

## LITERATURE REVIEW ON THE ROLE OF E-COMMERCE IN CORPORATE PERFORMANCE IN THE DIGITAL ECONOMY ERA

Desi Permata Sari<sup>1)</sup>, Eko Dwi Putra<sup>2)</sup>

<sup>1)</sup>Management Study Program, Universitas Terbuka, Indonesia

<sup>2)</sup>Magister of Management, Universitas Andalas, Indonesia

Corresponding author : [03005868@ecampus.ut.ac.id](mailto:03005868@ecampus.ut.ac.id)

### Abstract

*The development of digital technology, particularly in the economic sector, has brought significant changes for companies in conducting business. The digital economy has emerged as a response to the Fourth Industrial Revolution (Industry 4.0). One of the digital economy sectors that has experienced rapid growth is e-commerce. E-commerce offers vast opportunities for companies to expand markets, improve operational efficiency, and enhance financial performance. This study aims to examine the impact of e-commerce on company performance in the digital era through a literature review method. The study analyzes various previous researches on e-commerce and its impact on company performance, as well as identifying knowledge gaps that require further exploration. The findings indicate that, while e-commerce can enhance company performance, its optimal utilization heavily depends on the level of knowledge and skills of business operators in managing e-commerce platforms, as well as sufficient support in terms of training and mentorship. This study also highlights challenges faced, such as the lack of clear regulations regarding e-commerce transactions and issues concerning privacy and security in the digital space. Therefore, to maximize the potential of e-commerce, it is crucial for companies to develop internal capacities, utilize technology effectively, and support relevant policies and regulations.*

**Keywords:** Digital Economy, Company Performance, E-commerce, MSMEs (Micro, Small, and Medium Enterprises)

### Introduction

Currently, digital technology is developing rapidly, particularly in the economic sector. The digital economy emerged as a response to new business models from the Fourth Industrial Revolution. The Fourth Industrial Revolution has brought significant changes to the industrial sector by digitizing the value chain, leading to more effective and efficient product outcomes (Purnomo et al., 2021). The effective utilization and processing of evolving digital technologies help organizations achieve sustainable competitive advantage (Juwita et al., 2022). The impact of the digital economy is particularly evident in Indonesia, where data from the Central Statistics Agency (BPS) shows that the contribution of the digital market to Indonesia's Gross Domestic Product (GDP) increased from 3.61 percent in 2016 to 4 percent in 2017, with projections reaching 10 percent in 2018 (Malik et al., 2022).

One of the rapidly growing sectors of the digital economy is e-commerce, where e-commerce transactions in Indonesia have been increasing every year. In 2014, e-commerce transactions reached IDR 25.1 trillion, and by 2016, this figure had risen to IDR 69.8 trillion (Purnomo et al., 2021). Indonesia is among the largest e-commerce users in Southeast Asia. In 2018, total e-commerce transactions in Southeast Asia amounted to IDR 328.4 trillion, with 52% of the transactions, totaling IDR 172 trillion, coming from Indonesia (Nasution et al., 2022).

Due to the current business dynamics, technopreneurs are not only required to have business management skills but must also effectively leverage technology to create added value in the products or services they offer. A key focus of technopreneurship is the exploitation of technology to mass-produce products, which can, in turn, support product diversification or the creation of new innovations. With this approach, technopreneurs can remain competitive and survive in increasingly intense and dynamic market competition. In this context, adaptation is a key factor for survival. Technopreneurs must be able to innovate and provide new solutions that meet market needs while continuously evaluating their strategies and products (Putra et al., 2021).

Previous research has shown that the use of e-commerce affects company performance. Wijaya and Widjaja (2023) stated that the use of e-commerce applications helps expand business reach, improve business productivity, and create new strategies for marketing activities. Therefore, the use of e-commerce is a crucial part of the strategy and business plan of entrepreneurs.

In this context, adaptation becomes a key factor for survival. Technopreneurs must be able to innovate and provide new solutions that meet market needs, while continuously evaluating their strategies and products to ensure they remain relevant and competitive in a rapidly changing market. Therefore, adapting to evolving technologies is crucial for companies to survive and thrive in the digital age.

### Methods

This research employs a literature review method. A literature review is a method used to collect data or sources related to the topic raised in a study (Habsy, 2017). The purpose is to identify, evaluate, and summarize previous research, as well as to identify knowledge gaps or new research directions. The literature review is conducted by reviewing and analyzing journals related to company performance, e-commerce, MSMEs, and the digital economy. The results of the data are then analyzed using descriptive analysis methods. Descriptive analysis is conducted by elaborating events until an analysis emerges, which not only explains but also offers understanding and clarification (Gunawan et al., 2023).

### Results and Discussions

The optimal use of e-commerce technology can help SMEs (Small and Medium Enterprises) access a broader market, both domestically and internationally, thereby contributing to increased exports and economic growth (Juliantari et al., 2024). SMEs can sell their products not only in local markets but also nationally or even internationally. The potential consumer base across various regions, and even countries, is more easily reachable by SMEs actively engaged in e-commerce (Ashfasani et al., 2023). The presence of e-commerce is an effective solution for entrepreneurs to enter global markets, which can enhance both operational and financial performance (Khan & Motiwalla, 2002).

The implementation of e-commerce strengthens the influence of market orientation on company performance. Companies with a strong market orientation will utilize e-commerce more extensively compared to those with poor market orientation (Ristianti, 2023). A company will be better prepared to achieve superior performance in customer service, competitive strategy development, and efficient coordination if it has a stronger market orientation (Sriyanto, 2020). The impact of increased market access and sales through e-commerce is not only felt by SMEs individually but also by the economy as a whole. This is because the use of e-commerce increases the contribution of SMEs to GDP (Gross Domestic Product) and creates new job opportunities (Juliantari et al., 2024).

The use of e-commerce, followed by automation systems, can reduce human errors and improve efficiency. By optimizing automation systems in inventory management, order processing, and customer service, SMEs can save time and resources while enhancing customer service (Budiman et al., 2023). Furthermore, the use of e-commerce technology that connects inventory management systems and integrates e-commerce with logistics provision allows SMEs' supply chains to experience improved transparency and coordination. As a result, shipping processes can be faster and shipping costs can be minimized. This technology can speed up processes, improve accuracy, and enhance timeliness. Such savings can reduce direct costs and improve company performance, which positively impacts customer experience, helping SMEs compete in the market. Increased operational efficiency and reduced operational costs through reduced production, management, and distribution costs enable SMEs to improve profitability and allocate additional resources for innovation, new product development, or market expansion (Juliantari et al., 2024).

SMEs require e-commerce as part of their marketing and promotional strategies. Several e-commerce features facilitate business owners in obtaining information, conducting transactions, and improving services. SMEs can access information about internet traffic, market demand forecasts, and other factors that can help in making business decisions (Zomer et al., 2020). According to Tiandra (2019), a high level of e-commerce utilization will contribute significantly to improving the performance of SMEs. The use of e-commerce in marketing products and services can increase turnover and customer numbers, thus improving company performance (Aulia et al., 2022).

Research by Priambodo et al. (2021) reveals that innovation capability plays a crucial role, not only as a mediator but also as an effective catalyst in enhancing the impact of e-commerce capabilities on company performance. In the context of the creative industry, innovation capability serves as a key element that can optimize e-commerce potential, enabling companies to create added value, increase operational efficiency, and expand their market reach. Therefore, the presence of innovation capability strengthens the relationship between the adoption of digital technology and business success. Further, these findings provide valuable insights that entrepreneurs and business owners can use to guide their strategies. They are encouraged not only to focus on the application of e-commerce technology but also to invest in developing relevant innovation capabilities. By combining innovation skills and the use of

digital technology, companies can achieve superior performance, both in terms of competitiveness, customer satisfaction, and business sustainability, particularly in the dynamic and challenging creative industries (Putra et al., 2021).

However, not all SMEs possess the capability to fully utilize e-commerce. The ability to operate e-commerce can be influenced by the knowledge and skills of the users. Therefore, this tends to have no significant impact on the performance of SMEs (Tiandra et al., 2019). SMEs that only upload their products to e-commerce platforms without proper guidance and training may not achieve optimal improvements in their performance (Silvia et al., 2022). To achieve goals effectively and efficiently, appropriate strategies and management are required in e-commerce implementation. A workforce proficient in technology is key before entering e-commerce (Nurjaman, 2022). Several improvements in the education system, training, and support, focusing on vocational or skill-based learning, are necessary to develop human resources capable of utilizing e-commerce (Sudarawati, 2017).

Additionally, there is no clear legal framework regarding e-commerce transactions. Regulations on e-commerce are needed to ensure that sellers and buyers feel secure and comfortable when using e-commerce. Common issues related to e-commerce security and comfort include privacy and cyber fraud. E-commerce transactions require special attention to privacy concerns. When buyers make digital payments, their identity can easily be exposed. For example, if payments are made using a credit card, the buyer's identity can be easily tracked or intercepted. Therefore, protecting the confidentiality of the buyer's identity is essential. The use of tracking software on computers allows third parties to monitor a person's online activities. Cyber fraud is increasingly growing through identity theft and illegal access to personal data. Many individuals and companies are unaware that their personal information can be leaked, their identities can be forged, or their data can be damaged online (Nurjaman, 2022).

## Conclusion

E-commerce has a significant impact on both operational and financial performance in the digital era. The optimal use of e-commerce helps companies expand market reach, enhance operational efficiency, accelerate shipping processes, and reduce costs through system automation, such as integrated inventory and logistics management.

However, the lack of adequate knowledge and skills in operating e-commerce platforms limits the potential benefits of e-commerce. Companies that merely register their products on e-commerce platforms without understanding how to optimize the available features may hinder their ability to make informed business decisions, manage inventories efficiently, and improve customer service. Companies will struggle to leverage analytics data to understand market trends and consumer needs.

Additionally, challenges related to legal issues and security concerns in e-commerce, such as privacy protection and the potential for cyber fraud, need to be addressed promptly. With the proper regulations in place, improvements in human resource capacity, and attention to privacy and security concerns, e-commerce can provide maximum benefits for SMEs and the economy as a whole.

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