
Innovation and Adaptation Strategies Towards The Digital Economy in Business Transformation

Wiwit Lusiana¹, Siti Mujanah², Achmad Yanu Alif Fianto³

^{1,2,3} Faculty of Economics and Business, Universitas 17 Agustus 1945 Surabaya, Indonesia

E-mail: 1262300023@surel.untag-sby.ac.id¹, sitimujanah@untag-sby.ac.id², achmadyanu@untag-sby.ac.id³

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Abstract

Information technology is developing increasingly rapidly bringing very significant changes to the economy. This technological development means that every business activity always tries to create efficiency compared to previous activities by implementing the integration of technological sophistication such as blockchain, Internet of Things (IoT) and artificial intelligence (AI). Digital business or e-business in recent digital transformation is increasingly able to attract the attention of entrepreneurs, which allows companies to immediately interact with customers, suppliers and business partners more efficiently. A more prominent focus in the transition phase from Industry 4.0 to Industry 5.0 is on innovative solutions in facing global challenges that can improve human welfare. It is an important requirement for every company to be able to strengthen strategic partnerships with external stakeholders, build a culture of innovation and improve digital skills in facing this transition phase. Therefore, this research proposes innovation and adaptation strategies in facing the transition to digital economy 5.0, which aims to create a positive impact for all parties involved as well as a sustainable and inclusive economic ecosystem.

Keywords: *Innovation, Adaptation, Digital Economy 5.0, Digital Business, Business Transformation*

INTRODUCTION

The increasingly rapid development and progress of technology is creating a very significant business transformation and leading to a new economic condition better known as Digital Economy 5.0. According to Rochmawati et al, (2023) an approach that is considered to be able to bring success in facing changes in digital technology is by implementing the concept of digitalization in business in the "society 5.0" era. It is hoped that the transformation occurs will not only affect the way of working but more so on the formation of business fundamentals in various sectors. During this transition period, business activities continue to aim at better business efficiency than before by implementing the integration of technological sophistication such as blockchain technology, Internet

of Things (IoT) and artificial intelligence (AI). Blockchain is a collection of interconnected data using a cryptographic technique (Ramadhani et al., 2024). Blockchain technology enables secure, transparent and decentralized transactions. This can reduce the need for traditional intermediaries and provide additional security in digital transactions.

The digital business or e-business is a business where in carrying out its business activities it utilizes sophisticated technology and relies on the internet. According to Fricticarani et al., (2023) everyone can connect and communicate easily in all parts of the world using the internet. The internet has a very important role in providing facilities during digital transformation and innovation in the context of business economy 5.0.

Companies can increase efficiency and greater flexibility by establishing connections and processing systems for internal and external data through e-business (Nuraisyah, 2019). In interacting with suppliers and business partners, companies also often use e-business, apart from that, it is also applied to fulfill demand so that it can optimally increase customer satisfaction. The use of information technology approaches in a business activity can be referred to as electronic business (e-business). A company can follow developments and know the entire process of its business activities through the implementation of e-business (Maliroy et al., 2023).

The research objective of Innovation and Adaptation Strategies Towards The Digital Economy in Business Transformation is to find out more deeply how a company's economy can change its operational activities as an adaptation in line with changes towards economy 5.0. The digital economy 5.0 is an era which refers to the application of technological sophistication including the Internet of Things, artificial intelligence (AI) technology and other advanced technologies which function to change fundamentals in the way of doing business, the way of working and the way of interacting so as to provide better views on what innovation and adaptation strategies are needed to face the transformation for Economy 5.0.

Theoretical Study

According to Tangkas Ageng Nugroho et al., (2023), the next stage of the concept in Industry 4.0, namely Industry 5.0, is an advanced stage that focuses on human welfare by developing a production system that is smarter and interconnected between activities. Industry 5.0 is a system that adopts technology with a more comprehensive focus on sustainability, thus opening up opportunities in facing global challenges, namely economic inequality, climate change and additional resources needed to be more efficient by creating more innovative solutions.

According to Puspita et al., (2020), society 5.0 is an era where all technology becomes part of humans themselves. The industrial revolution and developing digital technology have had a greater influence on digital economy 5.0, which is a concept and leads to further stages of economic change. This concept is a combination of elements included in Economy 4.0 which has a greater emphasis on human life, collaboration and economic sustainability.

By paying attention to social, cultural and environmental aspects, economy 5.0 aims to increase productivity and efficiency by utilizing technological sophistication including the blockchain, the Internet of Things (IoT) networks and the artificial of intelligence (AI) technology so that it can produce a better economic ecosystem, fair, inclusive and sustainable. Prastyanti (2024) revealed that one of the sophistications of AI technology or artificial intelligence is a machine technology that is capable of processing and analyzing data so that with the information provided, a person can make a decision.

Selay et al. (2022) stated that the Internet of Things (IoT) is a cutting-edge technology that refers to a system and network of devices that are interconnected via the internet throughout the world, making it possible to exchange data in real-time. The Internet of Things (IoT) has a closely related machine-to-machine (M2M) work concept. This internet technology is wireless technology, that is, without requiring cables to connect, which is designed to carry out activities such as communicating, controlling and exchanging information with various devices including sensors and other software via the internet. By utilizing Internet of Things (IoT) technology, it is hoped that it will be able to improve the overall quality of life, shorten the time required for business trips and have the potential to increase system efficiency in the industrial world (Wijaya et al., 2022).

A very significant paradigm shift is marked by the on going era of Economy 5.0 in the context of digital business (e-business). Digital business (e-business) in the Economic 5.0 era does not only aim to gain financial profits from the application of technology, but is more about how this technology can motivate people to empower themselves in sustainable collaboration so that it can have a positive impact on surrounding environment and society in general. As e-business continues to develop, this condition seems to be an undeniable reality and is becoming a dominant trend that has an influence on the scope of business throughout the world. This phenomenon occurs with advances in technology and information due to the development of the internet which has an impact on the development of communication (Ginting et al., 2021).

E-business, also known as digital business, has goals that can influence business progress in achieving security, increased productivity, financial benefits, integration, efficiency and optimization. Digital business is an activity carried out by utilizing developments in information and communication technology both by a company, individual and all parties involved in the main business journey process (Fahmi et al., 2019). According to research by Mohammad Subekti (2014), Indonesia as a developing country is a country that is suitable for implementing e-business models, including the B2B or business to business e-business model, C2C, namely customer to customer, and the B2C or business to customer model, which is the model recently, e-business has been widely developed in Indonesia.

METHOD

The approach used in this research is a qualitative approach, namely an approach that aims to understand a social phenomenon from an in-depth and comprehensive perspective. The research approach used is descriptive qualitative,

where this approach describes data as it is and explains an event using explanatory sentences. This research uses qualitative data sourced from secondary data in the form of literature from previous research, supporting books and journals (Guntur Hendratri et al., 2023).

Secondary data in the form of previous research literature in journals used in this research was obtained from websites via the internet where the data has relevance which can provide a basic theoretical framework according to the context in the analysis being studied. The use of a qualitative approach is considered capable of producing an effective understanding of how a company can adapt and innovate in line with significant business dynamics as a result of technological changes and developments. So, by conducting this qualitative research, it is hoped that it can broaden valuable insights in facing technological developments with effective innovation and adaptation strategies to face the challenges of the digital economy 5.0.

RESULTS AND DISCUSSION

The Industrial Era 5.0 revolution is an era where there is interest and has a significant impact in which there is deep integration between humans and technology (Sumarni & Ariyani, 2023). Transformation during this period is increasingly developing and will continue to shape the global scope of the industrial sector in the future, so that companies are required to be able to adapt quickly and carry out continuous innovation both from the company as a whole and individually. Understanding and adopting advances and technological developments requires active involvement as the key to maintaining competitiveness that has relevance in an increasingly rapidly changing industrial era. Taking more effective steps than before in overcoming diverse and increasingly complex challenges, namely by collaborating with stakeholders and cross-sector collaboration.

Apart from offering enormous opportunities for the growth of innovation in business, the digital revolution creates opportunities for various new challenges, including privacy, data security and its impact on the social environment. With the current advances in digitalization technology, the digital revolution and development has reached its peak which has a quite massive impact on changes in the lives of all people in the world (Predy et al., 2019). Implementing Industry 5.0 requires improving infrastructure for smooth connectivity in digital development in a country's regions. To facilitate data exchange activities so that they can run quickly, safely and reliably, infrastructure improvements are needed, including the data centers, broadband and telecommunications networks, as well as cyber security systems.

Inadequate workforce skills are a challenge in itself that must be overcome. Skills in the digital and technological fields for Indonesian human resources are an effort that must be fulfilled in order to maximize the benefits of Industry 5.0. By adapting to technological advances, it is hoped that gaps in social life can be eliminated so that inclusiveness can be increased (Wuryan et al., 2022). Thus, stakeholders are required to be able to prepare human resources that are

relevant in facing developments and challenges that arise in the Industry 5.0 era through education and training.

To implement economy 5.0 in order to develop a strong innovation ecosystem, companies should implement a collaboration strategy between the government, educational institutions and the private sector. This collaboration aims, among other things, to create programs in partnership that can provide facilities for transferring knowledge and technology by providing financial support, providing infrastructure for startups, developing educational curricula that are relevant to the needs of the industrial era 5.0 and collaborating with companies that are pioneering in focus on technology. The implementation of e-business strategies is expected to be able to motivate micro, small and medium enterprises (MSMEs) to develop their businesses in addition to providing benefits for entrepreneurs with large capital (Malioy & Manongga, 2023).

This shows that competence is very necessary in running a business because SMEs that can still survive were SMEs that have high competence, while SMEs that are less competent will experience difficulties in maintaining their existence, because it is very important for an entrepreneur to have all the knowledge, skills, attitudes and experience. so that it makes someone have a certain passion and ability to be creative and dare to innovate in creating something new and different from what is usually offered by the market so that it can attract more customers (Siti Mujanah, Tri Ratnawati, & A. Kusmaningtyas, 2019).

The government, as one of the stakeholders who has a big influence on the smooth implementation of Economy 5.0, is important in making policies that lead to everything to support changes in digitalization and innovation, such as policies regarding fiscal incentives, especially in the field of investment in digitalization of technology, regulations that support the growth of startups, as well as initiatives in providing affordable and extensive infrastructure for the development of the digital era. In order to advance sustainable and inclusive economic development, it is necessary to pay attention to important factors, including how companies innovate and adapt as well as a deep understanding of the dynamic context in the Economy 5.0 era.

Tangkas Ageng Nugroho et al., (2023) stated that the government in Indonesia has tried to determine steps to provide support for the implementation of Industry 5.0, this is demonstrated by the "Making Indonesia 4.0" and "Industry 4.0 Roadmap" programs. However, this support requires expanding the scope and strengthening the program foundation in facing various challenges and motivating comprehensive adoption of Industry 5.0.

In her research, Rahmasari (2023) found that in the digital era, adaptation strategies in business are not only an option, but are urgent and a necessity for companies. The strategy of implementing Industry 5.0 by using a comprehensive approach to innovation, technology, data security, organizational structure, and continuous learning helps a business survive and even grow in a highly competitive environment. Increasingly developing technology can be a driver for changing consumer behavior so that a dynamic business ecosystem can be created. For companies that are more responsive in implementing adaptation

strategies, it is possible to gain opportunities from changes in volatility, while being more vulnerable to negative impacts if the company is less adaptive (Rosmayati & Maulana, 2024).

An important part that is difficult to separate from implementing a business adaptation strategy in the digital era is innovation. A company is considered successful in facing advances in technology and the business ecosystem if it has been able to implement a culture of exploring innovation by continuously motivating employees to be able to provide new ideas, think creatively, and dare to take and control risks. have a methodology and design thinking in applying a structured process to an innovation so that it is hoped that innovative services and products can develop quickly (Rahmasari, 2023).

The business progress and development in the Industry 5.0 era, innovation has a concept that aims to produce a sustainable and inclusive economic environment and have a positive impact on supporting parties where humans are placed at the center of business growth and technological development. In business digitalization, business actors are expected to have the skills to be able to adapt and quickly respond to developments, test and implement new innovations in the face of technological changes and the latest market conditions (Zebua, 2023). Apart from digital business as an agent in change for the Economic 5.0 era, producing a sustainable and inclusive future is the effort of digital business as the main tool that can move the wheels of the economy. Through advances in digital technology, efforts can be made to overcome major transformations in communication, strategies in work, and in carrying out daily life (Nastiti & Ni'mal'Abdu, 2020).

CONCLUSION AND RECOMMENDATIONS

The new economic scope known as Economy 5.0 is formed by technological advances that are increasingly developing and bringing about significant economic transformation. This transformation phase has changed business fundamentals in various sectors, requiring adaptation in every business activity. In creating increased efficiency and flexibility, all business operations are carried out in an integrated manner with sophisticated technology, including the Internet of Things (IoT), blockchain and artificial intelligence (AI).

Industry 5.0 prioritizes the development of human resources who can work together with machines and technology in the production process. This phase is a transition from the Industry 4.0 concept which focuses on human welfare, focuses on developing more efficient production systems, creating innovative solutions for various global challenges such as economic growth, climate change and environmental sustainability.

In an increasingly dynamic and complex economic environment, companies are expected to be able to prepare themselves to adapt to face challenges and take advantage of opportunities in a holistic manner that includes technological, human and sustainable aspects. In carrying out their business activities, companies are required to immediately build an organizational culture that supports innovation, improves digital skills, focuses on human welfare, is responsive to a changing environment and pays attention to social aspects.

In achieving success towards Economy 5.0, it is important for companies to establish strategic partnerships with stakeholders including the government as an external stakeholder as well as non-government organizations and educational institutions. This partnership aims to make it easier for companies to access and obtain regulatory support, increase the necessary resources and expand the market reached. Thus, it is hoped that collaboration between sectors can help accelerate innovation and expand the positive impact of companies on society and the surrounding environment. The establishment of a network with very strong partnerships means companies are able to optimize their potential when facing a changing environment and achieve success in the digital economy 5.0.

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