Development of Information Technology, Business Innovation, and Organizational Models Based on Local Wisdom in Improving MSME Performance (Case Study of Kuningan Regency MSME Actors

Wely Hadi Gunawan¹
Faculty of Economic and Business, Kuningan University, Kuningan ,
Indonesia
welyhadigunawan@uniku.ac.id

Rina Masruroh²
Faculty of Economic and Business, Kuningan University, Kuningan ,
Indonesia
rina.masruroh@uniku.ac.id

Munir nur Komarudin³
Faculty of Economic and Business, Kuningan University, Kuningan
Munir.nur@uniku.ac.id

Abstract

This research aims to analyze the influence of information technology development, business innovation, and local wisdom-based organizational models on the performance of MSMEs in Kuningan Regency. MSMEs have a strategic role in Indonesia's economic development, especially in terms of contribution to GDP and employment. However, challenges such as low digital literacy, limited infrastructure and minimal use of technology often hinder the competitiveness of MSMEs.

In this context, the integration of modern technology with local wisdom is a relevant approach to improving the performance of MSMEs. This research uses a quantitative approach with the Structural Equation Modeling (SEM) method to analyze the relationship between the variables studied. The research results show that business innovation has a significant influence on organizational models, while information technology development does not have a significant influence on organizational models or MSME performance. On the other hand, an organizational model based on local wisdom has been proven to significantly improve the performance of MSMEs.

It is hoped that this research can provide practical and theoretical contributions, especially in supporting the development of competitive and sustainable MSMEs through the application of information technology, innovation based on local wisdom, and adaptive organizational models. Strategic recommendations include increasing digital literacy, business innovation training, and strengthening collaboration between MSMEs and other stakeholders.

Keywords: Information Technology, Business Innovation, Organizational Model, MSME Performance

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) have a strategic role in Indonesia's economic development. The contribution of MSMEs to gross domestic product (GDP) and employment energy absorption are important indicators in describing the strength of this sector as the main driver of economic growth, especially in rural areas. Kuningan Regency, as a region that has cultural richness and natural resource potential, is home to various MSMEs operating in various sectors. However, the challenges faced by MSMEs currently increasingly complex. especially in the midst of the ever-growing era of digitalization.

era, this modern digital ln transformation has become an inevitable necessity. Information technology is the key to expanding markets, increasing operational efficiency and creating innovation. However, many MSMEs in Kuningan Regency still face limitations in accessing this technology. These problems include minimal digital literacy, limited infrastructure, and low ability to utilize technology optimally. This has an impact on the weak competitiveness of MSMEs, making it difficult for them to survive, especially in the face of competition from global products

Apart from challenges in terms of technology, business innovation is also an important aspect that must be considered. Many MSMEs still depend on conventional methods to run their business. In fact, by integrating local wisdom, MSMEs can create a unique competitive advantage. Local wisdom, which reflects the cultural values and traditions of local communities, can be the main capital in building a distinctive product identity while attracting consumer interest.

However, business innovation based on local wisdom requires the support of an adaptive organizational model. An inflexible organizational model often becomes an obstacle for MSMEs to develop. Rigid organizational structures and traditional management patterns make it difficult for MSMEs to adapt to changes in

the dynamic business environment. On the other hand, an organizational model based on local values can provide flexibility while maintaining the cultural identity that is the advantage of MSMEs in Kuningan Regency.

In this context, the development of technology, business information innovation, and organizational models based on local wisdom are relevant and strategic approaches to improving the performance of MSMEs. Integration between modern technology and local wisdom can create strong synergy in facing challenges while taking advantage of existing opportunities. With information technology, MSMEs can optimize digital marketing, increase production efficiency and expand market reach. On the other hand, business innovation based on local wisdom can strengthen attractiveness, while adaptive an organizational model allows MSMEs to be more responsive to market changes.

Kuningan Regency has potential in developing the MSME sector. Support from local governments, academics and various other stakeholders is needed to create an ecosystem that is conducive to the development of MSMEs. By utilizing technology, information creating innovations based on local wisdom, and building a flexible organizational model, it is hoped that MSMEs in Kuningan Regency improve their performance significantly.

Research on Information Technology Development, Business Innovation, Organizational Models Based on Local Wisdom in Improving MSME Performance can be seen from several recent studies that discuss this topic, including: Research by (Vogel, Myles A., 2005) which discusses information technology capabilities focused on internal efficiency and reducing unnecessary costs.

This causes changes in information technology capabilities that significantly integrate the value chain. Research by (Ofori, Daniel, 2015) which discusses Innovation is useful for companies to create new value propositions through offering new products or services, adopting new organizational and operational practices, providing technological solutions or creating new skills and competencies.

Research by (Tarabieh SA.2011) which discusses organizational processes that must be effective, efficient and friendlier to customers. Research by (Hakim, 2018) on superior local culture influencing company performance, superior culture includes: professional, creative, expertise, innovative, harmony thoroughness. Based on research (Sumiati, 2020) there are several approaches to measuring organizational performance which can be measured through two dimensions, namely financial dimensions and non-financial dimensions. In its novelty, this research has the potential to development contribute to the information technology, developing innovation business selecting and organizational culture, based on local wisdom in a sustainable manner for MSMEs To overcome the problems that have been formulated in this research, this can be done by implementing the following strategy, identification of MSME needs and challenges: Identify the needs challenges faced by MSMEs in Kuningan Regency, such as production problems, stock management, marketing and product delivery. Apart from that, it is also necessary to identify local wisdom that can be utilized to improve the performance of MSMEs. Application of Information Technology: Use information technology to help MSMEs overcome problems and operational efficiency. increase example, the use of stock management digital marketing software, and eapplications. commerce Business Encouraging Innovation: business innovation by utilizing local wisdom and information technology. For example, developing unique products made with local ingredients or creating an online ordering system that is easier to use. Local Wisdom-Based Organizational Model: an organizational model based on local wisdom to strengthen the competitiveness of MSMEs. For example, forming a business association that allows MSMEs to support and collaborate with each other. Training and Education: Provide training and education to MSME business owners and employees about information technology, business innovation and local wisdom. Evaluation and Improvement: Regular evaluation to see the extent to

Choosing the right organizational model can help drive performance

which the strategies implemented have improved the performance of MSMEs.

This research aims to explore how development of information technology, business innovation, organizational models based on local wisdom can be applied to support the performance of MSMEs. Case studies on MSME actors in Kuningan Regency will provide a more in-depth picture of the challenges and opportunities they face, as provide well as applicable recommendations to increase the competitiveness and sustainability of MSMEs in the future. It is hoped that the results of this research can contribute, both theoretically and practically, development of a more resilient and competitive MSME sector.

Small Micro, and Medium Enterprises (MSMEs) as regulated in the legislation are business groups that have a large percentage and contribution in Indonesia because they are resilient to Indonesian shocks the economy. in Technological advances encourage MSMEs to adopt information technology to help improve their business performance. The use of information technology is very important for the success of a company, whether it is a small business or a large business, with the help of technology it can help make strategic decisions for the company.

Technology is widely considered to provide much strategic and operational value to organizations. Apart from the use of information technology, there is a need for business innovation. Business innovation is a creative attitude and behavior, motivation, and the ability to see business opportunities in uncertainty so as to produce unusual solutions

Innovation can also promote the skills and knowledge needed effectively to realize, master and improve existing technology, and to create something new. In relation to technology and business innovation, what is no less important is HR as the main actor in business, requiring HR who have a superior work culture, good skills and knowledge.

A superior organizational culture includes professional, creative, innovative, expertise, harmony and thoroughness which is a superior organizational culture based on local wisdom. Research on the development of information technology, business innovation and local wisdombased organizational models in improving performance of MSMEs is very important, because it can help growth and strengthening MSMEs as business groups that can contribute to economic growth in the region. This research can also provide insight into how MSMEs are able to face global competition and improve their performance.

Based on the background that has been explained, several problems can be formulated that will be examined in this How does research. namelv: (1) information technology influence organizational models based on local wisdom to improve MSMEs in Kuningan Regency. (2) How does business innovation affect organizational models? which can be applied to improve the performance of MSMEs in Kuningan Regency. (3) What local wisdom-based organizational model can be applied to improve the performance of MSMEs in Kuningan Regency. (4) What is the information influence of technology development, business innovation, and local wisdom-based organizational models on the performance of MSMEs in Kuningan Regency. (5) What factors influence the application of information technology, business innovation, and local wisdombased organizational models in MSMEs in Kuningan Regency.

LITERATURE REVIEW

A Information Technology

Information Technology (IT) refers to the use of technology, both hardware and software, to manage, store, transfer and process information. According to Turban et al. (2015), information technology includes tools used to support information-based activities, including computers, communication devices and internet-based applications. According to Rogers (2003) in Diffusion of Innovations, IT adoption is strongly influenced by five factors: innovation itself, communication, time,

social systems, and adoption decisions. Information Technology has a strategic role in improving operational efficiency, supporting decision making, and creating competitive advantage. According to Porter and Millar (1985), IT can be used to support three main strategies in business: cost leadership, differentiation, and focus.

B. Business Innovation

Business innovation is the process of developing new ideas, methods or products that aim to increase the efficiency, competitiveness and added value of an organization. According to Schumpeter (1934), innovation is a creative process in creating something new, whether in the form of a product, process or distribution method that has never been applied before. Rogers (2003) defines innovation as an idea, practice, or object that is considered new by an individual or other unit of adoption. In a business context, innovation can include changes in business technology, models. or market development.

Business Model Innovation Osterwalder and Pigneur (2010) explain that business model innovation involves creating, delivering and capturing value through new means. This innovation often involves changes in the way companies generate revenue and provide value to customers

Organizational Model

An organizational model is a framework or structure designed to manage human, material and financial resources in an organization to achieve predetermined goals. This model reflects how organization organizes its internal activities and functions to support the achievement of its vision and mission. According to Robbins and Coulter (2020), organizational models describe patterns of relationships, authority communication between individuals or groups in an organization. Thus, selecting the right organizational model is very important increase operational to efficiency and effectiveness. According to Robins and Coulter (2020), organizational models describe patterns of relationships,

authority, and communication between individuals or groups in an organization. Thus, selecting the right organizational model is very important to increase operational efficiency and effectiveness.

An organizational model is a framework or structure designed to manage human, material and financial resources in an organization to achieve predetermined goals. This model reflects how an organization organizes its internal activities and functions to support the achievement of its vision and mission.

Population and Sample

Population is a combination of all elements in the form of events, objects, or people who have similar characteristics which are considered to be the universe being studied so that they become the center of the researcher's attention. In this study, the population consists of tourists from Panebongan, but the exact number is not yet known (Ferdinad, 2006). The sample is part of a population consisting of several members of the population. In most cases, this is chosen because it is not possible to test every member of the population. Therefore, forming a representative population is called a sample. The sample for this research was 130 MSME actors in Kuningan Regency, West Java

Data Types and Sources

Data collection is a systematic and standardized process for collecting the necessary data. The data collected for the research carried out was primary data using a questionnaire obtained from distributing questions regarding technological information, business innovation, organizational models and MSME performance.

Method of collecting data

To achieve optimal results, research results should be used or appropriate methods should be used. This research uses the following data collection methods: Research, Perception, and Investigation Analysis Method

Data analysis for this research used Basic Condition Modeling (SEM) from the Resource AMOS 2.1 software package. Resources for evaluating hypothesis models. Baseline state modeling (SEM) is a

scalable procedure that can test a large of relatively "complex" relationships simultaneously (Hair et al., 1995). The use of SEM is to carry out extrinsic and intrinsic confirmatory tests, and confirmatory extrinsic tests to test the feasibility of testing between independent factors. Endogeneity confirmatory construct tests to test the feasibility of the model between intervening and dependent variables. This is done to achieve good research results. The advantage of using SEM in this research is that it allows us to limit the dimensions of concepts or elements. It is very often used to measure the impact of theoretically existing relationships

RESULT AND DISCUSSION Results

This research uses Structural Equation Modeling (SEM), namely evaluation of goodness of fit criteria. Briefly, the index criteria for testing model suitability (goodness of fit) The results of processing in the confirmatory factor analysis of Information Technology and Innovation show that all the indicators used to form this research model have met the criteria for goodness of fit. All goodness of fit values shown in the data processing results column fulfill most of the requirements where these values fall within the range of required values shown in the cut of value column. This means that the constructs used to form a research model have met the feasibility criteria for a model. The full feasibility test of this SEM model using Chi-Square, CFI, TLI, CMIN/DF and RMSEA is within the expected value range. Tests of the model hypothesis show that this model is in accordance with the data or fit as seen in the following table:

Tabel.1
Hasil Pengujian Kelayakan Model Structural
Equation Model(SEM)

bel.1				
Hasil Pengujian Kelaya	kan Model Str	uctural Equati	on Model(SEM)	
Goodness of Fit Indeks	Cut-off Value	Hasil Analisis	Evaluasi Model	
Chi – Square	Diharapk an kecil	78,841	good	
Significant Probability	≥ 0.05	0,005	good	
GFI	≥ 0.90	0,918	good	
AGFI	≥ 0.90	0,867	Marjinal	

The Effectiveness Of Viral Marketing On Purchase Decisions Through Customer Trust On The Tokopedia Platform

TLI	≥ 0.95	0,943	good			
CFI	≥ 0.95	0,959	good			
RMSEA	≤ 0.08	0,68	good			
Sumber : Data penelitian yang diplah 2024						

Sumber: Data penelitian yang diolah, 2024 For statistical testing of the relationship between variables which will later be used as a basis for answering research hypotheses that have been proposed. Statistical testing of the results of processing using SEM is carried out by looking at the level of significance of the relationship between variables which is shown through the Probability (p) and Critical Ratio (CR) values respectively. each relationship between variables. The statistical testing process is shown in the table below:

Regression Weight Structural Equational Model

label.3	label.3 Kegression Weight Structural Equational Model							
				Estima t e	S.E.	C.R.	Р	
	Model Organisasi	< -	Teknologi Informasi	0,15 7	0,13 8	1,137	0,256	
	Model Organisasi	< -	Inovasi Bisinis	0,71 3	0,21 8	3,275	0,001	
	Kinerja UMKM	< -	Model	1,218	0,2 51	4,848	***	
	Kinerja UMKM	< -	Teknologi Informasi	- 0,04 2	0,12 7	-0,329	0.742	
	Kinerja UMKM	< -	Inovasi Bisins	- 0,144		-0,555	0,579	
ber: Uata primer g diola ZU yan ZO								

Sumber: Data primer yang

diolah, 2024

Hasil perhitungan yang diperoleh dari CR sebesar 1,137dengan probabilitas sebesar 0,256 yang lebih besar dari 0,05. Menandakan bahwa teknologi informasi tidak memiliki pengaruh terhadap model organisasi, dengan demikian H1 ditolak. The results of this research show that existing information technology does not improve the organizational model of MSME actors.

The calculation results obtained from CR

are 3.275 with a probability of 0.001 which is smaller than 0.05. Indicates that market orientation has an influence on competitive advantage, with

Thus H2 is accepted. The results of this research show that improved business innovation will increase the business innovation of MSME players.

The calculation results obtained from CR are -0.329 with a probability of 0.742 which is smaller than 0.05. This indicates that information technology has an influence on the performance of MSMEs, thus H3 is rejected. The results of this research show that high information technology from MSME actors will improve the MSME of MSME performance actors. calculation results obtained from CR are -0.555 with a probability of 0.579 which is greater than 0.05. Indicating that business innovation has no influence organizational performance, thus H4 is rejected. The results of this research show that business innovation in MSME actors does not improve MSME performance.

The calculation results obtained from CR are 4.848 with a probability of 0.000 which is greater than 0.05. Indicating that the high organizational model has an influence on MSMEs, thus H5 is accepted. The results of this research show that a high organizational model from MSME actors can improve Umkm performance

Discussion

Discussion of Hypothesis 1

Information Technology on Organizational Models

information The technology available in the Panembongan tourist village does not affect the organizational model. This research is in line with research conducted by Akbar Maulana Sadewa (2022) that information technology does not affect the organizational model. Evidence was found that discusses how information technology affects organizational structure, including potential negative impacts such as increased complexity and challenges in change management. by using information technology because the use of technology creates information only technical and economic effects, strategic ones. Retno Ardianti (2006) information technology on business organizations, including potential negative impacts such as excessive dependence on technology and information security risks. Information technology has a role in increasing the productivity of human resources in exploring, controlling and developing natural resources to increase competition in the market (LIPI, 1993). Discussion of Hypothesis 2

The Influence of Business Innovation on Organizational Models

High business innovation is able to influence the organizational model. The relationship between Business Innovation and the Organizational Model is that Bosnos Innovation has a positive influence on the Organizational Model. If it is not planned well, it can cause dysfunction in the organizational model. This happens if the innovation is not compatible with the culture, structure or capacity of the organization.

Septiana Fika Pratiwi and Siti Nursyamsiah (2022). This research shows that internal knowledge management capabilities have a significant positive effect on MSME business model innovation. However, there is no indication that the business model innovation caused a change in the organizational model.

Discussion of Hypothesis 3

The Influence of Information Technology on MSME Performance

High information technology influences organizational performance at the Panembongan tourist attraction. research is in line with the research of Godfred Yaw Koi-Akrofi, et al., 2011, which has a negative impact. Technology is needed to facilitate organizational activities. Businesses without utilizing information technology are likely setbacks and stop. experience organizations tend to utilize technology to support continuity and increase organizational profits. Information technology can help organizational performance, information technology is related to speed and accuracy in that things that were previously done manually are replaced with a program or system that makes processing time short and easy. Information technology in relation to organizational performance has a set of elements that support the realization of better organizational performance because it is hoped that information technology carried out by MSME actors can be improved to facilitate the work on management information systems so that it is influenced by speed, precision and accuracy in work so as to maximize performance.

Discussion of Hypothesis 4

The Influence of Business Innovation on MSME Performance

Business innovation carried out by MSME actors in Kuningan Regency has no influence on the performance of MSMEs. In line with research conducted by Sulastini, Fariansyah, and Husnurrofiq (2011) that Business Innovation carried out by companies has no effect on the performance of MSMEs. Business Innovation product development that has a commitment to continue to be creative in creating superior value for customers. Drucker (1985) defines innovation as a deliberate and organized activity to create change in an organization with the aim of creating new value. Business innovation is the application of creative ideas to increase the efficiency and effectiveness of a company. Company performance is a measure of the success of a company which is measured every predetermined time period

Discussion of Hypothesis 5

The Influence of Organizational Models on MSME Performance

The organizational model has an influence on MSME performance among MSME actors, in line with research Sulastini, conducted bν Fariansvah, Husnurrofiq (2021) that the organizational model influences the performance of MSMEs. Veerendrakumar M, et al, 2015 argue that companies are improved through organizational collaboration excellent resources and capabilities so that they can expected to always provide produce management maximum to organizational performance so that they can maximize the performance of MSMEs.

Companies create organizational models through effective and efficient organizational strategies or priorities which are defined as strategic preferences or dimensions where companies choose good organizational strategies that are targeted. In this case, the organizational models

created by MSME actors influence MSMEs in Kuninga Regency

CONCLUSION

Understanding and implementing the organization well does not have a direct impact on the organizational model, because there are still many MSME actors who do not use technological information to help the organizational model when MSME actors need to apply technological information in the organizational model they run.

Business Innovation has an influence on organizational models. Business Innovation is carried out by having the impact of improving the organizational model because business innovation that contributes to the organization improve business progress within the scope of the organization better than competitors.

Information Technology has an influence on the performance of MSMEs. The improved use of information technology for managers greatly influences the performance of MSMEs.

Business innovation that has no influence on the performance of MSMEs

The Organizational Model has an influence on the performance of MSMEs. When the Organizational Model improves it provides better MSME performance.

Implications

Policy implications in this research can be suggested through the following points: Information Technology

MSME players are expected to be able to use computer technology, cellphones and internet network connections by managing social media applications so that they are able to compete to increase the maximum amount of income. If the number of visitors increases, it will increase the amount of income for MSME players.

Business Innovation

Business innovation is the process of creating or introducing something new or different in business activities to increase value, competitiveness or efficiency. This innovation can take the form of developing products, services, processes, business models or marketing strategies for MSMEs that are more effective, efficient and

relevant to market needs.

The organizational model in MSMEs is a way of organizing tasks, responsibilities and work relationships within the business. The goal is to manage the business well, divide tasks clearly, and achieve business goals efficiently. MSME actors are expected to have an organizational model strategy to explore the uniqueness of businesses in Kuningan Regency that they have, by creating advantages. Competing is defined as a benefit strategy for MSME players, by collaborating to create more effective businesses in their markets.

MSME performance

MSME performance is a measure or description of the level of success of micro, small and medium enterprises (MSMEs) in achieving their business goals. This performance includes financial, operational, marketing and business development aspects, which reflect the effectiveness and efficiency of MSME management in MSMEs in Kuningan Regency.

Reference

Abbas Al-alak, B., & Tarabieh, S. A. (2011). Gaining Competitive Advantage and Organizational Performance Through Customer Orientation. Innovation Differentiation, and Market Differentiation. International Journal of Economics and Management Sciences. 1(5), 80-91. Available from:

www.managementjournals.org

Acire, J. (2015). E-Marketing and Survival of Micro, Small and Medium Enterprises (MSMEs) in Uganda, A Study of Northern Uganda. International Journal of Management and Sustainability, 4(9), 183-204.

Afolayan, A., Plant, E., White, G. R. T., Jones, P., & Beynon-Davies, P. (2015). Information Technology Usage in SMEs in a Developing Economy. Strategic Change, 24(5), 483-98.

Hair, J. F., Jr., Anderson, R. E., Tatham, R. L., & Black, W. C. (1995). Multivariate Data Analysis With Readings. Englewood Cliffs, NJ: Prentice Hall.

Hakim, L., & Irawati, Z. (2018). Model Budaya Organisasi Unggul Berbasis Kearifan Lokal Sebagai Upaya Meningkatkan Kinerja Karyawan Di Industri Batik Laweyan Surakarta. Universitas Research Colloquium, (1), 102-15.

Hidayat, R., & Andarini, S. (2020). Strategi Pemberdayaan UMKM di Pedesaan Berbasis Kearifan Lokal di Era Industri 4.0 Menuju Era Society 5.0. Jurnal Bisnis Indonesia, 93-109.

Loroun, B. B., Ming, X., & Ali, S. A. (2018). Investigation on SMEs Features in Both China and Iran. International Journal of Business, Economics, and Management, 5(2), 30-44.

Mohamed Abdi, A., & Yassin Sheikh Ali, A. (2013). Innovation and Business Performance in Telecommunication Industry in Sub-Saharan African Context: Case of Somalia. Asian Journal of Management Sciences & Education, 2(4), 53-67.

Muafi, & Roostika, R. (2014). Organizational Performance and Competitive Advantage Determinants of Creative SMEs. Journal of Corporate Governance, Insurance, and Risk Management, 1(2), 1-19.

Ofori, D. (2015). Innovation and Knowledge Sharing: A New Competitive Advantage in the Mobile Telecommunication Industry in Ghana. Scientific Journal of Business and Management, 3(5), 157.

Rehman, N., Razaq, S., Farooq, A., Zohaib, N. M., & Nazri, M. (2020). Information Technology and Firm Performance: Mediation Role of Absorptive Capacity and Corporate Entrepreneurship in Manufacturing SMEs. Technology Analysis and Strategic Management, 32(9), 1049-65.

Sumiati, S. (2020). Improving Small Business Performance: The Role of Entrepreneurial Intensity and Innovation. Journal of Asian Finance, Economics and Business, 7(10), 211-8.

Undang-Undang Republik Indonesia Nomor 20 Tahun 2008. (2008).

Veronica, S., Alexeis, G. P., Valentina, C., & Elisa, G. (2020). Do Stakeholder Capabilities Promote Sustainable Business Innovation in Small and Medium-sized Enterprises? Evidence from Italy. Journal of Business Research, 119, 131-41.

Vogel, M. A. (2005). Leveraging Information Technology Competencies and Capabilities for a Competitive Advantage. University of Maryland University College ProQuest Dissertations Publishing, 3165264.

Waheed, H., Qureshi, T. M., Khan, M. A., & Hijazi, S. T. (2013). Mediating Role of Knowledge Sharing: Organizational Performance for Competitive Advantage and Innovation. African Journal of Business Management, 7(7), 536-47.

Diky Angga Hendrawan¹, Harto², Anisah Nabilah³, Ahmad Yahya Hamiduddin⁴

The Effectiveness Of Viral Marketing On Purchase Decisions Through Customer Trust On The Tokopedia Platform