



Disruption of Digitalization in MSMEs from the Three Bottom Line Perspective in the Endemic Era

Ayun Maduwinarti^(✉), I. G. N. Anom Maruta, and Ananda Rahmatullah

Business Administration, Universitas 17 Agustus 1945, Surabaya, Indonesia
ayunmaduwinarti@untag-sby.ac.id

Abstract. Massive technology disruption has occurred during the COVID-19 pandemic. Various sectors are affected by digitalization including business sectors. Many MSMEs must adapt immediately, proved by the amount of MSMEs which manage their marketing strategies using online media. With three bottom line principle, it is expected that MSMEs will be able to adapt with the conditions of consumer behavior that currently pays attention to the social, economic and environmental sustainability of the products they buy. The three bottom line, which is based on the three principles of sustainability, starts with people, which is the social dimension in developing sustainable development. Profit is the next principle which is an economic dimension which serves as an alternative perspective to view sustainability from the profit side which means that it is legal to carry out sustainable development with the principle of making a profit. The third one is the planet which is the environmental dimension in order to realize development based on natural sustainability, which means that businesses that are run ethically must be responsible for the surrounding environment. It has been proven simultaneously from various governments and private efforts to support sustainable forms of business such as encouraging businesses to pay attention to the impact of their production on the environment. It is expected that with the increasing awareness of consumers and MSME actors towards a sustainable system, it will have a good impact for humanity and the surrounding environment.

Keywords: Digitalization · MSME · Sustainability · Endemic

1 Introduction

The COVID-19 pandemic has become a historical event that has affected many aspects of social and economic life in society. Several businesses had to maintain their survivability in order to stabilize the company in the midst of an epidemic facing various challenges, so they looked for alternative strategies such as changing the type of business, cutting wages, cutting production volumes and moving to online business. Some of these things were done as a form of response to dynamic situations and conditions [1].

Some of the above also raises various types of business innovation disruptions ranging from business concepts to the technology used. The form of disruption that is common

today is a change in business patterns that used to be done conventionally, shifting to the use of digital online media. Disruption with digital online technology has a strong character as shown by its changes that are fast, broad, deep, systemic, and different from the previous situation [2]. It is also inevitable that MSMEs will also be affected by COVID-19, causing many disruptions in the field of using digital technology as a tool to maintain consumer buying interest, and this is the right step for business actors to take at this time [3].

Recent business developments put forward the principle of sustainability which has become the focus of the business world because the United Nations has launched the “Sustainable Development Goals” (SDG’S) with a development pattern that considers environmental sustainability such as green economy, blue economy, bio-economy [4], circular economy [5] is included in the 3 dimensions of sustainability consisting of social, economic and environmental dimensions. These three things are the basic principles of sustainability called TBL (Three bottom line), more commonly known as 3P (people, profit, planet) which was originally put forward by John Elkington in 1997 through his book entitled “Cannibals with Forks: The Triple Bottom Line of 21st Century Business” [6].

Entering the endemic era where people’s lifestyles and business patterns are shifting towards massive digitalization as a result of the massive digital online technology disruption during the COVID-19 pandemic. This period of uncertainty is called VUCA (volatility, uncertainty, complexity, ambiguity) [7] where at this time almost everything including business processes is required to be more adaptive in dealing with rapid changes and also demands marketing that can be done remotely [8]. With this uncertain situation, it becomes a challenge for business actors because they have to be more sensitive to their business strategy.

2 Research Method

The concept of this research uses qualitative methods because there is a need for studies to interpret the phenomenon of technological disruption that is currently being experienced by MSMEs in Indonesia widely. This is applied in order to seek new alternative views on how the market is moving in a direction that pays more attention to the principle of sustainability (Three Bottom Line).

3 Results

Research shows that the disruption of digital technology within the scope of MSMEs is very influential, where when viewed from the three bottom lines it shows that digitalization has also penetrated all aspects of MSMEs. For example, in terms of payment, the buying and selling process, to the marketing process, it also pays attention to the implementation of sustainability aspects.

4 Discussion

Disruption, which is increasingly rife, especially in digitalization in the business sector, is an alternative strategy that is suitable for dealing with obstacles when the COVID-19 pandemic peaks. idEA (Indonesian E-Commerce Association) noted that 9.9 million MSMEs switched to digital platforms during the COVID-19 pandemic from May 2020 to February 2022. “Currently there are a total of 19 million MSMEs utilizing digital platforms,” said Bima Laga as general chairman of idEA. The government hopes that in 2024 a total of 30 million MSMEs will utilize digital platforms as a trading medium, out of a total of 65.47 million MSMEs in Indonesia according to data from the Ministry of Cooperatives and SMEs in 2019 (Fig. 1).

The three bottom lines are the basic principles of how something can be said to be sustainable [6]. The 3 dimensions included in TBL include the social dimension represented by the word people, the economic dimension represented by the word profit and the environmental dimension represented by the word planet. This principle of sustainability is intended so that something (in this case is an MSME business) does not only seek profit in its business. More than that, it is hoped that the business carried out can pay attention and even help preserve environmental conditions and improve social welfare.

4.1 Social Dimension (People)

Through Presidential Decree no. 28 of 2008 concerning national industrial policy, the government paved the way for MSMEs in districts/cities to develop various community-based development programs (people’s economy with local wisdom). Through this regulation, it is hoped that it can be used to carry out trading processes by utilizing local wisdom to improve the welfare of the surrounding community.

The implementation of this is often seen at tourist sites. The government and the private sector managing tourism usually cooperate with MSMEs managed by local residents with the aim of improving the welfare of residents around tourist sites. With the rise of e-commerce, residents who initially only traded at tourist sites can now also sell

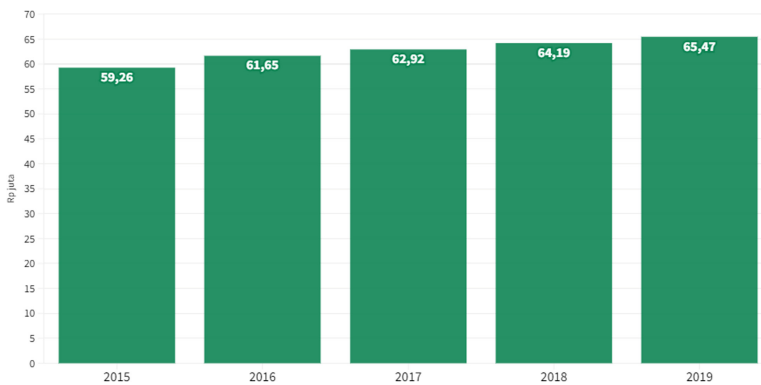


Fig. 1. The number of MSMEs until 2019 according to the Ministry of Cooperatives and SMEs.

their products to a much wider area through online platforms thereby expanding market coverage.

In addition, several MSMEs around tourist sites have now taken advantage of payments using digital wallets. One of the digital wallet application development companies “DANA” has a program that is committed to helping MSMEs to “go digital”. Grouped into five super priority destinations, DANA designates these locations as “special economic zones” (KEK), one of which is in Likupang, North Minahasa Regency, North Sulawesi. This program is expected to be able to boost the tourism sector there which had slumped during the pandemic COVID-19.

4.2 Economic Dimension (Profit)

All trading businesses certainly have the goal of making a profit, therefore the three bottom line principle contains an economic dimension represented by the word profit. The influence of the economic dimension is a factor that must always be considered by every entrepreneur in order to maintain and develop the company [9].

Approximately 37,000 MSMEs stated that they were affected by the COVID-19 pandemic. This data was obtained from reports to the Ministry of Cooperatives and SMEs which were recorded until April 17, 2020. Distance restriction regulations make it difficult for MSMEs to sell their products due to limited physical access directly to customers. This forces MSMEs to shift their product marketing to online stores. It has been proven that since the COVID-19 pandemic broke out, the increase in the use of e-commerce has touched 91%, so it is proof that the disruption of the digital era for MSMEs in the pandemic era until the current endemic has increased public trust in e-commerce [10].

4.3 Environment Dimension (Planet)

Environmental issues are currently widely discussed in various mass media. This is intended to increase public awareness (sensitivity) to current environmental conditions, which if not paid attention to can experience continued damage. Companies that are more or less active have an understanding of the negative impacts that might occur on the community environment, or the ecosystem around the company’s operational activities [11].

This dimension also plays a role in the development of MSMEs. Promotions related to the environment are currently widely used for corporate marketing to attract consumers who are currently more sensitive to environmental issues. In a statement by the minister of Cooperatives and SMEs, Teten Masduki, that the results of research by KEMENKOP UKM in collaboration with the Development Program Agency in October 2021, out of 3,000 MSME actors, 95% showed interest in and support for environmentally friendly business practices. Forms of support include using energy as efficiently as possible and reducing waste in the production process. Digitalization plays a role in the high number of MSME actors who support environmentally friendly movements in their businesses, because the easier it is for information to spread, the higher the MSME actors who are sensitive to the surrounding environment.

5 Conclusion

The three bottom lines can be principles that must really be understood and applied if a business actor wants to carry out a sustainable concept from the production process to the marketing process. This is done to maintain business stability, especially starting from the Covid-19 Pandemic until now, which is starting to enter this endemic era, consumers are more sensitive to their shopping habits which can have social, economic and environmental impacts. Consumer behavior that is increasingly sensitive to these three dimensions has been influenced by the massive digitalization disruption during the pandemic, causing information to spread quickly and widely because starting from the COVID-19 pandemic, we have become increasingly familiar with digital media.

References

1. Tambunan, T.T.: *UMKM di Indonesia: perkembangan, kendala, dan tantangan*. Prenada Media (2021).
2. Jusuf, H., Sobari, A., Fathoni, M.: Pengaruh Pembelajaran Jarak Jauh Bagi Siswa SMA Di Era Covid-19. *Jurnal Kajian Ilmiah* 1(1), (2020).
3. Suswanto, P., Setiawati, S. D.: Strategi Komunikasi Pemasaran Shopee Dalam Membangun Positioning Di Tengah Pandemi Covid-19 Di Indonesia. *LINIMASA: Jurnal Ilmu Komunikasi* 3(2), 16–29 (2020).
4. D'Amato, D., Korhonen, J., Toppinen, A.: Circular, green, and bio economy: how do companies in land-use intensive sectors align with sustainability concepts?. *Ecological economics* 158, 116-133 (2019).
5. Sassanelli, C., Rosa, P., Rocca, R., Terzi, S.: Circular economy performance assessment methods: A systematic literature review. *Journal of Cleaner Production* 229, 440-453 (2019).
6. Elkington, J.: *The Triple Bottom Line*. Environmental Management: Readings and Cases 2, 49-66 (1997)..
7. Hinsen, P.: *The Network Always Wins: How to Influence Customers, Stay Relevant, and Transform Your Organization to Move Faster than the Market*, McGraw Hill Professional (2015).
8. Ulya, H.N.M.: Alternatif strategi penanganan dampak ekonomi covid-19 pemerintah daerah Jawa Timur pada kawasan agropolitan. *El Barka: Journal of Islamic Economics and Business* 3(1), 80-109 (2020).
9. Aprilliana, C.M.: Three Bottom Line (3BI) Dan Corporate Social Responsibility (Csr) Dalam Peningkatan Company Images. *Jurnal AKUBIS Fakultas Ekonomi dan Bisnis* 1(1), (2016).
10. Nurhidayat, D.: 95 Persen dari 3.000 UKM Dukung Praktik Usaha Ramah Lingkungan. *Mediaindonesia*. (2022) <https://mediaindonesia.com/ekonomi/491869/95-persen-dari-3000-umkm-dukung-praktik-usaha-ramah-lingkungan>
11. Lindawati, A.S.L., Puspita, M.E.: Corporate Social Responsibility: Implikasi Stakeholder dan Legitimacy Gap dalam Peningkatan Kinerja Perusahaan. *Jurnal Akuntansi Multiparadigma* 6(1), 157-174 (2015).

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

