

# Small Medium Enterprises' Digital Transformation During and Post Pandemic Times

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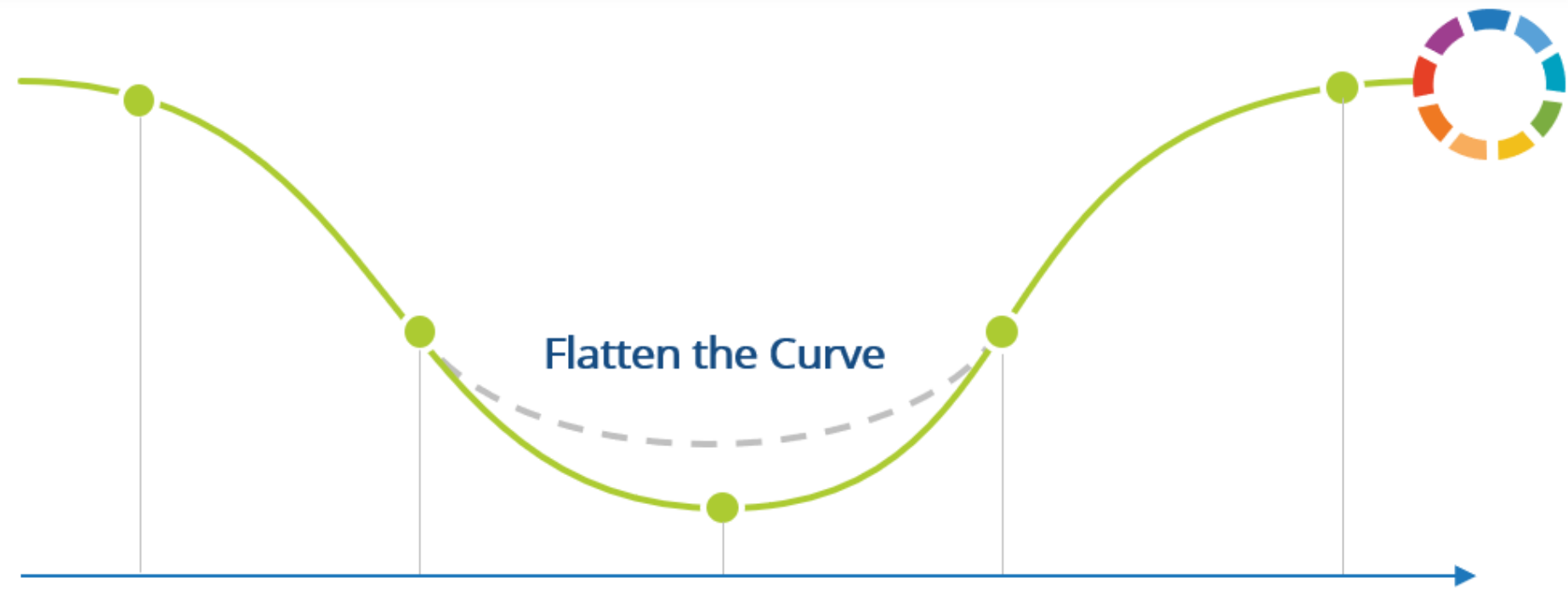
**IAI Webinar June 24<sup>th</sup>, 2021**

# Outline

- Post pandemic? The new normal.
- Small-Medium Enterprises
- Pandemic and Small-Medium Enterprises
- IT investment trend
- Digital transformation
- Benefits of DT
- Inhibiting factors and challenges of DT's SMEs
- Role of accountants

# Leverage Technology to Transition to the Next Normal

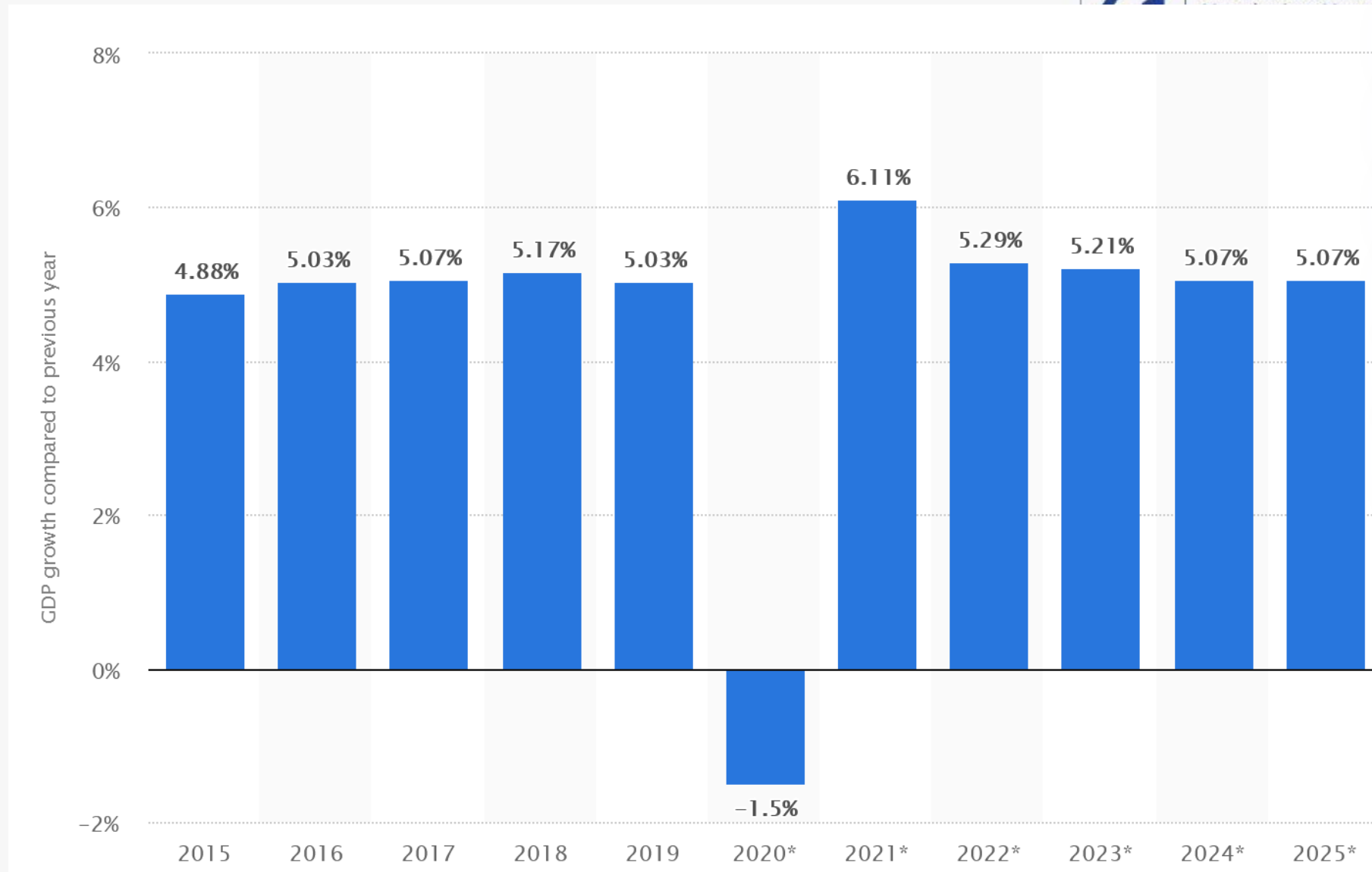
BUSINESS FOCUS	Business Continuity	Cost Optimization	Business Resiliency	Targeted Investments	Future Enterprise
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ECONOMIC SITUATION	COVID Crisis	Economic Slow Down	Recession	Return to Growth	The Next Normal
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(IDC, 2021)

# The new normal



(Statisca, 2021)



# Now is the time for Indonesia to consider the various trends that will define the next normal.

## Themes for next normal





## Online shopping is getting more important for consumers

Only 9% of global consumers regularly shopped online before COVID-19.

Since the onset of the pandemic, **27% of consumers are shopping online for the first time.**

# Small and Medium Enterprises

- Small and medium-sized organisations represent more than 90% of all business, 60-70% employees, and 55% of GDP worldwide (Mandviwalla and Flanagan, 2021; Arnold, 2019)
- Indonesia, where its 59.3 million micro small medium enterprise (MSMEs) had contributed to the country's Gross Domestic Product (GDP) for 58.9% and 97% of total employment (OJK, 2016; OECD, 2018)
- Small and medium businesses (Mandviwalla and Flanagan, 2021):
  - Lack of scale
  - Risky business
  - Family owned
  - Advantage in personalisation
  - Offering products that are physically and culturally close to the customer

# Pandemic and MSMEs

- 54% of small businesses in the US are affected by pandemic (risk and near-term risk category)
- 90% of MSMEs activities are disrupted by the pandemic (Kristianus, 2020)



MSMEs also find difficulties obtaining raw materials, providing logistics and shipping of products. Workers are also not able to return to work.

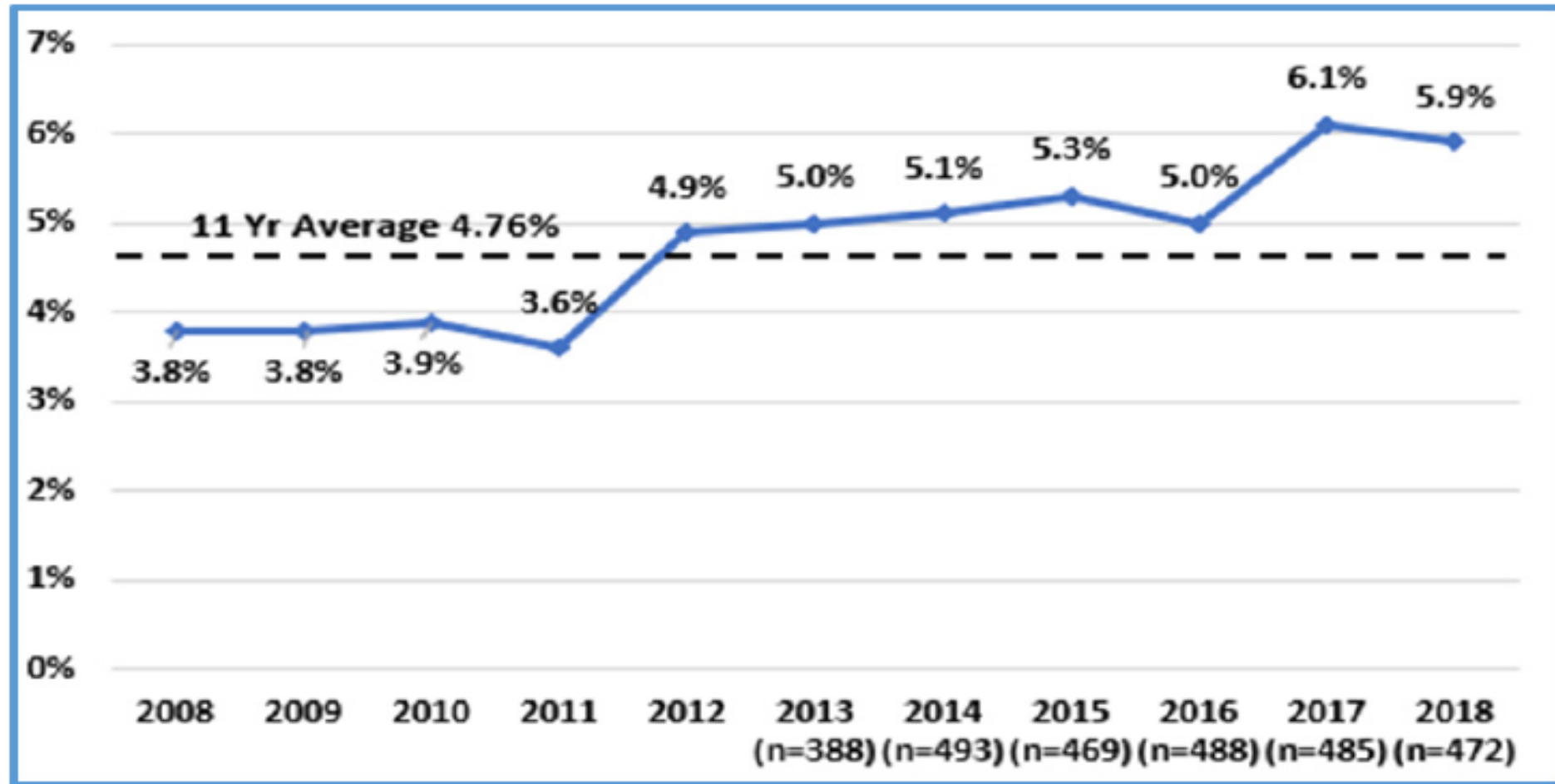


# Future of jobs (WEF, 2020)

- The pace of technology adoption is expected to remain unabated and may accelerate in some areas.
- Automation, in tandem with the Covid-19 recession, is creating a **'double –disruption'** scenario for workers and organizations.



**Figure 1: Average IT Spending as a Percentage of Revenue, 2008-2018**



# IT Trend in Indonesia

- Largest digital economy in South-East Asian by 2020, US\$130 B
- ICT expenditure in 2020 Rp394 T
- IT investment: cloud, data analytics, and data centre management

(IDC, 2018)

# 10 Important IT in 2020 and beyond (IDC, 2018)

1. Digital economy (40% of GDP in 2021)
2. **Digital transformation (20% of all companies in 2021)**
3. Cloud-computing
4. Artificial intelligence (20% commercial firms in 2021)
5. Hyper-agile apps (in 2021, 15% application development will use PaaS).
6. Human digital interface (5% of all companies will use biometrics measures).
7. Blockchain (10% of all companies in 2021)
8. Data as a service
9. Everyone a developer
10. Application programming interface (20% digital services interaction).

# Digital Transformation (DT)

## DT definition:

*“a process that aims to improve an entity by triggering significant changes to its properties through combinations of information, computing, communication, and connectivity technologies” (Vial, 2019: 118).*

## Other definitions:

- DT...it’s a planned digital shock to what may be a reasonably functioning system (Andriole, 2017).
- ..to enable major business improvements (Chanas, 2017)
- ..result in changed products or organisational structures or automation of processes (Clohessy et al, 2017).

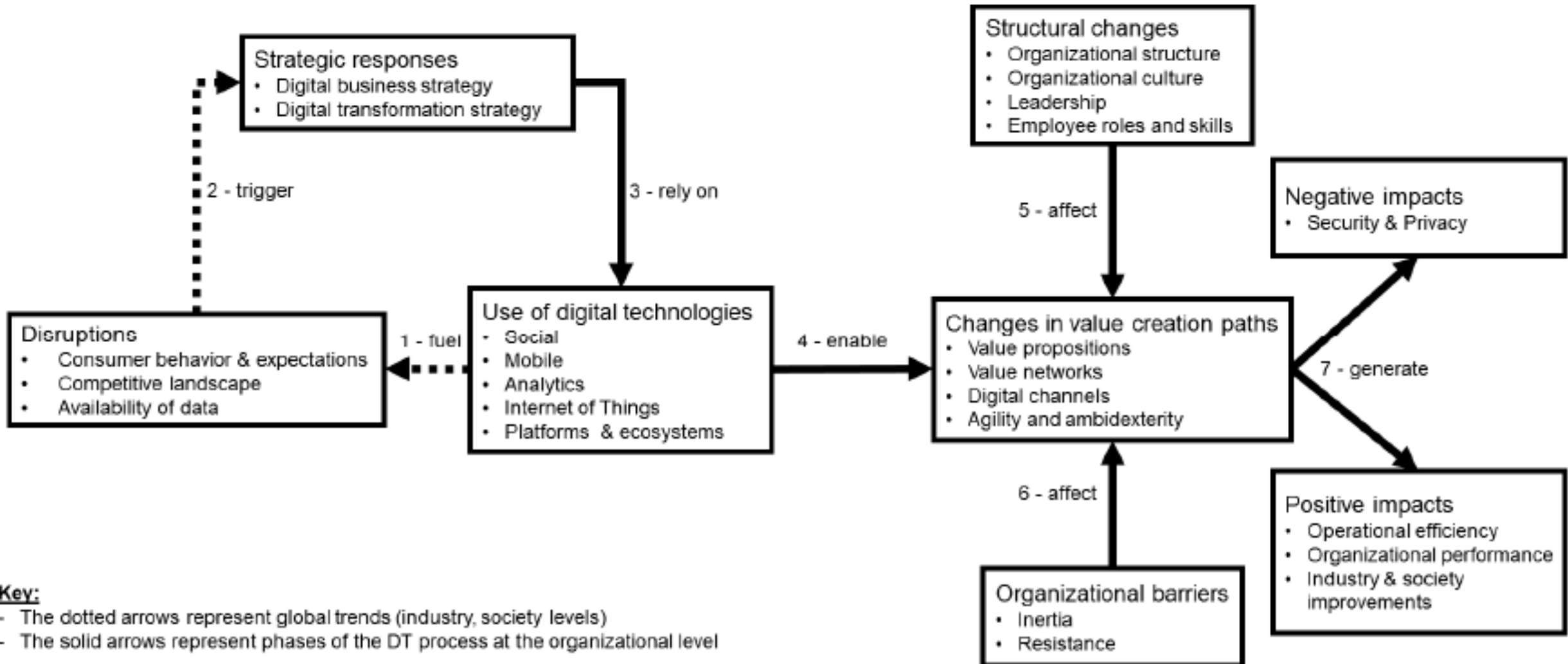
# IT-enabled Transformation vs. Digital Transformation

(Vial, 2019, 34)

Property	IT-enabled organizational transformation	Digital Transformation
Impetus	Organizational Decision	Society and industry trends; organizational decision
Target entity	Single organization	Organization, platform, ecosystem, industry, society
Means	Single IT artifact primarily focused on operations (e.g., ERP)	Combination of digital technologies (e.g., social media and analytics)
Expected outcome	Business processes are optimized and efficiency gains are realized.  Existing institutions remain unchanged	Business processes are transformed and the business model of the focal organizations is altered; in some instances business processes are optimized.  The transformation raises important questions with regards to the relevance of current situations (e., regulatory framework, ethics)
Locus of uncertainty	Internal: located inside the organization	External (first): located outside the organization.  Internal (second): located inside the organization.
Example	A firm purchases and implements ERP.	Consumers increasingly rely on mobile device and social media to purchase goods and services, a firm decides to capitalized on this trend by developing a mobile application, utilizing social media to engage with customers.

# Building Blocks of the DT Process

(Vial, 2019, 11)



# Small Businesses DT during pandemic

(Mandviwalla and Flanagan, 2021)

Based on 42 cases, they found:

- The business owners tend to be domain experts (e.g., know how to cook, etc.), variability of business functions knowledge.
- A few day to day operations are outsourced (e.g., accounting, payment).
- Limited digital know-how (do not have ongoing relationship with IT vendor)

Small business DT focuses on **digital channels**:

- 55% of the cases: **engaging** with customers (marketing, advertising, and relationship management)
- 33% of the cases: **selling** (sales transaction).
- 12% of the cases: **delivering** product/services.



# DT of SMEs in Indonesia

(Muditomo and Wahyudi, 2021)

- There are 64 million MSMEs in Indonesia, only 8 million MSMe (around 13%) are already connected to the digital world (Andriani, 2020).

DT of SMEs in Indonesia:

- Triggered by external driver
- Do not have a set of measurable milestones



# Accountants roles during/post pandemic

1. Access government funding
2. Plan for success, understand financial position and they drivers for success.
3. Access tax breaks and benefits
  - Government regulation (Perpu) 1 2020 state finance policy
  - PP 29 2020 Income tax facility (PPh) related to Covid-19
  - PMK 48/2020 PPN, e-commerce platform.
4. Build better processes
5. Spot opportunity

(Halstead, 2020)

## How accountants adapt in pandemic time?

1. Investment in technology
  - Digital business transformation
  - Cloud computing
2. New digital relationships
  - Video conferencing
3. Adapted auditing
4. Focus on vulnerable businesses
5. Stay ahead of the curve

(Lajartre, 2020)



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*Prakarsa*  
**6.1**

**Menguasai Perubahan,  
Menyiapkan Masa Depan!**



**Thank  
You!!!**

[www.thebodytransformation.com](http://www.thebodytransformation.com)

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