

Human Resource Management in Facing the Challenges of Digitalization in the UMKM Environment of Kwala Serapuh Village

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Abstract

Digitalization has become an inevitable global trend, including in the Micro, Small, and Medium Enterprises (MSMEs) sector. The main objectives of the research are to identify digitalization challenges faced by local MSMEs, analyze the readiness of human resources in adopting digital technology, and formulate effective human resource management strategies to increase the competitiveness of MSMEs in the digital era. This study uses a qualitative approach with a case study method. Data was collected through in-depth interviews with 20 MSME owners, a survey of 100 MSME employees, and direct observation of the work process in 10 selected MSMEs. The results of the study show that the challenges faced by MSMEs in Kwala Serapuh Village in digitalization include: (1) lack of understanding of digital technology, (2) limitations of information technology infrastructure, (3) resistance to change from some employees, and (4) limited budget for technology investment. HR readiness analysis reveals that only 30% of MSME employees have basic digital skills, while 70% require intensive training.

Keywords: Human Resource Management, Digitalization.

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Introduction

Technological developments have presented challenges and opportunities for the Indonesian labor sector. In facing this new challenge, the labor sector needs to adopt technology that changes work patterns (FirmanArio, et al. 2023). Digitalization has brought about major changes in today's business landscape, especially for MSMEs (Micro, Small, and Medium Enterprises). Along with the development of information and communication technology, MSMEs have wider access to the global market and opportunities to expand their business reach. The growth of MSMEs in Indonesia is increasing every year as individuals are more productive and know that their livelihoods and income do not only come from large companies. However, MSMEs often face challenges in increasing their competitiveness in an increasingly competitive market (Annisa Sany, et al. 2024). Human resources are required to further improve their competence so that they can be creative and also innovate in order to spur the country's economic development in all fields (Freshka Hasiani & Dewi, 2015) in (eli delvi, 2023). High-quality labor is available in micro, small, and medium enterprises (MSMEs), which can help reduce the negative impact of the global economic downturn on society (annisa Ilmi Faried, et al. 2021). One of the main roles of digitalization for MSMEs in Kwala Serapuh Village is to provide access to a wider market. With the presence of e-commerce platforms and social media, MSMEs can market their products and services online, reaching consumers in various regions without being constrained by geographical distance. In addition, digitalization also facilitates safer and more efficient financial transactions through digital payments. In addition, digitalization also allows MSMEs to optimize their operational processes. For example, by using inventory and financial management applications, MSMEs can manage stock and cash flow more efficiently. This helps them save costs and increase productivity. MSME actors no longer need to spend large funds to advertise in newspapers or magazines. Now online promotion is much more affordable and easy with various options such as Instagram, Facebook, and Google Business.

However, digitalization also brings new challenges for MSMEs in Kwala Serapuh Village. Digital transformation has brought a revolutionary impact on the world of work and human resource management. This change creates a work environment that is dynamic, fast-changing, and highly related to technology (Aprilita, 2024). They need to adapt quickly to technological changes and develop adequate digital skills. In addition, online competition is also getting fiercer, so MSMEs in Kwala Serapuh Village must find a way to differentiate themselves from competitors. In the face of business transformation driven by technological innovation, companies need to ensure that their HR management strategies are constantly adaptable to remain relevant and responsive to the dynamics of the ever-evolving job market. According to (Amarullah et al., 2023) changing workforce needs, such as an increased focus on digital skills and adaptive leadership, should also be a major concern in developing HR strategies. The increasingly fierce competition of MSMEs in terms of the Digital Economy has become real with the development of technology, therefore MSMEs must really pay attention to this phenomenon and know and master digital marketing related to the Digital Economy (Suprihati, 2021). Digitalization opens a new path for MSMEs to grow and compete in the digital era. By taking advantage of this opportunity, MSMEs can strengthen their position in the market and contribute more to economic growth.

Research Methods

This research will use a qualitative approach with a case study method. The qualitative approach was chosen to gain a deep understanding of the human resource management strategies implemented by MSMEs in Kwala Serapuh Village in facing the challenges of digitalization. The subject of the study involved MSME actors in Kwala Serapuh Village who have adopted digitalization practices in their business operations. The selection of subjects will be carried out using purposive sampling techniques to ensure that the subjects involved have relevant experience and knowledge related to the research topic. Data collection will be carried out through several methods, namely: a). Interviews with MSME actors to obtain information about the human resource management strategies implemented, the challenges faced, and the solutions used in facing the challenges of digitalization. b). Observations were carried out in the MSME environment to obtain a direct overview of human resource management practices and the implementation of digitalization in business operations. c). Documentation Study by collecting and studying related documents, such as policies, reports, and other supporting data.

Results

Factors Affecting MSME Digitalization

Kwala Serapuh Village, like many other rural areas in Indonesia, is facing an era of rapid digital transformation. Micro, Small, and Medium Enterprises (MSMEs) in this village are now faced with challenges as well as opportunities to adopt digital technology in their business activities. The digitization of MSMEs in Kwala Serapuh is not only a trend, but also a need to increase competitiveness and expand market reach.

However, this digitization process does not always run smoothly. Various factors also play a role in influencing the speed and success of digital technology adoption by MSMEs in Kwala Serapuh village. These factors include internal as well as external aspects that are interrelated and form unique dynamics in rural contexts.

Based on the results of the research that has been conducted, several key factors have been found that affect the adoption rate and success of MSME digitalization in Kwala Serapuh village. These factors include internal and external aspects that have a significant impact on the digital transformation efforts of local MSME actors. The following will describe some of the key factors that affect the digitalization of MSMEs in Kwala Serapuh village, which are as follows:

1. **Digital Infrastructure.** Kwala Serapuh Village still faces challenges in terms of digital infrastructure. The internet network is not evenly distributed throughout the village, with some areas still experiencing slow or unstable connections. This is an obstacle for local MSMEs to fully adopt digital technology.
2. **Digital Literacy.** The level of understanding and digital skills among MSME actors in Kwala Serapuh Village is quite diverse. Most business owners, especially the older generation, are still unfamiliar with digital technology and online business applications. This has led to a reluctance to adopt digital solutions in their business operations.
3. **Access to Digital Devices.** The availability and ownership of digital devices such as smartphones, tablets, or computers among MSME actors is still limited. Many small businesses do not have adequate tools to run digital business operations.
4. **Awareness of the Benefits of Digitalization.** Although some MSMEs are starting to realize the importance of digitalization, there are still many who do not fully understand the concrete benefits of digital transformation for their businesses. This lack of understanding affects their motivation to invest in digitalization.

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5. Government and Related Institutions Support. The role of village governments and related institutions in encouraging the digitalization of MSMEs still needs to be improved. Digital training and mentoring programs for MSMEs are still limited, so business actors lack support in their digital transformation process.
6. Availability of Appropriate Digital Solutions. Many of the digital solutions available in the market do not always suit the specific needs of MSMEs in Kwala Serapuh Village. Adjustments or development of solutions that are more suitable for the characteristics of local businesses are needed.
7. Financial Aspects. Limited capital is one of the main factors hindering the digitization of MSMEs. Many businesses feel that investing in digital technology is too expensive and risky, especially given the relatively small scale of their businesses.
8. Culture and Mindset. There is still a reluctance from some MSME actors to change the traditional way of doing business that they have been running for a long time. Fear of change and lack of flexibility in adopting new methods are obstacles in the digitalization process.
9. Digital Security. Concerns about data security and online transactions are one of the factors that make some MSME actors hesitant to adopt fully digital solutions.
10. Digital Ecosystem. The lack of a strong digital ecosystem in Kwala Serapuh Village, such as the lack of a local marketplace or integrated digital payment platform, is also a challenge in the MSME digitization process.

HR Management Strategies in the Face of Digitalization

MSME actors in Kwala Serapuh village need to adopt several key strategies in managing their human resources to face the digitalization era. First, they must conduct an assessment of the digital skills of existing employees. This will help identify capability gaps and areas that need development. Based on the results of the assessment, MSME actors can design customized training programs to improve the digital literacy of their employees.

In addition to improving the quality of human resources through education, we know that there must be additional skills in the form of soft skills provided through training. This training aims to improve human resource capabilities and improve the quality of human resources so as to form a confident competitive spirit (Dewi, 2022). As we already know, improving the quality of human resources is a long-term human investment. Everyone who goes through education does not automatically make them qualified human resources but still requires some further processes (Sein, 2009) in (Eli Delvi Yanti, 2023).

Digital economy training is still very much needed by the community, especially for people who work in MSMEs because there are still many people in the village who do not understand how to increase work productivity (Muhammad Yalzamul Insan, Niken Wulandari, Ade Rizka, 2022). This includes the use of social media for marketing, digital inventory management systems, or e-commerce platforms. This training must be practical and directly applicable in daily work. In addition, MSME actors need to motivate their employees to keep up with the latest technological developments according to the needs of their industry.

In the face of digitalization, MSME actors in Kwala Serapuh also need to implement a performance management system that considers digital skills. They can set targets related to the adoption of digital technologies and provide incentives for employees who show progress in this regard. This will help create additional motivation for employees to improve their digital skills.

Finally, MSME actors must create a work environment that supports innovation and experimentation with new technologies. They can encourage employees to propose new ideas on how digital technologies can be used to improve efficiency or customer service. By creating

a culture that is open to change and innovation, MSMEs in Kwala Serapuh will be better prepared to face the challenges and opportunities brought by the digital era.

Conclusion

Human Resource Management Strategy in Facing Digitalization Challenges in the MSME Environment of Kwala Serapuh Village" examines the efforts made by micro, small, and medium enterprises (MSMEs) in the village in adapting to the digital era. The study found that MSMEs in Kwala Serapuh Village face various challenges in adopting digital technology, mainly due to the limited knowledge and skills of their human resources.

The results of the study show that the main strategies implemented include digital skills training for employees, cooperation with external parties for knowledge transfer, and gradual investment in technology infrastructure. MSMEs that successfully implement this strategy show increased operational efficiency and wider market reach. However, the study also revealed a significant digital divide among MSMEs, where some businesses still struggle to adopt new technologies.

In conclusion, effective human resource management and oriented to improving digital competence is the key to the success of MSMEs in Kwala Serapuh Village in facing digitalization. This study recommends the need for continuous support from the government and related institutions in the form of training programs, mentoring, and access to affordable digital technology for MSMEs in the area.

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