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# Management Strategies for Upgrading MSMEs in Facing Economic Uncertainty in Indonesia

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**Abstract:** Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in supporting Indonesia's economic stability and growth, yet this sector faces serious challenges due to increasingly complex global and domestic economic uncertainties. In this context, understanding effective management strategies is crucial for MSMEs seeking to *upgrade*—that is, to transform into more structured, competitive business entities. This study aims to identify and synthesize the management strategies employed by MSMEs in responding to uncertain economic dynamics. Using a systematic literature review approach, this research analyzes 25 relevant open-access scholarly articles published over the past five years, thematically organized based on Porter's generic strategy framework, business resilience theory, and the MSME growth-stage model. The findings reveal that the primary strategies adopted by MSMEs include product differentiation, business process digitalization, and cross-sector collaboration through training, business incubation, and community partnerships. These approaches significantly contribute to enhancing the adaptive capacity and competitiveness of MSMEs amid economic pressures. This article offers conceptual contributions by integrating strategic management theory with the local MSME context in Indonesia, while also providing practical recommendations for policymakers and business practitioners to strengthen systemic and sustainable MSME development models moving forward.

**Keywords:** Management Strategy, MSMEs, Upgrading, Economic Uncertainty, Competitiveness.

## INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) hold a central position in the economic structure of developing countries, including Indonesia. With significant contributions to Gross Domestic Product (GDP) and a high capacity to absorb labor, MSMEs are considered the

backbone of the national economy. In Indonesia, MSMEs account for more than 99% of all business units and employ over 97% of the active workforce, making the sector vital for maintaining socioeconomic stability (Asror, 2024)). However, in recent years, MSMEs have been under tremendous pressure due to global and domestic economic uncertainty. Factors such as exchange rate volatility, inflation, fiscal policy shifts, and the prolonged impact of the COVID-19 pandemic have tested the sector's resilience (Fitriani, 2023). These conditions demand adaptive and transformative management strategies to enable MSMEs not only to survive but also to *upgrade* and remain competitive in an increasingly complex market landscape.

Within this context, a gap persists between the strategic needs of MSMEs for growth and their actual managerial capabilities. Numerous studies have shown that MSMEs often lack adequate financial recording systems, business planning practices, and digital technology adoption (Jeffry & Handayani, 2024)). The lack of managerial knowledge and skills remains a major barrier to scaling up operations and achieving professional business standards. Furthermore, limited access to finance, technology, and market networks has widened the gap between the potential and actual growth of MSMEs (Mukhtar, Putri, 2020) . As such, a comprehensive study exploring how MSMEs formulate and implement management strategies to overcome these challenges is urgently needed, both in practice and in scholarly discourse.

Conceptually, this study draws on Porter's generic strategies, which categorize organizational approaches into cost leadership, differentiation, and focus strategies (Hermina & Jaya, 2018). This framework is particularly relevant for assessing MSMEs' strategic choices in maintaining competitiveness during times of economic instability. Additionally, business resilience theory underscores the importance of adaptability, flexibility, and organizational learning in times of crisis (Asror & Bahiroh, 2024). To understand MSMEs' upgrading processes, this research also utilizes the MSME growth-stage model, which outlines progressive stages from existence to resource maturity and emphasizes organizational capacity, market access, and managerial advancement (Hanum & Irawati, 2024).

This article aims to identify and analyze the management strategies adopted by MSMEs in their efforts to *upgrade* amid economic uncertainty. Specifically, it addresses four core research questions: (1) How do MSMEs implement management strategies to upgrade in uncertain economic conditions? (2) What challenges do they face in formulating and executing such strategies? (3) How do external factors, such as government policies, technological access, and market conditions, support these efforts? and (4) What are the impacts of such strategies on MSMEs' sustainability and growth? These questions are addressed through a systematic synthesis of previous research relevant to the topic in both national and international contexts.

The core contribution of this study lies in its critical synthesis of management strategies that have proven effective in supporting MSMEs' upgrading efforts under economic uncertainty. The article presents a novel conceptual integration of strategic business perspectives, organizational resilience, and the *naik kelas* (upgrading) paradigm specific to Indonesia's MSME ecosystem (Indriyani et al., 2023), (Astuti & Rosita, 2024). As such, this study offers valuable insights for scholars, policymakers, and practitioners working to promote inclusive and adaptive business development within volatile economic environments.

## Literature Review

Management strategy refers to a set of systematic approaches used by organizations to achieve competitive advantage, optimize resources, and adapt to external environmental changes. One of the key theories in this context is Porter's generic strategies, which classify business strategies into three categories: cost leadership, differentiation, and focus. These frameworks offer a useful lens to analyze how organizations position themselves competitively within their industries and select pathways for survival and growth (Aldania, 2021). For

MSMEs, these strategies are especially relevant due to constraints in capital, human resources, and technological access, all of which demand precise and context-sensitive strategic responses to remain viable.

Previous studies have highlighted that many Indonesian MSMEs struggle with business planning, technological proficiency, and the integration of strategy into daily operations. For example, management training programs incorporating digital tools have been shown to enhance MSME competencies in marketing and financial reporting (Mhayugiastiwi, 2024). Other research emphasizes the importance of financial literacy in improving business performance, particularly in the trade and service sectors (Rohmah, 2016). Moreover, product branding training strategies have demonstrably improved MSMEs' market competitiveness and consumer reach (Mahfirah, 2023).

Despite a growing body of literature, a research gap remains in identifying and synthesizing management strategies that specifically aim to help MSMEs *upgrade* during times of economic uncertainty. Most studies tend to focus on isolated interventions—such as technical training or government incentives—without fully integrating these elements into a cohesive strategic framework (Sutandi et al., 2020). Furthermore, there is limited exploration of how business resilience strategies are operationalized by MSMEs in response to macroeconomic fluctuations and post-pandemic transformations (Utarsih, 2020).

This article addresses that gap by synthesizing recent literature on MSME management strategies and aligning the findings with Porter's strategic typology, business resilience theory, and the MSME upgrading stage model. This integration enables a more comprehensive understanding of how MSMEs balance internal capabilities with external supports such as government policies, technology facilitation, and market integration (Mustofa & Permatasari, 2014). The study's conceptual alignment contributes to expanding the discourse around MSME development by situating strategy formulation within both micro-level business dynamics and macroeconomic conditions.

Theoretically, most previous studies have relied on descriptive qualitative methods and participatory training models. Business development training based on experiential learning and coaching has been reported to enhance MSMEs' motivation and capability to grow sustainably (Lawi & Bora, 2023). On the policy side, programs such as *SEHATI*—focused on halal certification—demonstrate how structural interventions can influence MSME strategic decisions (Tati et al., 2024). These findings point to the necessity of synthesizing internal strategy formulation with external support mechanisms, offering a more holistic view of MSME upgrading processes.

As a foundation for the methodological section, this literature review adopts an integrative synthesis approach that emphasizes thematic convergence across reliable and open-access sources. By integrating core theoretical elements—competitive strategy, business resilience, and MSME upgrading dynamics—into a cohesive analytical framework, this review establishes a solid basis for identifying actionable management strategies suitable for MSMEs navigating economic uncertainty in Indonesia (Maerani, 2023), (Dwinarko, 2020).

## METHODS

This study employs a Systematic Literature Review (SLR) approach to examine and synthesize scholarly works that explore management strategies applied by MSMEs in navigating economic uncertainty in Indonesia. The SLR method was selected due to its capacity to generate comprehensive insights from previously published empirical and conceptual studies, while also identifying thematic patterns and research gaps systematically (Amjad, 2023). The rigorous procedural standards of SLR enhance the transparency and reliability of the review process, supporting the academic validity of its findings (Clark, 2021)This research relies exclusively on secondary data derived from peer-reviewed, open-

access journal articles at the national and international levels. The data include empirical findings, theoretical discussions, and prior review studies focusing on management strategy, MSMEs, competitiveness, economic uncertainty, and small business transformation. The literature was obtained from trusted open databases such as DOAJ, Google Scholar, and academic repositories maintained by universities and research institutions. The use of diverse sources was essential for ensuring thematic richness and conceptual validity (Robbani, 2024)

Data collection followed a structured literature search protocol, which included formulating research questions, identifying keywords, selecting databases, screening titles and abstracts, and reviewing full-text articles. This procedure was guided by the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework, which consists of four major stages: identification, screening, eligibility, and inclusion (Hesselbarth et al., 2023). Keywords used in the search included: "MSME management strategy," "upgrading MSMEs," "business resilience," "economic uncertainty," and "small business transformation."

The inclusion criteria for literature selection were: (1) articles published within the last five years (2019–2024); (2) open-access and available in English or Bahasa Indonesia; (3) directly relevant to the themes of MSME management strategy and upgrading under economic uncertainty; (4) providing substantial empirical or conceptual insights; and (5) published in journals indexed in SINTA 1/2, Scopus, or DOAJ. The exclusion criteria included: (1) opinion pieces or editorials; (2) articles lacking a clearly defined methodology; and (3) studies unrelated to the Indonesian context or those that did not address strategic management aspects (Senivongse, 2017)).

The unit of analysis in this study was not individuals or organizations, but academic documents containing empirical data, theoretical arguments, or strategic frameworks concerning MSMEs. Each included article was examined for its methodological approach, thematic focus, and alignment with the theoretical frameworks defined in this research. While no specialized software was used for analysis, the review followed a rigorous interpretive process based on established academic procedures (Haughery, 2015).

To analyze the data, a thematic narrative synthesis was applied. This method categorizes literature based on recurring themes such as differentiation-based strategy, adaptive-resilient approaches, and externally driven interventions (e.g., policy, digital access, market expansion). This analytical technique is well-suited for interpreting non-numeric, conceptual data and enables the identification of meaningful patterns and strategic implications from a variety of case contexts (Fuadi, 2021) . The overall analysis is qualitative and descriptive in nature, emphasizing conceptual integration over statistical generalization.

## RESULTS AND DISCUSSION

### Results

This study presents the results of a systematic thematic synthesis based on 25 open-access scholarly articles that explore management strategies implemented by MSMEs to *upgrade* amid economic uncertainty in Indonesia. The analysis focused on identifying key strategic patterns, publication characteristics, methodological trends, and thematic categories relevant to MSME development and transformation efforts.

In terms of publication characteristics, most studies originated from nationally accredited journals (SINTA 1 and 2) and reputable international open-access journals published within the last five years (2019–2024). The majority of articles adopted qualitative descriptive or case study approaches, while only a few employed quantitative or mixed-methods designs. Approximately 76% of the reviewed literature emphasized the significance of managerial training and digital transformation as resilience-building strategies for MSMEs (Fuadi, 2021)

, whereas the remaining 24% focused on the influence of external support such as policy frameworks and infrastructure access.

Three dominant strategic patterns emerged from the review: (1) product differentiation and value creation, particularly through local branding and diversification to address competitive pressures (Aldania, 2021) ; (2) business digitalization, including e-commerce training, social media utilization, and digital financial systems (Mhayugiastiwi, 2024) ; and (3) collaborative community-based approaches, such as MSME mentoring programs, partnerships with higher education institutions, and local government initiatives like "Pahlawan Ekonomi" (Fuadi, 2021) .

The application of business resilience frameworks was also evident in several studies, highlighting how MSMEs adapted to crises such as the COVID-19 pandemic by modifying business models, shifting market targets, and digitizing distribution channels (Utarsih, 2020) . Regarding the upgrading stage model, findings indicated that most MSMEs remain in the *survival* phase, with only a few achieving the *take-off* stage—typically those with greater access to financing and integrated training programs (Hanafia, 2023) .

Methodologically, the reviewed studies predominantly utilized descriptive techniques with thematic analysis grounded in narrative synthesis. The PRISMA standard was widely applied to structure the literature screening and review process (Nizar, 2025) . A limited number of studies incorporated visual tools such as thematic maps and conceptual frameworks to illustrate the relationships between strategic variables.

Several concrete strategies were identified as particularly effective, including locally driven digital marketing programs (*desa cerdas*), structured coaching through business incubators, and comprehensive training models focused on financial literacy and product competitiveness (Maerani, 2023) . Other studies observed that integrating MSMEs into *BUMDes* (village-owned enterprises) played a significant role in resource pooling and market distribution, though improvements were still needed in HR management and governance (Dwinarko, 2020) .

Lastly, the review identified an increasing focus on the social and community-driven dimensions of MSME resilience. Collaborations with volunteers, academic institutions, and local governments emerged as critical enablers of strategic adaptation and business competitiveness (Rohmah, 2016) , (Serumena, 2023) .

## Discussion

The results of this study reinforce the finding that MSMEs in Indonesia apply a combination of product differentiation, business digitalization, and cross-sector collaboration as primary strategies to *upgrade* amid economic uncertainty. These findings are closely aligned with the research objectives, which sought to identify effective managerial strategies and explore the internal and external factors that shape MSME transformation efforts. The emergence of differentiation and innovation as key strategic tools reflects the applicability of Porter's generic strategy framework, which emphasizes the creation of unique value as a source of competitive advantage (Aldania, 2021) .

When interpreted through the lens of business resilience theory, the findings suggest that MSMEs which successfully *upgrade* tend to demonstrate high adaptability to market volatility and an ability to pivot operations quickly, such as transitioning to online platforms during crises. Business resilience theory also highlights organizational learning and flexibility, which are reflected in MSMEs' adoption of digital marketing and financial systems (Fuadi, 2021) . Furthermore, the MSME growth-stage model confirms that most MSMEs remain in the *survival* phase, and only a few have reached the *take-off* stage—typically those supported by integrated access to training, financing, and institutional support (Hanafia, 2023) .

These findings are consistent with other studies that demonstrate how digital adoption and targeted management training have significantly improved MSMEs' responsiveness and strategic clarity in dynamic markets (Mhayugiastiwi, 2024) . Similar research also affirms the positive impact of product branding and local market positioning strategies in enhancing MSMEs' competitive edge during crises (Maerani, 2023) . On the other hand, some studies reveal that MSME assistance programs often lack sustainability, resulting in fragmented or reactive strategic behavior that contradicts the proactive stance recommended by resilience theory (Dwinarko, 2020).

The academic contribution of this article lies in its integration of three major theoretical frameworks—Porter's strategy typology, business resilience, and the MSME upgrading model—into a single analytical lens tailored to the Indonesian context. This approach not only enriches the conceptual discourse on MSME strategy but also presents a structured framework for assessing how internal initiatives and external enablers converge to support business growth (Serumena, 2023) . This synthesis addresses the longstanding divide between academic frameworks and field-level implementation by contextualizing strategic concepts within real-world constraints and opportunities faced by MSMEs in emerging economies.

Despite its contributions, this study acknowledges several methodological limitations. First, the literature selection was restricted to open-access articles published between 2019 and 2024, thereby excluding potentially relevant but restricted or older works. Second, the majority of the studies reviewed were Indonesia-based, limiting the generalizability of findings to other regional or global contexts. Third, some articles lacked robust empirical depth, which may have constrained the thematic synthesis to surface-level patterns rather than deeper causal mechanisms (Utarsih, 2020).

The findings of this study have several implications for practitioners, policymakers, and future researchers. For MSME actors, the strategic patterns identified in this review can inform decision-making and guide the selection of appropriate management approaches based on business maturity and market conditions. For policymakers, the study underlines the importance of systemic support—such as technology access, continuous training, and policy incentives—as pillars of MSME upgrading. For future academic inquiry, there is potential to extend this research through longitudinal designs or empirical studies that test the effectiveness of integrated strategies across sectors and regions (Jayantini, 2024) , (Hanifa, 2023) .

## CONCLUSION

Based on the results of this systematic literature review, it can be concluded that the management strategies employed by MSMEs to upgrade amid economic uncertainty are predominantly centered on product differentiation, digital transformation, and multi-stakeholder collaboration. These strategies have been shown to play a pivotal role not only in enabling MSMEs to survive market turbulence but also in facilitating structural transformation toward more mature and competitive business forms. The ability to adapt business models, adopt digital tools, and build organizational capacity is essential for overcoming barriers that have historically limited MSME growth. Moreover, effective upgrading is strongly associated with access to external enablers such as government policies, training, financing, and ecosystem-level support.

This article contributes theoretically by integrating three major conceptual frameworks—Porter's generic strategies, business resilience theory, and the MSME growth-stage model—into a coherent lens for analyzing MSME transformation. Practically, the study provides valuable insights for MSME practitioners and policymakers in designing strategic interventions that are both adaptive and sustainable. Future research could explore the long-term effects of these integrated strategies across different business sectors and regions, while practitioners are

encouraged to align internal strategic planning with external institutional support in order to foster inclusive and resilient business development.

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