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Application of Digital Transformation in Business and Management in Indonesia

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Abstract. The problem is that there are positive and negative impacts in implementing digital in business. The application of digital transformation in business and management has become a fundamental change in the modern business world. This transformation involves using digital technology to change business processes, operating models, and management strategies. This research aims to understand the application of digital transformation in the modern business world. The main method of this research is library research, namely research that utilizes library sources to obtain data, which uses data sources from reference books that contain specific information, and is usually used as a reference in the application of digital transformation in business, articles from journals or periodicals, as well as other sources of information that are relevant to the discussion, so that they can complement the data to arrive at conclusions. The results of this research discuss several key aspects of digital transformation in a business and management context. The first result of this research is that digital transformation allows companies to increase operational efficiency through process automation, the use of big data and advanced analytics. This can result in reduced costs and increased productivity. Second, digital transformation allows companies to improve customer experience. Through the use of technology such as mobile applications, social media, and personalization, companies can better interact with customers and meet their needs. Third, digital transformation allows companies to compete in global markets better. The internet and digital technology enable access to global markets, as well as allowing companies to compete with competitors from all over the world. Fourth, digital transformation also influences management models. This drives a change in corporate culture, where innovation, collaboration and responsiveness become core values. Management must also be more flexible and adaptive in dealing with rapid changes. The conclusion from this research is that digital transformation is important in Indonesia. Digital transformation helps speed up and simplify business processes, such as process automation, data processing, and collaboration between teams. Digital transformation can also help minimize costs and speed up overall processing time. Implementing digital transformation in business and management is important to remain competitive and develop in the digital era. Companies that can combine technology with the right business strategy will have a greater chance of achieving long-term success.

Keywords: Transformation, Digital, Business, Management

1. Introduction

Rapid technological developments have brought about profound changes in strategies and operations in various sectors around the world. Ismail (2014) stated that technological developments have fundamentally revolutionized industry and civilization and have had an accumulative impact on the ability of companies to achieve business goals. Li (2021) states that digital transformation is described as a modern struggle to survive the threat of digital disruption. Digital transformation introduces new processes and mechanisms and ways that influence the main structure of how companies do business. In today's business environment, companies are under pressure to rethink their business models, products andprocesses, considering the challenges and opportunities presented by digital transformation (Sekaran & Bougie, 2016)

In Indonesia, digital transformation is experiencing significant growth. Based on data from (Ministry of Finance, 2023) the value of the digital industry in Indonesia has increased significantly from 41 billion dollars in 2019 to 77 billion dollars in 2022 and is predicted to increase to 130 billion dollars in 2025. With increasing digital transformation there are several challenges for companies -company. The challenge for companies is the integration and use of digital technology and no sector is immune to the effects of digital transformation. Rogers (2016) believes that there are 5 things that become burning platforms or reasons that encourage transformation, namely: customers, competition, data, innovation and values. Thus, in the era of the digital economy, digitalization is now a strategic management problem for companies rather than a technical problem (Sekaran & Bougie, 2016).

Digital transformation is a major challenge not only for individual companies, but also for national economies (Yuliani & Fithria, 2022). Becoming a digital nation, namely a country where citizens, government and companies live in a digital society that interacts and creates and benefits all stakeholders, the central government can/should learn from the experiments carried out in cities, and the experiments of entrepreneurs in In particular, currently TD research tends to be specialized and limited to certain domains, this can be seen from the number of publications which is growing rapidly each year-year presenting results from a variety of disciplines and viewpoints. Therefore, the larger TD field becomes very complex and difficult to understand (Hanelt et al., 2021).

Several previous studies related to Digital Transformation include Hofacker, Golgeci, Pillai, and Gligor (2020) who conducted a review where they examined relevant literature on digital marketing and B2B relationships. Li (2020b) also conducted a systematic literature review to examine how digital technology facilitates business model innovation in creative industries, while Knudsen (2020) also conducted a systematic literature review focusing on digitalization in accounting. The few existing reviews have in common that they focus on very limited areas of business and management; they are very narrow in perspective. In addition, this review has not determined the evolution of the term TD in the field of business and management .

The aim of this research is to provide a comprehensive review of existing research regarding the application of digital transformation in business and management, or more precisely, to organize existing research, identify current trends, and offers a general overview of the latest research topics on digital transformation to determine the challenges of implementing business and management transformation and efforts to overcome them, the role of digital transformation of business and management in Indonesia, and the impact of implementing business and management digitalization in Indonesia (Basyirah et al., 2023; Rosihana et al., 2024). This research is expected to contribute to research on the application of digital transformation in business and management by providing information regarding its evolution. The structure of this research begins with a presentation of the concepts of digital transformation and strategic management. Next, the methodology used and the literature selection process used are presented. Finally, the research results are presented, followed by conclusions.

The first result of this research is that digital transformation allows companies to increase operational efficiency through process automation, the use of big data and advanced analytics. This can result in reduced costs and increased productivity. Second, digital transformation allows companies to improve customer experience (Puteri et al., 2022). Through the use of technology such as mobile applications, social media, and personalization, companies can better interact with customers and meet their needs. Third, digital transformation allows companies to compete in global markets better (Shonia Az Zahra et al., 2023). The internet and digital technology enable access to global markets, as well as allowing companies to compete with competitors from all over the world. Fourth, digital transformation also influences management models. This drives a change in corporate culture, where innovation, collaboration and responsiveness become core values. Management must also be more flexible and adaptive in dealing with rapid changes. The conclusion from this research is that digital transformation is important in Indonesia. Digital transformation helps speed up and simplify business processes, such as process automation, data processing, and collaboration between teams. Digital transformation can also help minimize costs and speed up overall processing time. Implementing digital transformation in business and management is important to remain competitive and develop in the digital era. Companies that can combine technology with the right business strategy will have a greater chance of achieving long-term success.

2. Methods

This research uses qualitative research methods, namely analytical descriptive (Sugiyono, 2018). The analytical descriptive approach focuses on systematic explanations of findings or facts obtained in research that has been carried out. Descriptive research provides a systematic explanation of the social phenomena and symptoms being studied by describing a variable being studied without comparing or correlating it with other variables. Research analysis utilizes library sources in obtaining data, which uses data sources from reference books which contain specific information, and are commonly used as references in the application of digital transformation in business, articles from journals or periodicals, as well as other sources of information relevant to the discussion. so that it can complete the data to arrive at a conclusion. The social phenomenon that will be examined in this research is the phenomenon of implementing digital transformation in business and management in Indonesia.

3. Results and Discussion

A. Literature review

Application of Digital Transformation in Business and Management in Indonesia

Westerman et al., (2011) stated that digital transformation is the use of technology aimed at improving the company's performance and reach by radically changing customer relationships, internal processes, value propositions. Vial (2019) defines digital transformation as a process aimed at improving a particular organization, producing significant changes in its characteristics with a combination of information, computing, communication and connectivity technologies. Digital transformation is "an evolutionary process that leverages digital capabilities and technologies to enable business models, operational processes, and customer experiences to create value.

Morakanyane et al., (2017) stated that digital transformation of an enterprise is defined as the use of new digital technologies, such as social media, mobile, analytics, or embedded devices that enable significant business improvements, such as customer experience, operational optimization, and creating new business models. Vial (2019) in his research explains that digital transformation is a multidimensional phenomenon, supported by technology, which has an impact on society, politics and the economy . At the organizational level, Vial (2019) states that digital transformation is a process where the combination of technologies produces and strengthens internal divisions society and industry, triggering the need for strategic responses within organizations. Using digital technology can change the way they create value to remain competitive.

B. Discussion

1. The role of digital transformation of business and management in Indonesia.

Digital transformation is a process and strategy for implementing technology in business operational activities that changes the way a business operates and serves customers, both related to marketing to production. With digital transformation, businesses can survive in competition against competitors. For example, Gojek and Grab are implementing digital transformation by creating online applications that make it easier for people to order motorbike taxis, taxis, food and drinks, and daily necessities. So you can reduce activities outside the home. Therefore, digital transformation is very important for entrepreneurs in developing their business (Widianita et al., 2023).

Reasons Why Digital Transformation is Important for Business The expansion of digital transformation in the business world is important to implement. The following are reasons why transformation is important in the business world:

a. because change is inevitable. If a company cannot adapt to changes and developments in technology, then the company will lose out compared to companies that can adapt to technological developments.
b. business becomes more effective and efficient. If previously product marketing and sales were carried out offline, now companies can market and sell their products through various online media, namely social media and websites. With online media, marketing will be more effective because companies can reach a wider market, and will be more efficient in terms of operational time and costs incurred.
c. can increase consumer satisfaction and loyalty. Advanced technology such as social media means consumers can buy things more easily, and get a quicker response from companies when they want to ask questions or submit complaints.
d. This will increase the credibility of the business so that consumer satisfaction and loyalty will increase. Acceleration of change. One of the benefits of technology is as a tool or vehicle to help speed up human work. With digital transformation, companies can increase the rate of digital change exponentially. Business people can bring their business to a wider market, such as providing easy access via the internet, or utilizing AI (Artificial Intelligence) to increase business production.
e. Digital Competition

The high pace of the economy makes companies increasingly competitive to improve their business performance. Companies that still survive in conventional business also have to compete with digital-based startup companies (start ups). For this reason, digital transformation can be a solution to improve company performance. Companies can utilize digital-based business models to compete with other companies.

f. Customer Expectation

Customers expect a good experience in all aspects of the company, for this reason companies must ensure their interactions run smoothly with customers. With digital transformation, companies can take advantage of easy internet access to interact with customers.

2. Benefits of Digital Transformation for Companies, digital transformation also has various advantages for improving company performance in the digital era. Below are some of the benefits that companies get from implementing digital transformation.

1) Transform the customer experience

Developing a digital transformation strategy to improve consumer experience will improve company performance.

2) More data-driven insights

When companies switch to digital business, various data can be obtained. By utilizing digital transformation, companies can track and analyze data for developing marketing strategies and improving company human resources.

3) Dynamic collaboration between departments

Companies that can make optimal use of digital transformation can facilitate collaboration between departments in the company. With strong solidarity between departments, the company will find HR with the same goals to encourage the company to achieve its goals.

4) Increased innovation

Digital transformation can drive innovation for companies and keep businesses thriving. Quoted from Imaginovation.net, as many as 68% of companies can increase innovation with digital transformation. Eid, Christmas or other big holidays. Usually the demand for delivery of goods is so high, it will become a problem for the logistics industry if the management carried out does not work optimally so that fulfilling customer orders effectively and efficiently becomes a challenge.

3. Challenges in implementing business and management transformation and efforts to overcome them

a) Lack of Organizational Readiness

Digital transformation causes significant changes in your organization. The leadership team and employees must be open to change and innovation. Without this openness, there is a risk of digital transformation failure. We may be less prepared to organize if there are parts of our company that resist change or operate in a culture that does not embrace innovation. This can be caused by factors such as:

1. Poor internal communication
2. Distrust of management or other departments
3. Organizational silos. This can lead to implementation delays or even incomplete implementation. A well-designed change management strategy can help us avoid these problems.

b) Excessive Customization

Enterprise software systems, such as ERP systems or SCM systems, must meet our business needs. However, it is important to avoid over-adjusting. This can result in systems that are complex, difficult to maintain, and prone to errors. Additionally, it will be possible to experience cost overruns and compatibility issues with future upgrades. Before customizing a software system, you should carefully consider whether customization is necessary. we may be able to configure existing features in the software to meet our needs

c) Poor Project Management

Poor project management is another common mistake in digital transformation. Common problems include:

1. Lack of structured project management tools or methodology
2. Failure to resolve problems in the project quickly
3. No dedicated internal project manager
4. Inadequate resource allocation

Without strong project management, our implementation may fall behind schedule. Costs can increase and coordination between teams can suffer. Careful planning and organization helps avoid these problems.

d) Vendor Related Issues

Poor vendor selection will leave us with a system that does not meet our organization's requirements. Additionally, inadequate vendor support during the implementation phase can hinder project success.

e) Inefficient Change Management

Signs of ineffective change management include:

1. Failure to engage key stakeholders
2. Lack of training regarding technological changes
3. Failing to communicate the benefits of change

Employees may resist digital transformation by not adopting new systems or business processes. Effective change management starts with preparation. You need a clear and realistic plan if we want your employees to realize and accept the need for change.

f) Insufficient Scalability

When an ERP system is not designed with scalability in mind, this can lead to the need for re-implementation or expensive workarounds. Our software must be able to keep up with the increase in demand we may experience in the future. Shifting consumer demands require changes in workflow, governance, supporting technology, and security. Ask any software project failure expert and they'll tell us that we really should be asking detailed questions about scalability when we vet potential vendors.

g) Data Migration Challenges

Good data is essential for good decision making, but problems in data migration can derail our digital transformation. Common problems include:

1. Data corruption
2. Data loss
3. Data mapping errors

A bad data migration can result in data in the new system being unreliable which can lead to operational disruptions and wrong business decisions.

h) Incompatible Older Systems

Our new enterprise software needed to integrate with our existing legacy systems. This can be a challenge for organizations with landscapes complex IT. Outdated technology and a lack of standard interfaces can lead to data discrepancies and functional limitations.Technology experts from our Software Expert Witness team can help us identify potential problems with system integration.

i) Insufficient Testing

Thorough testing helps us avoid problems later. Skipping the testing stage can result in bugs, functional gaps, or poor performance. These problems may only appear after the system is launched, which can cause annoyance and dissatisfaction among users.

j) Scope Creep

Continuously adding features or requirements causes scope expansion, leading to missed deadlines and cost overruns. If this happens, you may not be able to achieve our initial project goals

k) Regulatory Compliance Gaps

Penalties imposed for compliance violations soar to $3 billion by 2022 .Especially in industries with stringent regulatory requirements, digital transformation failures can arise from ignoring or misinterpreting compliance obligations. Don't Lose Control of Our Digital Transformation Our organizations may face many digital transformation challenges, but we can overcome these challenges with the right strategy.

4. Conclusions

The aim of this research is to provide a comprehensive review of existing research regarding the application of digital transformation in business and management, or more precisely, to organize existing research, identify current trends, and offers a general overview of the latest research topics on digital transformation to determine the challenges of implementing business and management transformation and efforts to overcome them, the role of digital transformation of business and management in Indonesia, and the impact of implementing business and management digitalization in Indonesia.

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