

# The Improvement of Managerial Capacity of MSMEs in Facing Global Competition

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## Article History:

Received: January 10, 2025

Revised: January 23, 2025

Accepted: January 28, 2025

**Keywords:** *Managerial capacity, Small and Medium Enterprises (SMEs), Financial literacy, Strategic planning, Digital adoption, Competitiveness.*

**Abstract:** *This study examines the role of managerial capacity in enhancing the competitiveness of Small and Medium Enterprises (SMEs) in the global market. It highlights the importance of key factors such as financial literacy, strategic planning, leadership development, and digital adoption in improving SMEs' operational efficiency, market expansion, and long-term sustainability. Through a combination of survey data and case studies, the research identifies both the benefits and barriers of capacity-building initiatives, revealing that SMEs with structured management frameworks and access to training programs are more resilient and adaptable to market changes. The study concludes that continuous investment in managerial skills development is crucial for SME growth and economic contribution, recommending policy interventions and collaborative efforts between government, academia, and the private sector to strengthen SME competitiveness.*

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## Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in economic development, contributing significantly to employment creation, income generation, and poverty alleviation. As the backbone of many economies, particularly in developing countries, MSMEs face numerous challenges in sustaining and expanding their businesses. One of the most pressing challenges is adapting to the demands of globalization, where competition is no longer limited to local markets but extends to regional and international arenas (Adibah, 2020).

Global competition has intensified due to advancements in technology, digital transformation, and the emergence of multinational corporations that penetrate local markets. MSMEs, which often operate with limited financial resources, managerial expertise, and technological capabilities, struggle to keep pace with these rapid changes.

To survive and grow in this highly competitive environment, strengthening managerial capacity is imperative (Deti et al., 2024). Managerial capacity encompasses various aspects, including strategic planning, financial management, marketing strategies, human resource management, and the ability to leverage digital tools. Many MSMEs operate informally, with business owners making ad-hoc decisions without structured managerial frameworks. This lack of systematic management often leads to inefficiencies, financial mismanagement, and limited business scalability (Priana, 2023).

Effective managerial practices enable MSMEs to identify opportunities, mitigate risks, and enhance their overall competitiveness. For instance, the adoption of financial literacy programs can improve budgeting and investment decisions, while strategic planning workshops can help business owners formulate long-term growth strategies. Additionally, digital marketing training can empower MSMEs to expand their market reach beyond local boundaries (Kusumandari et al., 2024). The role of capacity-building programs is crucial in equipping MSMEs with the necessary skills and knowledge to navigate complex business environments (Ermawati & Supeni, 2021). Government agencies, academic institutions, and non-governmental organizations (NGOs) have initiated various training and mentorship programs to support MSMEs. However, the effectiveness of these programs depends on their accessibility, relevance, and sustainability (Romadhoni et al., 2022).

One key aspect of managerial capacity enhancement is the integration of technology. Digitalization has transformed business operations, allowing MSMEs to automate processes, access global markets, and engage with customers through e-commerce platforms. Nevertheless, the digital divide remains a challenge, as many MSMEs lack the resources or knowledge to implement digital solutions effectively (Widana, 2020). In addition to technological adaptation, global competition necessitates improved supply chain management, product innovation, and networking capabilities. MSMEs must establish partnerships with larger enterprises, explore export opportunities, and continuously innovate their products or services to maintain a competitive edge. These strategies require a strong foundation in managerial competencies (Kusumawardhany, 2020).

Entrepreneurial mindset and leadership skills also play a pivotal role in managerial capacity development. Business owners must be proactive in seeking knowledge, adapting to market trends, and fostering a culture of continuous improvement within their organizations. Leadership development programs can instill resilience, problem-solving abilities, and strategic thinking among MSME managers (Rokhim et al., 2024). This journal aims to examine the significance of managerial capacity enhancement for MSMEs in the context of global competition. It will explore best practices, challenges, and policy recommendations to support the sustainable growth of MSMEs. Through empirical studies and case analyses, this research seeks to

contribute to the ongoing discourse on MSME development and economic resilience. By strengthening managerial capacity, MSMEs can enhance their adaptability, improve operational efficiency, and create a more sustainable and competitive business ecosystem. The findings of this study will provide valuable insights for policymakers, practitioners, and business owners in fostering an enabling environment for MSME growth amid global competition.

## Method

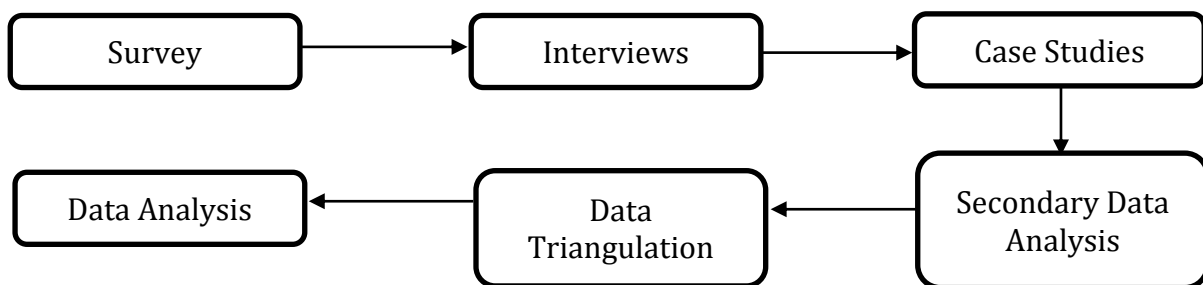


Figure 1. Flowchart of Research

This study employs a mixed-methods approach combining qualitative and quantitative research techniques to comprehensively analyze the enhancement of managerial capacity among MSMEs. The research methodology includes data collection through surveys, interviews, and case studies of selected MSMEs. First, a structured survey is conducted among MSME owners and managers to assess their current managerial competencies, challenges faced in global competition, and their access to capacity-building programs (Nurhayati, 2020). The survey employs a Likert-scale questionnaire to quantify respondents' perceptions and experiences. Second, in-depth interviews with key stakeholders—including government representatives, business development organizations, and MSME practitioners—are carried out to gain qualitative insights into the effectiveness of existing capacity-building initiatives. These interviews provide a deeper understanding of the gaps in managerial training and policy implications. Third, case studies of successful MSMEs that have effectively enhanced their managerial capacity and expanded in the global market are analyzed. The case studies highlight best practices, strategic approaches, and critical success factors that can be replicated by other MSMEs (Krisna, 2024). Furthermore, secondary data analysis is conducted using government reports, academic publications, and industry reports to support the findings and provide a broader contextual understanding. Data triangulation is applied to ensure reliability and validity by cross-referencing information from multiple sources. The data analysis involves both descriptive and inferential statistical methods for quantitative data and thematic

analysis for qualitative data. Descriptive statistics summarize survey results, while inferential statistics, such as regression analysis, identify correlations between managerial capacity and MSME competitiveness. Thematic analysis identifies patterns and themes from interview transcripts and case studies. By employing this comprehensive methodology, the study aims to provide empirical evidence on the importance of managerial capacity-building and offer practical recommendations for MSME development in the global competitive landscape.

## Result

The results of this study indicate that managerial capacity plays a crucial role in enhancing the competitiveness of MSMEs (Micro, Small, and Medium Enterprises) in the global market. Survey findings reveal that MSMEs with structured managerial frameworks, financial literacy, and strategic planning capabilities tend to perform better in terms of revenue growth, market expansion, and operational efficiency. These findings highlight the necessity of effective management practices in ensuring MSME success in competitive environments.

A qualitative analysis based on interviews highlights that many MSMEs lack access to formal training programs, which limits their ability to adapt to changing market dynamics. MSME owners and managers often face challenges in acquiring managerial skills, especially in areas such as financial management, business strategy, and leadership. However, those who have participated in government-sponsored or private-sector training initiatives report significant improvements in their decision-making processes, business sustainability, and overall competitiveness.

Case study analyses of successful MSMEs demonstrate that effective managerial strategies, including digital marketing, strategic alliances, and continuous skills development, contribute significantly to their ability to compete globally. These MSMEs leverage technology and innovation to enhance their market reach, optimize their internal operations, and develop competitive advantages over their rivals (Hakim et al., 2024).

The adoption of digital tools, such as e-commerce platforms, cloud-based accounting software, and AI-driven customer relationship management (CRM) systems, has enabled MSMEs to improve customer engagement, streamline operations, and explore new revenue streams. Digital transformation is increasingly recognized as a critical factor in MSME competitiveness. Firms that embrace digitalization tend to have higher productivity, better market adaptability, and stronger financial performance.

Furthermore, statistical analysis suggests a strong correlation between managerial capacity-building programs and MSME competitiveness. Firms that actively engage in these programs exhibit higher resilience against market uncertainties,

improved financial planning, and enhanced innovation capabilities. Data-driven insights reveal that managerial training leads to tangible business outcomes, such as higher profit margins and sustainable growth (Khairunnisa et al., 2024).

Despite the benefits, the study identifies several key barriers to managerial capacity development. These include financial constraints, limited awareness of available training programs, and resistance to change among MSME owners. Many business owners prioritize short-term survival over long-term managerial improvement, which hinders their ability to capitalize on growth opportunities.

Addressing these barriers requires policy interventions, subsidies, and targeted training modules that focus on the specific needs of MSMEs. Governments and private institutions must collaborate to design accessible, affordable, and high-impact training programs that enhance managerial competencies. Encouraging participation in these programs can significantly improve the business acumen of MSME managers.

The findings underscore the importance of continuous investment in managerial skills development to ensure the long-term sustainability of MSMEs. Strengthening managerial capacity allows MSMEs to navigate complex business environments, seize new market opportunities, and enhance their strategic decision-making capabilities. Without sustained investments in human capital, MSMEs risk stagnation and decreased competitiveness (Megawaty et al., 2024).

Policy recommendations include increased government support for training programs, stronger collaboration between academia and industry, and the promotion of digital literacy among MSMEs. Developing customized training modules for different business sectors can ensure that MSME owners and managers receive practical and applicable knowledge to enhance their operational efficiency.

By implementing these strategies, MSMEs can strengthen their managerial competencies, improve their adaptability to global competition, and contribute more effectively to economic growth and employment generation. Governments, business associations, and educational institutions must work together to empower MSMEs with the necessary skills and knowledge to thrive in an increasingly competitive global market.

Managerial capacity is not only a determinant of MSME competitiveness but also a key driver of organizational resilience. In an increasingly volatile business environment, MSMEs that invest in managerial training and development demonstrate higher levels of adaptive capacity. This means they can respond more effectively to external challenges such as economic downturns, supply chain disruptions, and technological advancements. Without adequate managerial skills, MSMEs face difficulties in making data-driven decisions, which often results in inefficient resource allocation and missed market opportunities.

One of the critical aspects of managerial capacity is financial literacy, which directly affects business sustainability. MSMEs with strong financial management skills are better equipped to handle cash flow, reduce costs, and make informed investment decisions. Many small enterprises fail due to poor financial planning and a lack of access to credit, which stems from insufficient financial knowledge. Empirical evidence suggests that MSMEs that undergo financial management training experience a significant improvement in profitability and liquidity management, allowing them to withstand economic shocks more effectively.

Another crucial factor is strategic planning, which enables MSMEs to set clear goals, allocate resources efficiently, and develop a competitive edge. Many MSMEs operate without a structured business strategy, which limits their ability to scale and expand into new markets. Research findings indicate that businesses that engage in formal strategic planning processes demonstrate higher growth rates, better risk management, and improved innovation performance. Strategic planning also enhances their ability to form alliances and partnerships, allowing them to access new distribution channels and customer segments.

The role of leadership and organizational culture in MSME success cannot be overstated. Effective leaders foster a culture of innovation, collaboration, and continuous learning, which enhances organizational agility. Leadership development programs have been shown to increase employee engagement, productivity, and overall business performance. MSMEs that invest in leadership training create a more adaptable workforce capable of responding to changing market demands and technological disruptions.

A significant challenge faced by many MSMEs is the limited adoption of digital technologies, despite their potential to improve efficiency and market reach. Digitalization is a game-changer for small businesses, enabling them to automate processes, engage with customers more effectively, and access global markets. However, the digital transformation process requires technical skills, strategic vision, and investment in digital infrastructure. Firms that lack managerial expertise in digital strategy often fail to leverage the full potential of e-commerce, data analytics, and automation tools.

Case studies of successful MSMEs highlight the importance of continuous skill development and innovation-driven management. Enterprises that regularly update their knowledge base, stay informed about industry trends, and experiment with new business models tend to have higher survival rates and greater profitability. Learning from industry best practices allows MSMEs to avoid common pitfalls and implement proven strategies for growth. The integration of mentorship and peer-learning programs has also proven beneficial, as MSME owners gain insights from experienced entrepreneurs.



A closer look at government policies aimed at enhancing managerial skills among MSMEs reveals varying degrees of effectiveness. Some policies focus on subsidizing training programs, providing tax incentives for skill development, and fostering public-private partnerships to facilitate knowledge transfer. However, the success of these initiatives depends on their accessibility, relevance, and alignment with market needs. There is a growing need for data-driven policymaking to ensure that training programs address the specific challenges faced by MSMEs in different sectors.

Despite the availability of training programs, participation rates among MSME owners remain low due to various reasons, including time constraints, skepticism about the benefits of training, and financial limitations. Encouraging participation requires innovative approaches, such as integrating online learning platforms, offering micro-certifications, and providing flexible learning schedules. Additionally, peer networks and industry associations can play a critical role in promoting the value of managerial education and fostering a culture of continuous improvement.

The findings from this study emphasize the long-term economic impact of managerial capacity-building programs. Stronger MSMEs contribute to job creation, income generation, and regional economic development. By equipping entrepreneurs with the right management tools and frameworks, economies can build a more resilient and competitive business ecosystem. The ripple effect of improved MSME performance extends beyond individual businesses, influencing supply chains, consumer markets, and overall economic stability.

In conclusion, managerial capacity is a critical success factor for MSMEs seeking to thrive in the global market. Investment in financial literacy, strategic planning, leadership development, and digital transformation is essential to overcoming growth barriers and market uncertainties. Policymakers, educational institutions, and private sector stakeholders must collaborate to ensure that MSME owners have access to high-quality training programs that enhance their ability to navigate complex business environments. By addressing the structural barriers to managerial learning, MSMEs can unlock their full potential and contribute more significantly to economic prosperity and social development.

## Discussion

This study reaffirms that managerial capacity plays a central role in enhancing the competitiveness of SMEs (Small and Medium Enterprises) in the global market. Survey results reveal that SMEs with structured managerial frameworks, financial literacy, and strategic planning capabilities tend to perform better in terms of revenue growth, market expansion, and operational efficiency. These findings align with previous research that emphasizes the importance of managerial competence in driving

business success in competitive environments.

The analysis also highlights that many SMEs struggle with limited access to formal training programs, which hampers their ability to adapt to the rapidly changing market dynamics. While financial literacy is often a key weakness in many SMEs, the research found that businesses with strong financial management skills are more resilient and better equipped to manage cash flow, reduce operational costs, and make informed investment decisions. This reinforces the idea that improving financial literacy is a critical step for improving business sustainability and growth.

Furthermore, the research underscores the significance of strategic planning in improving SME competitiveness. Many SMEs tend to operate without a structured business strategy, which limits their capacity to scale, innovate, or enter new markets. Those SMEs that engage in formal strategic planning processes demonstrate higher growth rates and a better ability to mitigate risks. The ability to form strategic alliances and partnerships, as evidenced in the study, is also a significant contributor to success, enabling SMEs to access new distribution channels and markets.

Leadership and organizational culture also emerged as critical factors in SME success. Effective leaders foster a culture of innovation, collaboration, and continuous learning, which boosts an organization's adaptability and responsiveness to market changes. The study highlights that SMEs that invest in leadership development programs report better overall performance, higher employee morale, and stronger strategic decision-making abilities, which positively impact their competitive positioning in the market.

One of the primary challenges identified in the study was the low adoption of digital technologies in many SMEs, despite the well-documented benefits of digitalization. Digital tools such as e-commerce platforms, data analytics, and cloud-based systems can greatly enhance SMEs' market reach, operational efficiency, and customer engagement. However, the study suggests that many SMEs are reluctant to adopt such technologies due to managerial knowledge gaps and financial constraints. This underlines the need for targeted digital training programs that equip SME owners with the skills to leverage technology effectively.

Case study analyses of successful SMEs further reinforce the importance of continuous skills development and innovation-driven management. SMEs that are proactive in updating their knowledge, exploring new business models, and staying informed about market trends tend to outperform their competitors. The study also emphasizes the importance of peer learning and mentorship, where more experienced entrepreneurs provide guidance, allowing newer businesses to navigate the complexities of the market more effectively.

Although various government policies have been introduced to support



managerial training in SMEs, the study points out that their impact has been inconsistent. Many policies focus on subsidizing training programs or providing tax incentives, but the accessibility and relevance of these programs are not always aligned with the needs of SMEs. The research suggests that data-driven policymaking is essential to ensure that training initiatives are sector-specific and address the unique challenges faced by different SMEs. This could significantly improve the effectiveness of these policies and ensure greater participation among SMEs.

Despite the availability of such programs, the research found that many SME owners still exhibit reluctance to invest in managerial training, often due to time constraints, financial limitations, or skepticism about the tangible benefits of such programs. Encouraging participation requires more innovative and flexible training models, such as online platforms, micro-certifications, and blended learning approaches that cater to the busy schedules of SME owners. These methods could make training more accessible and relevant, encouraging higher engagement and long-term development.

Finally, the findings underscore that investment in managerial capacity is not just beneficial for the individual SMEs but also contributes significantly to economic growth. SMEs that enhance their managerial skills become more capable of generating employment, fostering innovation, and contributing to regional development. By strengthening managerial competence, SMEs can not only improve their own business outcomes but also stimulate economic diversification and resilience, ultimately playing a key role in sustainable national economic development.

In conclusion, this study highlights that managerial capacity is a key determinant of SME success, particularly in the context of global competition. By investing in financial literacy, strategic planning, leadership, and digital transformation, SMEs can overcome existing barriers and better position themselves for growth. Policymakers, industry stakeholders, and academic institutions must collaborate to provide targeted, accessible, and relevant training programs that meet the evolving needs of SMEs. With these investments, SMEs can strengthen their managerial competencies, enhance their competitive advantage, and contribute more effectively to economic prosperity and job creation.

## Conclusion

In conclusion, this study highlights the critical role of managerial capacity in enhancing the competitiveness and sustainability of SMEs in the global market. Key factors such as financial literacy, strategic planning, leadership, and digital adoption significantly contribute to SMEs' ability to navigate market challenges, drive innovation, and achieve sustainable growth. However, barriers such as limited access to training,

financial constraints, and resistance to change must be addressed through targeted policies and initiatives. Investing in continuous managerial skill development and fostering collaborative efforts between government, academia, and the private sector are essential for empowering SMEs to enhance their managerial competencies, improve resilience, and contribute meaningfully to economic development.

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