Paradigmatic Transition: Social Entrepreneurship as a Catalyst for Enhancing the Competitiveness and Sustainability of SMEs in the Digital Business Context

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ABSTRACT

In recent decades, there has been a paradigm shift in how we perceive business. It is no longer solely about profit-making but also about considering the social and environmental impacts of business activities. This research aims to delve deeper into how social entrepreneurship can be implemented in the context of digital business to support the competitiveness and sustainability of SMEs. The research method employed is a qualitative literature review drawing data from Google Scholar within the timeframe of 2020-2024. A qualitative approach is used to understand and analyze various perspectives, theories, research findings, and concepts relevant to the research topic. The study findings indicate that the paradigmatic transition occurring in the business world today reflects the rapid and complex global changes. The evolving digital era has triggered a shift from traditional business paradigms towards more inclusive and sustainable approaches. Social entrepreneurship emerges as a significant catalyst in strengthening the competitiveness and sustainability of micro, small, and medium enterprises (SMEs) in the digital business environment. It is important to understand that social entrepreneurship is not just about seeking financial profit alone but also about advocating for social and environmental change.

KEYWORDS: Social Entrepreneurship, Competitiveness, SMEs, Digital Business

INTRODUCTION

In recent decades, there has been a significant transformation in the paradigm guiding our understanding of the essence of business. It is no longer solely about the pursuit of financial gain; rather, there is a growing awareness of the importance of considering the social and environmental impacts of business activities. This shift marks a crucial transition towards a more holistic and responsible view of the role and responsibilities of companies within the communities and environments in which they operate.

The advancement of digital technology has fundamentally altered the business paradigm, creating a landscape that is more dynamic and complex (Diawati et al., 2023). In an era where technology serves as the primary driver of economic growth, micro, small, and medium-sized enterprises (MSMEs) are expected to rapidly transform to maintain their competitiveness in this increasingly digitalized business ecosystem (Sutrisno, 2023). In facing these challenges, MSMEs
need to adopt innovative, technology-based strategies to optimize their operations, enhance efficiency, and improve the quality of their products or services. Strong digital skills and technological knowledge are key to building a solid foundation for addressing the challenges and opportunities of this digital era.

Simultaneously, social entrepreneurship has emerged as a new paradigm that combines business goal achievement with providing positive social impact to communities. More than just seeking financial profit, this business model places balanced emphasis on profitability and improving social and environmental conditions. In the context of MSMEs, social entrepreneurship plays an increasingly important role in strengthening the competitiveness of companies while also considering environmental and social sustainability (Ridwan Maksum et al., 2020). By adopting this approach, MSMEs have the opportunity to build a strong reputation as agents of positive change in society, gain support from various stakeholders, and enhance the overall performance and growth of their businesses.

However, MSMEs often face a myriad of complex challenges when striving to adopt and leverage digital technology (Bradač Hojnik & Huđek, 2023). These challenges include limited access to capital, which often serves as a significant barrier for MSMEs in investing in and developing the necessary technological infrastructure to compete in the digital age. Additionally, the shortage of skilled human resources poses a serious issue as MSMEs often struggle to recruit or train workers with sufficient skills and knowledge about digital technology (Gilch & Sieweke, 2021). Furthermore, a lack of awareness of the importance of digital innovation also presents a major hurdle for MSMEs, as limited understanding of the potential and benefits of digital technology often impedes efforts to develop innovative solutions that align with current market demands. Therefore, supporting MSMEs in overcoming these challenges is crucial to ensuring that they can take steps towards sustainable growth and success in this digital era.

Competitiveness and sustainability are two inseparable aspects for MSMEs on their journey to survive and thrive in a challenging and dynamic business environment (Hamdan, 2021). Social entrepreneurship, with its approach of combining business objectives with positive social impact, promises a holistic solution to strengthen both aspects. Through this business model, MSMEs can build a strong foundation to compete with other companies in an increasingly competitive market, while also making positive contributions to the surrounding community and environment. By adopting the principles of social entrepreneurship as a guide, MSMEs can develop business strategies that not only consider financial profit but also prioritize long-term sustainability, strengthening their position in the market, and gaining greater support from consumers and other stakeholders.

Therefore, this research aims to delve deeper into how social entrepreneurship can be implemented in the context of digital business to support the competitiveness and sustainability of MSMEs. This research is also expected to provide valuable insights for business stakeholders, governments, and society as a whole.

**LITERATURE REVIEW**

**Social Entrepreneurship**

Social entrepreneurship is a business concept that combines entrepreneurial principles with a broader aim of creating positive social impact (A Lee & D David, 2012). In practice, social entrepreneurship strives to address social or environmental issues through innovation, financing, and sustainable business strategies. Social entrepreneurs direct their business efforts towards improving social conditions, such as poverty, inequality, access to education or healthcare, and environmental protection (Pathak & Muralidharan, 2018). They focus not only on financial profit but also on achieving broader social goals (Atrup et al., 2023; Aziz et al., 2020; Diawati et al., 2023). Social entrepreneurship integrates elements from both the business sector and the non-profit sector to create sustainable impact in society. Through innovative and sustainability-oriented business models, social entrepreneurship demonstrates that businesses can be agents of positive change that promote social welfare and environmental sustainability while still achieving financial success.
Competitiveness

Competitiveness refers to the ability of an entity, such as a company, industry, or country, to effectively compete in the global or local market (Virjan et al., 2023). It encompasses various factors that influence the entity's ability to produce goods and services demanded by consumers at competitive prices and adequate quality. Competitiveness is not only about price and product quality but also involves factors such as production efficiency, innovation, marketing, distribution, market access, sustainability, and the ability to adapt to market and technological changes (Ohara et al., 2024). Entities with high levels of competitiveness tend to be more resilient in competitive business environments, attracting investment, creating jobs, and making positive contributions to economic growth and overall societal welfare (Kiseľáková et al., 2019). Therefore, enhancing competitiveness is a strategic goal for many organizations and governments worldwide, aiming to strengthen their positions in the market and boost economic growth.

Micro, Small, and Medium Enterprises (MSMEs)

Micro, Small, and Medium Enterprises (MSMEs) refer to businesses that operate on a small to medium scale in terms of the number of employees, turnover, and assets (Yani et al., 2023). Typically, MSMEs are businesses owned and operated by individuals or small groups, with limited resources and operational scope (Suriseto et al., 2023). MSMEs play a crucial role in the global economy as job creators, contributors to economic growth, and agents of social change at the local level. MSMEs can operate in various economic sectors, including trade, services, manufacturing, agriculture, among others (Risdwiyanto et al., 2023). The presence of MSMEs often serves as an indicator of a country or region's economic health, reflecting economic diversity, innovation, and resilience in facing various economic challenges (Apriliadi & Adman, 2019). Therefore, support for the development and growth of MSMEs has become a focus of government policies and development programs in many countries, aiming to promote economic welfare, reduce unemployment, and enhance social inclusion and economic equality.

Digital Business

Digital business refers to the integration of digital technology into all aspects of business operations and strategies (Kraus et al., 2022). This includes the use of information and communication technology (ICT) such as the internet, mobile devices, data analytics, artificial intelligence, and other technologies to facilitate various business activities, including marketing, sales, supply chain management, customer service, among others. In digital business, companies leverage online platforms, applications, and digital solutions to create added value for their customers, enhance operational efficiency, and expand their market reach (Martínez-Peláez et al., 2023). Digital businesses often involve new business models driven by technology, such as e-commerce, subscription-based services, the sharing economy, and others. With the adoption of the right digital technology, companies can gain a competitive advantage, enhance flexibility, and respond more quickly to market changes and customer needs. Therefore, digital business has become an integral part of modern business transformation in various industry sectors, opening up new opportunities and challenging companies to innovate continually in facing the challenges and opportunities of this digital era.

RESEARCH METHOD

This research method is a qualitative literature review that retrieves data from Google Scholar within the timeframe of 2020-2024. A qualitative approach is employed to comprehend and analyze various perspectives, theories, research findings, and concepts relevant to the research topic, "Paradigmatic Transition: Social Entrepreneurship as a Catalyst for Enhancing the Competitiveness and Sustainability of MSMEs in the Context of Digital Business." This study will gather and critically review scholarly articles, books, and other publications related to social entrepreneurship, MSMEs, digital business, as well as other aspects relevant to the paradigmatic transition in business. Data will be analyzed qualitatively, focusing on an in-depth understanding of issues, trends, theories, and research findings related to the research topic. Google Scholar will serve as the primary data source, and relevant keywords will be used to search for publications.
aligned with the research objectives. Relevant data will be extracted, organized, and analyzed to form a robust theoretical foundation supporting the research argumentation and conclusions. This method will provide a profound understanding of the latest developments in the relevant research domain and enable the identification of trends, knowledge gaps, and further research opportunities.

RESULTS AND DISCUSSION

The paradigmatic transition currently experiencing turbulence in the business landscape is a tangible result of responses to the increasingly rapid and complex pace of global change. The evolving digital era has inspired a fundamental shift from conventional business paradigms towards more inclusive and sustainable approaches. Amidst these dynamics, social entrepreneurship has emerged as a primary force strengthening the competitiveness and sustainability of micro, small, and medium enterprises (MSMEs) in an increasingly digitized business environment. By addressing the broader needs of society and considering social and environmental impacts, social entrepreneurship becomes a catalyst driving positive transformation in the modern business world.

It is important to recognize that social entrepreneurship extends beyond mere financial profit-seeking, but also plays a key role in advocating for social and environmental change. In this new paradigm era, the role of MSMEs is not only seen as engines of economic growth but also as agents capable of bringing about positive change in social and environmental dynamics in their operating regions. Through innovation, collaboration, and awareness of social and environmental impacts, MSMEs can become key drivers in responding to global challenges such as economic inequality, climate change, and social justice (Rosário & Dias, 2023). By adopting the principles of social entrepreneurship, MSMEs can play a significant role in building a more inclusive, sustainable, and empowered society.

One of the key advantages of social entrepreneurship lies in its ability to integrate social or environmental goals into its business framework while maintaining a balance with financial sustainability (Lasisi, 2022). For example, in this digital era, many MSMEs have begun to adopt business models that specifically emphasize sustainability aspects, such as environmentally friendly production practices, efforts to empower local communities, or increasing accessibility for marginalized groups. By doing so, they not only create financial value but also have a positive impact on their surrounding environment and society at large. Through such innovations, social entrepreneurship not only becomes economically sustainable business models but also a force driving much-needed positive change in an increasingly complex social and environmental landscape.

In an increasingly digitized business landscape, social entrepreneurship holds tremendous potential to leverage technology as a means to achieve broader and deeper social impact. Through digital innovations, micro, small, and medium enterprises (MSMEs) can develop more efficient and measurable solutions to address the social challenges faced by their communities (Kuleh et al., 2023). For example, by utilizing dedicated e-commerce platforms for sustainable products, MSMEs can connect consumers with environmentally positive products. Additionally, by leveraging applications facilitating access to education and healthcare services, MSMEs can play a role in improving accessibility to essential services for underserved communities. In this way, social entrepreneurship not only adopts technology as a tool for business growth but also as a means to bring about significant changes in enhancing the overall quality of life for communities.

Although the paradigmatic transition towards social entrepreneurship in the digital business era promises many positive potentials, it also comes with several challenges that cannot be overlooked. One of the main challenges is the continually changing and varying uncertainty in digital business environment regulations. This uncertainty can hinder MSMEs in designing sustainable long-term business strategies. Furthermore, the gap in access to and mastery of technology skills among MSMEs remains a significant barrier. Despite various initiatives to enhance digital literacy, many MSMEs struggle to adopt business models focusing on sustainability due to a lack of understanding of relevant technology and how to effectively integrate it into their operations (Chen et al., 2021). Therefore, there is an urgent need to provide broader and sustainable
support for MSMEs to overcome these challenges and realize the full potential of this paradigmatic transition.

To address the existing challenges and accelerate the journey towards social entrepreneurship as a primary driver for Micro, Small, and Medium Enterprises (MSMEs) in the digital business scope, close collaboration between the government, private sector, and civil society is crucial. This collaboration can encompass various efforts, ranging from providing specialized training and mentoring for MSMEs to adopt digital technology and implement sustainable business practices, to establishing a conducive policy environment for the growth of social entrepreneurship. By engaging various stakeholders, synergies will emerge that enable the provision of resources, understanding of market needs, and necessary support for MSMEs to successfully address challenges and capitalize on opportunities in the evolving digital business era.

By taking these steps, MSMEs have the potential to become significant agents of change in creating a more inclusive, sustainable economy, and delivering positive impacts for society and the environment. The paradigmatic transition towards social entrepreneurship in the context of digital business is not just about creating economic value, but also about advocating for social justice and maintaining the sustainability of our planet. Through this approach, MSMEs can become the primary drivers in reshaping the economic landscape, where growth is no longer measured solely from a financial perspective but also from the social and environmental impacts generated. By integrating social and environmental goals into their business strategies, MSMEs can make a significant contribution to addressing economic inequality, reducing environmental footprints, and promoting overall societal well-being.

Amidst the paradigmatic shifts underway, it is crucial for Micro, Small, and Medium Enterprises (MSMEs) to leverage the advantages of digital technology to expand their market reach. By adopting digital platforms and designing appropriate online marketing strategies, MSMEs can access global markets more effectively than ever before, unlocking unprecedented new opportunities (Dwivedi et al., 2021). This step not only enhances income potential for MSMEs but also provides opportunities to introduce sustainable products to a wider audience, thereby driving awareness of sustainability and positive environmental impacts worldwide. Thus, leveraging digital technology not only becomes a smart business strategy but also an effective tool in supporting the transition towards a more inclusive and sustainable business paradigm.

In addition to considering sustainability and environmental impacts, social entrepreneurship in the context of digital business also focuses on inclusivity and justice aspects. Micro, Small, and Medium Enterprises (MSMEs) have significant potential to play a crucial role in ensuring that no one is left behind in this digital revolution. Through providing training and improving accessibility to technology for disadvantaged groups, such as marginalized communities or those with economic limitations, MSMEs can act as primary drivers in reducing digital and social disparities (Sutrisno et al., 2023). By expanding inclusion in the utilization of digital technology, MSMEs not only create broader economic opportunities but also help create a more equitable and socially just society. Through these efforts, social entrepreneurship in digital business underscores the importance of incorporating inclusive and just values in efforts to achieve sustainable and inclusive economic growth.

In the context of sustainability, the role of social entrepreneurship extends beyond advocating for social goals; it also opens doors for innovation in supply chains and sustainable business practices (Kusumasari, 2015). By prioritizing the use of recycled materials, harnessing renewable energy sources, and implementing responsible production practices, Micro, Small, and Medium Enterprises (MSMEs) can minimize the environmental impacts of their business operations while maintaining competitiveness in an increasingly sustainability-focused global market. Through these efforts, social entrepreneurship in the digital business realm provides tangible examples of how responsible and eco-friendly business practices can serve as a solid foundation for achieving sustainable economic growth and ensuring the survival of our planet for future generations.

The key to ensuring the success of this transition lies in building solid collaborations and strong partnerships among various stakeholders involved. Governments play a crucial role in
creating policies that support and encourage social entrepreneurship while providing incentives for businesses to adopt sustainable principles (Bansal et al., 2019; Bernardus et al., 2024). Meanwhile, financial institutions and investors must be prepared to provide the necessary financial support for MSMEs committed to sustainable business practices, ensuring that capital is available for those wishing to expand their positive impact. On the other hand, large corporations also have a vital role in developing partnerships with MSMEs. By collaborating, they can provide assistance in accessing markets, resources, and experiences, as well as support MSMEs in developing innovative and sustainable products and services, expanding the scope of their positive impact. Through synergistic and sustainable cooperation among various stakeholders, we can create a business ecosystem that supports and drives a sustainable transition towards social entrepreneurship in the digital business era.

By building strong collaborations and maintaining sustainable commitments, the paradigmatic transition towards social entrepreneurship in the context of digital business has the potential to create significant impacts, not only for Micro, Small, and Medium Enterprises (MSMEs) but also for society as a whole. This step opens opportunities to create a business ecosystem focused on social and environmental values, aiming not only to generate financial profits but also to build a fairer, more inclusive, and sustainable future for all. By strengthening collaborative infrastructure that connects various stakeholders such as governments, the private sector, financial institutions, investors, and civil society, we can create a solid foundation for sustainable economic growth that prioritizes community welfare and environmental preservation. Through these collective efforts, the transition towards social entrepreneurship in digital business is not just about achieving economic success but also about creating a better world for everyone, where justice, inclusion, and sustainability are the guiding principles in every aspect of our lives.

CONCLUSION

The paradigmatic transition occurring in the business world today is a reflection of rapid and complex global changes. The evolving digital era has triggered a shift from traditional business paradigms towards more inclusive and sustainable approaches. Social entrepreneurship emerges as a significant catalyst in strengthening the competitiveness and sustainability of micro, small, and medium enterprises (MSMEs) in the digital business environment. It is important to understand that social entrepreneurship is not solely about seeking financial profit but also about advocating for social and environmental change. Recommendations that can be drawn from this research are as follows:

1. Cross-sector collaboration: Collaboration among government, private sector, and civil society is needed to accelerate the transition towards social entrepreneurship. This includes providing training and mentoring for MSMEs in adopting digital technology and sustainable business practices, as well as creating a conducive policy environment.

2. Enhancing technology access and skills: Efforts should be made to address the gap in technology access and skills among MSMEs. This can be done through training programs and assistance to enhance their digital capabilities.

3. Market expansion through technology: MSMEs need to leverage the advantages of digital technology to expand their market reach. By adopting digital platforms and appropriate online marketing strategies, MSMEs can access global markets more effectively.

4. Inclusion and equity: MSMEs can play a crucial role in ensuring that no one is left behind in this digital revolution. They should provide better training and accessibility to technology for disadvantaged groups.

5. Sustainable business practices: MSMEs need to encourage innovation in supply chains and environmentally friendly business practices. By prioritizing the use of recycled materials, renewable energy, and responsible production practices, they can reduce their environmental footprint.

6. Financial support and partnerships: Governments, financial institutions, investors, and large corporations should provide financial support and establish partnerships with MSMEs committed to sustainability principles.
With strong collaboration and sustainable commitment, the paradigmatic transition towards social entrepreneurship in digital business has the potential to create significant impact for MSMEs and society as a whole, building a fairer, more inclusive, and sustainable future.

REFERENCES


