	0	19	69	13
2	Active learning and learning strategies	0	7	41	51
3	Creativity, originality and initiative	0	21	51	27
4	Technology design and programming	0	23	51	26
5	Critical thinking and analysis	0	36	54	10
6	Complex problem-solving	0	43	27	30
7	Leadership and social influence	0	16	46	39
8	Emotional intelligence	0	6	19	76
9	Reasoning, problem-solving and ideation	0	17	30	53
10	Systems analysis and evaluation	0	17	41	41
	Average	0	20	43	37

Source: Data Processing 2022

(uniqueness). Based on the survey, the majority of SMEs entrepreneurs have produced products that are their own characteristics. These characteristics will be the superiority of each SMEs. As many as 51% of SMEs entrepreneurs have often produced their respective superior products. SMEs entrepreneurs in running their business often use social media applications and web technology available as much as 51%. This is very helpful in reviving SMEs during the pandemic. Meanwhile, the information obtained from the application of technology is often used to solve problems faced by SMEs entrepreneurs as much as 54%. The information obtained includes consumer tastes both in terms of taste and product form. SMEs entrepreneurs in running their business sometimes involve other parties, such as distribution services. The value is still low at 43%. This is due to the consideration of high distribution costs compared to the selling price of the product. SMEs entrepreneurs often communicate with employees, business relations, and customers easily, which is indicated by a value of 46%. With social media like WhatsApp, MSME entrepreneurs will easily communicate about their products, such as specification, equality, price, and location. This is very important in the context of product marketing. SMEs entrepreneurs always respond well to any information related to their products, because service is their priority. This is indicated by a value of 76%. The information they get will always be an evaluation and be able to generate new ideas for their business development. The survey results show a value of 53%. Periodically, SMEs entrepreneurs always evaluate and monitor their business. This is done as an important strategy so that SMEs continue to develop into bigger businesses. This is indicated by a value of 41%.

Most SMEs are already able to analyze and innovate in running their business. The ability to innovate is a creative thinking process to generate ideas and solutions using new method. According to [10], a very important characteristic of an entrepreneur is their ability to innovate. Without innovation the company will not survive long.

This is due to changes in customer needs, wants, and demands. Customers will not always consume the same product. Customers will look for other products from other companies that are considered capable of meeting customer needs. For this reason, continuous innovation is needed if the company will go further and continue to survive in the competition. According to [11], innovation is important for a company's growth and a decisive key to face business competition. To achieve innovation requires coordinated efforts from all parties within the company and integrate all activity functions in the company. According to [12], innovation is an economic success as the result the introduction of new ways of using technology.

Technological advances create extraordinary competition between companies, including SMEs. SMEs must compete with big companies. For this reason, SMEs must always learn to meet the needs of customers and related parties. The environment encourages SMEs to compete in the knowledge-based competitive market. According to [13], brand, organizational identity, and reputation are needed by SMEs. SMEs branding that is professional and able to compete in a competitive market is very much needed today.

Technology adoption in SMEs is very important in today's very dynamic and rapidly changing digital era [14]. Technology adoption for SMEs must include dynamic aspects, not just processes. Because in the adoption of technology in SMEs, we must consider the very diverse characteristics of SMEs. A comprehensive and integrated technology framework is expected to address the problems characteristic of SMEs. The framework must be user-friendly to make it easier for SMEs in adopting technology easily and quickly, in order to be able to compete in digital transformation more efficiently.

Creativity can be obtained from training, formal education, and work experience. According to [15] creativity can be meaningful as the development of new thinking, problem solving, and seeing opportunities, in other words, entrepreneurs are required to be creative. Creativity is a person's ability to create, produce or collaborate, on products that are produced in different creativity. Success in a process lies in the willingness of SMEs to always understand what consumers need through observation.

Innovation is the ability of creative solutions to opportunities to increase the enrichment of one's life. Factors that support innovation include the environment, opportunities, and experiences in creativity. SMEs entrepreneurs are thinking hard to face the current pandemic because of the many new opportunities and challenges, so SMEs think carefully about innovation in responding to the current pandemic situation.

[16] stated that business flexibility emphasizes flexible use of resources, reconfiguring business processes, innovation, and business development. During the crisis, SMEs were able to run their business flexibly by taking advantage of new business opportunities, products, and market, as well as utilizing existing resources.

To maintain their business, SMEs need to collaborate with other parties [17]. Collaboration is carried out with fellow SMEs entrepreneurs, local governments, and other organizations to support SMEs development. This collaboration capability is very helpful for SMEs in developing their business. An example of collaboration that has been carried out is collaboration between logistics service provider and customers. Many prosocial leaderships during the Covid pandemic have emerged, this has made SMEs even stronger.

Emotional Intelligence increases one's social effectiveness, which is one of the most significant aspects of entrepreneurial success. The higher one's emotional intelligence, the better one's social network, and hence the better one's commercial relationships. Individuals with high emotional intelligence can improve their ability to accurately perceive emotions (their own and others' emotions), to put emotion to better use (maximizing their own performance and in a variety of tasks), and successfully manage them (intimate relationships, in solving problems, decision making, expressing appropriate emotions and so on).

5 Conclusion

Society 5.0 (Society 5.0) or Super Smart Society (Super Smart Society) is a future society concept proposed by Japan. Society 5.0 is a human-centered society that balances economic progress with solving social problems through a system that deeply integrates cyberspace and physical space. The goal of the Community 5.0 concept is to realize the fifth new society by making the best use of innovation and digital transformation. Every individual including the elderly and women can live a safe, comfortable, and healthy life, and every individual can realize the lifestyle they want. Social reform (innovation) in Society 5.0 will create a forward-looking society that destroys existing sense of stagnation, a society whose members respect each other, and a society where everyone can live active and enjoyable life.

Based on a survey conducted by researchers, the skill that stands out for SMEs entrepreneurs is emotional intelligence. SMEs entrepreneurs are the owners of the businesses they run, so that apart from being a leader, they are also an innovator. Therefore, they assure that their efforts will be successful. Effective leaders are leaders who have high emotional intelligence to empower themselves and their environment. Their emotional intelligence is needed to deal with pressure and competition, so that his business can be successful. Transformative leaders are leaders who accommodate the environment to produce members who can work effectively. This emotional intelligence will be able to encourage leaders to have a risk-challenging attitude, so that they are able to identify risks and analyze them for problem solving.

Although various ways have been carried out, including digital transformation, it turns out that the readiness of SMEs entrepreneurs with technology and internet connectivity is still an obstacle. Therefore, real synergy and cooperation are needed between the government, entrepreneurs, and the community in realizing the digital transformation of SMEs, given the huge potential of the digital market in Indonesia. Although globally, SMEs that have done Digital Transformation is still relatively small, but based on the survey results, it shows that they are relatively ready to face 5.0 era society. Their understanding of technology is still limited to simple technology, and the level of internet connectivity is still low. Therefore, cooperation from the government, entrepreneurs and the public as consumers is needed, through socialization and training for entrepreneur related to the digitization of SMEs and their supporting infrastructure.

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