

Regeneration of MSMEs in The Industrial Revolution Era 4.0: In Millennial Generation Perception

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ABSTRACT

Regeneration has become a global issue related to disruption as a result of the rolling of the industrial revolution 4.0. The MSMEs as one of the elements in the industrial revolution are also facing the challenges of regeneration, The challenge is in the form of a process of transition from generation to current generation, which is called millennial generation. This research aims to discover the extent of millennial generation perceptions of the competitiveness of MSMEs and analyzing the extent of their readiness to accept the transfer of generations as MSME performers. This research is based on primary data that collected through a survey of 210 millennials taken by accidental sampling in six districts and one city in Solo Raya. The results of research showed that most of the millennial generation considered that the products and services of MSME performers were good, while the price, prestige and distribution are quite good but lack in promotion. Most of the millennial generation expressed their willingness to become the MSMEs and culinary sector who with the most interest by millennials

Keywords: *millennials, industrial revolution 4.0, regeneration, MSMEs,*

1. INTRODUCTION

The word or term regeneration is increasingly heard along with the appearance of disruption phenomenon due to the rolling era of the industrial revolution 4.0. Relation to disruption, regeneration is one way to survive in the massive wave blows of change, to maintain existence and sustainability in this era. In the industrial revolution 4.0 driving changes not only in the digital economic sector, but also affected in other sectors which were then marked by massive transformations in various fields known as the disruptive era. The fourth generation industrial revolution is marked by the emergence of innovative technology that will integrate various fields of scientific and technical disciplines, mainly the combination of the physical world, the digital world and biology [1]. The challenge now is how to motivate business people to awaken their potential. Humans no longer have control over technological changes and disruptions that came with the fourth industrial revolution [2]. Many giant companies that have experienced bankruptcy and death, in this case, history has recorded it, which one of them is a photo kodak company that fell in the era of the industrial revolution 4.0. The industrial revolution not only had an impact on large companies, but the industrial revolution also had an impact on companies

at the micro scale or better known as Micro, Small and Medium Enterprises (MSMEs).

The shock of both large-scale and micro-scale businesses prompted many researchers to study the challenges, opportunities and efforts to face the industrial revolution. Literature study found that regions in Europe face many challenges and opportunities in terms of industry use and industry technology for the MSMEs industry model. Many of these MSMEs are moving towards the industrial revolution 4.0 facing challenges including the lack of resources, skilled for SMEs for Industry [3]. In Germany, one of the challenges of MSMEs in the industrial era 4.0 is the mastery of IT, where IT plays an important role in the creation of value chains through the integration of information both horizontally and vertically. A qualified workforce is needed for the development, introduction and utilization of Industry 4.0 is very much needed [4].

The problem of MSMEs in the face of the industrial revolution is not only faced by MSMEs in Europe or in other parts of the world. But this challenge is also faced by small and medium enterprises (MSMEs) in Indonesia. The problems faced by many MSMEs are low productivity, it is related to the low quality of human resources in micro scale businesses, and the low competence of micro scale business entrepreneurship. In addition, MSMEs also face factors that are still obstacles in increasing MSME competitiveness and performance one of them is limited access to capital, limited access to markets, and limited access to information about resources and technology [5].

The availability of skilled resources in technology, especially information, is a problem that many MSMEs face [5]. The gap in capability of MSME workers to technology, especially information technology in the industrial revolution era can be bridged with one of them being to involve millennial generation or generation Y through the process of regeneration. Technological issues at MSMEs are faced with the involvement of generations born in the midst of the industrial revolution.

According to Lyons, generation Y which is known as millennial or millennium generation is the generation that uses a lot of instant communication technology, such as email, SMS, instant messaging, and social media like whatsapp, Facebook and Twitter, in other words generation Y is the generation that grew up in the booming internet era [6]. Millennials also differ in terms of employment and income, in this generation many college graduates work in jobs that do not require a degree, and for those with low education, job vacancies still remain concentrated in the low wage sector and the retail sector [7]. Millennial generation is a large workforce that tends to be multi-tasker, learns quickly, and is likely to change careers [8].

This research tries to discover the extent of millennial generation's attention to the existence of MSMEs by examining how millennial generation perceptions of MSME competitiveness and potential, the involvement of this generation in the activities of MSMEs and their willingness to engage as SMEs

2. METHOD

This research is a descriptive research that aims to provide an overview or descriptive of a situation objectively. The research was conducted in the Solo Raya area by taking millennial generation participants in seven Cities / Regencies throughout the Solo Raya that is Solo, Sragen, Sukoharjo, Karanganyar, Boyolali, Wonogiri and Klaten. Solo Raya was chosen as a research location with the consideration that this region is one of the creative industry areas that is quite prominent in Central Java, Indonesia. The most dominant creative industries in this area are fashion, culinary and handicraft [9].

The data used in this research are primary data collected through structured interviews with questionnaire guidelines. Interviews were conducted with 210 millennials taken by accidental

sampling in seven districts and a town in Soloraya. Interviews were conducted on 30 millennials who were willing to be interviewed in each region by meeting with millennials at the activity center or places where this generation spends time hanging out in malls, *wedangan* or cafes. The collected data were analyzed using qualitative descriptive analysis methods.

3. RESULT AND DISCUSSION

A study of the readiness of MSMEs in Solo Raya to face the era of disruption shows that MSME performers in the creative industries especially fashion, culinary and crafts need to immediately adapt to the transformation of digital technology [9]. In addition to adaptation, the regeneration process also needs to be prepared for the sustainability of this business. Millennial generation's perception of the MSMEs existences becomes an important point in presenting the right strategy in the regeneration process and maintaining the continuity of this business in facing the challenges of competition and reaching the market in the industrial revolution era 4.0.

3.1. Millennial Generation Perception of MSME Competitiveness

MSMEs competitiveness can be seen from the ability of MSMEs to compete with their competitors. In this research, the ability of MSMEs to win in competition is seen from the strengths in terms of product quality, competitive product prices, product prestige service to consumers, promotion, and product distribution.

Table 1. Perception of UMKM Competitiveness

UMKM competitiveness	Good		Enough		Not Good	
	Amount	%	Amount	%	Amount	%
Quality	104	50	103	49	3	1
Price	86	41	121	58	3	1
Prestige	58	28	101	48	51	24
Service	101	48	88	42	21	10
Promotion	52	25	54	26	104	50
Distribution	48	23	96	46	66	31

Source : Field survey, 2019

The results showed that most millennials generation assume good for the products and services of SMEs and were good enough at price, prestige and distribution. But in the promotional sector it is still lacking. MSMEs have not used much digital technology in promoting their products. In the price sector and prestige, it is considered sufficient in the meaning that potential can still be maximized. This is in line with another research that found a strategic step in increasing the competitiveness of MSMEs, among others are maintaining and winning competition through increasing attractive product packaging (in this study to increase prestige), competitive prices and maintaining customer loyalty [10].

What is the perception of the young generation towards the potential of MSMEs in the industrial revolution era 4.0? The questions that given are followed by an explanation of the potential of MSMEs to be able to develop and improve for the better. In this research millennial generation only provides a potential or non-potential assessment. And the results show that most (92%) of the young generation are optimistic that MSMEs have the potential and ability to compete in this 4.0 era.

Table 2. Millennial Generation Perception of MSME Potential in the 4.0 era

Potential in Era 4.0	Amount	Prosentase (%)
Potentially	194	92
Not potentially	16	8
Total	210	100

Source : Field survey, 2019

3.2. Regeneration Readiness of Creative Industry MSMEs

To see the readiness of the millennial generation to enter the creative industry, a research is needed on the extent of this generation's involvement in MSME activities both in the production and marketing processes. The results showed that the majority of respondents (70%) had never been involved in MSME activities and 30% said they had been involved for example in marketing activities (becoming a reseller) or helping the production process if the business belonged to their parents, family or others

Table 3. Involvement of Millennials in MSME activities

Involvement in MSME activities	Amount	Prosentase (%)
Yes	64	30
Never	146	70
Total	210	100

Source: Field survey, 2019

Although the most respondents have never been involved in MSME activities, but millennial generation can be used as opportunities and partners of the MSME itself before the regeneration stage. Opportunities that means there is a smart and critical market that can be embraced by MSMEs as well as challenges to be able to produce products and services that meet the interests and desires of the millennial generation [11].

Not many millennials are involved in MSME activities at this time does not mean that this generation is not interested in becoming MSME performers. The results showed that 93% of millennial generation respondents in this research expressed their willingness to become MSME performers.

Table 4. The willingness of millennials to become MSME performers

Willingness to Become a MSME performers	Amount	Prosentase (%)
Yes	195	93
No	15	7
Total	210	100

Source : Field survey, 2019

Similar research in Slovakia also shows that most of the millennial generation young people prefer to be entrepreneurs in SMEs rather than being employees in a company. 99% of the country's conditions are strongly supported and dependent on the SME's sector which provides 75% of employment opportunities and 50% of added value to the country [12].

Some of the reasons for the willingness of this generation are their interest in the characteristics of work in the creative industry including independence, not bound by time and place so that they can still do other work. Not much different from the young generation in Europe who have an interest in starting a business, they tend to be more oriented towards seeking independence and freedom in making decisions about the strategy and operations of their company [12].

This is in accordance with the characteristics of millennial generation proposed by Lancaster & Still that millennials tend to be more cooperative than receiving orders when working and more pragmatic in solving problems [5]. By working as SMEs they have the freedom to make decisions, more independent not under the orders of others and instead in this work they can work together with various parties in the fields of providing raw materials, production, marketing, promotion, distribution and other lines needed for the existence of his business.

The behavior of millennial groups in looking at the concept of entrepreneurship tends to be influenced by environmental factors and the development of entrepreneurial trends (friends / community). Behavior that tends to be caused by the social environment and the development of information technology becomes an important factor in developing the millennial desire for entrepreneurship. The increasing number of interesting business concepts based on information technology tends to provide entrepreneurial impetus to the community [13].

The creative industry sector which is much in demand by the millennial generation is the culinary field besides that also in the fashion sector. Potential culinary sector has a high prospect to be managed to see the city of Solo as a culinary tourism icon.

Table 5. Millennial Interest in the Creative Industry

Creative Industry Sector	Amount	Prosentase (%)
Craft	30	13
Fashion	84	36
Culinary	114	49
Others	4	2
Total	232	100

Source : Field survey, 2019

The Solo Raya region, especially the city of Solo, has a very strategic position, namely at the meeting of the Pantura lane (Semarang) and the south coast lane of Java (Yogyakarta). Strategic position allows this region to be a transit point and a place of tourist arrivals from outside the city of Surakarta. The diversity of attractive tourism potentials in the city of Solo such as heritage tourism (cultural heritage and traditional values), historical tours, shopping tours, and culinary tours [14] [15].

4. CONCLUSION

Through the results of the explanation above related to the results of millennial generation perceptions of the existence of MSMEs, the research team can conclude that the level of competitiveness of MSMEs can still be improved even better. Like the distribution system, service and prestige still have the potential to be maximized, of course, with increased knowledge, ability and strategy in utilizing technological and information developments. Similarly, in the field of promotion, hard work is still needed to align MSMEs in the wider arena of competition. Millennial generation is a demographic bonus that has the potential to succeed MSMEs regeneration going forward. According to the Indonesian Central Statistics Agency within a period of approximately ten years from now the productive age of the millennial generation experiences a peak of around 60% of the total population in Indonesia. The positive perceptions of the millennial generation towards the potential of MSMEs and the willingness to engage as MSMEs entrepreneurs become the initial capital that needs to be responded by all stakeholders.

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