



# DEVELOPMENT STRATEGY OF FURNITURE MSMEs IN PASURUAN CITY WITH SOAR APPROACH TO IMPROVE COMPETITIVENESS AND SUSTAINABILITY

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## ABSTRACT

This research aims to formulate a development strategy for furniture MSMEs in Pasuruan City using the SOAR (Strengths, Opportunities, Aspirations, Results) approach. The main problems faced are the low utilization of digital marketing and the lack of understanding of business actors on the principles of sustainability. The method used is descriptive qualitative with case studies, through observation, interviews, and documentation of MSME actors and stakeholders. The results showed that the strengths of furniture MSMEs lie in product uniqueness, local artisan skills, and availability of raw materials. Strategic opportunities include the trend of digitalization and the increasing demand for environmentally friendly local products. Business aspirations include increasing production capacity, business regeneration, and market expansion. The proposed strategies include digital marketing training, management assistance, and collaboration with educational institutions. The concrete results expected from the implementation of this strategy are an increase in sales volume by 20-30% in the medium term, increased product competitiveness through quality certification and innovative designs, and the formation of a collaborative ecosystem between furniture businesses in Pasuruan City. This research concludes that the SOAR approach is able to provide constructive and realistic strategic direction in the development of furniture MSMEs in a sustainable manner by integrating internal potential and external opportunities synergistically.

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## 1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are key actors in driving national and local economies. According to the World Bank, around 90% of global businesses are MSMEs, which employ 50% of the world's total labor force [1]. In Indonesia, MSMEs contribute 61% to the national Gross Domestic Product (GDP) and absorb up to 97% of the workforce. This significant contribution makes the MSME sector the main pillar of the national economy and the driving force in achieving sustainable development goals (SDGs), especially in the aspects of job creation, innovation, and equitable distribution of welfare [2]; [3]. However, MSMEs face various obstacles that hinder the achievement of their optimal potential such as limited access to funding, minimal utilization of the latest technology, low capacity in management and entrepreneurship, lack of supporting infrastructure, and regulations that have not been maximally supportive [4]; [5]. These conditions can significantly slow down the growth rate and reduce the competitiveness of MSMEs in the market [6]. Therefore, strategic policies from the government are needed to overcome these challenges as a whole.

One of the MSME subsectors that has great potential to be developed is the furniture industry. In Pasuruan City, this sector is growing well along with the hereditary craft tradition, availability of raw materials, and diversity of product styles from classic carving to modern minimalist designs [7]. According to data from the Pasuruan City Cooperative and MSME Office (2023), the furniture sector contributes over 23% to the city's creative economy output, with more than 700 active business units concentrated in villages such as Bukir, Gadingrejo, and Panggungrejo. Despite this potential, furniture MSMEs in Pasuruan face serious constraints in adapting to modern market demands. These include limited access to digital platforms, low entrepreneurial education among artisans, and underutilization of online marketing channels. Moreover, the lack of strategic regeneration and managerial renewal hampers sustainability and long-term competitiveness. Without transformative intervention, this condition poses a threat to the continuity of local furniture businesses and the broader creative economy. Initial observations conducted by researchers on Furniture MSMEs, precisely in Bukir Village, where the majority of the population earns a living as furniture craftsmen, showed that the main problems faced by furniture MSME players are limited digital literacy, lack of regeneration of young labor, and lack of diversification of marketing strategies. The people of Bukir Village who work as furniture craftsmen on average have not received higher education so they have not been able to understand marketing strategies for the products they produce. If MSME actors are unable to face competitive challenges, it can have an impact on business continuity in the future [8].

In academic studies, MSME development strategies generally rely on SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis, which focuses too much on weaknesses and threats. This approach often results in strategies that are reactive and unable to encourage long-term innovation. As an alternative, the SOAR (Strengths, Opportunities, Aspirations, Results) approach comes with a positive, participatory, and visionary perspective. Sprangel et al. emphasize that SOAR focuses more on strengths and future aspirations as well as measurable results, in contrast to SWOT which tends to produce analysis that drains organizational energy [9]. Although the SOAR approach is starting to be applied in various sectors such as inclusive education [10] and digital services [11], its application in traditional sectors such as the furniture industry is still very limited. Most of the previous studies have only partially applied SOAR and have not thoroughly touched on the aspiration and outcome aspects [12]. This gap indicates a significant research space, both empirically and theoretically, especially in the context of a secondary city like Pasuruan that has a strong creative industry base but faces modernization challenges.

This is the basis of the research gap in this study-both empirically and theoretically. Empirically, there is no study that examines the development strategy of furniture MSMEs using the SOAR approach in the Pasuruan City area. Theoretically, there have not been many studies that integrate all elements in the SOAR framework systematically and deeply in the context of production-based small and medium industries. Based on this, the novelty element of this research is the application of the SOAR approach as a whole (not just partially) in developing a development strategy for furniture MSMEs based on strengths, opportunities, aspirations, and measurable results. The focus is on strengthening local capacity and developing digital-based markets by aligning the long-term vision of business actors and regional economic development policies. The preparation of strategies that are not only internal (micro), but also consider external synergies with other actors such as local governments, digital platforms, and distribution partners.

The choice of the SOAR approach is based on a number of sound reasons. First, SOAR focuses on internal strengths and external opportunities that can be positively leveraged to build competitive advantage. Second, SOAR emphasizes the importance of shared aspirations from businesses and local communities, so that the resulting strategies are more aligned with long-term needs and visions. Third, the "Results" component of SOAR demands tangible and measurable results, whether in the form of increased revenue, customer growth, digitization of business processes, or expansion of business networks. This approach provides a framework that is participatory, applicable, and results-oriented, in accordance with the dynamic and contextual characteristics of MSMEs. Academically, the use of SOAR in traditional sectors such as furniture is still very limited. Most existing studies have only adopted some elements of SOAR, without systemically integrating all of its components. This is where this research gap lies: There is no study that holistically applies the SOAR approach in the development strategy of furniture MSMEs at the city level, especially in areas such as Pasuruan that have potential as well as unique challenges. Therefore, this research not only provides a practical contribution, but also a theoretical contribution in developing a model of MSME strategy based on local strengths and aspirations.

In addition, this study will also be linked to approaches that can help MSMEs manage the social, environmental, and economic impacts of their activities, in this case by applying the triple bottom line (TBL) concept. SOAR analysis and the TBL concept have a synergistic relationship in designing sustainable business strategies. SOAR, with its focus on internal strengths, external opportunities, future aspirations, and expected outcomes, aligns with the TBL principle, which emphasizes a balance between financial profit, social impact, and environmental sustainability. In the context of strengths, SOAR directs attention to operational efficiency and environmentally friendly innovation that support the company's profitability and social contribution [13]. Meanwhile, opportunities analyzed within the SOAR framework can be directed toward capturing sustainable industry trends and adopting green business policies. Aspirations in SOAR drive an inclusive and environmentally conscious long-term vision, and expected outcomes reflect economic efficiency, positive social impact, and the achievement of environmental targets such as carbon emission reduction and energy efficiency. Therefore, the integration of SOAR and TBL helps organizations build strategies that are not only responsive to market dynamics but also contribute to comprehensive sustainable development [14]. Thus, the SOAR approach is not only an analytical tool, but also a transformation method that is able to empower MSMEs in a strategic, innovative and sustainable manner [15]. This approach emphasizes strengthening internal potential, identifying market opportunities, formulating long-term aspirations, and achieving measurable results in business planning. The application of this method is expected to build a foundation of relevant and applicable strategies in supporting the acceleration of furniture MSMEs as a leading sector of the local economy in Pasuruan City.

## 2. RESEARCH METHOD

This study uses a qualitative descriptive approach to gain an in-depth and comprehensive understanding of the development strategies of furniture MSMEs in Pasuruan City using the SOAR analysis framework. This method was chosen because it allows researchers to holistically explore the dynamics, challenges, and potential of furniture MSMEs in the local context through the interpretation of data obtained from various sources such as observation, interviews, and documentation. In line with Abdussamad [16] view, the qualitative approach provides space for researchers as the main instrument in exploring the meaning of visible and hidden data, as well as understanding phenomena in a contextual and naturalistic manner. The research location was determined at the Cooperative and Micro Business Office (Diskopum) and furniture SME centers spread across four main subdistricts in Pasuruan City: Gadingrejo, Purworejo, Bugulkidul, and Panggungrejo—chosen because they are central to the development of the local furniture industry.

Data was collected through primary and secondary sources to obtain a comprehensive and in-depth picture of the furniture MSME development strategy in Pasuruan City. Primary sources included direct observation at furniture MSME centers to observe geographical conditions, craftsmen's skills, and business support facilities. Interviews using informant selection techniques employed purposive sampling, based on subjects who had knowledge of the issue, possessed data, and were willing to provide relevant and competent information. The key informant in this study was the Head of the Micro Business Division at the Pasuruan City Cooperative and Small Business Agency. Subsequent informants were then requested by the initial informant to refer to other sources that could potentially provide information. In this case, these included the Entrepreneurship Development Staff of the Pasuruan City Cooperative and Small Business Agency and the Bukir Furniture Market Coordinator UPT. For data triangulation or verification of accuracy, subsequent informants were identified using snowball sampling. This study will analyze three perspectives: the Bukir UPT Furniture Market Retribution Coordinator, consumers as distributors and large corporate consumers, and micro, small, and medium furniture entrepreneurs.

Meanwhile, secondary data was obtained through agency surveys such as BPS and relevant literature studies as a complement to strengthen field findings. This study systematically applies data triangulation and methods to ensure the validity of the results. The three techniques (observation, interviews, and documentation) are used in parallel and complement each other: observation provides objective field data, interviews explore the subjective meanings and perceptions of the participants, while documentation reinforces or confirms these findings. This combination makes the research results richer, more in-depth, and academically accountable.

The focus of qualitative research serves as a problem limitation that helps researchers stay focused in analyzing the development strategy of furniture MSMEs in Pasuruan City through the SOAR approach from Stavros & Hinrichs [17], so that the scope of the research does not widen and remains in accordance with the predetermined objectives. The focus of research with SOAR indicators can be described in tab 1 as follows:

Tab 1: Research Focus

SOAR Component	Research Focus	Indicators
Strengths	Identify internal strengths of furniture MSMEs in Pasuruan City	a. Diverse, innovative, and high-quality furniture products b. Strategic sales locations c. Artisan competency (skills, knowledge, capabilities) d. Flexible and satisfying customer service e. Affordable and competitive pricing
Opportunities	Explore external opportunities in the business environment of MSMEs	a. Market expansion domestically and internationally b. Direct collaboration with raw material suppliers (forest farmers) c. Changes in consumer preferences toward design and sustainability d. Utilization of social media and e-commerce platforms e. Brand collaboration to expand market reach
Aspirations	Understand long-term goals and visions of stakeholders	a. Addressing limitations in working capital b. Strengthening cultural identity through furniture design c. Regeneration of furniture business actors d. Continuous technical and managerial training e. Infrastructure improvements for sustainable business growth
Results	Measure performance outcomes from government and stakeholder efforts	a. Increased number of customers and sales b. Established collaborations and partnerships c. Improved digital and marketing skills among MSMEs d. Enhanced competitiveness of the local furniture sector

The data analysis technique of this research refers to the Miles and Huberman [18] interactive model which includes four stages: data collection, data condensation, data presentation, and conclusion drawing and verification. Through these stages, data collected from observations, interviews, and documentation were selected, focused, summarized, and arranged systematically to obtain an in-depth understanding of the development strategy of Furniture MSMEs in Pasuruan City using the SOAR approach. This approach allows researchers to produce valid, objective, and accountable analysis.

### 3. RESULT AND ANALYSIS

The findings are based on data collection through observation, interviews, and documentation studies conducted with various parties involved in the development of furniture MSMEs in Pasuruan City. The discussion is conducted systematically to provide a comprehensive understanding of the current conditions faced by furniture MSMEs in Pasuruan City and potential development strategies. In this context, the discussion will focus on two main aspects: first, identifying various challenges arising from internal and external factors that hinder business sustainability and growth; and second, formulating appropriate and applicable development strategies through the SOAR analysis approach. These two aspects are key to designing policy directions and interventions that can strengthen the competitiveness of furniture SMEs in Pasuruan City at the local and global levels.

#### 3.1. Internal and External Constraints of Furniture MSMEs in Pasuruan City

In an effort to understand the factual conditions and real challenges faced by Furniture MSME actors in Pasuruan City, it is important to examine the various obstacles that arise both from within the business itself and from its external environment. These constraints are the main inhibiting factors in the business development process and need to be identified systematically as a basis for developing strategies to strengthen MSMEs. The condition of MSMEs in the furniture sector in Pasuruan City shows complex dynamics, where the great potential that exists is still faced with various obstacles, both internal and external. Identifying these two factors is important as a basis for formulating relevant and sustainable strengthening strategies. Internal factors include obstacles originating from within the business itself, such as limited capital, managerial capacity, and production facilities, while external factors relate to environmental aspects such as infrastructure, market access, and government policy support. Understanding both types of challenges is crucial as a foundation for developing more targeted, responsive, and sustainable business development strategies.

From the internal factor perspective, one of the main challenges faced by furniture SMEs is the weakness of production management systems and the lack of utilization of data-based technology for business evaluation and planning. This aligns with the findings of Kirom et al., who state that SMEs in Indonesia are generally managed informally and have not adopted data-based management systems or systematic process improvements [19]. As a result, business operators struggle to improve efficiency and productivity. On the other hand, limitations in innovation capacity and low ability to absorb new knowledge known in the literature as absorptive capacity—also pose serious obstacles. A study in the Gerbangkertosusila region confirms that improving the performance of furniture MSMEs is highly dependent on the ability to absorb information and technology and maintain consistent product quality [20]. However, the reality on the ground shows that many business actors in Pasuruan still face difficulties in accessing knowledge and technology resources that are relevant to market needs. Another internal constraint that often complicates business development is limited access to working capital and productive financing. Many SMEs still heavily rely on their own capital or informal loans because they lack access to formal financial institutions. The absence of collateral, weak financial literacy, and insufficient accounting documentation are the main causes of difficulty in accessing capital. This has an impact on the slow modernization of production equipment and limited business expansion into broader markets.

Meanwhile, from an external perspective, the most significant challenge faced by furniture SME operators is the limited supporting infrastructure, particularly in terms of road access, loading and unloading facilities, and product display space. In some industrial centers like Bukir Village, narrow roads and an unrepresentative environment make the distribution and transportation of goods inefficient. This is reinforced by research by Tukamuhabwa & Mutebi [21], which emphasizes that supply chain performance in the furniture industry is greatly influenced by infrastructure and a competitive culture that supports efficiency. Access to digital technology and internet-based promotional tools remains a significant challenge. Despite the growing dominance of e-commerce and digital marketing trends, many furniture SMEs in Pasuruan lack adequate digital capabilities, both in terms of using online platforms and producing marketing content. However, international literature highlights that the success of SMEs in enhancing competitiveness is greatly influenced by their ability to innovate, adapt to technology, and have a strong market orientation and entrepreneurial spirit [22] [23]. Furthermore, external challenges also stem from the increasing pressure of global competition. Furniture products from countries like China and Vietnam offer lower prices with competitive designs, putting significant pressure on local SMEs. Additionally, past unregulated policies on the export of raw timber materials have negatively impacted the availability of local raw materials.

Overall, the combination of internal limitations such as weak production management, low innovation capacity, and limited access to capital, along with external challenges such as inadequate infrastructure, limited digital access, and intense market competition, constitutes a significant barrier to the development of furniture SMEs in Pasuruan City. Therefore, a holistic strengthening approach is needed, both through the empowerment of internal business capacity and external intervention from the government, private sector, and supporting institutions.

#### 3.2. Development Strategy for Furniture MSMEs in Pasuruan City

The SOAR analysis not only helps identify the potential of furniture MSMEs in Pasuruan, but also leads them to design realistic, collaborative and sustainable strategies in order to address internal and external challenges. The goal is to gain a comprehensive understanding of internal strengths, external opportunities, collective aspirations, and tangible results that form the basis for developing relevant and applicable development strategies.

##### Strength

The furniture MSME sector in Pasuruan City has solid internal strengths and supports each other. The furniture products produced show a diversity of forms, functions, and designs, with innovative touches that follow market trends, ranging from classic models to modern minimalism that is custom and adaptive. The location of product sales, especially in Bukir Furniture Market, has a strategic position that is easily accessible to buyers from within and outside the city, thus strengthening the existence and visibility of the business. The skills, knowledge, and abilities of the craftsmen are highly

competent, both in terms of techniques, understanding of materials, and adaptation to consumer demand, which are obtained through generations and government training. The services provided are also very flexible and satisfying, as furniture businesses are willing to customize designs, sizes, and special needs of consumers directly, even in large quantities and limited time. In terms of price, Pasuruan's furniture products are considered very competitive, affordable, but still prioritize quality, so they are able to reach various market segments and gain customer loyalty. Overall, these strengths are an important foundation for furniture MSMEs in Pasuruan City to continue to survive and thrive in an increasingly competitive business climate.

These strengths directly help overcome internal constraints such as limited capital and production management, as product quality and flexibility increase customer loyalty and strengthen MSMEs' position in the market. This is because unique, innovative and customizable products mean that MSMEs do not need to compete strictly on price, but rather on value-added and product differentiation. Thus, while capital constraints prevent massive investment in promotion or technology, the quality of familiar products and the ability to respond quickly to customer needs can sustain market demand. On the other hand, flexibility in services, such as accepting custom orders and short lead times, are replacing the need for complex production management systems, as production processes are more made-to-order than mass stock. This allows MSMEs to manage resources efficiently, minimize the risk of unsold products, and maintain a more stable cash flow.

#### **Opportunities**

Furniture MSMEs in Pasuruan City have a great opportunity to grow through the expansion of domestic and export markets, mainly due to competitive products in terms of design, price, and production flexibility. Changes in people's consumption patterns that increasingly pay attention to aesthetics and sustainability are opportunities to develop value-based products. In addition, the development of digital technology and the utilization of social media ads open up wider and more effective marketing access. Cross-brand collaboration and synergy with creative industry players are also promising strategies in expanding market reach and creating added value. On the other hand, upstream-downstream collaboration with local forest farmers is an opportunity to build an efficient, sustainable supply chain and strengthen the overall competitiveness of furniture products.

This opportunity helps MSMEs overcome external challenges such as limited infrastructure and narrow market access by utilizing digital platforms and expanding distribution networks through cross-sector partnerships. In this context, physical infrastructure limitations such as narrow access roads, lack of product display space, and inadequate distribution facilities can be compensated through the optimization of digital platforms such as marketplaces, social media, and online catalogues. Digitalization allows MSMEs to reach consumers outside their physical areas without the need to rely on large showrooms or conventional retail networks. In addition, cross-sector partnerships with creative industry players, e-commerce, interior design communities, and the tourism and hospitality sectors open up wider distribution opportunities. Through this collaboration, MSMEs can market their furniture products to various market segments, including institutional and export customers, without having to build their own distribution channels which are costly. In this way, external constraints can be strategically overcome through the utilization of digital opportunities and synergies between economic actors.

#### **Aspiration**

Furniture MSMEs in Pasuruan City have strong aspirations for the sustainability and quality improvement of their businesses. The main expectations include the regeneration of business actors through the involvement of the younger generation to keep the business alive across generations, capacity building through continuous training in production techniques and management coaching, and improvement of infrastructure, both physical and digital. Businesses want more representative production spaces, shared display facilities, good logistics access, and practical and applicable business assistance. These aspirations reflect the spirit of MSME players to not only maintain their businesses, but also grow more professional, adaptive, and relevant in the midst of changing times. This is an important basis for the formulation of MSME development policies based on real and sustainable needs.

This aspiration shows the orientation of MSME players to transform from conventional businesses into professional and highly competitive business entities, while also responding to the challenges of regeneration and modernization. This means that MSME players no longer position themselves as traditional craftsmen who focus solely on production, but begin to realize the importance of business governance that is more systematic, data-based, and responsive to market dynamics. The aspiration to involve the younger generation in management and production reflects the realization that business sustainability requires an active regeneration process, given that the majority of current actors come from the older generation with limited access to technology and innovation. On the other hand, the desire to improve managerial capacity and infrastructure shows that MSMEs do not just survive, but want to grow into local economic actors capable of competing regionally and globally. This transformation process is also closely related to work system modernization, marketing digitalization, brand development, and production technology adoption-all of which are important elements in shifting the business paradigm from traditional small-scale to professional and market-oriented medium-scale.

#### **Result**

This study found that the implementation of the development strategy of furniture MSMEs based on strengths, opportunities, and aspirations has resulted in real and significant changes in the business performance of furniture actors in Pasuruan City. There are four main achievements that are indicators of the success of this sector transformation: First, Establishment of cooperation and collaboration between parties. Collaboration is a new foundation in building a strong furniture ecosystem. Partnerships are formed between craftsmen, government, distributors, and other creative industry players. This collaboration includes joint promotion, strengthening the distribution system, and technical assistance that strengthens the position of MSMEs in the furniture industry value chain. Second, Increase in Number of Customers and Product Sales. Furniture MSMEs experienced growth in the number of customers, both from within and outside the region.

This increase is driven by better product quality, design innovation, responsive service, and more massive promotion through social media. Customer loyalty has begun to form, and production capacity has increased as demand grows. It can be seen in Figure 1, a graph illustrating the increasing sales trend of furniture MSMEs in Pasuruan City. It can be seen that all actors experienced a significant increase in sales, with a range of 30% to 60%, especially after they adopted digital strategies and improved customer service.

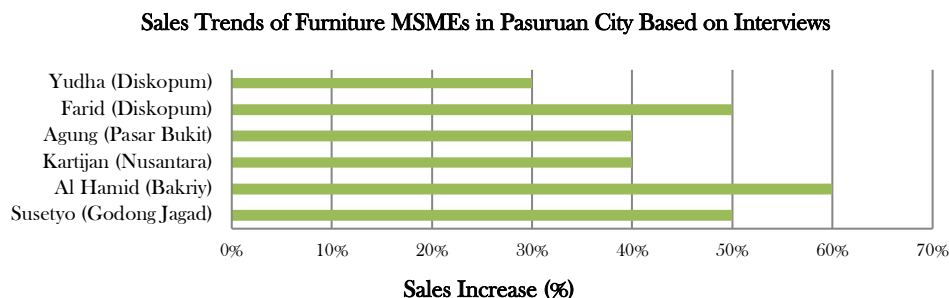


Figure 1. Increasing Sales Trend of Furniture MSMEs

Third, Improved Online and Offline Marketing Skills The ability of artisans to market their products has improved significantly. They are now able to manage social media, create digital content, and serve consumers through online platforms. On the other hand, offline marketing strategies have also matured through display arrangements, direct services, and participation in exhibitions. The following is a table of marketing competencies that illustrates the increased ability of furniture MSME craftsmen in Pasuruan City in online and offline aspects:

Tab 2: Marketing Competence of Furniture MSME Actors

No.	Online Marketing Competencies	Offline Marketing Competencies	Additional Information
1.	Managing social media (Instagram, TikTok), digital promotion, understanding product visual quality	Store display space arrangement, visual branding	Training results facilitated by Diskopum Kota Pasuruan
2.	Creating digital catalogs, running paid ads (FB Ads), promotion through short videos	Develop a direct service strategy, participate in exhibitions with a modern booth concept	Intensive mentoring for young actors
3.	Manage marketplace social media accounts, reply to customer chats, post actively on a regular basis	Improved store visuals and live product information system	Seeing significant changes in Bukir Market
4.	Instagram content upload, interaction with out-of-town customers, promotion of superior products	Customer education, product quality demonstrations, neat displays	Experience transitioning from conventional to digital marketing
5.	Create partner digital content, manage posting hours & online market segmentation	Product distribution to exhibitions, cooperation with resellers and direct presentations	Manufacturer-distributor combination
6.	Post products on Facebook & WA, video content collaboration with local youths	Provision of printed catalogs, price tags, store display improvements	Digital adaptation based on local informal partnerships

Lastly, Increased Competitiveness of the Furniture Sector. The competitiveness of Pasuruan's furniture MSMEs is getting stronger at the regional and national levels. This is demonstrated by the strengthening of business identity, utilization of marketing technology, and consistency of product quality. Furniture MSMEs are now not only competent in production, but also excel in brand communication and customer relations. With the support of the right policies and facilities, the Pasuruan furniture industry shows great potential to enter the export market. The following is a summary table of indicators of increasing the competitiveness of the furniture sector in Pasuruan City:

Tab 3: Indicators of Increased Competitiveness Furniture Sector of Pasuruan City

No.	Visible Aspects of Competitiveness	Real Form in the Field
1.	Design innovation, branding, and product quality	Furniture products began to adjust interior trends, have entered markets outside Java
2.	Response to market trends and service development	Custom furniture, efficient production, fast and precise service

No.	Visible Aspects of Competitiveness	Real Form in the Field
3.	Product differentiation and increased promotion	Shops at Pasar Bukir display a variety of thematic furniture and introduce own brand labels
4.	Professionalism, service, and production quality	Use of quality materials, fast customer response system, neater packaging
5.	Efficiency, quality consistency, and trust in cooperation	On-time production, stable quality, and improved packing quality for out-of-region market needs
6.	Local product image, customer trust, and personalization	Increased trust in local products, locally-made labels, and ability to accept custom orders

Over time, this area developed into a furniture center that not only serves the local East Java market, but also reaches national markets such as Jakarta, Kalimantan and Bali. In fact, some of Pasuruan's furniture products have successfully penetrated the export market to Malaysia, Hong Kong, to the United States and Europe as shown in the table below:

Tab 4: Furniture & Processed Wood Exports - Pasuruan City in 2021

Commodities	Export Value (US\$)	Country of Destination
Engineered wood	2.170.515	Japan
Furniture	731.927	France
Crafts & furniture	3.303.110	Hong Kong, USA, France, Taiwan,
(total of all wood & marine products including furniture)		Canada, Malaysia, Singapore

Source: Furniture & Processed Wood Export - Pasuruan City (2021 Data)

One of the strengths of the Pasuruan furniture industry is the courage of craftsmen in adopting the "Observe, Imitate, and Modify" (ATM) design strategy that is tailored to market tastes. In 2017, Pasar Bukir experienced a major fire, but was then massively revitalized by the government in 2020 with a budget of more than Rp10 billion, making it a modern furniture center that is organized, clean, and equipped with public facilities such as large parking lots and prayer rooms.

Tab 5: Number of Furniture Industries in Pasuruan City

Categories	Data
Number of furniture entrepreneurs (IKM)	467 entrepreneurs
Annual number of product types	19.991 product items
Number of traders in Bukir Market	453 active traders

Source: Office of Cooperatives and Micro Enterprises of Pasuruan City, April (2025)

Today, the center of Pasuruan's furniture industry is focused in Bukir Village, Randusari, Gadingrejo - including the ±2 ha Bukir Furniture Market with 467 active businesses producing 19,991 product items annually. Entrepreneurs are spread across the Gadingrejo sub-district and villages such as Purutrejo, Bukir, Randusari, Krapyakrejo, Gentong, Petahunan, Purworejo, Seban, and Pohjentrek. The industry is one of the city's economic backbones, absorbing more than half of the industrial sector workforce and contributing significantly to the Gross Regional Domestic Product (GRDP).

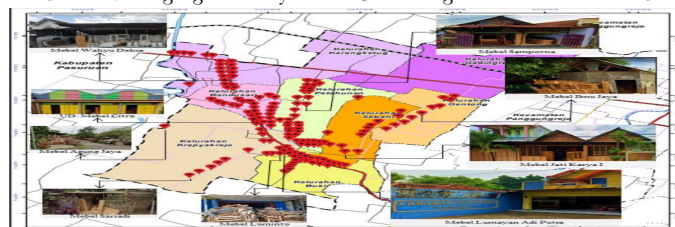


Figure 2. Distribution of Furniture Industry in Pasuruan City

The result component in SOAR proves that the strategy designed is not only based on vision and potential, but also produces measurable outputs that address real problems both internal (productivity, HR competence) and external (market access, competitiveness). In this case, concrete results such as an increase in sales volume by 30-60%, an increase in the number of new customers, and an increase in the digital capabilities of business actors are concrete indicators of the success of the strategy implemented. Internally, productivity improvements occurred through the efficiency of order-based production processes, reduction of work errors, and more effective use of time. HR competencies have also improved significantly, especially in mastering digital marketing techniques, customer service, and utilizing online platforms. Meanwhile, on the external side, the results-based strategy succeeded in expanding market access through digital collaboration and active participation in exhibitions, as well as improving the competitiveness of local products through differentiation in design, quality, and service. With systematic measurement of results, MSMEs do not only run based on passion or intuition, but also

based on performance indicators that can be evaluated periodically. This makes the SOAR approach superior to conventional methods, as it encourages achievements that are not merely conceptual, but have a real impact on business sustainability.

Overall, the SOAR approach in this study succeeded in mapping and formulating a development strategy for furniture MSMEs in Pasuruan City that synergizes internal strengths and external opportunities in a positive way, while realizing the aspirations of business actors and producing concrete impacts that can be measured. Each SOAR element is designed to address internal barriers such as weak management capacity and digital literacy, as well as external challenges such as limited infrastructure and markets, with solutions based on collaboration, innovation and sustainability.

Furthermore, the findings of the four indicators above are combined in the form of a SOAR matrix to identify and formulate the most effective strategies, by linking strengths to aspirations (SA Strategy), opportunities to aspirations (OA Strategy), strengths to results (SR Strategy), and opportunities to results (OR Strategy). This matrix is a strategic tool to formulate concrete steps for the development of Furniture MSMEs in Pasuruan City in a directed and measurable manner. In the SOAR matrix, the four elements are combined to produce four main types of strategies including the following:

Tab 6: Matrices Analysis SOAR

Internal Factor		<i>Strenght (S)</i>		<i>Opportunities (O)</i>	
External factor		1. Diversity of furniture products 2. Innovative and quality design 3. Strategic sales location 4. HR skills and competencies 5. Affordable and competitive prices 6. Flexible and personalized customer service		1. Domestic and international market expansion opportunities 2. Technology development and digitalization 3. Consumer trends towards sustainability and aesthetic products 4. Collaboration with forest farmers and raw material providers (collaborating down) 5. Support from government and related parties 6. Cross-brand collaboration opportunities	
	<i>Aspiration (A)</i>	<i>SA Strategy</i>		<i>OA Strategy</i>	
	1. Strengthening local cultural identity in furniture products 2. Solution to the problem of working capital 3. Sustainable business regeneration 4. Production and marketing managerial training and coaching 5. Improvement of supporting infrastructure for MSMEs	1. Enhancing cultural values in furniture product design as Pasuruan's local identity, utilizing innovative product strengths and artisan skills to meet aspirations for furniture with Indonesian cultural characteristics. (S1, S3 + A2) 2. Develop real needs-based training (production & management) that is conducted on an ongoing basis, targeting the regeneration of young artisans with the support of local skills. (S3 + A3, A4) 3. Build a strategically located integrated furniture MSME showroom to support the aspiration of improving infrastructure and customer service quality. (S2, S5 + A5)		1. Massive utilization of digital platforms (marketplace, social media) to answer digital marketing training aspirations and open market opportunities across cities and countries. (O2, O1 + A4) 2. Strengthening cross-sector synergies (with interior brands, designers, furniture cafes) to address regeneration aspirations and collaborative-based innovative financing. (O6, O5 + A1, A3) 3. Implementation of a partnership-based local supply chain system (forest farmers & timber providers) to support sustainability and fulfill aspirations for infrastructure and affordable raw materials. (O4 + A1, A5)	
<i>Result (R)</i>		<i>SR Strategy</i>		<i>OR Strategy</i>	
	1. Increased number of customers and sales volume 2. Established strategic collaborations and partnerships 3. Improved marketing skills (online & offline) 4. Increased competitiveness of furniture products 5. MSME performance is more measurable and result-oriented	1. Optimizing product innovation and flexible services based on customer needs to increase the number of purchases and competitiveness of furniture products. (S1, S4, S5 + R1, R4) 2. Improving craftsmen's skills through digital marketing and customer service training to support online marketing success and maintain customer loyalty. (S3, S5 + R3, R5) 3. Encourage the achievement of measurable performance (production output, turnover, customer satisfaction)		1. Digitalization and systemic development of furniture e-commerce to increase the number of customers and international market expansion.(O1, O2 + R1, R4) 2. Building a digital-based MSME collaboration ecosystem that brings together craftsmen, investors, designers, and government in one integrated platform. (O5, O6 + R2) 3. Utilization of sustainable market trends and aesthetic design preferences as a competitive advantage in improving the quality	

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through a monitoring system based on quality indicators and customer complaints. (S1, S2 + R5)	and quantity of export sales. (O3, O4 + R1, R4)
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### SA Strategy (*Strength + Aspiration*)

The SA strategy in the SOAR analysis focuses on utilizing the internal strengths of Furniture MSMEs in Pasuruan City in collaboration with the long-term aspirations of business actors. Furniture MSMEs in this city show significant strengths through the diversity of innovative and high-quality furniture products, the skills of skilled and experienced local craftsmen, and flexible and order-based services. These strengths serve as basic capital in dealing with changing market trends and needs. Meanwhile, the main aspirations of MSME players include the desire to maintain Indonesian cultural characteristics in product design, resolve limited access to capital, encourage business regeneration, and build a sustainable training and business management ecosystem.

The establishment of the SA strategy is geared towards achieving the overarching aspiration of creating furniture MSMEs that are able to compete creatively, have cultural value, and have intergenerational sustainability. The strategy includes concrete steps such as local culture-based design development training, establishment of artisan skill regeneration centers, and market expansion with local identity as a differentiating force. These efforts not only strengthen the position of MSMEs in the domestic market, but also open up opportunities to penetrate international markets by bringing local cultural values as their own uniqueness.

This finding is reinforced by research by Salwa et al., [24] which shows that the SA strategy in the SOAR approach is able to encourage strengthening competitiveness through the development of product quality, differentiation, and services based on aspirational values of business actors. The SA strategy is considered most effective for sectors based on creativity and cultural heritage because it is able to synergize product identity with market demand. In line with this, Stavros & Hinrichs [17] stated that the SA strategy is ideal for organizations that want to build a future based on internal strengths and collective aspirations, not just to survive in the midst of market dynamics, but also to transform into an inspiring and highly competitive entity.

Conceptually, the SA strategy has a strong correlation with the TBL approach that emphasizes the balance between the economic (profit), social (people), and environmental (planet) dimensions. In the social dimension, the strategy empowers local communities through business regeneration and skills training. On the environmental aspect, the utilization of local timber and culturally rooted designs enable the creation of more sustainable and environmentally friendly products. While in the economic aspect, the uniqueness of the products and improved service quality drive added value and profitability directly. As Ahi & Searcy [25]; Wahyudi et al., [26], TBL is an important framework in creating a sustainable business while taking into account environmental and social interests as part of long-term economic success. Thus, the SA strategy plays an important role in supporting the development of Pasuruan City Furniture MSMEs so that they are not only economically superior, but also socially and ecologically sustainable. This strategy is the main foundation for realizing resilient, adaptive, and future-oriented MSMEs.

### SR Strategy (*Strength + Result*)

The SR strategy in the SOAR framework is focused on utilizing the internal strengths of MSMEs to produce tangible, measurable results. In Pasuruan City, the strengths of Furniture MSMEs are reflected in product design innovation, superior artisan skills, diversity of furniture models, competitive pricing, and adaptive customer service. These strengths become the strategic foundation to produce concrete achievements such as increased sales volume, customer growth, increased competitiveness, and improved overall business performance. One form of SR strategy implementation is optimizing product quality based on consumer needs and preferences. Furniture MSMEs are able to adjust product designs and specifications quickly because the production process is flexible and order-based. In addition, the strength of personalized customer service is an advantage that is difficult for large industries to imitate. This combination can result in increased customer loyalty and market expansion, both locally and regionally.

In terms of human resources, the SR strategy also includes improving the competence of artisans, especially in the utilization of digital marketing technology and customer service. HR skills that are continuously honed will have a direct impact on increasing process efficiency, improving the quality of the final product, and the ability to read the market. The expected result of this strategy is not only an increase in business profits, but also the growth of overall organizational capacity. Research by Olaleye et al., [27] and Rahman et al., [28] confirmed that the utilization of internal strengths, such as operational excellence and HR capabilities, contribute significantly to measurable business performance, especially in the MSME sector. This is in line with the study by Srimulyani et al., [29] which highlights the importance of internal alignment to produce measurable growth, especially in the context of results-based strategic management.

The SR strategy also strongly correlates with the TBL framework, which emphasizes the importance of harmony between economic, social, and environmental aspects. In the Profit (economic) perspective, the strategy results in increased turnover, production efficiency and market expansion. In the People (social) dimension, the continuous improvement of HR skills contributes to the improvement of craftsmen's welfare and the sustainability of the local community. Meanwhile, in the Planet (environment) aspect, order-based furniture products enable reduced production waste, more efficient use of raw materials, and support environmentally friendly business practices. The overall SR approach encourages furniture MSMEs to be more responsive to market needs and oriented towards performance with real impact. Outcome achievement is not only measured in financial terms, but also in how the business positively impacts the local business ecosystem and its long-term sustainability. Thus, the SR strategy is a bridge between internal potential and the transformation of measurable and impactful results.

### **OA Strategy (*Opportunities + Aspiration*)**

The OA strategy in the SOAR approach focuses on how external opportunities can be optimally used to support the achievement of internal aspirations of MSME actors. In the context of furniture MSMEs in Pasuruan City, great opportunities are present in the form of developing digital technology, design trends that lead to sustainable products, access to government support programs, and the opening of domestic and international markets through online platforms. On the other hand, MSME players have strong aspirations to expand access to capital, increase managerial and production capacity, and preserve cultural values through furniture designs with local characteristics. This opportunity can be used as a strategic momentum to encourage the transformation of MSMEs towards a more adaptive and competitive direction. The OA strategy encourages businesses to utilize social media, marketplaces, and other digital systems to increase product exposure, reach a wider market, and interact directly with consumers. At the same time, aspirations for management training and access to financing can be realized through multi-stakeholder synergy programs, such as cooperation with training institutions, Islamic banking, or large corporate partners in inclusive partnership schemes.

According to research by Xu et al., [30] and Soluk et al., [31], the digitization of MSMEs not only drives increased sales, but also accelerates the transformation of organizational capacity and exponentially expands market access. In addition, Valdez-Juárez et al., [32] emphasized that MSME players who are able to integrate external market opportunities with internal strategic aspirations will find it easier to create sustainable added value than traditional efficiency-based approaches. Within the TBL framework, the OA strategy is highly relevant. In the Profit (economic) aspect, digitalization and collaboration increase promotional effectiveness and marketing cost efficiency, which has a direct impact on increasing revenue and business scale. In the People (social) dimension, this strategy opens access to learning, training, and collaboration that can increase the capacity of business actors and expand business networks horizontally. While in the Planet (environment) aspect, market opportunities for environmentally friendly products become a space for actualizing the aspirations of MSME players in developing local wood-based products that are sustainable, efficient in the use of materials, and minimal waste. Thus, the OA strategy not only positions MSMEs as economic entities, but also as agents of social change and preservers of cultural and environmental values. In the long term, this strategy will strengthen the competitiveness of MSMEs through increased adaptability, digital literacy, and business connectivity, all of which are in line with the SDGs.

### **OR Strategy (*Opportunities + Result*)**

The OR strategy is a form of synthesis between opportunities from the external environment and the real results that MSMEs want to achieve. In the context of Furniture MSMEs in Pasuruan City, this strategy is directed at utilizing various existing opportunities such as digital market growth, consumer trends towards local and sustainable products, as well as government and private support to encourage increased sales, market expansion, improved marketing skills, and the creation of strategic partnerships. One of the tangible implementations of OR's strategy is the massive adoption of digital technology to expand market access through e-commerce platforms and social media. These platforms provide opportunities for MSME players to reach new consumers outside the region, even to international markets. That way, concrete results in the form of increased sales volume and number of customers can be achieved more quickly and efficiently. In addition, collaboration opportunities with creative industry players, designers, and the hospitality sector (hotels, cafes, restaurants) allow local furniture products to enter a wider and higher-value ecosystem. A study by Slimane [33] confirmed that the integration of digitalization, cross-sector collaboration, and local cultural value-based strategies significantly boosted the performance of MSMEs in the furniture and handicraft sector. Similarly, Elia et al., [34] showed that MSMEs that are able to actively respond to external opportunities tend to experience higher performance growth than those that are passive, especially when combined with a clear and measurable results orientation.

The OR strategy also has strong relevance to TBL principles. In the Profit aspect, the strategy supports operational efficiency, increased turnover, and new market penetration through digital and collaborative approaches. In the People dimension, the engagement of MSMEs in the digital business ecosystem and strategic partnerships contributes to social empowerment, new job creation, and capacity building of businesses. In the Planet aspect, the utilization of sustainable product trends and designs that conform to environmentally friendly principles contribute to waste reduction, resource efficiency, and the promotion of responsible production practices. Furthermore, the OR strategy also plays a role in building a furniture business ecosystem that is more adaptive and resilient to market dynamics. By being both financially and socially results-oriented, it can bridge the gap between strategic opportunities and the realization of long-term benefits. This makes the OR strategy an important pillar in driving the transformation of MSMEs in a direction that is not only economically profitable, but also socially meaningful and ecologically sustainable.

The SOAR-based SME furniture development strategy implemented in Pasuruan City shows great potential for replication in other regions with similar characteristics. Regions such as Jepara, Cirebon, Klaten, and Tegal, which are also known as community-based craft industry hubs, face relatively comparable modernization challenges. With their unique local strengths, such as carving techniques, cultural values, and skilled human resources, the SOAR approach can help these regions formulate more participatory, contextual, and future-oriented development strategies. Focusing on internal strengths and the aspirations of business actors enables strategies to be developed that are not only responses to existing issues but also drivers of long-term transformation relevant to the identity and potential of each region.

To ensure these strategies are implemented optimally and sustainably, policy support from local and central governments plays a crucial role. Governments must develop policies that strengthen the capacity of SMEs through practical and industry-relevant managerial training and digital literacy programs. Access to inclusive and performance-based financing is also key, enabling businesses demonstrating improved performance to receive incentives or expanded access to capital. In addition, the development of supporting infrastructure, such as integrated production centers, digital promotion facilities, and efficient distribution systems, is needed to support a larger scale of production and reach a wider market.

Furthermore, the success of this strategy is also highly dependent on the ability to build a collaborative ecosystem involving businesses, government, educational institutions, and the private sector. The government can facilitate communication forums between stakeholders and encourage the formation of community-based digital platforms that enable collective promotion, knowledge exchange, and shared distribution. Additionally, providing incentives for SMEs that adopt environmental sustainability principles and locally-based cultural products can strengthen their identity while enhancing the value of their products. With a holistic approach and targeted policy support, the SOAR strategy is not only a planning tool but can also be adopted as a model for developing resilient, adaptive, and highly competitive SMEs. Pasuruan's success in implementing this strategy can serve as inspiration for other cities in building SMEs as pillars of a sustainable and inclusive creative economy.

#### 4. CONCLUSION

Based on the research findings, it can be concluded that furniture MSMEs in Pasuruan City face complex challenges from both internal aspects (such as limited capital, weak managerial capacity, and low digital literacy) and external aspects (such as inadequate infrastructure and limited market access). Through the application of the SOAR framework, this study successfully developed a set of strategic directions that not only address current challenges but also capitalize on local strengths and external opportunities. The formulation of four strategic pathways SA, SR, OA, and OR has proven to be instrumental in producing tangible improvements. Empirical evidence shows a significant increase in sales volume, ranging from 30% to 60%, particularly among MSMEs that have adopted digital marketing and personalized customer service strategies. Additionally, the digital capabilities of local artisans have improved markedly, encompassing skills such as content creation, social media management, and e-commerce operations. These developments are further supported by the emergence of collaborative networks involving government bodies, educational institutions, and private sector partners, all of which contribute to enhancing competitiveness and operational sustainability.

The success of these strategies also highlights their potential for replication in other regions with similar characteristics, such as craft-based cities or districts facing issues of succession, technological limitations, and traditional marketing systems. The SOAR-based strategy can be adapted by local governments, vocational education institutions, and the private sector to strengthen sustainable local MSME ecosystems. With its participatory and outcome-focused nature, SOAR functions not only as an analytical tool but also as a transformational framework that enhances the competitiveness and sustainability of furniture MSMEs both locally and nationally. The findings also underscore the critical role of multi-stakeholder involvement in driving MSME transformation, suggesting that government agencies, vocational institutions, and industry actors must collaborate more intensively to deliver inclusive training, financial access, digital transformation programs, and integrated infrastructure development.

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