

Innovation Strategies in Digital Economy-Based Business: A Literature Review

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Abstract

The development of the digital economy has brought fundamental changes to various industrial sectors in Indonesia. Digitalization creates new opportunities for companies to innovate in business models, supply chains, and data-driven customer experiences. However, in practice, innovation strategies in the digital economy sector face various challenges, including limited resources, access to technology, and complex regulations. This study aims to analyze innovation strategies in digital economy-based businesses in Indonesia through a literature review. The findings indicate that business model transformation, technopreneurship, and the utilization of technologies such as artificial intelligence (AI), big data, and e-commerce play a crucial role in enhancing business competitiveness. Additionally, external barriers such as taxation policies and regulations also influence the effectiveness of innovation implementation. This research provides strategic insights for companies to effectively adopt digital innovation in order to navigate challenges and seize opportunities in the digital economy era.

Keyword: digital economy, innovation strategy, technopreneurship, business transformation, artificial intelligence, big data, e-commerce.

INTRODUCTION

The development of the digital economy has brought significant changes to various industrial sectors in Indonesia. Digitalization not only transforms how businesses operate but also creates new opportunities for companies to grow and expand. With the increasing use of digital technology, innovation strategies have become a key factor in ensuring business competitiveness in this era. Innovation in the digital economy is not limited to the development of new products or services but also includes business model transformation, supply chain optimization, and the enhancement of customer experience through data-driven technology.

In the context of the digital economy, companies must be able to adapt quickly to changes and respond to increasingly complex market dynamics. Some commonly implemented innovation strategies include the utilization of artificial intelligence (AI), big data analytics, the Internet of Things (IoT), and blockchain technology. The implementation of these strategies enables businesses to improve operational efficiency, expand market reach, and create added value for consumers. For instance, a study by Rofaida et al. (2018) emphasizes the importance of innovation strategies in the digital creative industry to gain a competitive advantage in the era of Industry 4.0.

The implementation of innovation strategies in digital economy-based businesses in Indonesia faces several challenges. Some companies struggle to adopt new technologies due to limitations in human resources, a lack of understanding of technology, and data security risks. Additionally, increasing competition demands that companies continuously innovate to remain relevant in the market. For example, a study by Hermanto et al. (2017) found that SMEs in East Java face challenges in developing innovations due to limited resources and access to technology.

Research by Hutama (2020) examines business transformation in the digital era and highlights the importance of adapting innovation strategies to cope with rapid technological change. Sitorus and Gheta (2022) also discuss digital-based business strategies and innovations, emphasizing the need for a deep understanding of e-commerce to enhance competitiveness. Furthermore, Harto et al. (2023), in the book *Digital Transformation in Business*, explore how companies can implement digital transformation as part of their innovation strategies. Meanwhile, a study by Rukmana et al. (2021) highlights the trend of technopreneurship as a modern business development strategy through digital technology.

In addition to internal challenges, there are also external barriers such as regulations and infrastructure. For example, Alamanda et al. (2021) discuss tax challenges in digital businesses in Indonesia, which can influence corporate innovation strategies. Additionally, Nisa (2020) highlights the importance of innovation and the role of the Islamic economy in addressing the digital era, particularly in Indonesia's microfinance industry.

Given these challenges, this study aims to analyze various innovation strategies used in digital economy-based businesses in Indonesia through a literature review approach. By reviewing academic sources and scientific publications, this study will explore concepts, trends, and challenges in implementing digital innovation in the business sector. The findings are expected to provide deeper insights into effective innovation strategies and offer recommendations for companies looking to enhance their competitiveness in the digital economy era.

RESEARCH METHODS

This study employs a literature review method to analyze innovation strategies in digital economy-based businesses in Indonesia. The research involves collecting, examining, and comparing various scientific publications, journals, books, and industry reports relevant to the topic.

The literature sources used in this study come from verified publications, including academic journals, conference proceedings, and reports from reputable institutions. The selection of literature is based on relevance, credibility, and recency (published within the last five years).

The analysis in this study adopts a qualitative descriptive approach, identifying key themes related to digital innovation strategies, implementation trends, and challenges faced by businesses in Indonesia. The collected data is then systematically analyzed to identify patterns, gaps, and strategic recommendations for industry players.

Table 1. Studies to Be Discussed

No	Author Name	Year	Title	Summary of Research Results
1	Hutama	2020	Business Transformation in the Digital Era: Adapting Innovation Strategies	Examining the importance of adapting innovation strategies in the face of rapid technological change, with a focus on business model transformation to increase competitiveness.
2	Rukmana et al.	2021	Technopreneurship as an Innovation Strategy in Digital Business	Explaining the role of technopreneurship in developing digital technology-based businesses, including factors that influence their success.
3	Alamanda et al.	2021	Tax Challenges in Digital Business in	Discusses external barriers to digital business innovation, particularly

			Indonesia	regulatory and tax challenges that may impact a company's innovation strategy.
4	Nisa	2020	Innovation and the Role of Islamic Economics in the Digital Era	Examining how Islamic economic principles can be applied in digital business innovation, especially in the microfinance sector in Indonesia.
5	Sitorus & Gheta	2022	Digital-Based Business Strategy and Innovation: E-Commerce Perspective	Highlighting the importance of innovation strategies in e-commerce to increase business competitiveness, including the use of AI and data analytics.
6	Harto et al.	2023	Digital Transformation in the Business World	Discussing the implementation of digital transformation in business innovation strategies, as well as the challenges and opportunities in its implementation.

RESULTS AND DISCUSSION

Results

This study examines various innovation strategies implemented in digital economy-based businesses in Indonesia through a literature review approach. The analysis of multiple academic publications indicates that digital innovation strategies have a significant impact on business competitiveness in the digital economy era.

Business Model Transformation and Innovation Strategy Adaptation

Hutama (2020) emphasizes that adapting innovation strategies is crucial for companies to keep pace with rapid technological changes. Business model transformation is a key factor in maintaining competitiveness in the digital era. Companies transitioning to digital-based business models can enhance operational efficiency, expand market reach, and accelerate innovation processes. Additionally, digitalization enables businesses to be more responsive to changing customer needs and industry trends. With the right innovation strategies, companies can sustain and thrive in an increasingly dynamic competitive landscape.

Technopreneurship and Digital Business Development

According to Rukmana et al. (2021), technopreneurship is an effective innovation strategy in digital business. This study identifies several factors that support the success of technopreneurship, including access to technology, a growing startup ecosystem, and adequate regulatory support. Businesses that adopt technopreneurship tend to be more innovative in creating technology-based solutions.

Tax Challenges in Digital Business Innovation

External barriers such as regulations and taxation also influence digital business innovation in Indonesia. Alamanda et al. (2021) highlight the tax challenges faced by digital companies. Regulatory uncertainty and the complexity of the taxation system can hinder innovation and digital business growth. Therefore, more flexible policies are needed to support the development of digital businesses in Indonesia.

Innovation in the Islamic Economy

A study conducted by Nisa (2020) reveals that the Islamic economy plays a vital role in digital business innovation, particularly in the microfinance sector. Innovations based on

Islamic economic principles can enhance financial inclusion and provide alternative business models aligned with Sharia values.

E-Commerce and Digital-Based Innovation Strategies

In the research by Sitorus & Gheta (2022), innovation strategies in e-commerce are identified as a key factor in enhancing business competitiveness. Their study finds that the use of artificial intelligence (AI) and big data analytics helps e-commerce businesses understand customer consumption patterns and optimize their marketing strategies.

Implementation of Digital Transformation

Harto et al. (2023), in their book *Digital Transformation in the Business World*, emphasize the importance of implementing digital transformation within business innovation strategies. Their study indicates that companies that successfully adopt digital transformation experience increased productivity, efficiency, and higher customer satisfaction.

Discussion

This study highlights the role of digital innovation strategies in enhancing business competitiveness in the digital economy era. Business model transformation and innovation strategy adaptation are key factors in responding to rapid technological changes (Hutama, 2020). Digitalization enables companies to improve operational efficiency, expand market reach, and respond more quickly to customer needs. Additionally, technopreneurship is an effective strategy for digital business development, supported by access to technology, a growing startup ecosystem, and favorable policies (Rukmana et al., 2021). However, external challenges such as complex regulations and taxation systems can hinder digital innovation, requiring more flexible policies to support business growth in Indonesia (Alamanda et al., 2021).

Innovation is also growing in the Islamic economy, particularly in the microfinance sector, where Sharia-based principles enhance financial inclusion and create more sustainable business models (Nisa, 2020). In the e-commerce sector, technology-driven innovation strategies, such as artificial intelligence (AI) and big data analytics, help businesses understand consumer behavior and optimize marketing strategies, thereby increasing market competitiveness (Sitorus & Gheta, 2022). Furthermore, implementing digital transformation is a crucial factor in business innovation strategies, as companies that successfully adopt digitalization experience higher productivity, efficiency, and customer satisfaction (Harto et al., 2023). Overall, this study emphasizes that digital innovation, supported by a strong business ecosystem and adaptive policies, is a key driver of success in the digital economy era.

CONCLUSION

This study highlights the importance of innovation strategies in digital economy-based businesses in Indonesia. The analysis results indicate that business model transformation, the utilization of technopreneurship, and the adoption of technologies such as AI and big data play a crucial role in enhancing corporate competitiveness.

However, various challenges exist in implementing innovation strategies, including regulatory barriers, taxation issues, resource limitations, and a lack of technological understanding. Therefore, more flexible policy support and capacity building for human resources are needed to ensure the optimal growth of digital businesses in Indonesia.

SUGGESTION

Based on the findings of this study, several recommendations can be made:

1. Future research can explore the use of emerging technologies, such as artificial intelligence or big data analytics, to enhance efficiency and accuracy in research outcomes.
2. It is recommended to conduct follow-up studies over a longer period to observe changing trends and the long-term impact of the examined variables.
3. Future studies can adopt a multidisciplinary approach, integrating perspectives from various fields to gain broader insights and develop more holistic solutions.

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