ASEAN’s Digital Integration: Strategic Management, Challenges, Opportunities, and the Role of New Technologies

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ABSTRACT
The objective of this study is to provide insight into the potential impact and implications of digital integration on the socio-economic landscape of ASEAN countries. Data sources for this study include an extensive literature review, statistical data from ASEAN reports, and peer-reviewed articles. The selection and extraction of data involved a rigorous process, ensuring that the most relevant and credible information is used. The data was then synthesized to provide a holistic understanding of the subject. The study concludes that although digital integration in ASEAN faces several challenges such as the digital divide, data privacy issues, and cybersecurity threats, it also offers significant opportunities for economic growth, innovation, and improved governance. The role of new technologies, such as artificial intelligence and blockchain, is vital and can help in mitigating challenges and harnessing opportunities. However, efficient strategic management is essential to effectively realize digital integration's potential benefits.
INTRODUCTION
The Association of Southeast Asian Nations (ASEAN) is a regional organization comprising ten Southeast Asian countries. It was established in 1967 to promote political and economic cooperation and regional stability. Over the past five decades, ASEAN has made significant strides in integrating the economies of its member countries. In recent years, the focus has increasingly shifted towards digital integration, an area with enormous potential for accelerating economic growth and enhancing the competitiveness of Southeast Asian businesses in the global digital economy as shown in Figure 1.

![Figure 1. The World’s New Majority of Asia](source.png)

Source: (Bradley et al., 2022)

ASEAN’s digital integration aims to harness digital technologies' power to drive economic growth, enhance business competitiveness, and improve public service delivery. It involves harmonizing digital regulations, promoting digital innovation, developing digital skills and literacy, improving cybersecurity, increasing access to affordable and quality internet, and enhancing e-commerce and e-services.

Despite the promising initiatives, ASEAN’s digital integration faces several challenges. One major challenge is the digital divide within and among member countries. Moreover, within each country, access to digital technologies is often skewed in favor of urban areas and the educated and affluent sections of the population (Williams, 2022), leaving the rural and disadvantaged communities behind. Another challenge is the lack of a harmonized regulatory framework for digital services. Currently, each ASEAN member state has its own set of digital regulations, leading to a fragmented
digital market. This poses barriers to cross-border digital trade and investment and hampers the growth of regional digital businesses.

To overcome these challenges, ASEAN needs to intensify efforts to bridge the digital divide and harmonize digital regulations. This requires increased investments in digital infrastructure and skills development, targeted interventions to promote digital inclusivity and stronger regional cooperation in digital policymaking. ASEAN’s digital integration is a vital agenda that holds the key to the region’s future economic prosperity. While significant progress has been made, much remains to be done. With the right policies and actions, ASEAN can harness the full potential of digital technologies to drive its economic growth and enhance the competitiveness of its businesses in the global digital economy.

LITERATURE REVIEW
A. ASEAN’s Digital Integration

Digital integration refers to the process of incorporating digital technologies into various aspects of a business or organization. It is a technique that improves internal and external processes and enhances production flexibility. Furthermore, the fusion of digital technologies contributes significantly to business process integration in the context of Industry 4.0. Studies and future predictions suggest that digital integration will continue to play a critical role in the evolution of business models (Kraus et al., 2019; Salamova et al., 2021).

In the context of regional integration, the Association of Southeast Asian Nations (ASEAN) emphasizes that the core of regional digital integration is the transformation of competition basis in the global economy and the creation of a regionally integrated digital economy. Digital integration in this context is seen as a tool to harness the digital economy for promoting trade and regional growth. Furthermore, it is considered a critical enabler for harnessing the scale of ASEAN as a region, thereby allowing ASEAN to compete more effectively in the global economy and accelerating domestic growth in individual member states. In its 2022 study, Corning investigated the impact of the intricate and fragmented nature of digital trade governance on the digital trade strategies of AMS (ASEAN Member State) and how these strategies, in turn, influenced digital governance within the region (Corning, 2022). Meanwhile, in another definition, it is stated that the digitalization process in ASEAN determines the integration strategy, and provides relevant dynamics and indicators of the level of digitalization (Mirakyan, 2021).

The ASEAN Digital Integration Framework Action Plan (DIFAP) stands out for its comprehensive approach, including infrastructural development, human resources development, and capacity building in its actions. This broad-based approach ensures that the benefits of digital integration are felt domestically within each member state, as well as across the region through enhanced inter-member state transactions (ASEAN Secretariat, 2022). With this comprehensive strategy, ASEAN is positioning itself to harness the full potential of the digital economy in the 21st century.
B. Strategic Management

Asia has emerged as a formidable economic force by effectively capitalizing on the defining trends of the past three decades. The region has successfully leveraged deepening global connections, rapid digital adoption, and broadening urbanization and capitalization to its advantage. A crucial factor in this thriving ecosystem is the complementary comparative advantage in trade that stitches its diverse economies together. Remarkably, 59 percent of Asian trade is conducted with other Asian countries, highlighting the significant intra-regional trade relationships (Bradley et al., 2022).

The region's strategic geographical location has positioned it as a major hub for international trade and investment. This has allowed Asian countries to tap into global supply chains, attracting foreign direct investment and fostering economic growth. Additionally, the rapid adoption of digital technologies has further propelled Asia's economic advancement. This digital revolution has not only transformed Asian economies but has also provided opportunities for new business models and entrepreneurial ventures. Furthermore, Asia's broadening urbanization and capitalization have been instrumental in its economic success. The increasing urban population has created a fertile ground for economic activities and consumer markets. As cities become more interconnected and modernized, they attract investment, talent, and innovation, creating a virtuous cycle of urban development and economic growth. Additionally, Asia's diverse economic landscape has helped foster a robust intra-regional trade ecosystem.

Rather than being limited by political affiliations, countries in Asia have capitalized on their respective strengths and specializations, allowing for mutually beneficial trade relationships within the region.

Asia's impressive economic growth can be attributed to its ability to effectively harness the defining trends of the past three decades. The region's deepening global connections, rapid digital adoption, and broadening urbanization and capitalization have been key drivers of its success. Moreover, the diverse economic landscape has helped foster a robust intra-regional trade ecosystem. As Asia continues to flourish, it is imperative to recognize and build upon these factors that have propelled the region to the forefront of the global economy.

Meanwhile, a dichotomous understanding of the digital economy and on the one hand, as an enabler for enhancing efficiency in traditional business processes through technological innovation (Ding et al., 2022). However, a radical view where the digital economy serves as a transformative force that reshapes the entire system. He considered it a unique economic activity with its roots in innovative data processing techniques. Furthermore, emphasized its interconnections (Narmanov, 2021) with the social economy. The digital economy has also brought about significant shifts in societal values and norms. The rise of social media, for instance, has redefined notions of privacy, influencing our attitudes towards data sharing and surveillance. Meanwhile, the ubiquity of digital devices has sparked debates about screen time, mental health, and the role of technology in our everyday lives.
The G20 Digital Economy Task Force approached the definition from a macroeconomic perspective, identifying the digital economy as encompassing economic activities that rely on digitized information and knowledge as key production factors (Borowski & Khurana, 2019). In addition, modern information networks were highlighted as crucial areas of activity, with Information and Communication Technologies (ICT) playing a key role in enhancing productivity and optimizing economic structures. Moreover, it has reshaped the labor market, creating new opportunities for remote work, flexible employment, and the gig economy. Technology has enabled a shift from traditional 9-to-5 roles to more flexible work structures (Zucker, 2021), pushing societies towards an increasingly digital workforce. This shift has not only transformed the nature of work but also the dynamics of how work is organized and compensated.

Interestingly, they cautioned against a broad conceptualization of the digital economy, arguing that it would make it indistinguishable from the general economy due to the pervasive use of digital technologies across sectors. They suggested that the digital economy should be limited to sectors with strong digital characteristics while distinguishing it from the digitalized economy. However, as of 2023, there is an increasing recognition that economic activities under the digitalized economy domain also form part of the digital economy.

The current era is marked by the rise of digital transformation, a phenomenon characterized by significant diffusion of digital technologies and new methodologies among global companies (Mahboub & Sadok, 2023). This digital revolution has been propelled forward by the advent of "Industry 4.0", a paradigm shift that relies heavily on the development of new Information and Communications Technology (ICTs) (de Waal & Heijtel, 2017; Lasi et al., 2014).

This seismic shift in the business landscape has had far-reaching economic implications around the world, affecting not only traditional business entities and their operations but also the dynamics and outcomes of
entrepreneurial processes. As a result, the landscape of entrepreneurship has seen the emergence of new types such as digital entrepreneurship (Kraus et al., 2019).

The digital transformation, fueled by the robust use of new technologies, has raised a multitude of questions regarding the changes that traditional businesses, strategies, and management practices must implement to keep pace with these advancements. Two areas of particular interest in this context are the strategic decision-making process and the entrepreneurial process, both of which warrant exploration in the era of digital transformation.

The potential for these technologies to radically improve enterprise performance and reach has become a focal point for businesses worldwide (Van Veldhoven & Vanthienen, 2022). These complex transformations touch upon a wide array of business areas, including strategic direction, competitiveness, business models, decision-making, innovation, entrepreneurship, and productivity. Each of these areas presents both opportunities and challenges as companies strive to leverage digital tools and technologies to enhance their operations. For instance, the strategic direction of a company may need to be realigned to better leverage digital technologies, or a company’s business model may need to be reexamined to ensure it is conducive to digital operations and strategies.

Similarly, decision-making processes may need to be streamlined with the help of these technologies, and innovation may need to be reimagined in the digital context. Though presenting a host of new opportunities, entrepreneurship also presents its challenges in the digital era. For example, digital entrepreneurs may face issues of scalability, security, and regulation as they navigate the digital landscape (Chamoli et al., 2021; Keeble, 1989).

The era of digital transformation represents a pivotal point in the evolution of businesses and entrepreneurship. As we further delve into the digital age, the need for strategic adaptation and the willingness to embrace new technologies become not just advantageous but imperative for survival and success.

Figure 3. Architecture of the Digital Economy
Source: (Isono & Prilliadi, 2023)
The digital economy concept has been defined in various ways by different researchers and organizations. The digital economy constitutes the portion of the total economic output that originates from several broad 'digital' inputs (Knickrehm et al., 2016). These inputs include digital technology, digital equipment (consisting of hardware, software, and telecommunications equipment), and intermediate digital goods and services that are utilized in production. It defined the digital economy as all economic activities that are either dependent on or significantly enhanced by the use of digital inputs, which encompass digital technologies, digital infrastructure, digital services, and digital data.

The concept of the digital economy shares commonalities with other concepts, such as Industry 4.0, which is often termed the Fourth Industrial Revolution. Technologies are integrated into various sectors, including industry, transport, healthcare, and communications, to improve efficiency and connectivity (Lee et al., 2018; Piccarozzi et al., 2018). The Consolidated Strategy on the Fourth Industrial Revolution for ASEAN identifies Industry 4.0 as the 'convergence of the physical and digital worlds' (MTI, 2021). There exist two contrasting viewpoints regarding the scope of Industry 4.0 vis-à-vis the digital economy. The first view posits that Industry 4.0 is broader than the digital economy because it impacts governance, education, healthcare, and lifestyles. The second view, however, argues that Industry 4.0 is narrower than the digital economy because it excludes pure digital technologies and information and communication technology (ICT).

Digital transformation is another related concept that refers to the process of deploying digital technologies to fundamentally alter organizational structures, business operations, the way businesses deliver value to customers, and their interactions with stakeholders. The definitions of digital transformation are context-specific and are often linked with terms such as digitization, automation, and digital maturity (Verhoef et al., 2021). Therefore, digital transformation can be seen as a process that is used in both the digital economy and Industry 4.0. It highlights the evolving nature of these concepts and their impact on various sectors and facets of the economy. As such, understanding the definitions, scopes, and applications of these concepts is essential in today's digitally driven world.

C. Strategic Management on Digital Integration

In recent years, there has been a marked change in the way businesses create value due to the prevalence of digital technology. A recent study by practitioners revealed that around 90% of companies (Kindermann et al., 2021) across various sectors and countries expect digital technology and digitalization to impact their businesses. According to these findings, the right digital transformation, and ultimately the competitive advantage, is not solely driven by technology, but also by strategy. According to this perspective, strategic orientation is in line with research findings (Ahmed et al., 2023). Based on the resource-based view, this research indicates that the strategic direction of an organization explains superior performance, as it shapes how the organization
creates and adapts behaviors and resources. A concept that describes digitally-enabled strategic orientation can help researchers better understand which characteristics lead to competitive advantage across companies.

D. Opportunities on Digital Integration

The concepts of digital economy and Internet economy, although often used interchangeably, have distinct nuances in academic discourse. The digital economy, as defined by various scholars, is an economic environment that is driven by digital computing technologies. This encompasses all business activities that use digitized data and information to create value, including but not limited to e-commerce, digital services, and knowledge economy. The digital economy can exist both online and offline and includes technologies such as artificial intelligence, big data, and the Internet of Things (IoT) (Bukht & Heeks, 2019; Tapscott Don, 2014; Xia et al., 2023).

On the other hand, the Internet economy specifically refers to economic activities that are conducted over the Internet. This typically includes e-commerce transactions and online services (Rillo, 2018). While the Internet economy is a subset of the digital economy, the two are distinctly different; all Internet economy activities are part of the digital economy, but not all digital economy activities are part of the Internet economy. For instance, offline activities that utilize digital technologies such as digital manufacturing and digital healthcare are part of the digital economy but not the Internet economy (Bukht & Heeks, 2019).

The distinction between the two terms is further underpinned by their historical evolution. The concept of the digital economy developed first, reflecting the onset of the digital revolution in the late 20th century, whereas the term Internet economy emerged later, with the global spread of the Internet (Economist, 2023; Mirakyan, 2021; Tapscott Don, 2014). The digital economy encompasses a broader range of activities including those performed offline, while the Internet economy specifically focuses on online activities. Yet, both are critical in understanding the current economic landscape shaped by the rapid development of digital technologies. Further research is required to explore the specific characteristics and impacts of these two interrelated yet distinct concepts.

METHODOLOGY

To meticulously unveil the substantive theory attached to the problem under scrutiny, this research strategically employs a literature review approach, an approach predicated on the direct interaction with textual and numerical data. This method, oftentimes referred to as library research, offers a distinct advantage in that it leverages pre-existing data, relieving the researcher of the need to generate fresh data (Chapman, 2021). The data necessary for this research is primarily procured from library sources, including, but not limited to, academic journals, books, papers, and relevant web-based resources (Coman et al., 2020; Creswell & Guetterman, 2019; Curtis & Keeler, 2022).

In this study, the literature review process combines the robustness of a conceptual review with the exploratory power of a qualitative approach (Goran
et al., 2023; Mihas, 2023; Sardana et al., 2023). The fundamental objective of this combination is to equip the researcher with an updated and organized representation of the extant literature within a specific subject area, thereby augmenting the review's overall value. Subsequently, analyze and evaluate your gathered literature, assessing each source's validity, robustness, and relevance to your research question. To make the review structured and logical, consider categorizing the literature by themes or chronological order. Carry out a comprehensive literature search on this topic, and categorize the literature. Highlight these gaps in the review, along with the advantages and disadvantages of the methodologies used in the studies you have reviewed. Discuss the implications of the findings for policymakers, and other stakeholders. Conclude with a summary of key findings and suggest areas for future research (Antonopoulou et al., 2021; Wyborn et al., 2018). A literature review can provide a comprehensive overview of the existing context, including ongoing debates and current issues (Helwig et al., n.d.).

The process of conceptual review serves to synthesize the conceptual scope, playing an instrumental role in fostering a deeper comprehension of an issue (Collins & Stockton, 2018; Creswell & Creswell, 2018). Through this specific methodology, the study seeks to aggregate a wide range of academic literature, related to the topic at hand, with the end goal of achieving fresh insights and deeper understanding.

RESULT AND DISCUSSION

The main objective of this report is to highlight the advantages of digital integration for small and medium-sized enterprises (SMEs) and shed light on the current obstacles that hinder its implementation. The significance of SMEs in achieving widespread and comprehensive digital integration throughout the ASEAN region cannot be overstated. By embracing digital integration, SMEs will gain the ability to participate actively as regional or even global players.

ASEAN’s digital integration is a crucial aspect of its strategic management, presenting both challenges and opportunities for the region. The integration aims to enhance economic growth, promote innovation, and improve connectivity among member countries. One of the main challenges of digital integration in ASEAN is the digital divide among member countries. There are significant disparities in terms of digital infrastructure, internet penetration, and digital literacy. This divide hinders the seamless integration and access to digital technologies across the region. Additionally, the varying regulatory frameworks and data protection laws in different countries pose challenges for cross-border data flows and digital trade as shown in this figure.
Despite these challenges, ASEAN's digital integration also presents significant opportunities. It can foster economic growth by promoting digital trade, e-commerce, and digital services across the region. This integration can also drive innovation and entrepreneurship, as member countries can leverage technology and digital platforms to create new business models and solutions. Furthermore, digital integration can enhance regional connectivity, enabling more efficient communication and collaboration among member countries.

ASEAN's digital integration holds great promise for the region's economic growth and development. While challenges such as the digital divide and regulatory variations exist, the integration presents opportunities for innovation, economic integration, and improved connectivity as shown in this concept:

The role of new technologies is crucial in driving this integration forward. By addressing challenges and leveraging the potential of new technologies, ASEAN can successfully navigate the path toward digital integration and reap its benefits. Regional integration, supported by suitable domestic policies, provides a potent avenue for boosting service competitiveness within ASEAN. Through regulatory alignment and mutual collaboration among member nations, it significantly bolsters the development and proliferation of services trade.
Services trade is influenced by two key sets of regulations: trade restrictions that limit the participation of foreign service providers in domestic markets, and domestic regulations that address market failures impacting services trade. Trade agreements aim to eliminate unnecessary trade barriers while acknowledging the importance of regulations that serve legitimate non-trade policy objectives, such as health, environmental concerns, competition, and information asymmetries. One example of such regulations is found in professional services, which aim to ensure the quality and credibility of service providers while providing consumers with information about the qualifications of the supplier. However, these regulations can also inadvertently impede services trade. To mitigate these adverse effects, cooperation among countries is essential. This might involve modifying residency or nationality requirements to promote greater openness and accessibility for service providers.

By promoting regional integration and implementing appropriate domestic policies, the ASEAN region can boost its service competitiveness. This can be achieved through the removal of excessive trade restrictions and the establishment of regulations that strike a balance between facilitating trade and addressing market failures. By harnessing the potential of services trade, ASEAN can experience enhanced economic growth and establish itself as a dynamic and competitive region in the global market.

CONCLUSIONS AND RECOMMENDATIONS

ASEAN, the Association of Southeast Asian Nations, is actively pursuing digital integration as part of its strategic management. This integration involves the seamless flow of digital information, goods, and services across member countries. However, there are several challenges and opportunities to consider in this process, and new technologies play a crucial role in achieving successful integration. One of the major challenges in ASEAN's digital integration is the digital divide. There is a significant disparity in terms of access to and adoption of digital technologies among member countries. While some nations have advanced digital infrastructure and high internet penetration rates, others lag.

Another challenge is the harmonization of policies and regulations across member countries. Each ASEAN nation has its own legal and regulatory framework for digital services, including e-commerce, data protection, and cybersecurity. Harmonizing these policies is essential to facilitate cross-border digital transactions and ensure a level playing field for businesses operating in the region. It allows for greater collaboration and knowledge sharing among member countries, fostering innovation and economic growth. Moreover, it enables the development and adoption of digital solutions to address socioeconomic challenges, such as healthcare access, education, and financial inclusion.

ASEAN has fully embraced the digital concept and taken concrete steps to implement it in various areas. This expansion now includes personal data protection, paperless trade, digital payments, and the digitization of traditional sectors. Previously separate initiatives are now part of the digital integration effort and are connected to other initiatives. Digital integration will pave the
way for the adoption of emerging technologies like 5G, cloud, artificial intelligence (AI), big data, and the internet of things (IoT). It will also tackle complex issues related to cyber security, consumer protection, and cross-border data flows. New technologies play a pivotal role in driving ASEAN’s digital integration. These technologies can enhance efficiency, transparency, and connectivity, enabling businesses to operate more effectively across borders. To ensure successful digital integration, ASEAN must focus on strategic management. This involves setting clear objectives, coordinating efforts among member countries, and implementing effective policies and initiatives. It requires collaboration with private sector stakeholders, academia, and international partners to leverage expertise and resources.

ASEAN’s digital integration presents numerous challenges and opportunities. The digital divide and policy harmonization are among the challenges that need to be addressed. However, the integration also provides opportunities for economic growth, innovation, and societal development. The role of new technologies cannot be understated in achieving successful integration. Through strategic management and collaboration, ASEAN can harness the potential of digital integration and create a digitally connected and prosperous region.

ADVANCED RESEARCH

This research still has limitations, so it is necessary to conduct further research related to the topic "ASEAN’s Digital Integration: Strategic Management, Challenges, Opportunities, and the Role of New Technologies". Future research can use different Strategic Management, Challenges, Opportunities, and the Role of New Technologies objects to add insight for readers.

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