HOW TO UTILIZE COMPANY RESOURCES OPTIMALLY TO IMPROVE BUSINESS PERFORMANCE

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ABSTRACT

Objective: This research aims to examine the influence of company resources on digital innovation and business performance, as well as the influence of digital innovation on business performance, both directly and as mediation, among members of the Telkom Indonesia MSME Digital Market (PaDi).

Theoretical Framework: This research is based on the interconnectedness of company resources, digital innovation, and business performance in the MSME sector.

Method: This research is quantitative research through surveys of companies that are members of the Telkom Indonesia UMKM Digital Market (PaDi). The total sample was 400 respondents taken using stratified random sampling technique. The questionnaire is prepared with a rating scale from 1 to 5 points. Data processing and analysis used structural equation modeling with Lisrel 8.5 software.

Results and Discussion: The results of this research also provide managerial implications, especially for MSME players who are members of the Telkom Indonesia Digital Market (PaDi) to prioritize the development of digital innovation through continuous learning of user behavior that appears in the market, which needs to be supported by learning about developments in digital technology, as well as supported by an effective coordination mechanism. In developing digital innovation, companies need to prioritize ownership information resources in accordance with market and technology developments, followed by the ability to build organizational business relationships/networks and HR capabilities to innovate.

Research Implications: The results of this research provide theoretical implications in the form of developing knowledge regarding the interconnectedness of company resources, digital innovation, and business performance in the MSME sector.

Originality/Value: This study contributes to the literature by highlighting the critical role of company resources in driving digital innovation and improving business performance in MSMEs. The relevance and value of this research are evidenced by its potential impact on guiding MSME players towards effective digital innovation strategies for business success.

Keywords: company resources, digital innovation, business performance, MSME.

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COMO UTILIZAR OS RECURSOS DA EMPRESA DE FORMA OPTIMAL PARA MELHORAR O DESEMPENHO DO NEGÓCIO

RESUMO

Objetivo: Esta pesquisa visa examinar a influência dos recursos da empresa na inovação digital e no desempenho empresarial, bem como a influência da inovação digital no desempenho empresarial, tanto diretamente quanto como mediação, entre os membros do Mercado Digital de MPME da Telkom Indonesia (PaDi).

Enquadramento Teórico: Esta investigação baseia-se na interligação dos recursos da empresa, na inovação digital e no desempenho empresarial no setor das MPME.

Método: Esta pesquisa é quantitativa por meio de pesquisas com empresas membros do Telkom Indonesia UMKM Digital Market (PaDi). A amostra total foi de 400 entrevistados, utilizando a técnica de amostragem aleatória estratificada. O questionário é elaborado com uma escala de avaliação de 1 a 5 pontos. O processamento e análise dos dados utilizou modelagem de equações estruturais com software Lisrel 8.5.

Resultados e Discussão: Os resultados desta pesquisa também trazem implicações gerenciais, especialmente para os players MPME membros do Mercado Digital Telkom Indonesia (PaDi) priorizarem o desenvolvimento da inovação digital por meio do aprendizado contínuo do comportamento do usuário que aparece no mercado, que precisa de ser apoiado pela aprendizagem sobre a evolução da tecnologia digital, bem como apoiado por um mecanismo de coordenação eficaz. Ao desenvolver a inovação digital, as empresas precisam de dar prioridade aos recursos de informação de propriedade de acordo com os desenvolvimentos do mercado e da tecnologia, seguidos pela capacidade de construir relações/redes comerciais organizacionais e capacidades de RH para inovar.

Implicações de pesquisa: Os resultados desta pesquisa fornecem implicações teóricas na forma de desenvolvimento de conhecimento sobre a interconectividade dos recursos da empresa, inovação digital e desempenho empresarial no setor de MPME.

Originalidade/Valor: Este estudo contribui para a literatura ao destacar o papel crítico dos recursos da empresa na promoção da inovação digital e na melhoria do desempenho empresarial nas MPMEs. A relevância e o valor desta investigação são evidenciados pelo seu potencial impacto na orientação dos intervenientes das MPME para estratégias eficazes de inovação digital para o sucesso empresarial.

Palavras-chave: recursos da empresa, inovação digital, desempenho empresarial, MPME.

CÓMO UTILIZAR LOS RECURSOS DE LA EMPRESA DE FORMA ÓPTIMA PARA MEJORAR EL DESEMPEÑO EMPRESARIAL

RESUMEN

Objetivo: Esta investigación tiene como objetivo examinar la influencia de los recursos de la empresa en la innovación digital y el desempeño empresarial, así como la influencia de la innovación digital en el desempeño empresarial, tanto directamente como como mediaición, entre los miembros del Mercado Digital MIPYME de Telkom Indonesia (PaDi).

Marco Teórico: Esta investigación se basa en la interconexión de los recursos de las empresas, la innovación digital y el desempeño empresarial en el sector MIPYMES.
Método: Esta investigación es una investigación cuantitativa a través de encuestas a empresas que son miembros del Mercado Digital UMKM de Telkom Indonesia (PaDi). La muestra total fue de 400 encuestados mediante la técnica de muestreo aleatorio estratificado. El cuestionario se elabora con una escala de calificación de 1 a 5 puntos. El procesamiento y análisis de datos utilizó el modelado de ecuaciones estructurales con el software Lisrel 8.5.

Resultados y discusión: Los resultados de esta investigación también brindan implicaciones gerenciales, especialmente para que los actores de las MIPYMES que son miembros del Mercado Digital Telkom Indonesia (PaDi) prioricen el desarrollo de la innovación digital a través del aprendizaje continuo del comportamiento de los usuarios que aparece en el mercado, que necesita estar respaldado por el aprendizaje sobre los avances en la tecnología digital, así como por un mecanismo de coordinación eficaz. Al desarrollar la innovación digital, las empresas deben priorizar la propiedad de los recursos de información de acuerdo con los desarrollos del mercado y la tecnología, seguida de la capacidad de construir relaciones/redes comerciales organizacionales y capacidades de recursos humanos para innovar.

Implicaciones de la investigación: Los resultados de esta investigación brindan implicaciones teóricas en forma de desarrollo de conocimientos sobre la interconexión de los recursos de las empresas, la innovación digital y el desempeño empresarial en el sector de las MIPYMES.

Originalidad/Valor: Este estudio contribuye a la literatura al resaltar el papel fundamental de los recursos de las empresas para impulsar la innovación digital y mejorar el desempeño empresarial en las MIPYMES. La relevancia y el valor de esta investigación se evidencian en su impacto potencial para guiar a las MIPYMES hacia estrategias efectivas de innovación digital para el éxito empresarial.

Palabras clave: recursos de la empresa, innovación digital, desempeño empresarial, MIPYME.

1 INTRODUCTION

Small and medium enterprises (SMEs) play a large role in optimizing economic structure and social stability in developed and developing countries, as well as contributing to inclusive growth through job creation (Chien et al., 2021). In fact, small business leaders are able to play a role in the development and implementation of innovative ideas in a country (Bobokulovich, 2020). In times of global crisis, SMEs are present as a solution for a healthy economic system, so that they can be taken into account in increasing market competitiveness and stabilizing the existing economic system. (Raselawati, 2022).

In Indonesia, the existence of SMEs continues to grow and develop, where data shows that during the 2018-2019 period, the number of SME business units increased by 1.98%, the number of workers also increased by 2.21%, the value of GDP above current prices increased by 5.72%, the export value of non-oil and gas SMEs increased by 15.43%, and the investment value at the applicable basic price increased by 2.14% (Reswita et al., 2021). The variable number of SMEs and economic growth is proven to
have a one-way causal relationship, where the number of productive SMEs contributes and has a positive influence on economic growth (Aladin et al., 2021). To be able to make this contribution, MSMEs must be able to have strong and sustainable business performance. (Huong et al., 2023) found that despite the fact that the COVID-19 pandemic and economic development have recently passed, the business performance of small and medium-sized firms in Hanoi is very positive. On the other hand, the rapid development of digital technology has resulted in changes in various aspects, not only in the use of technology itself, but also in aspects of business models, customer behavior and industry. The phenomenon of changing customer behavior in getting MSME products, namely wanting everything to be easy, fast, safe, cheap and everything can be done via cell phone, this has resulted in MSMEs having to be able to utilize online trading technology such as e-Commerce, e-Wallet, e-Delivery and also various applications that manage purchase transactions that occur on various eCommerce platforms where MSME products are bought and sold.

In conducting online trade, MSMEs also face the phenomenon of changing business models desired by customers, for example making payments via e-Wallet, QRcode (QRIS), COD (cash on delivery), Pay later, and Point Reward. Apart from that, MSMEs need to pay attention to trading industry regulations such as being required to have a business registration number via Online Single Submission (OSS) issued by the Ministry of Investment/BKPM, use of eWallet, QRcode.

Facing these various demands, companies are required to be able to carry out the necessary digital innovations. (Perlin et al., 2022) found that identify the relationship between mitigation practices and various aspects of business operations, especially those related to digital innovation. Research shows that businesses rely heavily on the persistent and influential role of digital innovation to achieve superior performance (Chege et al., 2020). Digitalization and servitization have a positive effect on a company's financial performance, in terms of revenue, profits and market value (Abou-Foul et al., 2021). Yasa et al. (2019) show that digital innovation has a positive and significant effect on business performance, and digital innovation is able to mediate the effect of digital capabilities on business performance. Although on the other hand, there are findings that show that the internet of things does not have a significant impact on business performance (Mubarak et al., 2029). Therefore, in this research we will examine the role of digital innovation in MSME business performance.
On the other hand, MSMEs also face the challenges of lack of capital, low human resource capabilities from a business and technical perspective, limited number of human resources, services that do not meet customer preferences, limited production capabilities, and production quality that is still below international standards. These aspects are classified as company resources (Thompson et al., 2020). Research shows that company resources influence digital innovation (Wicaksono, 2020; Hidayat et al., 2022; Hartono & Halim, 2020; Kiefer et al., 2021; Soluk, 2022; Lokuge & Duan, 2021).

Apart from that, company resources also have an impact on business performance (Purwati et al., 2021; Price & Stoica, 2015; Ariwibowo et al., 2022; Khan et al., 2019; Ab Wahab et al., 2020; Suindari & Juniariani, 2020; Lestari & Susanto, 2021). Meanwhile, there are different findings where the proportion of tangible assets has a negative impact on asset returns, because investment in fixed assets results in a decrease in the level of profit (Vatavu, 2015). No positive influence was found between access to financing and SME performance (Rita & Huruta, 2020), and unique resource capabilities did not have a significant effect on SME business performance in Jambi Province (Yacob et al., 2021).

The inconsistency in research results regarding the role of company resources and digital innovation on business performance prompted this research to examine the influence of company resources on MSME business performance, both directly and through the mediation of digital innovation. This research was conducted on MSMEs that are members of the Telkom Indonesia UMKM Digital Market (PaDi). Telkom Indonesia launched PaDi UMKM as an e-commerce business to business (B2B) procurement of goods and services which is aimed at facilitating MSME players in reaching wider market network access and opening access to carry out transactions with various state-owned companies.

2 THEORETICAL FRAMEWORK

2.1 THE INFLUENCE OF COMPANY RESOURCES ON DIGITAL INNOVATION

The success of digital innovation depends on digital investment and resource support (Wicaksono et al., 2020). This was previously proven by Hidayat et al. (2022) who found a significant influence of company resources on digital innovation in the ISP industry in Indonesia, which includes ISPs in the small category. Another finding by
Hartono & Halim (2020) found that digital capabilities influence digital innovation which has an impact on the competitiveness of e-travel companies in Indonesia. Additionally, Kiefer et al. (2021) revealed that organizational culture can encourage digital innovation. Soluk et al. (2022) found that adapted resource allocation behavior, in turn fostered the development of digital innovation in terms of digital process innovation, digital product innovation, and digital business model innovation. The internal environment that includes firm-level factors (i.e., strategy, resources, and structure) contributes to the success of digital innovation products (Alvarado-Vargas et al., 2020). There are six main supporting factors for the digital transformation process in SMEs, namely: sustainable technology capabilities, organizational strategy, flexible organizational control, skilled people, agile business processes, and supportive organizational culture (Lokuge & Duan, 2021). Based on these findings, it was revealed that there is a role of company resources in encouraging digital innovation, so the first hypothesis was formulated, namely:

H1: company resources influence digital innovation

2.2 THE INFLUENCE OF COMPANY RESOURCES ON BUSINESS PERFORMANCE

Zulu-Chisanga et al. (2021) show that managerial ties have direct and indirect effects, through company resources, on financial performance. The results of this research are supported by the findings of Ariwibowo et al. (2022) that company resources have a positive impact on the performance of MSMEs in the creative industry sector. Khan et al. (2019) found a significant influence of investment in intangible resources and capabilities, sustainable competitive advantage, on company performance in SMEs in Pakistan. Meanwhile in SMEs in Romania, Todericiu et al. (2021) found the influence of intangible assets on business development by increasing competitive advantage, developing employee competence, and improving organizational performance. On the other hand, Ab Wahab et al. (2020) revealed the role of ICT adoption is significantly correlated with SME business performance in Malaysia. Monteiro et al. (2019) found that the influence of financial, informational and relational resources has an indirect impact on export performance through dynamic capabilities. Hidayat et al. (2023) revealed the influence of Intellectual Capital on the performance of SMEs in Indonesia. Social capital has been proven to improve SME business performance (Purwati et al. 2021). Financial
management, human resource competence and marketing strategies have a positive effect on SME performance (Suindari & Juniariani, 2020). Lestari & Susanto (2021) found the influence of marketing capabilities on SME performance. Meanwhile, according to research by Djauhary (2022), human capabilities have a positive and significant effect on company performance among SME bank customers in Indonesia. Wicaksono et al. (2020) shows that there is a positive and significant influence of information technology capabilities on sustainable banking performance. Based on these findings, it was revealed that company resources play a role in achieving business performance, so a second hypothesis was developed, namely:

H2: company resources influence business performance

2.3 THE INFLUENCE OF DIGITAL INNOVATION ON BUSINESS PERFORMANCE

Chege et al. (2020) revealed that businesses rely heavily on the persistent and influential role of digital innovation to achieve superior performance. This is supported by Yasa et al. (2019) that digital innovation has a positive and significant effect on business performance, so SMEs in the IT sector must continually improve their digital capabilities in order to develop digital innovations that have an impact on improving business performance. Zhe & Hamid (2021) found a strong positive relationship between digital innovation and business performance. Ramdani et al. (2022) also found that digital innovation in SMEs leads to organizational business process performance outcomes. Similar findings were revealed in Hamdani & Herlianti (2019) that digital innovation strategies had a positive effect on the performance of SME Coffee. Likewise the findings in research Huang et al. (2023), impact mechanism, digital innovation encourages increased company performance. These findings show the important role of digital innovation in achieving business performance, so a third hypothesis was developed, namely:

H3: digital innovation affects business performance
2.4 THE INFLUENCE OF COMPANY RESOURCES ON BUSINESS PERFORMANCE THROUGH DIGITAL INNOVATION

According to Hanelt et al. (2021), digital innovation improves company performance in the industrial era. Meanwhile, in Truong and Nguyen (2023), it is stated that intellectual capital greatly influences knowledge absorption capacity, which in turn improves business performance when combined with innovation. In research on the ISP industry in Indonesia, Hidayat et al. (2022) show that company resources have a significant indirect influence on business performance through digital innovation. Based on these findings, a fourth hypothesis was formulated, namely:

H4: company resources influence business performance through digital innovation.

3 METHODOLOGY

This research is a quantitative study that examines the MSME analysis unit which is a member of the Telkom Indonesia MSME Digital Market (PaDi). The unit of observation in this research is the management or owner of MSMEs. The study population totaled 75,727. The criteria for respondents are individuals representing MSMEs who are members of PaDi UMKM. The number of samples taken was in accordance with the analytical tool used, namely Structural Equation Modeling (SEM). The sample size for model testing using SEM is between 100-200 samples or depends on the number of parameters used in all latent variables (Ferdinand, 2002: 51). The minimum sample size for SEM analysis is 100 to 200 (Hair et al., 1992). Referring to these opinions, the research took a sample of 400 respondents using a stratified random sampling technique. The sample composition is shown in Table 1 below:

| Table 1 |
|---|---|---|
| Category | population | Sample |
| Micro | 48,145 | 255 |
| Small | 17,963 | 95 |
| Intermediate | 9,619 | 50 |
| Amount | 75,727 | 400 |

Source: data processing, 2024
There are three business categories, namely micro, small and medium businesses, where the sample composition is proportional based on the population size. The micro category of MSMEs has the largest number, namely around 255 samples, and the fewest are the medium category MSMEs, namely 50 samples.

The questionnaire is structured with a rating scale from 1 to 5 points, starting from strongly disagree, disagree, unsure, agree, and strongly agree (Ferdinand, 2014). Data processing and analysis using Lisrel 8.5 software. Validity and reliability tests were carried out using measurement model analysis in SEM.

4 RESULTS AND DISCUSSION

4.1 RESEARCH MODEL EVALUATION (GOODNESS OF FIT)

Table 2

<table>
<thead>
<tr>
<th>No.</th>
<th>Degree of Fit</th>
<th>Value</th>
<th>Acceptable level</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chi Square</td>
<td>345.24</td>
<td>P-value &gt; 0.05</td>
<td>Close Fit</td>
</tr>
<tr>
<td></td>
<td>P-value = 0.51663</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Root Mean Square Error of Approximation (RMSEA)</td>
<td>0.000</td>
<td>RMSEA ≤ 0.08 (good fit)</td>
<td>Close fit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>RMSEA &lt; 0.05 (close-fit)</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Goodness of Fit Index (GFI)</td>
<td>0.84</td>
<td>&gt; 0.80</td>
<td>Close fit</td>
</tr>
<tr>
<td>4</td>
<td>Adjusted Goodness of Fit Index (AGFI)</td>
<td>0.87</td>
<td>&gt; 0.80</td>
<td>Close fit</td>
</tr>
<tr>
<td>5</td>
<td>Parsimony Goodness of Fit Index (PGFI)</td>
<td>0.94</td>
<td>&gt; 0.80</td>
<td>Fit</td>
</tr>
<tr>
<td>6</td>
<td>Comparative Fit Index (CFI)</td>
<td>1.00</td>
<td>&gt; 0.90</td>
<td>Close fit</td>
</tr>
</tbody>
</table>

Source: data processed with LISREL 8.5(2024)

Table 2 shows that the Chi-Square value = 354.24 and the Chi-Square p-value = 0.51663 > 0.05. Based on the Chi-Square index, the research model is fit (Hair et al., 2010). The RMSEA value of 0.005 is less than 0.05, Goodness of Fit Index (GFI) and AGFI > 0.80. So it can be concluded that the research model is fit.

Figure 1 below shows the path diagram of the research model processed using LISREL 8.5.
Fig 1

Research Model

Chi-square=345.24, df=347, P-value=0.51663, RMSEA=0.000

Source: data processed, 2024
Table 3

*Measurement Model (Validity and Reliability)*

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Standardized Loading (θ)</th>
<th>t count</th>
<th>Construct Reliability (CR)</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>RESOURCE</td>
<td>SDP1</td>
<td>0.73</td>
<td>5.55</td>
<td>0.70</td>
<td>0.95</td>
</tr>
<tr>
<td></td>
<td>SDP2</td>
<td>0.66</td>
<td>4.87</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SDP3</td>
<td>0.82</td>
<td>6.55</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SDP4</td>
<td>0.81</td>
<td>6.41</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SDP5</td>
<td>0.78</td>
<td>6.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SDP7</td>
<td>0.83</td>
<td>6.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SDP8</td>
<td>0.82</td>
<td>6.59</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SDP10</td>
<td>0.90</td>
<td>7.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SDP11</td>
<td>0.91</td>
<td>7.69</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SDP12</td>
<td>0.89</td>
<td>7.51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>INNOVATION</td>
<td>ID1</td>
<td>0.78</td>
<td>-</td>
<td>0.73</td>
<td>0.97</td>
</tr>
<tr>
<td></td>
<td>ID2</td>
<td>0.78</td>
<td>5.69</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ID3</td>
<td>0.8</td>
<td>5.93</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ID4</td>
<td>0.78</td>
<td>5.77</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ID5</td>
<td>0.78</td>
<td>5.72</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ID6</td>
<td>0.82</td>
<td>6.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ID7</td>
<td>0.77</td>
<td>5.58</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ID8</td>
<td>0.85</td>
<td>6.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ID9</td>
<td>0.84</td>
<td>6.27</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ID10</td>
<td>0.88</td>
<td>6.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ID11</td>
<td>0.87</td>
<td>6.61</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ID12</td>
<td>0.85</td>
<td>6.37</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ID13</td>
<td>0.86</td>
<td>6.51</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ID14</td>
<td>0.87</td>
<td>6.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PERFORMANCE</td>
<td>Perf1</td>
<td>0.94</td>
<td>-</td>
<td>0.80</td>
<td>0.94</td>
</tr>
<tr>
<td></td>
<td>Perf2</td>
<td>0.96</td>
<td>12.46</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Perf3</td>
<td>0.90</td>
<td>10.35</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Perf4</td>
<td>0.65</td>
<td>5.21</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: data processing, 2024

Table 3 above shows a measurement model where all factor loadings are > 0.50, with a calculated t value greater than the t table (1.96). Composite Reliability is used to see the level of reliability of indicators and dimensions in measuring research variables. Composite Reliability is greater than 0.70 (Nunnaly, 1994) with Cronbach Alpha > 0.7. This value illustrates adequate convergent validity, meaning that one latent variable can explain on average more than half of the variance of the indicator. Based on these values, it can be concluded indicators are declared valid and reliable in measuring research variables.
4.2 HYPOTHESIS TEST RESULTS

The results of hypothesis testing are shown in Table 4 below:

**Table 4**

*Hypothesis test results*

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path Coeff.</th>
<th>Standard error</th>
<th>t-count</th>
<th>Prob.</th>
<th>R2</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Resources &gt; Digital Innovation</td>
<td>0.82</td>
<td>0.16</td>
<td>5.07</td>
<td>0.000</td>
<td>0.67</td>
<td>Significant</td>
</tr>
<tr>
<td>2 Resources &gt; Business Performance</td>
<td>0.10</td>
<td>0.23</td>
<td>0.44</td>
<td>0.660</td>
<td>0.01</td>
<td>not significant</td>
</tr>
<tr>
<td>3 Digital Innovation &gt; Business Performance</td>
<td>0.56</td>
<td>0.24</td>
<td>2.3</td>
<td>0.022</td>
<td>0.31</td>
<td>Significant</td>
</tr>
<tr>
<td>4 Resources &gt; Digital Innovation &gt; Business Performance</td>
<td>0.46</td>
<td>0.22</td>
<td>2.12*</td>
<td>0.034</td>
<td>0.46</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: data processing, 2024

Based on Table 4, it can be explained as follows:

The first hypothesis is accepted, which means resources have a positively significant influence on Digital Innovation (prob < 0.05) with R^2 = 0.67. PaDi member MSME companies that develop and control the necessary company resources will be able to develop digital innovation in their companies. These findings support the results of previous research (Wicaksono et al., 2020; Hidayat et al., 2019; Hartono & Halim, 2020; Kiefer et al., 2021; Soluk et al., 2022; Alvarado-Vargas et al., 2020; Lokuge & Duan, 2021).

The three resource indicators that play the most role in digital innovation are ownership information resources in accordance with market and technology developments, followed by the ability to build organizational business relationships/networks and HR capabilities to innovate. Mastery of these aspects makes the greatest contribution compared to other aspects in encouraging the development of digital innovation in PaDi Telkom member MSMEs. This means that if these companies want to develop digital innovation, then these aspects especially need to be considered and prioritized for development. Information resources play the most important role because they support the formulation of various important decisions in the development of digital innovation. From various existing information, companies can find and analyze internal strengths and weaknesses, as well as external opportunities and threats as important input in developing appropriate innovations in accordance with external and
internal conditions. Furthermore, to manage and maintain these information sources, companies are required to build extensive business networks/relationships so that they are always connected to the latest information, so that the company does not become outdated. To support all of this, adequate human resource capabilities are needed so that all programs can be carried out effectively. Thus, it is hoped that the digital innovation program will also run successfully.

The results of testing the second hypothesis show that company resources have no significant effect on Business Performance (prob >0.05) with R2 = 0.01. These results indicate that ownership and control of company resources does not have a significant impact on increasing the business performance of Telkom's PaDi member MSMEs. Even though according to Thompson et al. (2014), company resources and capabilities reflect competitive assets and are determinants of competitive ability and success in the market. This competitive success is what makes the company superior in its business performance. However, according to the results of testing the fourth hypothesis, company resources do not contribute directly to improving business performance. This indicates the need for other variables that are able to encourage company resources to become something of value that can improve business performance.

Thus, the results of testing this fourth hypothesis are not in line with Zulu-Chisanga et al. (2021) which shows the important role of company resources in SME performance which can transform managerial ties and inter-company collaboration into SME performance. The results of this fourth hypothesis test are also not in line with the research findings of Ariwibowo et al. (2022), Khan et al. (2019), Todericiu et al. (2021), Ab Wahab et al. (2020), Monteiro et al. (2019), Hidayat et al. (2023), Purwati et al. (2021), Suindari & Juniariani (2020), Lestari & Susanto (2021), and Djuahary (2022), regarding the role of several aspects of company resources for MSME business performance. Likewise, the results of this hypothesis test are not in line with Wicaksono et al. (2020) which shows that there is a positive and significant influence of information technology capabilities and human resources on organizational performance.

The results of testing of third hypothesis show that there is a positive and significant influence between Digital Innovation on Business Performance with R2=0.31. Implementing digital innovation can significantly improve business performance in the company. Digital innovation makes a positive contribution to achieving the company's business performance, because through digital innovation a number of advantages can be
produced, both in the products and services provided, which can increase customer trust and loyalty, as well as gain a new customer base for the company. The results of hypothesis testing are in line with the findings of Hamdani & Herlianti (2019), Yasa et al. (2019), Chege et al. (2020), Abou-Foul et al. (2020), Zhe & Hamid (2021), Ramdani et al. (2022), Huang et al. (2023), and Sudirjo et al. (2023).

Digital innovation in this research is measured by 14 indicators taken from the dimensions presented by Baiyere & Hukal (2020) and Nylen and Holmstrom (2015). Based on the results of testing the measurement model, it is known that the indicators 'pay attention to emerging user behavior in the market' obtained the highest loading factor, followed by encourage learning about developments in digital technology. And mechanism for coordination in efforts to improvise the innovation process with related parties, is the indicator with the highest loading factor. So, to increase the success of digital innovation, the first and most important aspect needs to be carried out by MSME management pay attention to user behavior that appears in the market. This becomes a source of information in formulating digital innovation directions and programs. To support the success of this process, it needs to be supported by a learning program on developments in digital technology so that companies will always be able to follow the latest developments in digital technology trends. To support these two things, effective coordination is needed so that the improvised innovation process runs as planned in an effort to improve business performance.

The fourth hypothesis shows that company resources have a significant effect on Business Performance through Digital Innovation (prob <0.05) and R2 =0.46. The results of this test answer the results of the second hypothesis test where company resources do not directly have a significant effect on Business Performance. It turns out that company resources can affect Business Performance only if resources increase Digital Innovation. Company resources do not contribute to business performance, because it turns out that company resources controlled by the company must be managed and utilized first to implement digital innovation, so that in the end they can boost business performance. The results of testing the fourth hypothesis are in line with the findings of Hanelt et al. (2021), Truong and Nguyen (2023), and Hidayat et al. (2022) which illustrates that company resources have an indirect influence on business performance through digital innovation.

Based on the results of hypothesis testing, the research findings model in Figure 2 is as follows:
The findings of this research reveal that Business Performance is more influenced by Digital Innovation with an R2 of 0.31, while Sumberdaya does not have a direct role in creating Business Performance (R2 – 0.01). The formation of Digital Innovation was built by company resources. Thus, the research results reveal the role of company resources in encouraging increased Digital Innovation which will increase Business Performance. Company resources play an important role in translating strengths, weaknesses, opportunities and threats into digital innovation that can drive increased business performance.

5 CONCLUSION

The results of this research show that in PaDi UMKM Telkom Indonesia member companies, company resources play a role in developing digital innovation. Furthermore, digital innovation plays a role in improving business performance. On the other hand, company resources are only able to improve business performance if the company's resources are able to increase digital innovation. This shows the important role of digital innovation in improving business performance, which needs to be built by supporting company resources. So, company resources and digital innovation both have an important role in efforts to improve business performance.

The results of this research provide theoretical implications in the form of developing knowledge regarding the interconnectedness of company resources, digital
innovation, and business performance in the MSME sector. The results of this research also provide managerial implications, especially for MSME players who are members of the Telkom Digital Market (PaDi) to prioritize the development of digital innovation through continuous learning of user behavior that appears in the market, which needs to be supported by learning about developments in digital technology, as well as supporting with effective coordination mechanisms. In developing digital innovation, companies need to prioritize ownership information resources in accordance with market and technology developments, followed by the ability to build organizational business relationships/networks and HR capabilities to innovate.
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