

# **BEYOND SURVIVAL: HUMAN RESOURCE STRATEGIES FOR SUSTAINABLE SME COMPETITIVENESS IN INDONESIA AMID A CHANGING GLOBAL ECONOMY AND GEOPOLITICAL UNCERTAINTY**

**Asih Handayani<sup>1\*</sup>, Adcharina Pratiwi<sup>1</sup>, Edi Wibowo<sup>1</sup>, Sutarno<sup>1</sup>**

<sup>1</sup>Faculty Of Economics and Business Universitas Slamet Riyadi  
Jalan Kolonel Sugiyono, Joglo, Surakarta, Central Java – Indonesia

\*Corresponding Author: [asihhandayani@unisri.ac.id](mailto:asihhandayani@unisri.ac.id)

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## **ABSTRACT**

In the context of a rapidly changing global economy, small and medium-sized enterprises (SMEs) are increasingly confronted with multiple challenges, including geopolitical uncertainty, global market volatility, and supply chain disruptions. These conditions, intensified by global conflicts such as the Russia–Ukraine War, have created significant pressure for SMEs, particularly in developing countries like Indonesia. Consequently, SMEs are required not only to survive but also to develop sustainable competitiveness to remain resilient in an uncertain and dynamic environment. This study aims to explore the role of human resource (HR) strategies in strengthening sustainable competitiveness among SMEs in Indonesia amid global economic change and geopolitical uncertainty. This research employs a qualitative approach using a case study design involving several SMEs across different sectors. Data were collected through in-depth, semi-structured interviews with SME owners, managers, and employees, supported by relevant documentation. The data were analyzed using thematic analysis to identify key patterns related to HR practices and organizational responses to global challenges. The findings reveal that human resource strategies play a critical role in enhancing SME resilience and long-term competitiveness. Key strategies include workforce adaptability, continuous upskilling and reskilling, employee engagement, and adaptive leadership. In addition, fostering a learning-oriented organizational culture and promoting innovation are essential in enabling SMEs to respond effectively to global uncertainty. Despite limitations such as resource constraints and informal HR practices, SMEs demonstrate the capacity to adjust and sustain their performance. This study contributes to the literature by providing empirical insights into the integration of human resource management and sustainable competitiveness in SMEs within a developing country context. Practically, the findings offer valuable implications for SME practitioners and policymakers in designing strategic HR initiatives to navigate the challenges of a changing global economy.

**Keywords:** Human Resource Strategies, SME Competitiveness, Sustainability, Geopolitical Uncertainty, Indonesia, Qualitative Study

## **INTRODUCTION**

Small and medium-sized enterprises (SMEs) are widely recognized as the backbone of the global economy, playing a crucial role in employment generation, innovation, and inclusive economic growth. In developing countries such as Indonesia, SMEs dominate the business landscape and significantly contribute to national economic resilience. According to World Bank (2020), SMEs account for the majority of businesses worldwide and play a vital role in reducing poverty and promoting economic inclusivity. In Indonesia, SMEs contribute more than 60% to the national gross domestic product (GDP) and absorb a large proportion of the workforce, making them a critical pillar of economic stability (Ministry of Cooperatives and SMEs, 2023).

Despite their strategic importance, SMEs in Indonesia are currently facing increasingly complex challenges. The global economic environment has become more volatile due to multiple overlapping crises, including post-pandemic recovery pressures, inflation, and geopolitical instability. The Russia–Ukraine war, for example, has disrupted global supply chains, increased energy and raw material costs, and created uncertainty in international markets. The International Monetary Fund (IMF, 2024) highlights that the global economy is experiencing persistent uncertainty characterized by inflationary shocks, geopolitical fragmentation, and uneven recovery. These global pressures directly affect SMEs, particularly in developing countries that are highly dependent on imported raw materials and global trade networks.

At the national level, SMEs in Indonesia are also confronted with structural and operational challenges. One of the most pressing issues is the rising cost of production due to inflation and fluctuations in commodity prices. Many SMEs, particularly in the manufacturing and food sectors, rely on imported inputs, making them vulnerable to exchange rate volatility and global price increases. In addition, limited access to financing remains a persistent challenge. According to OECD (2024), SMEs in emerging economies face significant barriers in accessing formal financial services, which constrains their ability to invest, expand, and innovate.

Another significant challenge is the rapid pace of digital transformation. While digitalization offers opportunities for SMEs to expand their market reach and improve efficiency, many SMEs in Indonesia struggle to adopt digital technologies due to limited digital literacy, lack of infrastructure, and resource constraints. Data from the Ministry of Cooperatives and SMEs (2023) indicate that although the number of digitally connected SMEs is increasing, a substantial proportion of SMEs still operate traditionally and have not fully integrated digital tools into their business processes. This digital gap creates disparities in competitiveness among SMEs, particularly in an increasingly digital global economy.

Furthermore, SMEs in Indonesia face challenges related to human resource management. Many SMEs operate with informal HR practices, limited training programs, and low investment in employee development. As a result, workforce productivity and adaptability may be constrained. This issue becomes more critical in the context of global economic change, where businesses are required to respond quickly to market shifts and technological advancements. Without adequate human resource strategies, SMEs may struggle to maintain their competitiveness and sustainability.

Despite these challenges, SMEs in Indonesia also demonstrate strong resilience and adaptability. During periods of crisis, many SMEs have been able to adjust their business models, diversify their products, and explore new markets. Recent studies show that SMEs that invest in human capital, innovation, and organizational learning are better positioned to survive and grow in uncertain

environments (Amin et al., 2025; Senin et al., 2024). This suggests that internal organizational capabilities, particularly human resource strategies, play a crucial role in determining the success of SMEs.

In this context, the concept of “beyond survival” becomes increasingly relevant. SMEs are no longer expected merely to withstand economic shocks but must develop sustainable competitiveness to ensure long-term viability. Sustainable competitiveness refers to the ability of firms to maintain performance over time while adapting to changing economic, social, and environmental conditions. This requires not only financial and technological resources but also strong internal capabilities that enable flexibility, innovation, and resilience.

Among these internal capabilities, human resource management (HRM) plays a central and strategic role. Human resources are increasingly recognized as a source of sustained competitive advantage. The Resource-Based View (RBV) proposed by Barney (1991) emphasizes that valuable and unique internal resources, particularly human capital, are key determinants of long-term organizational success. In SMEs, where financial and technological resources are often limited, human capital becomes the most critical driver of competitiveness.

Effective human resource strategies enable SMEs to enhance workforce adaptability, improve employee skills, and foster innovation. Continuous learning, upskilling, and reskilling are essential in equipping employees with the competencies required to cope with rapid changes in the business environment. Becker and Huselid (1998) argue that high-performance work systems significantly contribute to organizational performance, while Wright and McMahan (2011) highlight the importance of human capital in fostering innovation and adaptability.

Recent research further supports the role of HR strategies in enhancing SME resilience. A systematic review by Senin et al. (2024) identifies leadership, employee capability, and organizational learning as key factors influencing SME survival during global crises. Similarly, Amin et al. (2025) find that SMEs with strong human capital and adaptive management practices are more likely to sustain their performance under economic pressure. These findings indicate that human resource strategies are not merely supportive mechanisms but are central to organizational resilience and long-term competitiveness.

In addition to economic and technological pressures, SMEs are also increasingly required to align their business practices with sustainability principles. Global concerns related to environmental issues, social responsibility, and ethical business practices have reshaped business expectations. According to IMF (2024), future economic resilience will depend on how effectively businesses adapt to structural challenges such as climate change and digital transformation. In this regard, human resource management plays a critical role in fostering organizational culture, promoting responsible behavior,

and supporting sustainable practices.

Despite the growing recognition of the importance of HRM, existing literature still presents several limitations. Many studies focus primarily on financial performance, digital adoption, or external environmental factors, while the strategic role of human resources remains underexplored (Delery & Roumpi, 2017). Additionally, most studies rely on quantitative approaches, which often fail to capture the contextual and experiential aspects of how SMEs implement HR strategies in real-world settings (Creswell & Poth, 2018).

Another important gap lies in the limited integration of human resource management, sustainability, and SME competitiveness within a single analytical framework, particularly in the context of global economic change and geopolitical uncertainty. While macro-level reports provide valuable insights into global trends, they do not adequately capture the micro-level dynamics of SMEs in developing countries such as Indonesia.

Therefore, there is a clear need for research that explores how SMEs in Indonesia leverage human resource strategies to strengthen their sustainable competitiveness amid global uncertainty. Understanding these dynamics is essential for developing effective strategies that support SME resilience and long-term growth.

## **METHOD**

This study employs a qualitative research approach to explore human resource strategies in strengthening sustainable competitiveness among small and medium-sized enterprises (SMEs) in Indonesia amid a changing global economy and geopolitical uncertainty. A qualitative approach is appropriate as it enables an in-depth understanding of complex organizational practices and the lived experiences of SME actors in responding to dynamic external challenges (Creswell & Poth, 2018). This research adopts a case study design, which is suitable for investigating contemporary phenomena within real-life contexts, particularly when the boundaries between the phenomenon and context are not clearly evident (Yin, 2018). The study focuses on several SMEs operating in different sectors in Indonesia to capture diverse perspectives on human resource practices and organizational adaptation. The selected SMEs are those that have experienced changes in their business environment due to global economic fluctuations and are actively engaged in maintaining or improving their competitiveness.

Data were collected through in-depth, semi-structured interviews with SME owners, managers, and employees. Semi-structured interviews allow flexibility in exploring participants' perspectives while maintaining consistency across key research themes (Kvale & Brinkmann, 2015). The interviews addressed several aspects, including workforce adaptability, skill development, leadership practices, employee engagement, and organizational responses to global economic and geopolitical challenges. In

addition, relevant documents such as internal reports, training materials, and business records were reviewed to support and triangulate the interview data (Patton, 2015). The sampling technique used in this study is purposive sampling, in which participants are selected based on their relevance to the research objectives (Etikan, Musa, & Alkassim, 2016).

A limited number of SMEs were involved to ensure depth of analysis rather than breadth, which is consistent with qualitative research principles. Data analysis was conducted using thematic analysis, following a systematic process of data familiarization, coding, categorization, and theme development (Braun & Clarke, 2006). This approach enables the identification of key patterns and relationships related to human resource strategies and their role in enhancing SME competitiveness. The analysis emphasizes how SMEs adapt their human resource practices to cope with global uncertainty and sustain their performance. To ensure the trustworthiness of the findings, this study applies several validation techniques, including data triangulation, member checking, and maintaining a clear audit trail (Lincoln & Guba, 1985). These strategies enhance the credibility, dependability, and confirmability of the research findings.

## **RESULT AND DISCUSSION**

The findings of this study highlight the critical role of human resource (HR) strategies in strengthening the sustainable competitiveness of small and medium-sized enterprises (SMEs) in Indonesia amid a changing global economy and geopolitical uncertainty. In line with the research objective, this discussion elaborates on how SMEs adapt their HR practices to respond to external pressures, enhance resilience, and sustain long-term performance.

### **1. Human Resource Strategies as a Source of Competitive Advantage**

The study reveals that human resources serve as a central strategic asset for SMEs in navigating global uncertainty. Consistent with the Resource-Based View proposed by Barney (1991), SMEs rely heavily on their human capital as a unique and inimitable resource to maintain competitiveness. Unlike large organizations that possess extensive financial and technological resources, SMEs depend on the skills, knowledge, and adaptability of their workforce to survive and grow.

Participants emphasized that employees are not merely operational contributors but key drivers of innovation and problem-solving. In many cases, SME owners adopt flexible HR practices, allowing employees to perform multiple roles and adapt quickly to changing business needs. This flexibility enhances organizational agility, which is crucial in responding to global economic disruptions such as fluctuating demand, supply chain instability, and rising costs.

Furthermore, the findings indicate that SMEs increasingly recognize the importance of aligning

HR strategies with long-term business sustainability. This includes not only improving employee performance but also fostering a work environment that supports continuous learning and innovation. Such practices reflect the shift from traditional HR management toward strategic human resource management, which integrates HR functions with organizational goals (Wright & McMahan, 2011).

## **2. Workforce Adaptability and Continuous Skill Development**

One of the most prominent themes emerging from the study is the importance of workforce adaptability and continuous skill development. SMEs face constant pressure to adjust to market changes driven by digital transformation and global economic shifts. As a result, employees are required to develop new competencies, particularly in digital skills, communication, and problem-solving.

The findings show that SMEs implement various forms of upskilling and reskilling, often through informal and cost-effective methods such as on-the-job training, peer learning, and self-directed learning. While these approaches may lack formal structure, they are highly relevant to the immediate needs of the business and contribute to building a flexible and responsive workforce.

This finding aligns with previous research emphasizing the importance of human capital development in enhancing organizational adaptability and innovation (Becker & Huselid, 1998). In the context of global uncertainty, the ability of employees to learn and adapt quickly becomes a critical determinant of business survival and competitiveness.

However, the study also identifies challenges in implementing structured training programs due to limited financial and technological resources. Many SMEs struggle to invest in formal training initiatives, highlighting the need for external support from government and institutions to facilitate workforce development.

## **3. Leadership and Employee Engagement in Driving Organizational Resilience**

Leadership emerges as a key factor in shaping HR strategies and organizational resilience. SME owners and managers play a central role in guiding employees through uncertain conditions and fostering a shared vision for sustainability. The findings suggest that adaptive and participative leadership styles are particularly effective in SMEs, as they encourage collaboration, trust, and open communication.

Leaders in SMEs often maintain close relationships with employees, which facilitates direct communication and quick decision-making. This relational dynamic enhances employee engagement and commitment, enabling organizations to respond more effectively to external challenges. Employee engagement, in turn, contributes to higher productivity, innovation, and organizational performance.

These findings are consistent with the literature on strategic HRM, which emphasizes the role of leadership and employee involvement in achieving organizational goals (Delery & Roumpi, 2017). In the context of SMEs, where organizational structures are typically less formal, leadership becomes even

more influential in shaping workplace culture and behavior.

Moreover, the study highlights that engaged employees are more willing to contribute ideas and participate in problem-solving processes. This participatory approach not only improves operational efficiency but also fosters a sense of ownership and responsibility among employees, which is essential for sustaining competitiveness in uncertain environments.

#### **4. Organizational Learning and Innovation as Drivers of Sustainability**

Another important finding is the role of organizational learning and innovation in supporting sustainable competitiveness. SMEs that actively promote a learning-oriented culture are better equipped to adapt to changes and identify new business opportunities. This includes encouraging knowledge sharing, experimentation, and continuous improvement.

The study finds that innovation in SMEs is often incremental rather than radical, focusing on improving existing products, services, or processes. Despite limited resources, SMEs demonstrate creativity and resourcefulness in developing innovative solutions to address market challenges. Human resource strategies play a crucial role in facilitating this process by creating an environment that supports learning and experimentation.

This finding supports the argument that human capital is a key driver of innovation and competitive advantage (Wright & McMahan, 2011). In a rapidly changing global economy, the ability to innovate continuously is essential for maintaining relevance and competitiveness.

Additionally, the integration of sustainability principles into business practices is increasingly recognized as a strategic priority. SMEs are beginning to adopt more sustainable approaches, such as reducing waste, improving efficiency, and considering social and environmental impacts. HR strategies contribute to this transition by raising employee awareness and promoting responsible behavior.

#### **5. Challenges and Constraints in Implementing HR Strategies**

Despite the positive role of HR strategies, the study also identifies several challenges faced by SMEs in their implementation. The most significant constraint is limited resources, including financial, technological, and human capital. These limitations restrict the ability of SMEs to invest in advanced HR practices and training programs.

Another challenge is the informal nature of HR management in many SMEs. HR practices are often unstructured and reactive rather than strategic, which may hinder long-term planning and development. Additionally, external factors such as economic instability and policy uncertainty further complicate decision-making processes.

These challenges highlight the need for supportive policies and programs that can enhance the capacity of SMEs in managing their human resources effectively. Collaboration between government,

educational institutions, and industry stakeholders is essential in providing training, resources, and guidance to SMEs.

## **6. Implications for Theory and Practice**

From a theoretical perspective, this study contributes to the literature by integrating human resource management, sustainability, and SME competitiveness within the context of global uncertainty. It reinforces the relevance of the Resource-Based View in explaining how human capital serves as a strategic asset in SMEs.

From a practical perspective, the findings provide valuable insights for SME practitioners and policymakers. SMEs are encouraged to adopt strategic HR practices that focus on adaptability, continuous learning, and employee engagement. At the same time, policymakers should develop initiatives that support HR development in SMEs, particularly in areas such as digital skills and leadership training.

## **CONCLUSION**

This study highlights the strategic role of human resource (HR) practices in strengthening the sustainable competitiveness of small and medium-sized enterprises (SMEs) in Indonesia amid a changing global economy and geopolitical uncertainty. The findings demonstrate that SMEs are required not only to survive but also to adapt and transform in response to external pressures such as economic instability, global market shifts, and geopolitical disruptions.

The study reveals that human resource strategies play a crucial role in enhancing organizational resilience and long-term performance. Key elements such as workforce adaptability, continuous upskilling and reskilling, employee engagement, and adaptive leadership significantly contribute to the ability of SMEs to remain competitive. In addition, fostering a learning-oriented organizational culture and encouraging innovation are essential in supporting sustainable business practices.

Despite facing various constraints, including limited resources and informal HR practices, SMEs demonstrate the capacity to adjust their human resource strategies in response to global challenges. This indicates that human capital serves as a critical driver of competitiveness, particularly in resource-constrained environments. Overall, the study confirms that effective HR strategies are fundamental in enabling SMEs to move beyond survival toward sustainable competitiveness.

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