

# MSME Strategies in Facing Digital Disruption: A Study of the Creative Industry

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## ABSTRACT

Digital disruption presents both opportunities and challenges for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia's creative industry. This qualitative study explores the strategies adopted by MSMEs to adapt to these changes through in-depth interviews with 10 MSME owners from various creative sectors. The findings reveal that MSMEs leverage digital platforms, innovate their offerings, invest in capacity building, and establish collaborative networks to navigate digital disruption. However, they face significant challenges, including technological barriers, financial constraints, market saturation, and inadequate infrastructure. Despite these challenges, MSME owners expressed optimism about leveraging emerging technologies for growth. The study underscores the need for targeted policy interventions and capacity-building initiatives to support MSME sustainability in the digital era. These findings provide valuable insights for policymakers, industry stakeholders, and MSMEs striving to thrive amid digital transformation.

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## 1. INTRODUCTION

The digital era has brought significant changes across global industries, including in Indonesia, offering both opportunities and challenges for businesses. The creative industry, a key driver of economic growth, has been particularly affected by digital disruption—especially for Micro, Small, and Medium Enterprises (MSMEs). Digital technologies have transformed business operations, customer interactions, and value delivery, presenting chances for innovation and expansion while simultaneously threatening traditional business models that struggle to adapt. On the opportunity side,

MSMEs can expand their markets through digital platforms such as e-commerce and social media, which broaden customer reach and increase sales potential [1], [2]. Digital tools also enhance operational efficiency by streamlining processes, reducing costs, and supporting more informed decision-making [2], [3]. Moreover, digital transformation fosters product and service innovation, enabling MSMEs to remain competitive in a globalized market [3], [4]. However, MSMEs also face several challenges, including limited resources, such as insufficient capital and restricted access to technology [4], [5], low levels of digital literacy among business

owners and employees [1], [5], and inadequate internet infrastructure in certain regions [1]. To address these challenges, strategic responses are required, including policy support and collaboration between government and the private sector to provide necessary resources, digital training, and infrastructure development [1], [3], as well as the creation of innovative business models that integrate digital technologies to overcome resource constraints and boost competitiveness [4].

Micro, Small, and Medium Enterprises (MSMEs) contribute significantly to Indonesia's economy, accounting for over 60% of the national Gross Domestic Product (GDP) and providing employment to millions. However, MSMEs often lack the resources, technological capabilities, and infrastructure needed to thrive in an increasingly digital environment. These limitations are especially pressing for creative industry MSMEs, who must continually innovate and stay relevant in a competitive global market. Despite these challenges, many MSMEs in Indonesia's creative sector have shown remarkable resilience by adopting strategies such as digital marketing, leveraging e-commerce platforms, and implementing innovative business practices to maintain and enhance their competitiveness. Understanding and analyzing these adaptive strategies is crucial for developing effective frameworks and policies that ensure MSME growth and sustainability in the digital era.

Among the key strategies adopted by MSMEs is the use of digital marketing to expand market reach and engage customers more effectively, enhancing brand visibility and customer interaction ([2], [4]. E-commerce platforms have further empowered MSMEs by overcoming geographical barriers, enabling access to broader national and international markets and supporting revenue diversification [2]. Additionally, innovation remains central to MSMEs' ability to respond to digital disruption. This includes innovating in products, services, and especially in developing new business models that are agile, technology-driven, and

sustainability-oriented [4], [6]. Nevertheless, these transformations are often constrained by gaps in digital literacy and limited access to technology. To overcome these barriers, comprehensive strategies such as digital skills training and technology access initiatives are essential [2], [7]. Active support from stakeholders—including government agencies and private sector partners—is critical in providing the necessary infrastructure and capacity-building to ensure MSMEs can fully embrace and benefit from digital transformation [2], [7].

This study aims to explore the strategies employed by MSMEs in Indonesia's creative industry to adapt to digital disruption. Through qualitative analysis based on interviews with MSME owners, this research identifies key themes, challenges, and opportunities, contributing to a deeper understanding of how MSMEs can thrive in a digital environment. By examining these strategies, the study seeks to provide actionable insights for policymakers, business practitioners, and stakeholders in the creative industry.

## 2. LITERATURE REVIEW

### *2.1 Digital Disruption and Its Implications for MSMEs*

Digital disruption offers both opportunities and challenges for Micro, Small, and Medium Enterprises (MSMEs). On the one hand, digital transformation allows MSMEs to expand market reach, boost competitiveness, and improve efficiency through automation and cost reduction [2], [8]–[10]. Access to data analytics also enhances decision-making and operational optimization [2], [10]. On the other hand, MSMEs often struggle with limited resources, low digital literacy, poor infrastructure, and organizational resistance to change [8]–[10]. Concerns over data security and trust in technology further complicate adoption [2]. To adapt effectively, MSMEs need strategic technology planning, agile and innovative capabilities, and strong support from both internal and external stakeholders [2], [10].

## 2.2 The Role of MSMEs in Economic Development

Micro, Small, and Medium Enterprises (MSMEs) are vital to Indonesia's economic landscape, contributing around 61% to the national GDP and employing over 97% of the workforce, while also playing a key role in preserving cultural heritage and driving innovation, especially within the creative industry [11], [12]. In rural areas, MSMEs serve as a social safety net by generating employment and improving welfare [11]. Despite their economic importance, MSMEs face limitations in integrating into international supply chains, hindering export potential [12]. Digital transformation presents a double-edged sword: it promises greater market reach and improved profitability but also poses significant challenges, including inadequate technical skills, limited access to capital and technology, and concerns over data security [7], [13]. To address these obstacles and strengthen MSMEs' competitiveness, policy interventions must prioritize access to funding, technology support, entrepreneurship training, and human resource development [7], [14].

## 2.3 The Creative Industry in Indonesia

Indonesia's creative industry is a key pillar in national development, offering significant potential for innovation, job creation, and cultural preservation. Despite its rich cultural assets, the sector faces challenges such as limited technology access, inadequate infrastructure, funding constraints, and weak intellectual property protection [15]. The government has identified priority subsectors and introduced policies to boost competitiveness, though implementation remains uneven. Innovation and creativity are essential for MSMEs to stay competitive, improve efficiency, and attract consumers through unique products and experiences [16]. The industry contributed 7.44% to GDP in 2016, growing from Rp525.96 trillion in 2010 to Rp922.59 trillion in 2016, largely driven by MSMEs (Rahmi, 2018; Ratna et al., 2024). However, 92.37% of creative businesses remain self-funded, and despite the introduction of IP-based financing schemes,

their impact is limited by the low commitment from financial institutions [17].

## 2.4 Adaptive Strategies for MSMEs Amid Digital Disruption

Micro, Small, and Medium Enterprises (MSMEs) adopt various strategies to navigate digital disruption, including digital transformation, innovation, collaborative networking, and capacity building—each essential for enhancing resilience and competitiveness in the digital era. Digital tools like social media, e-commerce, and digital payments are increasingly used to improve marketing, sales, and operations, supported by effective technology management and employee training [10], [18]. Innovation helps MSMEs stay competitive by offering unique products and leveraging digital platforms, with approaches like the Blue Ocean Strategy promoting differentiation to avoid saturated markets [18], [19]. Networking with stakeholders—including suppliers, customers, and government—facilitates knowledge sharing and strengthens digital marketing [18], [20]. Finally, capacity building through targeted training enhances digital literacy and operational efficiency, addressing key challenges like limited skills and resistance to change [8], [10], [18].

## 2.5 Research Gap

This study is grounded in the Resource-Based View (RBV) theory, which highlights the strategic importance of internal resources such as creativity and innovation in achieving competitive advantage (Barney, 1991), and also incorporates the Diffusion of Innovation (DOI) theory to explore how MSMEs adopt digital technologies over time (Rogers, 2003). While prior research has addressed general challenges in MSME digital transformation, limited studies focus specifically on the adaptive strategies of creative industry MSMEs in Indonesia. This study fills that gap by offering in-depth qualitative insights into how these enterprises respond to digital disruption. The literature review thus establishes the theoretical and empirical foundation for understanding MSME strategies, shaping the research design and analysis in the following sections.

### 3. METHODS

A qualitative approach was chosen to gain a nuanced understanding of the complex dynamics and unique strategies employed by MSMEs in the creative sector. This method is particularly appropriate for exploring subjective experiences and contextual factors that influence how businesses adapt to digital disruption (Creswell, 2014). The study utilized purposive sampling to select informants with relevant experience and knowledge. Selection criteria included ownership or managerial responsibility within a creative industry MSME, active involvement in addressing digital disruption, and at least three years of business operation. The final sample consisted of 10 MSME owners from diverse creative sub-sectors such as fashion, crafts, digital content, and performing arts, ensuring comprehensive insight into various strategic responses. Data were collected through in-depth, semi-structured interviews over two months, guided by themes derived from the literature review—perceptions of digital disruption, adaptation strategies, encountered challenges and opportunities, and the roles of innovation, collaboration, and government support. Each interview, lasting 60–90 minutes, was conducted either in person or online, recorded with consent, and transcribed for analysis.

Data analysis followed a thematic approach involving four key stages: familiarization with the transcripts, coding of significant statements, grouping codes into broader categories, and interpreting these themes to draw meaningful conclusions about MSME strategies. NVivo software was employed to organize and analyze the data systematically, ensuring transparency and consistency throughout the analytical process. This approach enabled the identification of recurring themes and patterns, providing valuable insights into how MSMEs in Indonesia's creative sector navigate digital disruption and adapt through innovation, collaboration, and strategic transformation.

### 4. RESULTS AND DISCUSSION

#### 4.1 Results

##### 4.1.1 Perceptions of Digital Disruption

The majority of MSME owners perceived digital disruption as a pivotal moment in their business journey. For some, it acted as a catalyst for growth and innovation, while for others, it introduced operational complexities that demanded rapid adaptation. As noted by one participant, "Digital disruption has brought challenges, but it's also opened doors to opportunities we never imagined before" (Informant A). Many participants observed that consumer expectations have shifted significantly, with a rising demand for convenience, speed, and personalized services—forcing businesses to rethink their engagement strategies.

In addition to evolving customer demands, several informants highlighted the urgency to adapt quickly in order to remain competitive. One business owner stated, "If we don't move fast, we'll lose our market share to businesses that are already embracing digital" (Informant F). These insights reflect a broader theme: while digital disruption opens new avenues for growth, it simultaneously creates substantial pressure on MSMEs to innovate, transform, and align with the fast-paced changes in the digital landscape.

##### 4.1.2 Strategies to Navigate Digital Disruption

###### *a. Leveraging Digital Platforms*

All informants reported utilizing digital platforms such as social media, e-commerce websites, and online advertising to promote their businesses. Platforms like Instagram, Tokopedia, and Shopee were especially favored for their user-friendliness and cost efficiency. As one owner shared, "E-commerce platforms have become our lifeline. They allow us to reach customers not just locally but nationwide" (Informant C). Beyond basic use, several MSMEs adopted creative approaches like digital storytelling and influencer marketing to distinguish their brands. "Collaborating with influencers helped us tap into a younger audience and build trust" (Informant H).

### ***b. Innovation in Offerings***

Continuous innovation in products and services also emerged as a key strategy. Many MSMEs introduced new product lines or refreshed existing ones in response to changing market trends. “We’ve started offering digital products, like e-books and online workshops, to diversify our revenue streams” (Informant G). In addition, sustainability became a prominent theme, with several businesses integrating eco-friendly practices into their product designs to appeal to environmentally conscious consumers.

### ***c. Capacity Building***

Investing in employee training was another recurring theme among informants. MSME owners recognized the need to enhance their teams’ digital skills to stay competitive. “We held training sessions on how to use digital marketing tools like Facebook Ads Manager. It was an upfront investment, but it’s paid off” (Informant D). Some owners also emphasized the value of self-learning, noting how personal development contributed to better strategic decisions. “As a business owner, I took online courses to understand digital trends better. It helped me make informed decisions” (Informant I).

### ***d. Collaborative Networking***

Finally, collaboration was seen as an essential strategy to address resource constraints. Many MSMEs formed partnerships with logistics providers, technology companies, and even fellow entrepreneurs to navigate the digital landscape more effectively. “We joined a local business network that shares resources and strategies for thriving in the digital era” (Informant E). Such collaborative efforts enabled knowledge sharing, expanded access to tools and services, and fostered a sense of community resilience.

#### **4.1.3 Challenges Encountered**

MSMEs continue to face several challenges in adapting to digital transformation, with technological barriers being one of the most prominent. Limited budgets often restrict access to advanced tools and services, as noted by one informant:

“Basic tools are manageable, but advanced analytics or custom-built platforms are out of reach for us” (Informant B). Financial constraints further compound the issue, as the cost of not only adopting but also maintaining digital systems can be burdensome. “It’s not just about adopting technology; it’s about maintaining it. The subscription fees for some tools add up quickly” (Informant A), emphasized another respondent. These financial limitations make it difficult for MSMEs to fully leverage the benefits of digitalization.

In addition to technological and financial barriers, market saturation on digital platforms was cited as a growing concern. With more businesses going online, competition has intensified, requiring MSMEs to develop more creative and targeted marketing strategies. “The market is so crowded now. Everyone is online, which means our marketing needs to be smarter and more engaging” (Informant J). Furthermore, regulatory inconsistencies and infrastructure issues, particularly in rural areas, hinder digital adoption. One business owner explained, “The internet connection in our area is unreliable, which makes running an online business difficult” (Informant F). These challenges highlight the need for broader systemic support to enable MSMEs to compete and thrive in the digital economy.

#### **4.2 Discussion**

The findings affirm that digital disruption presents both opportunities and challenges for MSMEs. On the opportunity side, digital transformation enables broader market access and greater operational efficiency through process automation and cost reduction [10]. Additionally, MSMEs can leverage digital tools for innovation and data utilization, which support better decision-making and enhance their competitive advantage [9], [10]. However, these benefits are often constrained by significant challenges, including financial limitations, poor digital infrastructure, and a shortage of skilled labor [8], [10]. Organizational resistance to change and low digital literacy further hinder technology adoption and transformation efforts [8], [9].

To address these challenges, MSMEs adopt a mix of adaptive strategies, including technological adoption, strategic collaboration, and continuous innovation. By embracing digital platforms, MSMEs streamline operations and expand market reach [10], [21]. Strategic partnerships and collaborative networks also play a crucial role in enabling resource sharing and knowledge exchange, helping MSMEs overcome the limitations of their small scale [21]. Furthermore, ongoing learning and the development of innovative products and services allow MSMEs to remain responsive to market changes [21]. These strategies align with the Resource-Based View (RBV) theory, which highlights the importance of leveraging internal capabilities such as creativity, resilience, and adaptability. The emphasis on collaboration further reinforces the value of network-building as a means to navigate external challenges and strengthen long-term competitiveness.

#### 4.2.1 Challenges as Opportunities for Policy Intervention

The persistent challenges faced by MSMEs, including financial constraints and infrastructure limitations, point to the need for targeted policy interventions. Subsidized technology programs, better access to affordable financing, and improved digital infrastructure in rural areas could significantly enhance the ability of MSMEs to thrive in a digital economy.

#### 4.2.2 Future Opportunities in Emerging Technologies

Despite the challenges, informants expressed optimism about the future, viewing emerging technologies such as artificial intelligence, blockchain, and augmented reality as potential game-changers for the creative industry. As one participant noted,

“With AI tools, we could personalize marketing campaigns more effectively and streamline our operations” (Informant G). These perspectives underscore the importance of preparing MSMEs to adopt and integrate advanced technologies, which hold the promise of unlocking new growth opportunities and enhancing competitiveness in the long term.

## 5. CONCLUSION

This study sheds light on the adaptive strategies employed by MSMEs in Indonesia's creative industry to navigate the challenges of digital disruption. By leveraging digital platforms, fostering innovation, building capacity, and forming collaborative networks, MSMEs have demonstrated resilience and adaptability. However, persistent issues such as limited access to technology, financial constraints, and regulatory barriers highlight the urgent need for systemic support. Government agencies and industry stakeholders must prioritize efforts to enhance digital infrastructure, provide financial assistance, and deliver targeted training programs to empower MSMEs. Encouraging a culture of collaboration and innovation within the creative industry is also essential to strengthen resilience and competitiveness. Future research should examine the long-term impact of emerging technologies on MSME performance and evaluate the effectiveness of policy interventions in supporting digital transformation. Addressing these areas will help ensure that MSMEs in the creative sector continue to grow and play a vital role in Indonesia's economic development in the digital era.

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