





The strategy for combining online and offline business model for MSMEs

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ABSTRACT

Digital transformation has created an information revolution, eliminated boundaries, created a knowledge-based global market, and in MSMEs finding new business models, conducting business transactions and collaborating in all fields to form economic strength. Activities that are completely digital, even transaction activities are carried out digitally because they are faster, more effective and efficient. Therefore, MSMEs can apply a business model strategy that can combine online and offline activities. To increase their capability, MSMEs start with developing strategies to become hybrid businesses and combined online and offline business models. In this case, the authors conducted research on MSMEs that use strategies to combine online and offline business, this study offers guidance for MSMEs on what strategies should be used in achieving a business hybrid so that online and offline business models can be combined. In the formation of a business hybrid, there are five capabilities, namely, assimilative capability, ambidextrous capability, environmental capability, autonomous capability and digital and non-digital competitiveness capability. The ability of assimilative can improve managerial ability in the company, absorb knowledge or resources not only from the external environment, but can come from different business units within a company.

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Introduction

The current development of MSMEs cannot be separated from the support of the government and banks in Indonesia. Access to financing from banks encourages the allocation of special credit for MSMEs, thereby facilitating company operations and improving company performance. Financing for MSMEs brings high expectations for the company's business continuity (Shafi et al., 2020). These small and medium enterprises will develop local entrepreneurial communities which is a promising strategy to promote development goals in the region (Shafi et al., 2020).

MSMEs have a very large influence on economic conditions in Indonesia. It is proven at this time, in the era of the Covid-19 pandemic, the government poured a number of funds to improve the performance of MSMEs. The crisis due to Covid-19 has had a significant impact on MSMEs. Prasad et al. (Prasad et al., 2015) argues that unforeseen events can result in global supply chain disruptions. Unexpected events or pandemics can cause external uncertainty and environmental degradation in economic development (Mahmood et al., 2020; Shakil et al., 2020; Lokhandwala & Gautam, 2020). Therefore, MSMEs and the community are advised to have a positive action link to avoid the bad impact. One of them is by changing the company's strategy or business model quickly.

Rapid market growth and disruptive conditions require companies to always innovate (Westerman et al., 2014) One of the obstacles that are often encountered by MSMEs in innovating is limited human resources and capital, but MSMEs are able to move agilely to respond to market needs and are flexible (Kamble et al., 2018). One form of innovation that MSMEs must pay attention to is the change or development of human resources, processes, strategies and structures of a company that involves technology and business

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models (Mitra et al., 2011). The digital transformation carried out by a company is also expected to help the company to gain efficiency and effectiveness in carrying out its business activities. As previously explained, many MSMEs perform company performance efficiency by using minimal re-sources to achieve maximum results, for example by reducing employees in stores because sales have been assisted online. On the other hand, services that connect online and offline can bring online customers to make purchases in offline stores. It also creates a business model that can incorporate social, local and mobile environments (Chen et al., 2013). So, there is also a new approach to customers that allows customers to access from anywhere (Hilman & Neustaedter, 2017).

In addition, online and offline model is the most promising for the future. Distribution online to offline or offline to online has great potential for the B2B market, simplifying company performance, thus causing managers to create synergies across all online to offline or offline to online channels and coordinate in improving the company's internal performance (Rosenbloom, 2007) The combination of online and offline business models can better affect business performance. Good performance can eliminate the problem of competition and conflict. Competition and that arise as a result of poor performance will be reduced. In addition, Chen et al., (2013) states that online and offline business models are able to support retail services to achieve maximum results and increase performance from producers to retailers (Chen et al., 2013). Improved performance within the company as a result of the application of online and offline business models is an interesting phenomenon to be studied at this time. This is what also motivates the author to conduct research on strategies to combine online and offline business models for SMEs.

Therefore, MSMEs when carrying out digital transformation do not have to abandon the old ways to achieve rapid company growth and increase company performance. It could be that the old way of conducting business activities will actually make the MSMEs strong so that the use of digital technology coupled with the old way will make MSMEs stronger to face the fast-paced developments of today (Huang et al., 2017). Most MSMEs that still apply the old ways are less likely to worry if the company fails to carry out digital transformation. In addition, digital transformation is also important to improve the ability of MSMEs in building business networks so that MSMEs are easier to find suppliers, distributors or customers which will lead to better company performance. Digital transformation that combines online and offline strategies for the company as well as strengthening business networks both online and offline will form a strong foundation for the company to face the challenges of industry 4.0. To answer the challenges of industry 4.0, it is hoped that MSMEs will apply the right strategy (Fatorachian & Kazemi, 2018) because it will have an impact on the competitive advantage of MSMEs themselves (Luthra & Mangla, 2018) and also the performance of these MSMEs.

Bouee & Schaible (2015) explained that in carrying out digital transformation companies, there are facilitators whose functions are to enable applications or services that are used to realize the digital transformation of business models. In realizing the digital transformation of the business model, a company must implement a sustainable strategy. The digital transformation carried out by MSMEs will indirectly help MSMEs in reinventing new business models. Business model innovation and adapting it to offline stores coupled with conditions of uncertainty cause companies to have to explore digital technology to overcome the differences between physical and digital spaces (Jocovski, 2020).

Exploring digital technology must also be accompanied by increasing the company's internal performance to the fullest. With the discovery of this new business model, MSMEs will be able to adapt to future developments in the business world and are also expected to increase MSME capability, so that MSME growth will be achieved. The combination of online and offline business models has proven to be able to improve performance for MSMEs rather than just using online or offline. The new business model strategy created from a digital transformation carried out by MSMEs will create sustainability for these MSMEs. From some of the things that have been described above, the authors conducted research on four MSMEs to find out how to combine online and offline business models. Based on the background that has been described, the formulation of the problem in this research is how to strategy to combine online and offline business models.

Literature Review

O2O Business Model (Offline to Online and Online to Offline)

According to Xu & Zhang's research, (Xu & Zhang, 2015) a company to implement an O2O business model needs to build two business platforms, namely an offline entity platform and an online entity platform. This is not easy to implement, because there will be several obstacles that will definitely get in the way. Companies in the material sector usually apply the O2O business model to develop. In the trading industry, a company to gain customer experience and attract buyers requires a complete combination of business models so that it can produce fast and pleasant business processes for consumers. The O2O strategy development model is very suitable to be applied to companies (Tsai et al., 2015).

As technology evolves, trading models also evolve rapidly. Companies must have a strategy to bridge physical and virtual trade. For this reason, O2O trading has a very important role for the growth of trade for the company. Adjusting the strategy to the target market of each company, can be done by combining online and offline businesses, by adjusting the service model that focuses on mobile commerce, social commerce and closeness trading with customers (Tsai et al., 2015).

With this O2O business model, entrepreneurs can monitor their trading activities online and maintain direct contact with their customers. Entrepreneurs can influence and involve consumers' social networks directly to participate in and reward their trading activities. In addition, customers can also complete their transactions online and get goods or services offline. In previous studies, the O2O business model has had a significant impact on MSMEs and consumers. The trend of integration of the virtual world and the physical world seems to be irreversible, regardless of whether it is caused by technological developments or changes in consumer behavior itself.

Collaboration Strategy

The collaboration strategy is a transformative learning process based on responses to the evaluation process that will lead to the most significant changes (Davies & Dart, 2005). It can be said that the collaboration strategy is a facilitator of innovation and change in a business or company. To deal with uncertainties in the business going forward, companies believe that using a collaborative strategy is helping them perform better than competing under an individualistic business model. This is supported by previous research that collaboration and cooperation strategies are the main drivers in shaping cooperation behavior so that the company will develop significantly (Gnyawali & Park, 2011; Gnyawali & Ryan, 2018). Collaboration through intelligent electronic business networks will provide a competitive advantage that allows all participants in the value chain to win and grow. Collaboration requires individual participants to adopt simplified and standardized solutions based on common architectures and data models (Horvath, 2001).

MSMEs are expected to develop collaboration and partnership strategies to gain local or global market access and a sustainable competitive advantage. The intensity of market competition is very high, causing MSMEs to carry out collaboration and partnership strategies. Competitive advantage can be obtained when companies collaborate and strategic partnerships in various ways. First, through collaboration by studying interorganizational structures, culture and processes, so that in this case the forms of collaboration include specific assets, knowledge sharing, complementary resource delivery and effective governance. Through this collaboration, an effective and efficient continuity and engagement will be created. The second is to study and identify mechanisms through collaboration between companies so that the partnership runs well, in terms of interorganizational asset connectedness, resource scarcity, resource indivisibility and institutional environment (Gnyawali & Ryan, 2018).

In a previous study conducted by Horton et al. (2013) stated that increasing trust, coordination and collaboration can greatly contribute to the sustainability of a business. The collaboration strategy will form scaling elements, namely trust building and mutual benefits for a business (Prain et al., 2020). Trust building and mutual benefits play a major role in the process of combining online and offline business models in the company. In this case, the collaboration strategy has a big influence on the success of achieving hybrid business in a company. The combined online and offline business model is the result of implementing mutual benefits in online and offline business units. This collaboration strategy will also create assimilative capability and form a hybrid business in the company.

Development Strategy

According to Mc Gilvray (1977) development Strategy is the key to success of a company to keep it afloat. In the strategy literature it is stated quite clearly that the company's development strategy by developing new technology or diversifying into new markets is an integral part of the company's overall business strategy (Porter, 1980). In addition, it must also be accompanied by a business strategy and innovation that need to be taken into account simultaneously, because the alignment strategy is important to realize the value of innovation (Isaacs, 2016) and achieve competitive advantage (Bughin & Van, 2017; Khanagha et al., 2018).

Tayab et al. (2020) stated that entrepreneurship will be successful if it implements an effective and efficient development strategy in each of its developments. It is undeniable that the development strategy has a very large role for the company. Improvements in automation systems, machine learning and artificial intelligence encourage the formation of entrepreneurship development and self-sustaining enterprises. The strategy of developing technology and advancing the socioeconomic level will have a significant impact on the company itself (Peredo & McMcLean, 2006; Stel, 2005). Businessman can utilize a network of internal and external stakeholders to share their knowledge and resources to plan and implement strategies collaboratively innovative entrepreneurship (Loureiro et al., 2019).

Therefore, it can be seen that the development strategy in a company can also play a role in the transfer of knowledge and also the resources owned by each company. In addition, the development strategy implemented by the company will be able to create digital and non-digital competitive capability. This is the key for an MSME to face such tight competition. This development strategy will help companies achieve hybrid business because they play a role in accelerating and combining online and offline business models for micro, small and medium enterprises.

Networking Strategy

Möller & Halinen (2017) state that organizational network structures and strategies, as well as the deliberately designed focus of ecosystems, vary widely from configuration to tightly coupled, well integrated and centrally coordinated to strategic constellations. In previous research, network strategy prioritized the relevance for strategic management in the context of business marketing and materials that discussed radical and systemic changes in the corporate environment. In each approach, the researcher explores the objectives for describing environmental theory, the disciplinary foundations and core constructs used, structural and process descriptions, and the main managerial frameworks or tools for influencing and managing the environment and its constituent elements

(Moller et al., 2020). From several previous studies that have been carried out that network strategy is very important so that companies are able to manage the company's environment well. So that with the network strategy implemented, the company can achieve the environmental capability that the company needs in forming a hybrid business.

Several previous studies have discussed dealing with the complex business environment faced by managers. In this case it deals with theories about markets (neoclassical markets, monopolistic competition, evolutionary economics, industrial organization theory), theories related to sociology (neo-institutional theory, sociological network theory, the performativity approach), and various more strategic or management-related approaches that combines ideas from several disciplines including business networks, network and actor theory, business ecosystems and innovation, institutional entrepreneurship, service-systems, innovation and technology studies (Aarikka-Stenroos & Ritala, 2017). However, the vast and rapidly growing knowledge base has some problems. The conceptualizations given are highly fragmented and written in specific theoretical languages each of which presupposes disciplinary abilities. They often use a variety of disciplines, such as field theory, ecosystems, and business networks.

Faced with some of the things that make it complicated and complex faced by managers about field theory, ecosystems and business networks, simplification is needed for further research. Especially in discussing the business network strategy itself. Changes that occur in the corporate environment as a result of the network strategy implemented by the company will strengthen the formation of the company's digital and non-digital competitive capability, absorption capability, and autonomous capability in maintaining its independence as a company that has value so that this is the reason behind the company achieving a hybrid business

Permeability Strategy

The permeability strategy or commonly referred to as a cross-border strategy is the ability of a company to cross the boundaries or capability simultaneously that the company uses when combining its business units (Pache & Santos, 2013). There are two types of cross-border strategies, namely segmented strategies and integrated strategies (Duxbury et al., 2014). A segmented strategy, which is to strengthen boundaries to clearly distinguish boundaries and identities between different business units, while an integrated strategy, which is to blur boundaries to make business units permeate one another flexibly.

Preservative strategy reflects a strategy that requires low interdependence and high autonomy, such that the hybridization business unit is integrated only to a modest degree and the unit continues to conduct business in the same way as before the integration. These three strategies are related to boundary permeability because business units are more interdependent in a combination increasing the boundary permeability requirements. This permeability strategy can be said to be the key to building the ability of a company so that the company can combine online and offline business models.

Assimilative Capability

Assimilative ability is based on the capacity of an organization to reconstruct managerial and technological capability by absorbing knowledge, resources or culture obtained from external sources through the boundaries of openness (Zahra & George, 2002). The assimilative ability coupled with the acquisition and realization capability will build a potential absorption capacity or commonly called absorptive capacity. Assimilative ability can give companies flexibility in developing strategies and help companies adapt and thrive in a rapidly changing environment. In this case, the assimilative ability is closely related to the environmental capability that are formed in a company. The company's assimilative ability is also motivated by the implementation of the company's collaboration and exploitation strategies, both from the company's internal and external environment.

Ambidextrous Capability

Ambidextrous capability is the ability to balance different business units, thus allowing for balanced unit development. When combining two business units, an organization needs ambidextrous capability i.e. across borders to use the resources of both units effectively, and the unit must partially open its boundaries, thereby facilitating resource permeability and balancing unit operations (Vurro et al., 2012). The different business units within a company depend on each other. The resources owned by each business unit must be efficient. So that the resources owned mutually absorb each other. Absorption between resources in different business units in a company is the background for companies to implement absorption strategies. In addition, in merging the two business units, it is necessary to implement mutually beneficial strategies between business units. The absorption strategy that has been implemented will shape the company's ambidextrous ability.

Environmental Capability

Based on previous studies that conducted research on practices in large companies and only a small part focused on conducting research on small companies about the lack of understanding of the interaction between environmental management, innovation and dynamic capability of small companies and assessing the impact of environmental management on innovation activities (Boiral et al., 2018; Ambec & Lanoje, 2008), then from this research it can be seen that the understanding of environmental management in the company will affect the capability of the environment itself. The benefits of implementing environmental management have been widely discussed in previous studies, including new business opportunities (Montabon et al., 2007), improved financial performance (O'Donohue & Torugsa, 2016) and reduced negative environmental impacts (Molina-Azorin, 2009).

Due to the increasing popularity of environmental stewardship, more businesses are becoming aware of the environmental consequences during product development. Consumers tend to buy products that consider the environment and sustainability and are more willing to pay a high price to support sustainable efforts. While the general argument shows that companies need to make products with core attributes that meet customer needs, along with the increasing demand for environmentally friendly products and in particular products that have a smaller negative impact on the environment (Sanyé-Mengual, 2019). This situation has encouraged companies to implement and integrate environmental philosophy with product innovation, the goal is to prevent production wastage while increasing efficiency. From the results of previous studies that have been carried out, improving environmental management capability is very important for companies to achieve environmental capability within a company. Especially for SMEs, of course this is very necessary.

This environmental capability is the background for the formation of a company strategy in dealing with the company's environment better considering the different conditions of the company's resource advantage in different functions (55. Parida & Örtqvist, 2015). Especially at this time, in this era of digital transformation, companies are required to have superior resources in online business units and offline business units separately and differently. These capability also contribute to the formation of online and offline business models. This is synonymous with the ability of a company to better sense, capture, and absorb market knowledge, so that when the market experiences unpredictable conditions, this ability can provide opportunities and benefits for the company (Harrington, 2005).

Autonomous Capability

According to research conducted by Jiang & Huang, (2016) stated that hybrid organizations are organizations with many conflicts, and competitive institutional logic. This refers not only to the operations but also to the processes of a hybrid organization. Since boundary permeability involves an open boundary, different degrees of boundary may lead to different hybridization pathways. In this study, the researcher explores the actual formation process of an online-offline hybrid organization from a boundary perspective using case studies.

Autonomous capability refers to the capability in which an organization maintains business unit operations for continuous exploration through structural separation (Puranam et al., 2016). Generally, when the business unit structure is integrated, then the unit exploits the capability through enhanced coordination, but coordination. Establishment and autonomy are not always contradictory, they can coexist into one organization (Puranam et al., 2016)). When an organization combines business units, autonomous capability help each unit concentrate on itself, thereby increasing operational efficiency. The study states that a company forms a hybrid organization through mergers or acquisitions, the company adopts an autonomous approach to managing departments that require innovation or independence, such as the R&D department.

Digital and Non-Digital Competitiveness Capability

Digital and non-digital competitiveness capability is the company's ability to empower the resources they have both digital and non-digital to increase the competitiveness of the company itself. Referring to research (Aragón-Correa, 2008; Palese & Usai, 2018) which examines the survival of SMEs depending on the competitive nature of their trade and external pressures from a particular business environment, a company must have digital and non-digital capability from the effects caused by external pressures and the business environment (Tilley, 1999) stated that for a micro-enterprise to be efficient and effective there is an inherent dependence on internal resources and skills.

In previous research, it was also stated that companies should be able to take full advantage of the internet, through transactional digital platform instruments, to maintain competitiveness in a business environment that is undergoing rapid changes and driven by technological innovation (Cerchione & Esposito, 2016) It is undeniable that the role of information technology can increase the competitiveness of companies (Senvo et al., 2019; Cerchione & Esposito, 2016; Hosseini et al., 2019).

Hybrid Business

According to research conducted by Haigh & Hoffman (2011) describes hybrid organizations that develop competitive business models, creating positive social and environmental changes. The formation of business hybrids encourages the building of economically viable and purposeful organizations. As global competition increases, the formation of this business hybrid is very important. Baroto et al. (2012) in their research on hybrid strategies stated that this hybrid strategy was able to increase the company's ability to adapt quickly to environmental changes and encourage the learning of new skills and technologies.

Methodology

The case study is a research strategy that focuses on understanding the dynamics that exist in a single setting (Eisenhardt & Graebner, 2007). The case studies in this study involved several cases and various levels of analysis (Yin, 1984). To explore how the strategy is to combine online and offline business models for SMEs, the author uses a case study approach. The author chose SMEs in the theoretical sampling. The theoretical sampling carried out by the authors aims to provide theoretically relevant results (Yin, 2019) transparent and make the research subject easy to understand (Eisenhardt & Graebner, 2007). The author conducted 27 semi-structured interviews with the top management or CEOs and founders of the four MSMEs studied. Each interview lasted approximately two hours. In addition to conducting interviews, the authors also held discussions with the ranks of Top Management

or CEOs and founders of the MSMEs studied. A visit to the head office accompanied by a discussion on the strategies implemented by MSMEs in previous years also adds to the relevance of the research results. Visits to the head office can also be done virtually, considering that the current Covid-19 pandemic is happening for offices that are very far away. This case study combines data collection methods such as archives, interviews, collecting questions and observations.

The questions discussed in this study regarding the process of combining online and offline business units that involve many dimensions, including trade, product, and knowledge. Therefore, the use of the case study method is in accordance with this research. Of the many MSMEs spread across the island of Java, the authors chose four companies as subjects in this study. There are several criteria in selecting research subjects, including MSMEs that are research subjects must have an influence on other MSMEs, have collaborated with many micro, small and medium enterprises and are able to assist the development of other micro, small and medium enterprises. The company's criteria were used in the conduct of research which refers to the PP No.7 of 2021, these are:

- i. Micro Business has a business capital of up to a maximum of Rp. 1,000,000,000.00 (one billion rupiah) excluding land and buildings where the business is located
- ii. Small Business has a business capital of more than Rp. 1,000,000,000.00 (one billion rupiah) up to a maximum of Rp. 5,000,000,000.00 (five billion rupiah) excluding land and buildings where the business is located.
- iii. Medium Enterprises have a business capital of more than IDR 5,000,000,000.00 (five billion rupiahs) up to a maximum of IDR 10,000,000,000.00 (ten billion rupiahs) excluding land and buildings for business premises.
- iv. Micro Business has annual sales of up to a maximum of Rp. 2,000,000,000.00 (two billion rupiah)
- v. Small Business has annual sales of more than Rp. 2,000,000,000.00 (two billion rupiah) up to a maximum of Rp. 15,000,000,000.00 (fifteen billion rupiah)
- vi. Medium Enterprises have annual sales of more than Rp 15,000,000,000.00 (fifteen billion rupiahs) up to a maximum of Rp 50,000,000,000.00 (fifty billion rupiahs).

In addition, the MSMEs studied have also implemented online and offline business models in carrying out their business activities, so that they are able to become examples of other micro and small companies that are still in the stage of developing these online and offline business models. The informants in this study were the ranks of Top Management or CEOs and founders of the MSMEs studied. The researcher chose this case for two reasons. First, the researcher wants to investigate the online-offline hybrid business, and the combination of online business units and offline business units. Second, the researcher wants to analyze the formation of a hybrid business from the perspective of boundary permeability and study the hybridization of business units so that the online and offline units can be combined.

Result and Discussion

This study analyzes 4 companies, namely PT. Aseli Dagadu Djogdja, PT. Hamzah, Toko Wahab and CV Julang Marching. PT. Aseli Dagadu Djogja applies basic strategy and permeability strategy. The basic strategies include collaboration strategies, development strategies and networking strategies. The company's collaboration strategy consists of collaboration between business units and collaboration with external parties. Online and offline business units collaborate with each other in conducting their business activities. In addition, it also collaborates with vendors in carrying out the production process. Companies are always improving the quality of their products and developing products that are not only needed by the market but can also be trusted. The product development strategy is also accompanied by product updates and utilizing existing production waste for resale. The network strategy is enhanced by collaborating with more micro, small and medium enterprises.

PT. Aseli Dagadu Djogja in implementing a permeability strategy begins with supply chain collaboration between business units, suppliers or vendors. Each online and offline business unit complements and benefits each other. The resources of each business unit work together. Online business unit resources can absorb offline business resources, and vice versa. Application of symbiotic strategy and absorption strategy at PT. Aseli Dagadu Djogja will increase the company's ambidextrous capability which will result in resources between business units being interdependent but still independent. This will also create autonomous capability within the company, so that online and offline business units remain independent in carrying out their business activities. Although on the other hand still complement each other and provide benefits.

The digital transformation strategy begins with a transformative learning process in each business unit. The development of the company's website and the use of digital payments are also the focus of the company today. In addition, to make it easier for customers to buy the products they like from Dagadu, the company is currently developing an e-commerce strategy. It can also improve the quality of the company's services to people in need. PT. Aseli Dagadu Djogja always accepts suggestions and criticisms from external parties for the development of the company. Services in online business units are carried out in a fast response so as to minimize customer inconvenience.

In achieving a strategy that combines the company's online and offline business models, PT. Hamzah applies three basic strategies or base strategies. These include the use of collaboration strategies, enterprise development strategies and network strategies. Collaborating with suppliers and expanding the company's network by collaborating with various agencies including government agencies. The company's development strategy is carried out by providing products that are in accordance with the market share, namely providing classic and contemporary products, which still have elements of Javanese art and culture. Offering batik and

souvenirs with unique, classic and contemporary designs. Product development strategies with elements of Javanese culture like this are able to adjust to consumer desires.

Top Management of PT. Hamzah HS believes that adopting a permeability strategy will enable the company to acquire the required capability. The capability formed will create a business hybrid at PT. Hamza HS. In adopting a cross-border strategy, starting with the implementation of a supply chain collaboration strategy in each business unit in the company. In addition, supply chain collaboration is also carried out with suppliers by using a consignment system. Accompanied by the development of a symbiotic strategy in ten business units owned by PT. Hamza HS. Each business unit not only complements and benefits each other, but also maintains the characteristics and independence of each business unit which remains based on Javanese culture. So that this will form the autonomous capability and ambidextrous capability of the company. The resources used between business units are complementary and interdependent but remain independent in carrying out their business activities. The absorption strategy in each business unit is carried out by absorbing the resources they have, knowledge and the main thing is the Javanese culture that is built in each business unit. The strategy for the absorption of Javanese culture in each business unit will shape the assimilative ability of PT. Hamza HS. This will create customer loyalty.

In addition, in implementing the digital transformation strategy, PT. Hamzah HS still emphasizes Javanese culture. The company continues to adopt a cultural approach in the process. In the process of developing the website, it is also accompanied by the appearance of Javanese culture. This digital transformation strategy that takes a cultural approach to consumers will shape the ability to compete digitally and non-digitally. So that this is a value owned by the company, so that the company is ready to compete in the digital era as it is today. In improving customer satisfaction, the company also provides contacts to receive criticism and suggestions for the betterment of the company. Customers can see the company's development, entertainment in the form of Javanese art and purchase the desired product through the website or come directly to the offline store. PT. Hamzah HS also implements the company's service strategy. The development of this service strategy started from developing the mindset of each employee in 2018. Training of sales assistants at offline stores based on Javanese culture to create a customer experience. The development of this service strategy is carried out not only in offline stores but also in the company's online stores, namely through the company's website. The goal is the same, namely to create a service culture based on Javanese culture.

In the face of intense competition, the company applies a pricing strategy and a strategy to improve product quality and design with a cultural approach. In each product and its design, there must be an element of Javanese culture to make it more unique and interesting. This is part of the company's external competitive strategy, which will later shape the company's environmental capability so that the company remains flexible in responding to market changes. In addition, to achieve success, the company does not forget to implement an interaction strategy in each of its business units, so that the company's needs remain focused and accompanied by a preservation strategy to maintain the gap between business units, so as to create the company's autonomous capability. From various strategies implementation to the creation of capability in this company, the hybrid business at PT. Hamzah HS can be formed.

The implementation of the basic strategy at Toko Wahab which includes a collaboration strategy, company development strategy and network strategy has been carried out for a long time. Collaborating with fifty suppliers of cake ingredients and even importers plus helping with branding awareness for suppliers. By helping the branding awareness, it will grow the supplier's trust in Toko Wahab. The development strategy is to create a company online store, namely tokowahab.com, which will help increase sales. Network strategy to build partners with 2000 MSMEs in Indonesia.

To achieve a business hybrid, Toko Wahab implements a permeability strategy in all its business units. Accompanied by the correct and structured SOP. The process of implementing the supply chain collaboration strategy at Toko Wahab begins with a stock buffer in the company's internal processes to facilitate collaboration between business units. To overcome delivery delays in the supply chain, the company applies a service label agreement. Toko Wahab also applies a consignment method to facilitate supply chain collaboration with distributors or suppliers. To enable online and offline business units to complement each other, Toko Wahab uses a symbiotic strategy in conducting its business activities. This symbiotic strategy allows resources in online and offline business units to depend on and need each other. This will create an ambidextrous capability in Toko Wahab so that different business units can be balanced. Online and offline business units that depend on each other, need each other and provide benefits to each other that can still be balanced must maintain their independence. So that autonomous capability are formed in the company. This autonomous capability is the company's ability to create independence in online and offline business units. Offline business units can absorb resources from online business units, and vice versa. This is also done to achieve the efficiency of the company's resources.

Combining online and offline business is Toko Wahab's strategy to develop further. Carrying out digital transformation by optimizing online business units will form a competitive corporate culture. Optimization of the company's website, the use of digital marketing and the use of Search Engine Optimization or SEO are part of the digital transformation strategy. To be able to build long-term relationships with customers and increase satisfaction, in the future tokowahab.com will develop into an e-commerce that provides cake ingredients at affordable prices. This Toko Wahab is a solution for bakery and pastry SMEs in Indonesia. To improve the company's services to customers, Toko Wahab provides customer support. This is intended to approach customers that place the customer as the main focus or customer first approach. The digital transformation strategy, trade strategy and service strategy implemented by Toko Wahab are the company's steps to achieve a business hybrid.

In facing this fast-paced competition and market change, Toko Wahab also applies the company's external competitive strategy. This strategy is able to create an environmental capability that is useful for implementing the company's operational policies. To adjust the direction of the company to suit the needs of the company and customers, there must be a directed interaction between online and offline business units. Each business unit must establish boundaries so that it is able to stand on its own but still maintain mutually beneficial interactions and relationships between business units.

CV. Julang Marching sells marching products or equipment with the target market being the school environment. There are three basic strategies that have made the company able to survive until now, namely the collaboration strategy, network strategy and most importantly the company development strategy. By prioritizing research and development, the company has been able to maintain the quality of its products since 1990. The implementation of a permeability strategy begins with a supply chain collaboration strategy, namely by collaborating with suppliers. Carry out the process of selecting raw materials through the SOP that has been applied. The process of making tools must meet SNI (Indonesian National Standard). Previously, the raw materials that were already available had to be checked first. This action is called the laboratory process. Supply chain collaboration is also carried out between divisions within the company. This is intended to reduce production limits, production capacity and reduce production time. So, this supply chain collaboration must be accompanied by a symbiotic strategy between divisions to make it easier for staff to produce and minimize errors in the process. In addition, to maintain a smooth production process, each division is required to be able to carry out independent quality control. CV. Julang Marching absorbs resources starting with taking resources from the company's external environment, especially local residents.

In addition to doing business development offline, this company also develops business online by maximizing the company's website. This is a form of the company's digital transformation strategy. The website is also used for branding to the wider community. Until now the customers of CV. Julang Marching know the products produced by the company through the company's website or social media. The digital transformation strategy implemented by the company is able to create digital and non-digital competitive capability for each business unit. The ability to compete digitally and non-digital that is formed has a positive impact on companies in facing such intense competition.

In addition, the implementation of the service strategy is carried out by means of service by time or maintenance to company partners. Usually this is done every three years or even rarely, because the products that have been made are of very good quality. This service strategy helps the company's operational activities both in the internal environment and in building closeness with customers. Accompanied by the company's external competitive strategy so as to facilitate the achievement of company goals. In the formation of a business hybrid in this company, an interaction strategy is also applied. Online and offline business units are able to run in a focused, static and balanced manner due to the implementation of interaction strategies between business units. Although the interaction strategy between business units is balanced, each business unit must have limits to prevent resources from permeating each other. Boundaries that prevent resources from permeating each other are a form of implementing a preservation strategy.

Table 1 lists the strategies used by four companies that have been researched by the author in combining online and offline business models. Currently, companies are required to implement more strategies, so that the company's capability will be formed.

Table 1: Company Strategies

Strategy	PT. Aseli Dagadu Djogia	PT. Hamzah HS	Toko Wahab	CV. Julang Marching
<i>Basic Strategy</i>				
<i>Collaboration Strategy</i>	●	●	●	●
<i>Development Strategy</i>	●	●	●	●
<i>Networking Strategy</i>	●	●	●	●
<i>Permeability Strategy</i>				
<i>Supply Chain Collaboration Strategy</i>	●	●	●	●
<i>Symbiotic Strategy</i>	●	●	●	●
<i>Absorptive Strategy</i>	●	●	●	●●●
<i>Digital Transformation Strategy</i>	●	●	●	●
<i>Commerce Strategy</i>	●	●	●	●●●
<i>Company Service Strategy</i>	●	●	●	●
<i>External Competitive Strategy</i>	●	●	●	●
<i>Interaction Strategy</i>	●	●	●	●
<i>Preservative Strategy</i>	●	●	●	●

Note: ● = strategy used by the company, ●● = do not use these strategies, ●●● = within a certain time

Discussion

The author categorizes three types of basic strategies that have a significant impact on the company and are often used in conducting their business activities. The base strategy is also applied to each business unit in each company. To achieve a hybrid business, companies must implement a permeability strategy. The developed strategy leads to capacity building in accordance with the strategy

requirements. The top management, as well as the CEO and founder of the company, believe that the company can get the skills needed, therefore they make a strategy to achieve a hybrid business in the company's development. By meeting the requirements of the strategy, each company can work on the appropriate capability. Therefore, the process of establishing a hybrid business is a strategic response mechanism. The pathways to permeability strategies are adopted simultaneously in a capacity search process. The cross-border path that adopts more strategies which can later lead to the company gaining the necessary capability is a fact that the process of forming this hybrid business is different from previous studies.

In the path of permeability strategies, the company first implemented a supply chain collaboration strategy. The collaboration strategy in the supply chain is very important for companies and partners of the company itself. Many companies are implementing this strategy to integrate internal with external production and control innovation. Its application depends on two factors, namely the degree of internal and external integration and the alignment of the supply chain chain in terms of geographic distribution which in this case is influenced by consumer demand and product characteristics. There are several MSMEs that carry out various ways of supply chain collaboration, including the consignment system. However, implementing this supply chain collaboration strategy is very difficult to implement, because to take advantage of external collaboration and use demand visibility to increase utilization capacity and inventory turnover is still not well understood. This system has been applied to PT. Hamzah HS for a long time and has been able to run smoothly until now. The existing resources in the supply chain collaboration strategy are left to blur the boundaries between the two business units so that environmental capability are achieved. Managerial capability and resources including the technology owned by the company in implementing supply chain collaboration strategies that will create assimilative capability. Companies usually integrate resources from different business units in implementing a supply chain collaboration strategy to balance business units into a single entity.

Next, develop a symbiotic strategy. This strategy creates dependency on needs. The purpose of developing this symbiotic strategy is to enable online and offline business units to complement and benefit each other while maintaining the independence of each business unit. All companies involved in this study have used a symbiotic strategy in carrying out their business activities. The company is leveraging its ambidextrous capability to enable online and offline business units to use independent and interdependent resources. In addition, it also increases autonomous capability, which in this case autonomous capability help each business unit concentrate on itself thereby increasing operational efficiency. Even though each business unit concentrates on itself, it still depends on each other or can be interpreted as giving each other a symbiotic effect. These ambidextrous and autonomic abilities help develop symbiotic strategies. The analysis that the author carried out on the company studied, this symbiotic strategy was applied to increase cooperation between online business units and offline business units. Several top management ranks in the companies studied argue that having interdependent business units in combination will result in a greater need for cross-border between business units or permeability boundaries between business units. In this case, resources in one business unit are shared with others to increase resource efficiency. Therefore, part of one resource unit is allowed to cross the line through another business unit, with the aim of complementing and cooperating with the others. Currently the company is implementing a symbiotic strategy which intends to operate its business units either separately or cooperatively. So that the company's capability that must be improved in implementing the symbiotic strategy are ambidextrous capability and autonomous capability.

The company implements an absorption strategy to achieve assimilative capability by allowing resources to permeate by blurring the boundaries between business units. This absorption strategy is used by companies that have researched online and offline business units. This is intended to filter things that have a positive impact on the company or a negative impact. When unit boundaries are unlocked, obscured and unlocked, resources such as products and information from different units can coalesce into one. In the case that companies are currently facing, an absorption strategy is adopted due to increasing customer satisfaction and loyalty. Customers today often make purchases of products online or offline. They tend to compare the goods or services obtained online and offline. For this reason, companies must blur the boundaries between online business units and offline business units. This is intended to absorb resources from each other to make the services of different units consistent so that customer satisfaction and loyalty can be achieved. Therefore, the aim of implementing this absorption strategy is to make the resources of different business units fully pervasive and unify customer perceptions of different purchasing channels. This absorption strategy is also able to integrate elements from different business units. So the company needs to improve the assimilative ability to implement the absorption strategy.

In recent years, digital transformation is very important for MSMEs. This is evident from the four companies researched by the author who are carrying out digital transformation slowly but surely. Digital transformation is the integration of digital technology and new business models in all divisions of the company which will result in major changes to the company, especially to provide value to customers. To produce the ability to create value for customers in this digital era, it is necessary to have a culture, process, structure and digital transformation strategy. A digital transformation strategy is a structured and formal plan that directs companies to carry out digital transformation. In implementing digital transformation, companies or business actors are advised not only to focus on problems that they will later solve with innovation, but they also have to see what goals they will achieve in the future. The digital transformation strategy implemented by the company will shape the ability of Digital and Non-Digital Competitiveness. The ability to compete digitally and non-digitally uses all the resources owned by the company to increase the company's competitiveness. It is undeniable that companies must have this capability. MSMEs should focus on their competitive advantages to identify gaps and create implementation roadmaps to fix each gap. The implementation of a digital transformation strategy will shape a competitive corporate culture. This is in accordance with what has been explained by the CEO of PT. Aseli Dagadu Djogja, that digital

transformation will shape the competitive spirit of each individual, the competitive spirit that emerges will form a strong corporate culture so that companies will be able to compete. As explained by several CEOs of the four companies studied, the digital transformation strategy implemented by the company must value and prioritize the customer experience. This customer experience can add and introduce new functions and capability, namely the ability to compete digitally and non-digitally.

In implementing the digital transformation strategy, it is necessary to do several things to achieve digital and non-digital competitive capability in MSMEs. In companies that have been researched, to implement a digital transformation strategy, there are several initial capability that must be possessed including brand positioning, competition analysis, user group and behavior, content strategy, and the application of cloud computing. Brand positioning is part of a digital transformation strategy that aims to provide value and a good impression on consumers. Both directly and indirectly, almost all MSMEs use brand positioning in starting and running their businesses. As has been done by CV. Julang Marching in doing brand positioning by mouth to mouth so that the longer it is growing until now. It's the same with Toko Wahab, which started its business by word of mouth from residents around the place of business so that many people in Indonesia know it. As a company engaged in the creative industry, PT. Aseli Dagadu Djogja started the company's brand positioning by prioritizing creativity in all forms of products and activities so as to get a positive response from the community. In contrast to PT. Hamzah HS who did brand positioning using a Javanese cultural approach to the people in Yogyakarta. Along with the development of technology, brand positioning is mostly done digitally, using social media.

Competition analysis or commonly called competition analysis, both internal and external competition of the company is usually applied to almost all micro, small and medium enterprises. Analysis of competition in the company's internal environment will form a competitive culture or competitive culture in the company itself. A strong competitive culture within the company will be able to face competition in the company's external environment. There are interesting things done by PT. Hamzah HS in the application of the company's competitive culture, namely by implementing trainings that involve elements of Javanese culture, thus spurring employees to always compete but still in accordance with Javanese culture so that it is embedded in the mindset of each employee. This is done in the company's online and offline business units.

In addition, there are user groups and behavior or commonly called groups and user behavior. In this case, the target is consumer behavior, whether it is individual or group. Digital transformation strategies, either directly or indirectly, will shape consumer behavior. This changes their behavior from offline buyers to online, and vice versa, according to the wishes of consumers themselves. Changes in consumer behavior is very influential on the company. For this reason, companies must make strategies to always attract consumers so that sales of goods or services increase. One strategy is to implement a content strategy. This content strategy is also part of the digital transformation strategy. Content strategy is carried out by content creators within a company. They present content to attract consumers.

In the digital transformation strategy, the use of cloud computing is something that is usually done by micro, small and medium companies. Sometimes, some micro-enterprises already have many customers and they have to store personal data from their customers using cloud computing. Cloud Computing is one of the solutions in the digital era in facilitating business activities. For example, Toko Wahab, which has implemented cloud computing in its business activities to date.

The recent advent of internet sophistication has facilitated the substantial advancement of electronic commerce. Currently, companies or business actors need to implement a commerce strategy. Commerce strategy is proven to be able to reduce consumer spending costs, so this will also be able to improve an effective and efficient distribution strategy for MSMEs. In this study, the company that developed the commerce strategy was PT. Aseli Dagadu Djogja and Toko Wahab. The implementation of this strategy is very suitable to increase customer satisfaction. Customers have control over the purchasing decisions they will make. Wherever and whenever customers need, they will be directly integrated with the company where they want the goods or services they want to buy. Companies that implement this strategy will better understand the needs of their customers and be able to build long-term relationships. Commerce strategy has many advantages. The company will benefit more because in addition to operating costs will be smaller, but it can also affect customer loyalty, of course with satisfactory service.

Companies that implement a sales strategy will be more confident, have high self-confidence expectations and will produce special and unique reciprocal relationships. With the implementation of the sales strategy, several things the company gets, among others, will produce the best quality service, create complex artificial boundaries, customers will become more loyal, customers will have full and in-depth time to know the goods and services sold by the company, customers begin to encourage and provide input for the services they want, create a customer approach to integration and can accommodate change itself, the integration created is an absolute necessity and embraces change, creating customer satisfaction, cost savings, and providing new business opportunities.

In addition, companies that implement mobile trading strategies can also provide convenience for customers, purchasing goods or services can be done anywhere with light weight devices. Likewise, the company itself is able to control it from anywhere and anytime. On the other hand, it can unite sellers and buyers easily making it possible to get closer profits. Companies can do broad reach, are not limited by time, lower costs, do not need to store goods themselves, easily manage transactions and shipments, and work from anywhere.

In addition to several strategies that have been used above, companies can also implement a company service strategy or commonly called a company service strategy. This is what is prioritized at Toko Wahab, which prioritizes service in each business unit and

service to customers. This company is able to provide 24-hour service to customers. This strategy is continuously improved and emphasized by the CEO of Toko Wahab. In this study, all the companies studied also implemented a service strategy, because they realized how important customer experience and customer loyalty were.

Service strategies that are often implemented by companies include link building, landing page conversations and the implementation of CRM or Customer Relationship Management. This has been applied to Toko Wahab to improve service to consumers. Likewise, with link building, which is an important aspect of implementing SEO or commonly called Search Engine Optimization to develop the company. As has been applied to PT. Aseli Dagadu Djogja and Toko Wahab. To create maximum service to customers, these two companies use this service strategy. In addition, there is also a landing page conversation on the company's website that makes it easier for customers to find information related to goods or services needed by customers. Landing page conversation refers to the focus of one goal so that customers can be centered on the goods and services they want at that time. Of the four companies studied by the author, all use landing page conversations. In the company's service strategy, the thing that needs to be implemented is the existence of Customer Relationship Management (CRM). The author includes CRM in the company's service strategy because in implementing CRM, it requires processes, humans and technology. So that will create customer loyalty, increase sales prospects and retain existing customers can even help increase. This is still being developed by CV. Julang Marching and PT. Hamza HS.

To compete in the global market, MSMEs must have competent and strategically integrated goals. The importance of an external competitiveness strategy in a company greatly affects the performance and formation of environmental capability within the company. There are several examples of competitive strategies in the company's external environment that are applied to the four companies that the authors examine. Among them, they implement a pricing strategy, implement a number of supplier's strategy and other operating level policies. In the results of the analysis of this study involving four different companies, the company's external competitive strategy is a combination of determining the goals that the company strives for and the methods used to compete in the market. Overall, this can be seen as a pattern of company decisions related to obtaining materials and providing services needed to support the company's operational activities in accordance with the company's external competitive strategy. The company's external competitive strategy is able to create the company's ability to handle the company's environment. For example, the ability in terms of quality, cost implementation, design, the company's flexibility in responding to market changes, the company's supply chain capability, and purchasing capability.

In addition, there is an interaction strategy implemented by the company. To keep up with the fast changes in competition, companies must adapt their strategies quickly. The role of the interaction strategy here is to set the direction according to the company's needs. The strategy of interacting with technology from time to time can be directed and static, technology can determine the strategy of choice, as well as the strategy of being able to dictate the technology needed by the company. The flow of strategy implementation must be in accordance with the company's technology used. This is the background of the author to include an interaction strategy as one of the strategies that play a role in the formation of a hybrid business in the company under study.

The last strategy adopted by the company is a preservation strategy or commonly called a preservative strategy. This preservation strategy is used by companies to strengthen boundaries between business units, prevent resources from seeping into each other and maintain gaps between different institutional logics. Most companies in implementing this preservation strategy are intended to establish new boundaries, so that each business unit can promote its specialization. To achieve the preservation strategy, the company must improve its autonomous capability.

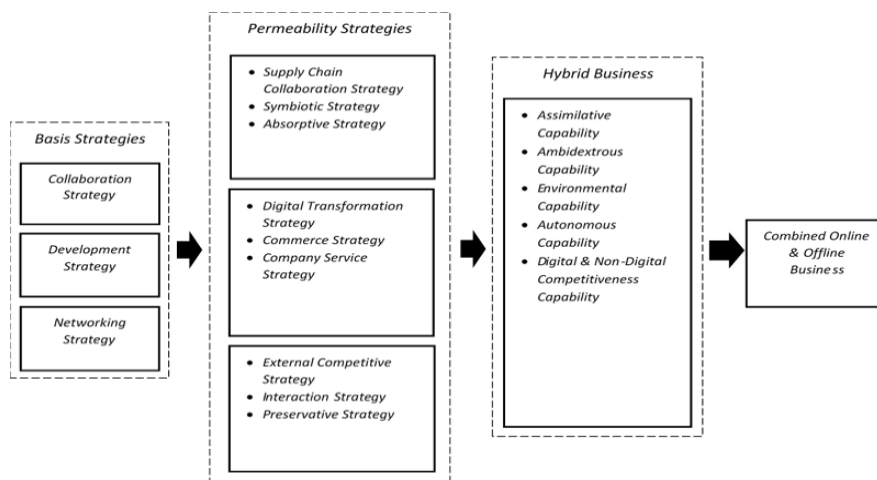


Figure 1: Combined Online and Offline Business

Figure 1 explains that to be able to combine online and offline business models, a company must first achieve a hybrid business. In this study, there are several capabilities that underlie the formation of business hybrids including assimilative capability, ambidextrous capability, environmental capability, autonomous capability and digital and non-digital competitiveness capability.

Implications

To balance the online business unit and the offline business unit, ambidextrous capability are needed, that the resources in the online business unit can open up a little limit that the resources in the offline business unit can enter and facilitate each other, and vice versa. Online business units and offline business units are required to have different resource advantages. To handle these differences in advantages, environmental capability is needed that companies are able to absorb knowledge from the external environment better, while also capturing knowledge in the company's internal environment. Because capability building in business hybrids involves a permeability strategic process that results in each business unit

To exploit its capability, it is necessary to have autonomous capability that each business unit can be independent and maintain its independence that each business unit can coexist and be competitive. Digital and non-digital competitiveness capability can make each business unit balanced and competitive. The overall capability that are formed from the application of the permeability strategy are able to form a business hybrid that can eventually create a combined online and offline business model.

Conclusion

This research makes important theoretical contributions. This study analyzes the role of permeability strategy in the formation of business hybrids. On the path of the permeability strategy is used to achieve the company's ability to form a business hybrid. The many conflicting and competitive boundaries on the path of permeability strategy can explain the permeability strategy that is closely related to business hybrids. Due to the many contradictions between online and offline business units that MSMEs often face, this study offers guidance for MSMEs on what strategies should be used in achieving a business hybrid so that online and offline business models can be combined. In the formation of a business hybrid, there are five capability, namely, assimilative capability, ambidextrous capability, environmental capability, autonomous capability and digital and non-digital competitiveness capability. The ability of assimilative can improve managerial ability in the company, absorb knowledge or resources not only from the external environment, but can come from different business units within a company.

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