

Strategic Management: Building Business Competitive Advantage in the Digital Era

Aurelia Salsabilla Almirah¹, Saida Zainurossalamia ZA²

^{1,2}Faculty of Economics and Business, Universitas Mulawarman, Indonesia

Corresponding Author: Aurelia Salsabilla Almirah

DOI: <https://doi.org/10.52403/ijrr.20250206>

ABSTRACT

In a rapidly changing digital era, companies must prioritize innovation to build and maintain competitive advantage in an increasingly competitive market. This study seeks to explore the importance of innovation in managing corporate strategy in the digital era. Innovation encompasses more than just developing new products or services, it also encompasses transforming a company's operational processes, enhancing customer interactions, and generating lasting value. This study explains the importance of innovation in addressing the challenges and prospects of the digital era, the ways in which innovation can enhance a company's competitiveness, and the techniques organizations can use to enhance their innovation potential. This study also features examples of leading organizations that have effectively implemented pioneering techniques to build competitive advantage in the digital era, such as Apple, Amazon, Airbnb, and Gojek. By gaining a deep understanding of the importance of innovation in strategic management, one can formulate an efficient innovation plan to enhance their company's competitiveness and emerge victorious in the increasingly complex global marketplace. This study offers significant insights for business leaders and professionals who want to gain a deeper understanding of the importance of innovation in the digital era.

Keywords: Digital Era, Innovation, Competitive Advantage, Strategic Management

INTRODUCTION

Competitive advantage in this era of globalization will depend on the Company's ability to build a resilient and sustainable supply chain (Barton, 2021). Companies that can ensure a reliable and responsible supply of raw materials and products will be better able to face risks and build customer trust. Basically, the Company's competitive advantage determines how successfully the Company can operate in a competitive market. One of the main sources of the Company's competitive advantage is its capacity to offer value or excellence to its clients. The digital revolution has ushered in a transformative era in the business landscape, redefining how organizations operate, compete, and grow (Fachrurazi, 2023). As written in the book by Suryati (2022), competitive advantage is a higher level of attractiveness of what a company offers compared to its competitors in the eyes of customers.

Every company that is in an industry and faces competition must have a competitive advantage (Ernawati, 2022). This shows that competitive advantage can create better economic value and attractiveness than its competitors so companies are required to always innovate in order to win the competition. Innovation is a process of creating new ideas that can create added

value (Suryati, 2022). Four different types of resources can be distinguished based on the market focus on quality: process resources, which help reduce the cost of product resources that improve performance time resources that enable timely delivery of value according to market demand and innovation resources that shape technology. Innovation is based on a resource approach that is positioned as a basis for achieving competitive advantage where a company is able to create competence at a higher level among its competitors (Lestari, 2019). Although innovation has many different forms today, innovation is basically always an effort to improve existing techniques or develop something completely new with a clear goal of achieving predetermined goals. The main key to winning the competition in an industry where the competitive environment is very high and market behavior is selective is through innovation strategy (Rofaida, 2019). Every creative business model requires designers to be able to separate important elements, dissect them into their constituent parts, and then make connections between them (Hikmawati, 2023).

During these years, strategic planning was widely believed to be the answer to all problems. At that time, most of the major companies in big countries like the United States were obsessed with strategic planning. However, after the boom, strategic planning was put aside in the 1980s because various planning models did not produce superior results. However, the 1990s brought a revival of strategic planning, and the process is widely practiced today in the business world. Strategic planning requires good planning if the Company is to have a chance to compete successfully. Strategy consists of three stages of strategy formulation, strategy implementation, and strategy evaluation. Strategy formulation includes developing a vision and mission, identifying the organization's external opportunities and threats, determining internal strengths and weaknesses, setting long-term objectives, generating alternative

strategies, and selecting a particular strategy to implement. Strategy formulation issues include deciding what new businesses to enter, what businesses to abandon, how to allocate resources, whether to expand operations or diversify, whether to enter international markets, whether to merge or form joint ventures, and how to avoid hostility.

To maintain a competitive edge in the modern digital economy, businesses need to improve their strategic management approach. In addition to creating new products or services, it is important to consider the company's operations, client connections, and sustainable value creation when formulating innovative strategies (Avriyanti, 2022). Implementing a strategy means mobilizing employees and managers to put the formulated strategy into action. Often considered the most difficult stage in strategic management, strategy implementation requires personal discipline, commitment, and sacrifice. Successful strategy implementation depends on the manager's ability to motivate employees, which is more of an art than a science. A strategy formulated but not implemented serves no useful purpose (Rochmawati, 2023).

Creating something fresher and superior to what is currently available a product, service, or business model is known as innovation in business. Increased profitability, increased customer base, and industry leadership are the goals of business innovation. In the corporate sector, innovation can keep a business one step ahead of the competition, attract new customers, and retain existing ones. Products and procedures, marketing plans, and even business models can all be developed within a company. Continuous business model innovation can be a growth strategy for business development (Nathaniela, 2022).

Strategy evaluation is the final stage in strategic management. It is essential for managers to know when a particular strategy is not working, strategy evaluation

is the primary means of obtaining this information. All strategies are subject to future modification because external and internal factors change. Three basic strategy evaluation activities are reviewing the external and internal factors that underlie current strategies, measuring performance, and taking corrective action. Strategy evaluation is necessary because success today is no guarantee of success tomorrow (Yuniarti, 2023). Success always creates new and different problems, organizations that become complacent die. Strategy formulation, implementation, and evaluation activities occur at three hierarchical levels in a large organization corporate, divisional or strategic business unit, and functional. By fostering communication and interaction between managers and employees at all levels of the hierarchy, strategic management helps the company function as a competitive team. Most small businesses and some large businesses do not have divisional or strategic business units; they have only corporate and functional levels. However, managers and employees at both levels must be actively involved in strategic management activities. Innovation in the corporate sector is the creation and introduction of new ideas or modifications to existing products, services, processes, or business models. Better products, new technologies, or higher operational efficiency are ways that businesses can innovate. Your study shows that corporate innovation is an important part of adapting to the changing business environment. More than product innovation, strategic management innovation can identify the changes needed to reposition the company in search of tactics that will ensure the company maintains its competitive advantage. Success in this innovation management is directly proportional to the company's position to excel in tight competition (Lestari, 2019). In conclusion, technology plays an important role in achieving competitive advantage and driving organizational growth (Fachrurazi, 2023).

RESEARCH METHODS

The qualitative approach allows the researcher to explore the subjectivity, nuances, and meanings contained in the literature related to innovation in strategic management. This involves an in-depth analysis of the narratives, concepts, and frameworks used in the related literature to better understand the dynamics and implications of innovation in strategic management in the digital age.

In data collection, this study uses academic journals, scientific articles, and related publications that discuss the topic of innovation in strategic management in the digital era. Researchers use snowballing techniques to iteratively identify additional relevant sources, ensuring completeness and diversity in understanding the research topic.

The collected data were analyzed thematically, focusing on identifying patterns, trends, and key findings related to innovation in strategic management in the digital era. Thematic analysis allows researchers to uncover the structure of meaning and relationships between concepts, and to identify practical and theoretical implications of the findings.

RESULT AND DISCUSSION

In this dynamic and competitive digital era, innovation is the main key for companies to achieve competitive advantage and win the competition. Companies that are able to adapt to change and develop innovative strategies will have a greater chance of success. Innovation in strategic management is the process of developing and implementing new ideas that increase value for the company and differentiate it from competitors. Innovation can occur in various aspects, such as;

1. Products and services: Creating new products and services that answer market needs or improve customer experience.
2. Business models: Developing new business models that are more efficient and effective.

3. Processes: Improving internal processes to increase productivity and efficiency
4. Technology: Adopting new technologies to improve performance and create new opportunities.
5. Organizations: Building an organizational culture that supports innovation and creativity.

In the digital era, change occurs rapidly and customers have more choices. Companies that do not innovate will be left behind and lose market share. Innovation is important to:

1. Meet the evolving needs of customers.
2. Create unique and attractive products and services.
3. Increase efficiency and profitability.
4. Attract and retain the best talent.
5. Building sustainable competitive advantage.

Concrete Case Examples in the Field Related to Strategic Management

To survive, all organizations must astutely identify and adapt to change. The strategic management process is intended to enable organizations to adapt effectively to change over the long term. As Waterman notes, in the case of McDonald's. McDonald's added 650 new stores in 2009 when many restaurants were struggling to keep their doors open. McDonald's low prices and expanded menu items have attracted millions of new customers from chain and independent restaurants. McDonald's in 2009 spent \$2.1 billion to remodel its 32,000 restaurants and build new ones at a faster pace than in recent years.

This is in stark contrast to most restaurant chains that are struggling to survive, laying off employees, closing restaurants, and reducing expansion plans. McDonald's restaurants are in 120 countries. The rising US dollar is another external factor that is hurting McDonald's. McDonald's internal weakness is that the company now offers high-end coffee drinks like lattes and cappuccinos at more than 7,000 locations as budget-conscious consumers cut back on splurging. But McDonald's top management

says everything the company does is for the long term. McDonald's has for years called its strategic plan "plan to win." The strategy is to increase sales at existing locations by improving the menu, remodeling dining rooms, extending hours, and adding snacks. The company has avoided major price cuts on its menu items. McDonald's is only one of three major U.S. companies to see its stock price rise.

Apple is known for its innovative products, such as the iPhone, iPad, and MacBook. The company continues to innovate by developing new features and cutting-edge technology. Amazon has revolutionized the e-commerce industry with its innovative business model. The company continues to innovate by developing new services, such as Amazon Web Services and Amazon Prime. Airbnb has changed the way people travel with its platform that connects travelers with hosts offering accommodations around the world. Gojek is an Indonesian ride-hailing company that has successfully developed various innovative services, such as GoFood, GoSend, and GoPay.

In general, what is required in the process of creating a strategic framework is to take more concrete and tangible action. The team calls this process 'strategy into action'. Most modern companies have some sort of, 'strategy into action' approach usually begins with the formulation of a vision or mission that carefully reflects the essence of the strategy or the desired change in strategic direction. This vision or mission forms the basis for a number of strategic thrusts. It is important for every organization to have a clear framework that sets out how it wants to be better and faster than its competitors and differentiate itself from its competitors. The level of ambition for the future needs to be defined and it should be clear what the organization will do differently in the future to be more successful than it has been in the past.

Through collaboration with strategic partners and technology startups, companies can gain access to new expertise and

technologies that they may not have internally. Established strategic partners and innovative startups can bring new perspectives, fresh ideas and relevant technology solutions to improve the company's business. Collaboration in research and development is also important, as engaging strategic partners and technology startups allows companies to collaborate on the research and development of new products or services. By combining resources and knowledge, companies can accelerate the innovation process, reduce risks, and produce better and faster solutions. Access to new markets is a collaboration with strategic partners and technology startups can open up opportunities to enter new markets or previously unexplored market segments. Strategic partners who have extensive networks or startups with access to specific markets can help companies expand their business scope and reach new consumers. Increasing competitiveness in the ever-changing digital era, collaboration with strategic partners and technology startups can help companies stay at the forefront of competition. By adopting new technologies, creating innovative products or services and leveraging the comparative advantages of strategic partners, companies can strengthen their competitive position and differentiate themselves from competitors. However, it is important to note that collaboration with strategic partners and technology startups can also present challenges such as differences in organizational culture, difficulties in managing complex relationships, or the risk of collaboration failure. Therefore, companies need to choose the right partners, establish mutually beneficial cooperation, and have an effective risk management mechanism. So in conclusion, collaboration with strategic partners and technology startups can be an important strategy in strengthening innovation and building competitive advantage in the digital era. By combining expertise and resources, companies can enhance their innovation capabilities, access

new technologies, enter new markets, and increase their competitiveness in evolving industries.

Digital business development is about enhancing a company's digital capabilities and integrating strategy, marketing, and sales efforts to engage markets and consumers and enable growth that creates value. Certainly, the need to create original ideas and turn them into profitable businesses has increased dramatically. Innovation was pushed into the background and business development was approached more like an experiment when companies first started. Today, existing companies cannot function without it because innovation is a critical factor in determining continued success. In many industries, both corporate clients and consumers are experiencing behavioral changes. Actively expanding companies is required to meet these new demands at a pace that companies may not be able to if they try to change their fundamental character. The digital revolution in business has multiplied creative opportunities in every industry. New products, services, and experiences are emerging in retail, life sciences, pharmaceuticals, and finance. Companies that want to succeed in today's marketplace need to use digital channels to engage with their key stakeholders. Stay up-to-date and guide the conversation in the right direction. "To succeed in the digital age, must become digital companies, rethinking every aspect of their business," according to the latest research from the World Economic Forum on digital transformation. Forward-looking businesses should prioritize tailored communications and digital business development. With a well-chosen message, a business can influence public opinion and increase sales. Many companies have created and implemented effective marketing messaging techniques. However, they need the expertise needed to implement these strategies and have enough money to spend on advertising. Big data can help a company's digital transformation plan if the company prioritizes data and analytics. The

greater amount of data that businesses can access is one of the main benefits of the internet of things.

Improved resource allocation through digital transformation, information and resources are streamlined and integrated into a comprehensive set of enterprise tools. Instead of having separate software and databases, digital transformation consolidates all of a company's resources in one location. Digital transformation consolidates applications, databases, and software into a unified repository of enterprise insights. There is no single department or functional unit that focuses solely on digital transformation. Digital transformation impacts all aspects of the company and can lead to improved processes and efficiencies across multiple departments. Promote a culture of digitalization. Digital transformation facilitates the development of a digital culture by providing team members with customized tools that fit their specific circumstances. While these technologies facilitate communication, they also contribute to the overall digital transformation of the entire company. The importance of this digital culture will continue to grow in the future. To fully leverage the benefits of digital transformation, it is necessary to enhance the skills and knowledge of team members through upskilling and digital learning. Increase efficiency and results leveraging a cohesive set of internet of things technologies can increase productivity and streamline operations. This allows team members to increase their productivity by automating some of the monotonous tasks and integrating data across the organization. Increase agility. Organizations increase their agility through digital transformation. Businesses can increase their agility through digital transformation, which involves adopting strategies from the software development profession to increase their speed to market and embrace continuous improvement practices. This facilitates faster creativity and flexibility, as well as a

trajectory towards improvement. Here are some significant benefits of implementing digital transformation in business. The process of digitization has become indispensable for achieving corporate success in today's world. Digital transformation occurs when businesses adopt digital technologies to revolutionize their business models and create new opportunities that generate value. Digitization of companies improves the efficiency, uniformity, and quality of their operations. By formulating a proficient business plan during the digital transformation period, it can facilitate the assimilation of traditional records or files into digital formats, eliminate duplication, and reduce the length of communication processes. Improve and streamline the process of information exchange.

CONCLUSION

In the dynamic digital era, innovation in strategy management is the main key for companies to build and maintain competitive advantage. Innovation is not only limited to creating new products or services, but also includes changes in business models, operational processes, and how to interact with customers. Collaboration with strategic partners and startups in the technology sector, as well as adopting a rapid product launch strategy, are important steps in strengthening innovation and winning competition in the digital era. In addition, digital business development, better data management, increased productivity, and increased organizational agility are also the main focus in strengthening business strategy in the era of digital transformation. Thus, a deep understanding of the importance of innovation in strategy management will help companies face challenges and take advantage of opportunities in an increasingly complex and rapidly changing market.

Declaration by Authors

Acknowledgement: None

Source of Funding: None

Conflict of Interest: No conflicts of interest declared.

REFERENCES

1. Avriyanti, S. (2022). Pengaruh Inovasi Produk dan Teknologi Informasi Terhadap Perkembangan Usaha (Studi pada UMKM Bidang Kuliner di Kabupaten Tabalong). *Jurnal Pemikiran dan Penelitian Administrasi Publik*, 12(2), 315-332.
2. Barton, Dominic. (2021). *The Future of Globalization: What to Expect Next*. McKinsey and Company.
3. Ernawati. (2022). Pengembangan Keunggulan Kompetitif UMKM Melalui Strategi Orientasi Pasar dan Inovasi Produk. *Jurnal Industri Kreatif dan Kewirausahaan*, 5(2).
4. Fachrurazi. (2023). Revolusi Bisnis di Era Digital: Strategi dan Dampak Transformasi Proses Teknologi terhadap Keunggulan Kompetitif dan Pertumbuhan Organisasi. *Jurnal Bisnis dan Manajemen West Science*, 2(3), 297-305.
5. Hikmawati, Anisa Nur. (2023). Strategi Membangun Keunggulan Kompetisi Melalui Digital Marketing PT. Rumah Konsul Indonesia. *Selekta Manajemen: Jurnal Mahasiswa Bisnis & Manajemen*, 2(5), 30-42.
6. Lestari, E. R. (2019). *Manajemen Inovasi: Upaya Meraih Keunggulan Kompetitif*. UB Press.
7. Nathaniela. (2022). *Inovasi Model Bisnis Berkelanjutan Teknologi Gaya Hidup & Keberlanjutan*.
8. Purnomo, S. W. (2021). *Business Model Innovation in the Era of Digital Transformation: A Literature Review*.
9. Rochmawati. (2023). Mengembangkan Strategi Bisnis di Era Transformasi Digital. *Jurnal Ilmiah Manajemen*, 14(1).
10. Rofaida, Rofi. (2019). Strategi Inovasi pada Industri Kreatif Digital Upaya Memperoleh Keunggulan Bersaing pada Era Revolusi Industri 4.0. *Jurnal Manajemen dan Keuangan*, 8(3).
11. Suryati, Adelina. (2022). *Keunggulan Kompetitif Konsep dan Studi Kasus*. ADAB.
12. Yuniarti, T. W. (2023). Revolusi Bisnis di Era Digital Strategi dan Dampak Transformasi Proses Teknologi terhadap Keunggulan Kompetitif dan Pertumbuhan Organisasi. *Jurnal Bisnis dan Manajemen West Science*, 12(1), 1-17.

How to cite this article: Aurelia Salsabilla Almirah, Saida Zainurossalamia ZA. Strategic management: building business competitive advantage in the digital era. *International Journal of Research and Review*. 2025; 12(2): 50-56. DOI: [10.52403/ijrr.20250206](https://doi.org/10.52403/ijrr.20250206)
