

Entrepreneurship Management Strategies in Enhancing the Competitiveness of MSMEs in the Digital Economy Era

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Abstrak

Digital transformation has created new opportunities and challenges for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. In this context, entrepreneurship management strategies have become a crucial element in ensuring the sustainability and competitiveness of MSMEs amid rapid technological changes. This study aims to identify and analyse the entrepreneurship management strategies used by MSMEs in facing the digital economy era. Using a qualitative approach with case studies on several MSMEs in the trade and service sectors, data were collected through in-depth interviews and participatory observation. The results of the study indicate that a combination of product innovation, the use of digital technology (such as e-commerce and social media), and managerial capacity development are key factors in strengthening the competitive position of MSMEs. Additionally, adaptability to market changes and the ability to build digital business networks were also found to significantly contribute to business growth. The implications of these findings highlight the need for policy support and continuous training to enhance digital literacy and strategic management among SMEs.

Keywords: SMEs, entrepreneurship management, competitiveness, digital economy, business strategy

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INTRODUCTION

In the midst of global transformation driven by digital technology developments, Micro, Small and Medium Enterprises (MSMEs) in Indonesia face complex challenges. Digitalisation has penetrated almost all aspects of life, including consumption patterns, distribution systems, and market behaviour, which are increasingly dependent on online platforms (Chen et al., 2023). While these changes offer numerous opportunities, they also pose significant pressures for MSMEs that have traditionally relied on conventional approaches to running their businesses (Giovanni, 2021).

SMEs are a vital sector in Indonesia's economic structure. Data from the Ministry of Cooperatives and SMEs indicates that SMEs contribute over 60% to the national Gross Domestic Product (GDP) and absorb approximately 97% of the total workforce in Indonesia. Not only are they a pillar of the macroeconomy, but MSMEs also play a

significant role in maintaining economic stability at the local level, particularly in rural areas and small towns (Ekici & Besim, 2016). However, despite their significant contributions, the competitiveness of Indonesian MSMEs still lags behind that of other countries in the Southeast Asian region. Many SME operators still face limitations in terms of access to technology, managerial skills, digital marketing, and product innovation.

In this context, entrepreneurship management becomes highly relevant to study. Entrepreneurship management is not only focused on the day-to-day operations of a business but also involves the entrepreneur's ability to identify opportunities, develop adaptive strategies, manage risks, and build sustainable competitive advantages (Korhonen et al., 2018). In the digital era, a responsive, creative, and data-driven management approach has become increasingly important. MSMEs can no longer rely solely on intuition or old habits in making business decisions. They need to develop a strategic and innovation-based entrepreneurial mindset to compete in an increasingly open and competitive market (Martínez-Vázquez et al., 2021).

Digitalisation itself can be seen as a double-edged sword. On the one hand, digital technology opens up opportunities for broader market access, operational efficiency, and new business models such as e-commerce, dropshipping, and app-based services (De et al., 2024). However, on the other hand, digitalisation also increases the intensity of competition, demands faster adaptation, and creates new expectations from consumers who are increasingly tech-savvy. Many MSMEs have experienced difficulties in adapting, either due to limited human resources, minimal digital literacy, or a lack of understanding of managerial strategies appropriate to the digital context (Prayoga, 2022).

Seeing these dynamics, this study departs from the need to understand more deeply how MSME actors formulate and implement entrepreneurial management strategies in facing the digital economy era. The primary focus of this study is to identify strategic practices that can enhance the competitiveness of SMEs, including product innovation, technology utilisation, network strengthening, and effective resource management. It is hoped that the findings of this study will contribute to the development of entrepreneurship theory while offering practical recommendations for SMEs, business support institutions, and policymakers.

METHOD

This study uses a qualitative approach with a case study design, which aims to gain an in-depth understanding of the entrepreneurial management strategies implemented by MSME actors in facing challenges and opportunities in the digital economy era. This approach was chosen because it is able to explore managerial contexts and dynamics that cannot be explained quantitatively, and allows researchers to gain a richer understanding of the subjective experiences of business actors.

Research location and subject

The research location was purposively selected in Manokwari, West Papua Province, known as one of the centres of MSME growth in the region. The main focus was on MSMEs in the local culinary and cultural handicraft sectors, which have shown initiative in adopting digital technologies such as e-commerce, social media, or digital payment systems. The research informants consisted of 10 MSME actors who were purposively selected based on the following criteria: (1) have been operating

their business for at least 3 years, (2) actively use digital technology in business operations, and (3) have experience in directly managing managerial aspects. In addition to SME actors, interviews were also conducted with 2 SME mentors from relevant government agencies or institutions to enrich the institutional perspective.

Data collection techniques

Data collection in this study was conducted through three main techniques. First, semi-structured in-depth interviews were conducted to explore entrepreneurial strategies, decision-making processes, forms of adaptation to digitalisation, and challenges faced by MSME actors. Second, limited participatory observation was conducted to directly observe production processes, digital promotional activities, and interactions between business actors and customers, both offline and through digital platforms. Third, documentation techniques were used to collect various supporting materials such as online promotional content, MSME social media displays, training certificates obtained by business actors, and customer testimonials available in print or digital form.

Data analysis technique

The data in this study were analysed using a thematic analysis approach, which allows researchers to identify, analyse, and interpret patterns of meaning (themes) that emerge from qualitative data in a systematic manner. The analysis process began with transcribing the interview results, which were then read repeatedly to gain a comprehensive understanding of the context and content of the informants' narratives. After that, open coding was carried out, which is the process of labelling data units that are considered relevant, whether in the form of words, phrases, or statements that reflect entrepreneurial strategies or experiences.

The next stage is to organise these codes into thematic categories, which are the main themes that reflect certain patterns in entrepreneurial management strategies, such as product innovation, utilisation of digital technology, customer relationship management, and adaptation to market changes. These themes are then analysed further by linking them to the theoretical framework of entrepreneurship and strategic management, so that the findings are not only descriptive but also interpretative and conceptual.

To ensure the validity and credibility of the data, the researchers applied the triangulation technique, both source triangulation (comparing data from MSME actors and institutional informants) and method triangulation (combining interviews, observation, and documentation). Additionally, a data confirmation process (member checking) was conducted with key informants to verify the accuracy and appropriateness of the researcher's interpretations of their experiences and statements. With this approach, it is hoped that the research findings will represent a valid, contextual, and meaningful reality within the context of SME entrepreneurship in Manokwari, West Papua.

RESULTS

This study reveals that the entrepreneurial management strategies of MSME actors in the local culinary and cultural craft sectors in Manokwari, West Papua, reflect various forms of adaptation to the demands of the digital era. Based on a thematic

analysis of the data obtained, three main themes were identified that describe the most dominant managerial strategies, namely: (1) product innovation based on local wisdom, (2) adaptation to digital platforms, and (3) strengthening social networks and communities. The following is an explanation of each theme:

Product innovation based on local wisdom

MSME actors in Manokwari show a strong tendency to maintain local characteristics in their products, while innovating to remain relevant to changing consumer tastes. Innovation is not carried out drastically, but through a gradual and adaptive approach, reflecting a balance between cultural preservation and market demands. In practice, innovation encompasses various aspects such as form, size, function, colour, packaging, and the story or narrative accompanying the product.

In the culinary sector, for example, traditional foods made from local ingredients such as sago, taro, and seafood are modified to make them easier for modern consumers to eat. Some businesses have changed the presentation of raw or traditional foods into light snacks in airtight plastic packaging or attractive boxes that are easy to carry. Products such as taro chips or smoked fish sambal from Papua are now packaged in practical sizes and labelled with brands that incorporate local visual elements such as Papuan ethnic motifs or regional languages. The aim is for these products to not only be functionally appealing but also convey a strong local identity to consumers, including tourists seeking authentic culinary experiences.

In the handicraft sector, innovation is being driven by maintaining traditional techniques and raw materials while adapting to the aesthetic preferences of younger generations and markets outside the region. For example, *noken*, which are traditionally large bags used for shopping or carrying goods, are now being made in smaller sizes as accessories or souvenirs. Artisans are also beginning to explore vibrant colours and more modern designs without losing the symbolic meaning of the crafts. This innovation not only enhances the aesthetic value and market value of the products but also expands the market reach to a broader segment, including young people and buyers from outside Papua.

This innovation strategy reflects that SMEs in Manokwari have a high level of cultural awareness but are also flexible in responding to market dynamics. They do not abandon their cultural roots in the production process but instead use them as a unique selling point that adds value to their products. Innovation is not based on technical research or laboratory results, but rather through informal approaches sourced from field experience, interaction with consumers, and business intuition built from daily practices. Furthermore, product innovation based on local wisdom is also a form of survival strategy and economic identity formation. Amidst limited access to high technology and formal training, SMEs in Manokwari maximise available resources, whether in the form of natural materials, traditional knowledge, or local social networks. This demonstrates that innovation in a local context does not necessarily equate to the adoption of high technology, but can emerge from social creativity and the courage to modify old habits into new, more adaptive forms.

Adaptation to digital platforms

In recent years, the wave of digitalisation has reached various regions in Indonesia, including Manokwari, West Papua. Despite being classified as an area with significant infrastructure challenges, MSME players in Manokwari have shown great enthusiasm to start integrating digital technology into their business operations. This

adaptation process is taking place gradually and is highly dependent on individual capacity, community support, and access to training and digital devices. Most SME operators in the local culinary and cultural craft sectors have begun to utilise social media as their primary means of promotion, communication with customers, and building long-term relationships. Platforms such as WhatsApp Business, Facebook, and Instagram are the dominant choices due to their ease of access, popularity among local users, and flexibility in displaying products and responding to customer inquiries directly. Through these features, businesses can promote their products visually, disseminate price and discount information, and receive orders through informal yet effective communication channels. In addition to promotion, the use of digital technology is also beginning to expand into transaction aspects.

Some businesses have adopted non-cash payment methods such as bank transfers, e-wallets, and QR code-based payment systems. Although the implementation of these features is not yet widespread and tends to be limited to SMEs with connections to young people or digital mentors, their presence marks the beginning of the digitalisation process for business sales and accounting systems. This transformation has the potential to accelerate transaction efficiency and reduce reliance on cash systems, especially when dealing with consumers from outside the region or those who are more digitally literate. However, this adaptation process is not without its challenges. Limited digital literacy remains the main obstacle for many business operators, particularly those from older generations or those who have never undergone technology training. Many of them only understand the basic functions of the applications and have not yet utilised business management features such as product catalogues, analytics insights, or paid promotion settings. Additionally, inconsistent internet connectivity and limitations in terms of devices (e.g., only having low-memory phones or not using smartphones) further restrict the full potential of their business digitalisation. Interestingly, despite these limitations, SMEs demonstrate strong initiative and an open mindset toward technology adoption. In many cases, adaptation is done independently, with help from family members, friends, or other MSME actors who are more tech-savvy.

The enthusiasm to learn and try new things is an important asset in this digitalisation process. This indicates that digital transformation in Manokwari is not just about technology, but also about changing the business culture and mindset of business actors in facing a new era. In the context of entrepreneurship management, the process of adaptation to digital platforms among MSMEs in Manokwari shows a paradigm shift from conventional business practices towards a more systematic, measurable, and data-driven approach. Although still in its early stages and facing various limitations, efforts to enter the digital ecosystem are an important indicator of growing awareness of the need to reach a wider market, accelerate the flow of information, and build more dynamic customer interactions. Therefore, digital adaptation is not merely a trend but an integral part of the strategy for survival and growth amid the challenges of the times.

Strengthening social networks and communities

In the context of local entrepreneurship in Manokwari, West Papua, social networks and communities play a very important role in supporting the sustainability and growth of MSMEs. These networks not only serve as a means to expand markets, but also as a space for learning, sharing, and mutual reinforcement amid various limitations in infrastructure, capital, and access to formal training. Relationships

among business actors are naturally formed through daily interactions at markets, local exhibitions, mentored groups, or informal community forums that emerge from shared social or geographical backgrounds.

In practice, MSMEs in Manokwari often collaborate in various ways. For example, they work together to participate in local product exhibitions organised by local governments or non-governmental organisations. This collaboration is not only done to save participation costs but also to increase the collective exposure of their products. It is not uncommon for businesses in the handicraft and culinary sectors to promote each other's products through their personal social media accounts, creating a cross-promotion effect that expands their consumer reach. Additionally, in situations where raw materials or production tools are scarce, SMEs assist one another by lending equipment or sharing supplies, demonstrating the high value of solidarity and mutual aid within the local business ecosystem.

Social networks are also seen as informal mechanisms that can replace formal systems that are not yet optimal. In many cases, when access to capital or entrepreneurship training from official institutions is limited, business actors rely on their communities to obtain information or support. These communities serve as spaces for exchanging experiences and best practices, as well as for building trust and collective spirit. The strong sense of community in Papuan society also reinforces the function of these networks as social capital that cannot be replaced by formal market mechanisms.

From a managerial perspective, the existence of social networks and communities provides several strategic advantages. First, networks make it easier for business actors to obtain feedback from their peers, whether related to product quality, promotional strategies, or selling prices. Second, community networks strengthen the bargaining position of MSMEs at the local level, as they can engage in collective procurement or joint negotiations with distributors or business partners. Third, social networks also serve as an important source of trust in business transactions, especially in environments that are not yet fully digitised and still rely heavily on face-to-face interactions.

Furthermore, social networks in Manokwari are not only limited to horizontal relationships between MSME actors, but also involve vertical relationships with external parties such as cooperative agencies, local NGOs, and community leaders. These relationships enable the facilitation of empowerment programmes, business mentoring, and access to government assistance. Although not all business actors are actively involved in this formal network, the presence of these vertical relationships adds a new dimension to entrepreneurship network management, particularly in terms of access to external resources and policy advocacy.

Within the framework of community-based entrepreneurship, social networks and communities are inseparable from the dynamics of local businesses. They are living and dynamic elements, as well as a reflection of the rich collective values of Papuan society. Therefore, strengthening social networks is not merely a complementary strategy but rather the cornerstone of building inclusive, resilient, and contextually appropriate entrepreneurship management in regions like Manokwari.

DISCUSSION

The results of this study confirm that the entrepreneurial management strategies implemented by MSME actors in the local culinary and cultural craft sectors in

Manokwari are contextual, adaptive, and based on local socio-cultural strengths. Three main themes identified—product innovation based on local wisdom, adaptation to digital platforms, and strengthening social networks and communities—demonstrate how entrepreneurs actively navigate changes in the business environment influenced by digitalisation and increasingly dynamic market demands.

The first finding on local wisdom-based product innovation reinforces the previous view that the competitive advantage of MSMEs can be built through product differentiation rooted in local culture (Prayoga, 2022). In the context of West Papua, business actors not only preserve traditional values in the production process but also demonstrate creativity in modifying products to better suit modern market tastes. This demonstrates the application of the principle of effectual reasoning, whereby business actors build strategies based on the resources they have and take advantage of opportunities that arise gradually, rather than through rigid business planning (Keen et al., 2018).

Furthermore, the process of adaptation to digital platforms illustrates how digital transformation is beginning to reach MSMEs in eastern Indonesia, albeit with varying intensity and quality. These findings are in line with a study (Khan et al., 2023), which emphasises the importance of a digital entrepreneurship ecosystem, where MSME actors require infrastructure, digital skills, and market access to thrive. However, unlike studies in urban areas or regions with high connectivity, digitalisation in Manokwari is still basic, emphasising social media for promotion and direct communication rather than the adoption of complex digital systems.

Social networks and communities in the context of Manokwari have proven to be important social capital. This affirms the theory of social capital (Cisneros-Montemayor, 2019), which states that strong social relationships can increase trust, coordination, and cooperation in economic activities. In this study, networks are not only a means of information exchange but also a source of moral support and economic solidarity. This indicates that management strategies in areas such as Manokwari cannot be separated from the social and cultural dimensions of the community. However, the challenges faced by MSMEs in terms of operational management and digital literacy indicate that there is still a gap between the potential for innovation and the actual capacity of business actors.

Low financial recording skills, time management, and limitations in the use of advanced digital features indicate the need for systemic support. These findings are in line with literature stating that one of the main obstacles to SME growth in developing countries is the lack of managerial training and access to sustainable training resources (Tan et al., 2021).

Overall, the results of this study show that entrepreneurship management strategies cannot be separated from the local context. In areas such as Manokwari, such strategies depend not only on the individual capabilities of business actors but also on social relations, cultural values, and environmental dynamics. Therefore, top-down interventions or those overly focused on high technology may not be fully effective. A more contextual, participatory approach that values local social capital is more promising in strengthening the competitiveness of MSMEs in the region.

CONCLUSION

This study shows that MSME actors in Manokwari, West Papua, are actively developing adaptive, contextual, and locally-based entrepreneurial management strategies in response to the challenges and opportunities of the digital economy. In the local culinary and cultural handicraft sectors, these strategies are reflected in five main interrelated and mutually reinforcing aspects. First, product innovation is carried out by preserving local wisdom while adapting it to modern market tastes. These efforts demonstrate the ability of MSME actors to maintain cultural identity while increasing the selling value of products through more attractive forms, appearances, and packaging. Second, adaptation to digital platforms, although still limited, shows a willingness and effort to utilise social media and digital transaction systems in developing businesses and expanding markets.

Third, social networks and communities have proven to be a strategic strength in supporting business continuity and growth. The relationships built between MSME actors and with supporting institutions are a significant source of information, support, and collaboration. Fourth, digital promotion strategies are carried out creatively and participatively through product narratives, local visuals, and interactions that build closeness with consumers. Lastly, despite the demonstrated potential, challenges such as low digital literacy and managerial limitations continue to hinder the optimisation of digital transformation and long-term business management.

Overall, these findings confirm that the competitiveness of SMEs is not solely determined by technological aspects but also by adaptive capabilities, social and cultural strength, and entrepreneurship strategies tailored to the local context. Therefore, targeted and sustainable policy support and empowerment programmes are needed, with an approach that values the potential of local communities and the social realities faced by SMEs in regions such as West Papua.

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