ABSTRACT: This research aims to reveal the digitization of SMEs how they can continue to survive in the pandemic era and be sustainable. The analysis uses a qualitative case study approach based on semi-structured interviews that allow for personal, actual interpretation and a reduction in general explanations. Cases are selected based on established criteria for SMEs in Malang City. Data collection was carried out by exploring related SMEs social media sites, direct observation of offline stores and candid interviews with business owners. SMEs selected according to the criteria set to be the object of research are Serena Cookies, Cornelia and Anda Cookies. The study results revealed that the SMEs studied were able to survive in the pandemic era with relatively stable business conditions. The business management carried out is with online and offline management models, which require the digitization capability of each business manager. The results of this study can be a reference for managing SMEs businesses engaged in the food industry sector, how to order online and offline to continue to survive not only during the pandemic but further for long-term business sustainability by continuing to improve their digital capabilities.

KEYWORDS: Digitalization, Resilience, Sustainability, Pandemic

INTRODUCTION

Covid 19 has been declared a pandemic status and has affected many domestic and global economic sectors. The small and Medium Enterprises (SMEs) sector is one of the business sectors highly influenced by the pandemic conditions. (Syamsudin, 2020). In Indonesia, based on data from the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) reported that in 2018 the number of SMEs in Indonesia was equivalent to 99% of the total business units, with labour absorption in the economic sector reaching 97% and contributing as much as 99%. 60.34% of the gross domestic product (GDP) in Indonesia. This shows how the SMEs sector plays a significant role in the wheels of the country's economy. Pandemic conditions have a tremendous impact on the economy, including SMEs. The results of the study show that 56% of SMEs recorded at the Ministry of Cooperatives experienced a decline in sales,

The crisis conditions in the SMEs business as an economic driver have become a threat to the national economy. So that to revive this condition, mitigation and recovery solutions are needed. The short-term priority step is to create demand-filled stimulus and encourage digital platforms to expand partnerships. The long-term step effort is through cooperation in the use of innovation and technology that can improve the quality and competitiveness of products, processing, packaging and product marketing (LIPI, 2020). In pandemic conditions, SMEs must be clever at seeing opportunities as entrepreneurs who can make peace with conditions by going digital (Tanjung, 2020). Entrepreneurs must have a strong personality, one of the keys to success SMEs are personality factors, namely creative-innovative entrepreneurial behaviour (Wikantiyoso et al., 2021)

Based on this phenomenon, digital business solutions are essential to be implemented for SMEs’ sustainability. Investments in technology often represent important decisions for companies, significantly since they can change organizational practices and profoundly impact the company’s competitiveness (Grant et al., 2014). In particular, investment in e-business adoption can be profitable real financial (Johnston et al., 2007). Over the past several decades, the adoption of digital business by SMEs has been attracted many researchers interested in understanding the digital transformation process of SMEs (Harridge-March, 2004; Kim et al., 2013; Mazzarol, 2015). Overall, the literature in this area generally suggests that e-business model implementation is primarily customer-driven, and small firms are usually positioned at the earliest stages of the adoption curve. (Levenburg & Magal, 2004).

Several authors have examined the specifics of the adoption of e-business technology by SMEs (Jahanshahi et al., 2013; Sanders & Galloway, 2013; Thompson et al., 2013). For example, (Thompson et al., 2013) show that many SMEs fail to take advantage of
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the benefits of broader access to information and the lower transactions that technology can perform digitally. (Nguyen & Waring, 2013) found that customer relationship management in SMEs is mainly influenced by entrepreneurial innovation and engagement employees. Then, (Spinelli et al., 2013) noted that the absence of a clear strategic vision on entrepreneurs and a lack of project management capabilities reduce the effectiveness of SMEs investments. (Durkin et al., 2013) concluded that although entrepreneurs consider social media an essential tool for business growth, many SMEs fail to provide evidence of a strategic approach to the problem.

Based on the previous research described above, that there are still many SMEs that fail to take advantage of digitization. This phenomenon makes researchers interested in researching the digitization of SMEs. Especially in the current state of the COVID-19 pandemic, which requires many SMEs to continue trying to maintain their business so that they don't sink. Pandemic conditions, digitization, resilience and sustainability of SMEs are interesting to explore in more depth regarding the ability of SMEs to manage businesses using digital technology. This study aims to reveal the SMEs that have survived during the pandemic by using digital platforms and accompanied by increased digital capabilities. The research results are expected to become empirical evidence of the resilience of SMEs in facing the pandemic so that they will contribute to the academic and practitioner sector. It conducts at SMEs in Malang City, one of the cities in East Java with a large number of SMEs and a significant contribution to the economy in East Java.

LITERATURE REVIEW

Digitalization

Digital entrepreneurship has been seen as an important pillar for economic growth, job creation, and innovation by many countries. In addition, digital technology has become a new economic and social force to reshape traditional business models, strategies, structures and processes. Digital technology has enabled the growth of the sharing economy by connecting owners and users and disrupting the previous dualism of business and customer. It is evident that digital technology has a significant impact on the growth of entrepreneurs and their development process. However, only a limited number of entrepreneurship studies and technology research have been initiated to examine the impact of digital technology on entrepreneurial decision making (Roth, 2005). Digitization has led to one of the most fundamental behavioral changes in human history and, in particular, to how new and established companies operate in the marketplace. Most of the world's most valuable companies today concentrate on providing digital services without owning the associated product or producing it. However, in a surprising change in strategy, more and more of these purely online players are now going in the opposite direction and opening offline stores. (Ronny Bairel, 2019)

Resilience

The main concept of resilience is personal strength which is the character possessed by a person to develop in a healthy manner and realize a level of success in life. Besides that, resilience is also a process of awakening oneself from various problems and pressures of competence in the form of social competence, problem solving skills, autonomy, and goals (Mulyani, 2020). Meanwhile, according to Bonanno et al. (2007) added that resilience is the ability of a person to get out of difficulties, his physical and psychological health, the ability to manage his experiences and emotions well, as well as a process of increasing self-adjustment during the life span he lives. Resilience is about tenacity, resilience, not giving up easily in the face of difficult times, being able to rise, survive and adapt to these conditions (Franco et al., 2021)

Sustainability

The challenge to realize business sustainability is complex and MSMEs have to face this complexity. Opportunities, risks and obligations arising from the need to be identified in order to be more successful in environmental, social and economic aspects. There are many different approaches, instruments and tools to support business practices in managing companies (Baumgartner, 2009). Management should focus on innovation and stakeholder requirements and the efficiency and effectiveness of business processes. Problem integration is a strategic task; the basis of activities and strategies in organizational culture is an important prerequisite for success (Lankoski, 2008). The sustainability of the MSME business will be related to innovation, one of which is in the digitalization aspect, especially during the pandemic, when many offline transactions are limited. Economic viability for obvious reasons has remained the most important factor for sustainable business for centuries (Das et al., 2020)

RESEARCH METHOD

The phenomenon of the increasing number of businesses doing business with an online system and, on the other hand, still trying to have an offline store intrigued us to do more in-depth research to reveal how SMEs can survive a pandemic like this. The analysis uses a qualitative case study approach, based on semi-structured interviews that allow for personal, actual interpretation and a reduction in general explanations (Creswell, 2009). Cases are selected according to suitability, based on five criteria, namely: (1)
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SMEs located in Malang City to allow direct and in-depth observation (2) SMEs run online businesses (3) have offline stores (4) SMEs have been operating for more than five years (5) SMEs operate in the food industry. Data collection was carried out by interviewing, first by telephone, continuing through WhatsApp communication, exploring related SMEs social media sites, direct observation of shops and direct interviews with business owners. SMEs selected according to the criteria set to be the object of research are Serena Cookies, Cornelia and Anda Cookies.

We used three different sources to generate data and ensure data triangulation: online facility observations, offline store observations, and interviews. Visits of both types of facilities were recorded with the aid of an observation protocol and allowed the detection of specific differences. During the interview, interviewees were first asked to provide information about their position and background. Furthermore, semi-structured interviews were conducted based on interview guidelines. Interviews were fully recorded and transcribed to achieve consensus, accuracy and completeness. However, due to accessibility constraints, some discussions had to be conducted by telephone. Interviews lasted between 30 and 60 minutes. After collecting the data, the researcher conducted the analysis independently.

RESULT AND DISCUSSION

Previous studies linking SMEs and sustainable development, among others, were carried out by (Pomare 2018) mentioned that small industry contributes to employment, especially for those with low education. The research conducted in Babylon Province, Iraq, shows that the role of SMEs in strengthening various sectors, including agriculture, carpentry, furniture, and so on. Syareefa (2013), who examined the role of SMEs in sustainable development at Al Jazeera, saw that SMEs which had been profit-oriented had to improve by considering environmental elements as part of their goals. The results of Carol Pomare’s study (2018) show that several opportunities and challenges have been identified for SMEs entrepreneurs to achieve Sustainable Development Goals (SDGs) goals using a Multiple Framework Approach by focusing on multi-stakeholder initiatives from SMEs.

The resilience of SMEs depends on awareness of globalization and competitive forces from top management’s. Effective communication channels need to be established to be flexible and responsive to strategic alliances and core competencies. Management training and education on the emerging corporate environment, including strategies and tactics, is needed to increase the resilience of SMEs in a competitive economy. The use of technology, especially the internet, is a critical factor for SMEs during times of crisis. Business to business (B2B), business to customer (B2C), business to administration (B2A), business to government (B2G) are varied business models that can be suitable for small businesses. Generally, the application of technology has been caused more by external pressures than by the benefits felt by its managers. Hoyer et al. (2006) proposed a digital business model that accommodates the specific needs of SMEs.

Some of the problems inherent in the determination of technology in small businesses are SMEs caution in fully engaging in e-business and the model’s inadequacy. So many small businesses are using communication channels tailored to their clients (Orlikowski, 2007). The maturity of technology application in small companies is often limited to non-digital communication skills that are reconfigured with digital technology. Non-digital and digital compatibility models are relational expertise that allows companies to serve their customers better and acquire new customers (Depaoli et al., 2020). In innovation theory, the approach to the level of interaction and communication meets the requirements of the absorption of a company (Adams et al., 2006)

The e-business model for SMEs can be grouped into three main categories (Depaoli et al., 2020), that is :

1. The conscious model of integration (David & Leslie, 1998; Martin & Matlay, 2001) mainly focuses on integrating internal and external system technology. In this model, e-commerce is usually only one stage of e-business implementation. They aim to encourage SMEs to use the internet to integrate their internal and external system. Their primary focus is on technology adoption. Therefore their underlying value is "the capacity to offer a simple way to measure ICT activity" (Beckinsale & Ram, 2006)

2. Customer conscious model (Burgess et al., 2005). In this model, e-commerce is the company’s only e-business operation. This model mainly targets customer side communication and website development. Its main objective is to guide SMEs looking to take advantage of digital technology to improve customer relationships.

3. The conscious-interaction model (Daniel et al., 2002; Magal et al., 2008). In this model, digital technology supports the interaction of various actors. The e-business maturity model has the same main goal: to guide SMEs in implementing e-business applications that increase the efficiency and effectiveness of the companies' interactions with all of its stakeholders, not just their customers. However, only a few of them (Kent Baker et al., 2020) enter the organization into an interaction perspective by recognizing the existence of nontechnology drivers and barriers.
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Overview and Relevant Information About the Case

The history of the beginning of the three businesses is almost the same, starting with hobbies and filling the spare time of homemakers who want to earn their income, with a sales system starting from offers to relatives, relatives and friends. Then it continues with promotion by mouth to mouth and increasing the number of orders, from doing it alone to recruiting workers. Anda Cookies started its business by producing cookies only, but now Anda Cookies have many product variants, cookies and cakes. Serena consistently produces cookies, but product innovations continue to be made so that currently, they already have many variants of cookies. Cornelia, at the beginning of her business, only produced fruit salad. Now she also has many product variants, even making frozen food to serve out-of-town customers' needs. As a woman entrepreneur, the ability to use the internet and the use of digital transactions create new opportunities and factors. SMEs challenges adapting to the existing changes so as not to be left behind and eroded by the progress. (Akbar, 2021)

Based on the interviews and observations of three selected SMEs businesses, an overview of the cases is revealed in this study. Briefly, the profile of each company can be seen in Table 1 below:

Table 1: Overview and Relevant Information

<table>
<thead>
<tr>
<th>Description</th>
<th>Cornelia</th>
<th>Serena</th>
<th>Anda Cookies</th>
</tr>
</thead>
<tbody>
<tr>
<td>The interviewee</td>
<td>Owner</td>
<td>Owner</td>
<td>Owner</td>
</tr>
<tr>
<td>Since</td>
<td>2006</td>
<td>2010</td>
<td>2016</td>
</tr>
<tr>
<td>First, open an offline store</td>
<td>2010</td>
<td>2012</td>
<td>2017</td>
</tr>
<tr>
<td>Number of shops/branches</td>
<td>2 Malang and Surabaya</td>
<td>1 No</td>
<td>1 No</td>
</tr>
<tr>
<td>Using an agent</td>
<td>Not</td>
<td>Yes, there are five agents Spread across Malang, Probolinggo, Jember, Surabaya and Jakarta Each agent handles resellers</td>
<td>Not</td>
</tr>
<tr>
<td>And Resellers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using the Online Platform</td>
<td>No</td>
<td>No</td>
<td>Yes - in collaboration with Gofood, Grab food, Okee Food</td>
</tr>
<tr>
<td>The number of workers</td>
<td>15-20 people Fulltime and Part-time</td>
<td>15-20 people Fulltime and Part-time</td>
<td>Six people Fulltime</td>
</tr>
<tr>
<td>Types of products</td>
<td>Food - fresh &amp; frozen</td>
<td>Food – cookies</td>
<td>Food - cake &amp; cookies</td>
</tr>
</tbody>
</table>

Along with the development of the business, the owner decided to open an online store, so starting only with orders, then providing ready stock at the offline store. The decision to open an offline store for each owner has almost the same reasons. For Anda Cookies, offline stores increase customer confidence in their business and make it easier for customers to get their products. For Serena, opening an offline store to accommodate customers' wishes to come directly to buy and choose their products without having to order in advance. Cornelia created an online store to accommodate customers' desires to go straight and buy products without calling first and waiting for delivery. Furthermore, Cornelia even opened a mini cafe to accommodate the customer's desire to enjoy the food on the spot. The existence of offline stores makes customer trust and decisions to buy customers increase in line with research from (Anderson & Sin, 2020) that there is a significant influence on store atmosphere and customer satisfaction which ends in the decision to buy.

Digitalization: Online and Offline business management

The business management carried out by the three businesses related to digitization is generally almost the same. When the business starts to grow and customers begin to grow, the three of them, Cornelia, Serena and Anda Cookies begin to concentrate on their digital capabilities. The common thing is to create an Instagram account and be diligent in creating content both on the post on the Instagram story and on the Instagram feed. Another social media that is routinely used is WhatsApp for information.
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and promotion. The three of them use WhatsApp status as one of the leading media. Online business management is carried out by continuously improving the appearance on social media to attract customers, both old customers and new customers.Appearances on social media that are eye chatting are very influential on the intensity and interest of customers. Of course, this requires special skills related to producing good photos and making exciting words.
Regarding the ability to digitize, the three of them revealed that all were self-taught. Still, along with the business growth, the SME’s concentrated on the quality of production and relationships with customers. While the ability to digitize and manage finances is handled by their respective husbands so that they are more concentrated and more focused.
The difference between the three businesses is in managing a business with an online platform. Anda Cookies, the youngest business among the two others, uses many online platforms to increase sales volume. Besides being diligent in managing their social media, Anda Cookies also uses online business platforms such as food, grab food, one food and shoppe. Meanwhile, besides actively working on social media, Serena develops her offline by forming agents in several cities. Each agent supervising a reseller directly controlled by the agent indirectly concentrates on the production process, product quality, and packaging. Agents and resellers mainly handle the marketing side.
In contrast to Cornelia, apart from actively managing her social media, both Instagram and Whatsapp, Cornelia opened a branch in Surabaya. The unit in Surabaya is for delivery orders only. At the same time, the outlet in Malang is added to the opening of a cafe that is made cozy so that customers can come, not only interacting at the product purchase outlet but can relax and enjoy a comfortable cafe atmosphere. Occasionally the owner can chat and interact with customers to build good relationships with customers. During the COVID-19 pandemic, Cornelia decided not to open her cafe for safety and health reasons, so she focused more on online sales. Customers can still come to the offline store but cannot dine in at the cafe.
Regarding choosing a business offline and online, which one is more effective? The three of them answered, complementing each other between online and offline to use a mix of online and offline. Following the research conducted by (Roth 2005), the decision to open a business with an offline store or just pure online is influenced by the four dimensions of value, namely functional, emotional/social, economic and status. In terms of the available value and status dimensions, the three argue that the offline side can increase the quality and trust of customers that they have a “real” business that is accessible and reliable. Meanwhile, offline stores do require higher costs from the economic dimension because they have to provide outlets that require investment and specialized labour to manage outlets. For Cornelia, who opens a cafe other than an outlet, offline involves her emotions, feeling satisfied when she sees customers enjoying their food with satisfaction.
The research results following the study before (Depaoli et al., 2020) that the business compatibility model with non-digital and digital compositions is a form of relational expertise that allows a business to serve better and acquire new customers. Of course, to achieve harmony in processing non-digital and digital companies, digitalization skills and personality are needed from business owners and managers to continue communicating with their customers either directly or by establishing online communication. However, in the conditions of the COVID-19 pandemic, digital transactions are becoming more and more strengthened because new consumers are migrating for online shopping, including food needs (Sinha et al., 2021).

Digitalization and Resilience in Pandemic

Efforts to survive in the food industry and sustainably manage a business even in a pandemic condition are to create content on social media diligently. The three of them agreed that offline stores were not very reliable in a pandemic condition, strengthening the concentration on online. What is no less critical than digitization skills is the ability to interact with customers. If it is related to the SMEs e-business maturity model as in the reference (Depaoli et al., 2020), all three lead to interactions with customers, Business to Customer or B2C. Interaction with customers is intensely maintained by frequently creating content on social media, which indirectly requires adequate digital skills. SMEs that can survive during pandemic conditions are SMEs that are already connected to a digital ecosystem and can adapt their business with product innovations that accommodate customer needs and desires (Rosita, 2020)

In pandemic conditions, the three of them revealed that business conditions were relatively stable in terms of finance because they did not use external funding and did not experience funding difficulties. Meanwhile, in terms of sales volume, the three of them said that sales were stable. There was no drastic decline by utilizing content on social media and creating discount programs that attract customers to remain loyal. Anda Cookies are more active in creating content on their social media and are creative in providing discount programs for their customers. Cornelia, to strengthen her e-business, contact and maintain relationships with old customers is done by giving certain rewards. Meanwhile, Serena is expanding her e-business by increasing the number of agents in various cities, which indirectly have become a promotional tool and marketing their products. In addition, things that are continuously strived for are to make product innovations and maintain product quality.
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Based on the results of interviews and observations, it can conclude that digitization is an absolute thing for SMEs to do. Digital business transformation introduces new technology to carry out business activities and more intensely redesign the entire business model. The role of the government, in this case, is, of course, essential to support SMEs in implementing digital business transformation in their businesses. Of course, this government policy is used to create the Covid-19 pandemic and the long-term interests of the industrial era in the future. (Nalini, 2021)

CONCLUSION

Digitalization is an essential thing in the management of the SMEs business. It was revealed by the three business units that were the object of this research. Business management with digital capabilities makes online business management more common. However, based on the study results, the three SMEs still maintain to have an offline store, even though online is quite promising in terms of business management. The pandemic requires them to manage their online business even more maximally; of course, this requires digital skills, so digitization is an important thing that business owners must master. The decision to manage a business online and offline cannot be separated from the dimensions of the underlying values, namely functional, emotional/social, economic and status. Regarding business conditions during the pandemic, the three of them revealed that their business conditions were relatively stable with the ability to manage online and offline to continue to survive not only during the pandemic but further for long-term business sustainability by continuing to improve their digital capabilities. In addition, for policymakers on how to encourage the implementation of digital transformation for SMEs. An exciting thing that can do for further research is research the digitization of SMEs in other industrial sectors such as crafts, convection and tourism.

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