

ADAPTATION OF MSME MANAGEMENT STRATEGIES AFTER THE COVID-19 PANDEMIC: LITERATURE STUDY

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Abstract

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The Covid-19 pandemic has been the catalyst for the most disruptive change in modern economic history, especially for the Micro, Small and Medium Enterprises (MSMEs) sector in Indonesia. This article presents an in-depth and comprehensive analysis of the evolution of MSME management strategies in the transition phase from survival to recovery and growth in the post-pandemic period (2023-2025). Through an extensive qualitative literature review approach, this report dissects multidimensional transformations that include operational digitalization, financial management restructuring, human resource reorientation, and business model innovation. The findings show that digitalization is no longer seen as an additional option, but rather as critical infrastructure for business sustainability. Furthermore, organizational resilience was found to be highly correlated with dynamic capabilities and social capital, not just the availability of financial capital. The study also evaluates the effectiveness of government policy interventions, such as the National Economic Recovery Program (PEN) and the digitalization of the payment system (QRIS), in accelerating the revitalization of the sector. The report provides strategic insights for academics and business practitioners in navigating a new economic landscape full of uncertainty.

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INTRODUCTION

The economic shock triggered by the Covid-19 pandemic in early 2020 left a deep mark on the structure of Indonesia's economy (KITA Institute, 2021). In contrast to the

1998 Asian Financial Crisis, where the Micro, Small, and Medium Enterprises (MSMEs) sector functioned as a "safety belt" and savior of the national economy, the Covid-19 pandemic actually hit the defensive heart of this sector (Saragih et al., 2025). Restrictions on social mobility, physical market closures, and a decrease in people's purchasing power simultaneously attack the supply and demand sides (Assa et al., 2023). Macroeconomic data recorded Indonesia's economic growth contraction of -2.07% in 2020, a figure that reflects fundamental vulnerability when the sector, which accounts for 61% of GDP and absorbs 97% of the workforce, is paralyzed (Indonesian Chamber of Commerce, 2024).

Entering the post-pandemic period (2023–2025), the economic narrative has shifted significantly. The emergency phase has passed, replaced by the "New Normal" phase that demands structural adaptation (Wuryandani, 2023). MSME actors are no longer just fighting not to go out of business, but are faced with the challenge of growing again in the midst of an ecosystem that has changed permanently. Changes in consumer behavior that are increasingly attached to digital platforms, preferences for hygienic and sustainable products, and global supply chain volatility are forcing MSMEs to review their management architecture (Mulyani & Suharyanti, 2024).

This phenomenon gives birth to the urgency to research how MSMEs adapt management strategies. It is not just the adoption of surface technology, but a profound transformation in financial governance, human resource management (HR), and product innovation (Rizky et al., 2025). The latest statistics in 2024 show that the number of MSMEs continues to grow to 66 million units, but the question is how resilient the quality of the growth will be in the face of potential future crises (Indonesian Chamber of Commerce, 2024). Therefore, this literature study aims to comprehensively map the landscape of such adaptation strategies, digging into insights from the successes and failures that occurred during this critical transition period (Siregar et al., 2025).

LITERATURE REVIEW

To understand the phenomenon of MSME adaptation, this report uses the theoretical framework of Resource-Based View (RBV) and its derivative concept, Dynamic Capabilities (Saragih et al., 2025; Trenggonowati et al., 2025).

- Resource-Based View (RBV) in the Context of Crisis

The RBV theory postulates that a company's competitive advantage comes from the ownership of internal resources that are valuable, rare, inimitable, and non-substitutable (Saragih et al., 2025). In the pre-pandemic context, physical resources such as the strategic location of stores or production machinery assets are often the main determinants (Trenggonowati et al., 2025). However, post-pandemic, there has been a shift in resource valuation. Physical assets (tangibles) become less relevant when physical interactions are restricted, while intangible assets such as digital literacy, organizational agility, brand reputation on social media, and customer database loyalty are the most valuable resources for survival (Rizky et al., 2025; Mulyani & Suharyanti, 2024).

A case study in Manado on the culinary business shows that MSMEs that are able to optimize internal resources—albeit with limited technology—through strengthening employee skills and customer relationships, are able to survive better than those who only rely on physical assets (Assa et al., 2023).

- Dynamic Capabilities

RBV is expanded with Dynamic Capabilities, which is the ability of organizations to integrate, build, and reconfigure internal and external competencies to

respond to a rapidly changing environment (Trenngonowati et al., 2025; Odoch et al., 2024). The resilience of MSMEs post-pandemic is highly determined by this capability.

These capabilities include:

Sensing, which is the ability to detect changes in consumer behavior and new market trends, such as the shift to frozen food and home delivery services (Rizky et al., 2025).

Seizing, which is the ability to mobilize resources to seize these opportunities, for example by opening stores in digital marketplaces (Siregar et al., 2025).

Transforming, which is the ability to change organizational structures and business models in a sustainable manner to align with the dynamics of the new business environment (Trenngonowati et al., 2025).

RESEARCH METHODS

This study uses a qualitative method with a strict literature review approach (Krisnaresanti et al., 2024). Primary data sources come from a synthesis analysis of articles from reputable scientific journals (Sinta and ScopuS), official government reports (BPS, Ministry of Cooperatives and SMEs), and reference books published in the period 2020 to 2025 (Wuryandani, 2023).

The data analysis process was carried out through three stages: (1) identification of relevant literature with the keywords "MSME Strategy", "Post-Pandemic", "Business Resilience", and "Digital Transformation"; (2) data reduction to sort out valid empirical findings; and (3) narrative synthesis to build coherent arguments regarding management adaptation patterns (Mulyani & Suharyanti, 2024). This approach was chosen for its ability to explore complex socio-economic phenomena and provide nuanced insights that are often missed in pure statistical analysis (Maharaj & Doorasamy, 2024).

RESULTS AND DISCUSSION

Digital Transformation: From Forced Adoption to Strategic Integration

One of the most dominant themes in the post-pandemic management literature is the acceleration of digital transformation. If before 2020 digitalization was an additional option for some MSMEs, post-pandemic digital technology has become the main foundation for business continuity (Mulyani & Suharyanti, 2024; Rizky et al., 2025).

- The Evolution of Digital Marketing and Social Media

MSME marketing strategies have undergone significant changes from conventional approaches to the use of digital ecosystems in an integrated manner (Dewi et al., 2023; Krisnaresanti et al., 2024). Social media is no longer just a passive storefront, but a dynamic interaction space between business actors and consumers.

- Humanist Approach in Digital Algorithms

The latest literature highlights that successful MSMEs post-pandemic tend to implement content strategies based on empathy and emotional closeness (Krisnaresanti et al., 2024). Hard-selling strategies are less effective than storytelling approaches that build community and consumer trust (Dewi et al., 2023).

The use of live streaming features on e-commerce and social media platforms allows for real-time interactions that mimic the physical shopping experience, thereby increasing customer trust and engagement (Mulyani & Suharyanti, 2024). Content relevant to product health and hygiene issues also contributes to increasing MSME brand

loyalty (Krisnaresanti et al., 2024).

- E-Commerce Adoption Statistics

The surge in e-commerce users in Indonesia, which is projected to reach 189.6 million users in 2024, provides a huge market opportunity for MSMEs (Indonesian Chamber of Commerce, 2024). Sanitation, food, and beverage products experienced a significant increase in sales during times of crisis and tend to stabilize in the recovery era, indicating that online shopping behavior has become a permanent habit of society (Dewi et al., 2023).

- Financial and Operational Digitalization

The digital transformation of MSMEs does not only occur in the marketing aspect, but also in the financial management and internal operations of the business (Rizky et al., 2025).

- Digital Payments Revolution (Fintech)

The adoption of financial technology, especially QRIS, is an important indicator of the modernization of MSME management (Directorate General of Treasury, 2024). Digital payment systems improve transaction efficiency, reduce cash management risks, and speed up the payment process (DJPb Ministry of Finance of the Republic of Indonesia, 2024).

Furthermore, digital transactions create a digital footprint that can be used as a basis for assessing the creditworthiness of MSMEs that previously did not have formal banking access, including in KUR applications (Maharaj & Doorasamy, 2024).

- Digital Literacy Challenges

Despite the increasing adoption of technology, digital literacy is still a major challenge for some MSMEs. The gap between technology ownership and strategic utilization causes the potential for digitalization to be suboptimal (Mulyani & Suharyanti, 2024). The limitations of internet infrastructure outside urban areas also widen digital inequality between regions (Wuryandani, 2023).

Financial Management Reform: Focus on Liquidity and Efficiency

The pandemic has provided an important lesson about the crucial management of cash flow. In the post-pandemic era, the focus of MSME financial management shifted from recording profits and losses to strategic liquidity management (Maharaj & Doorasamy, 2024).

- Financial Planning as a Key Factor in Resilience

Empirical research shows a significant relationship between disciplined financial planning and the performance and resilience of MSMEs (Maharaj & Doorasamy, 2024). MSMEs that have emergency budgeting and projected cash flows are proven to be better able to deal with economic shocks.

- Strategi “Cash is King”

Liquidity management is a top priority by reducing fixed costs, avoiding excess inventory, and increasing the effectiveness of receivables collection (Maharaj & Doorasamy, 2024). Online business models and hybrid work also help MSMEs reduce their operational burden post-pandemic (Rizky et al., 2025).

- Separation of Personal and Business Finance

The separation of personal and business finances is an important practice in increasing the transparency and accuracy of MSME financial statements (Sono & Limpo,

2024). The use of digital financial recording applications helps micro business actors monitor business health more objectively.

- **The Role of Financial Policy Instruments**

Government support through fiscal and monetary policies plays an important role in the financial recovery of MSMEs (Directorate General of Treasury, 2024).

- **Effectiveness of People's Business Credit (KUR)**

The KUR program with an interest subsidy of up to 6% is the main source of financing for MSMEs in recovering working capital and continuing the production cycle (DJPb of the Ministry of Finance of the Republic of Indonesia, 2024).

- **Tax Incentives and Their Impact**

The policy of reducing the MSME Final Income Tax rate to 0.5% provides fiscal space for business actors to allocate funds to working capital and digitalization investments (Directorate General of Treasury, 2024).

Human Resource Management (HR) Adaptation

People remain the most important asset in an organization. The pandemic has changed the employment landscape of MSMEs, demanding new flexibility and competencies (Sono & Limpo, 2024).

- **Building a Resilient Workforce**

Human resource resilience (workforce resilience) is defined as the capacity of employees to survive, adapt, and grow in the midst of disruption (Odoch et al., 2024).

- **Trauma Handling and Mental Health**

The wave of layoffs and economic uncertainty during the pandemic has had a psychological impact on the workforce (Sono & Limpo, 2024). Humanist MSME management now includes aspects of psychological well-being in its management. The counseling approach and open communication between business owners and employees are important strategies to restore morale and productivity (Trenngonowati et al., 2025).

- **Culture of Innovation and Learning from Mistakes**

Studies show that MSMEs that foster a culture where mistakes are seen as learning from errors have higher innovation capabilities (Siregar et al., 2025). In a rapidly changing environment, employees are encouraged to experiment with new ways—for example, in customer service methods or social media content creation—without fear of excessive punishment (Sono & Limpo, 2024).

- **Competency Development Strategy (Upskilling)**

The skills gap is the main obstacle in digital transformation (Rizky et al., 2025). HR development strategies focus on:

Digital Skills Training: A case study on L'Bouquet MSMEs shows that targeted training in information technology and digital marketing is a mandatory investment to compete in the urban market (L'Bouquet Researcher & Universitas Buana Perjuangan Karawang, 2023).

Job Rotation: To overcome the limited number of staff, MSMEs implement job rotation so that employees have multiple skills. This increases operational flexibility if an employee gets sick or quits (Sono & Limpo, 2024).

Operational Innovation, Supply Chain, and Business Model

Strategy adaptation is incomplete without a review of how products are made, delivered, and sold (Trenngonowati et al., 2025).

- **Supply Chain Localization and Diversification**

Global supply chain disruptions teach the importance of local independence (Saragih et al., 2025).

Strengthening Local Supply Chains: MSMEs are increasingly turning to local raw material suppliers to reduce the risk of import delays and exchange rate fluctuations (Indonesian Chamber of Commerce, 2024).

Just-in-Time Inventory Management: To maintain working capital efficiency, many MSMEs are switching to a leaner inventory system, supported by real-time sales data from digital cashier systems (Mulyani & Suharyanti, 2024).

- **Product Diversification and Value Innovation**

A saturated market demands differentiation. Statistical data shows that product innovation has a significant effect on the performance of MSME businesses (Treggonowati et al., 2025).

Health-Oriented Products: Responding to the post-pandemic health awareness trend, many culinary MSMEs are reformulating products to be healthier, organic, or hygienic (Dewi et al., 2023).

Business Model Pivot: Successful examples such as Kopi Kenangan that shifted the focus from offline sales to grab-and-go models and online delivery show how crucial business model flexibility is (Rizky et al., 2025).

The Role of Ecosystems: Government and Social Capital

MSME recovery is a collective effort that involves the synergy of various actors in the business ecosystem.

Evaluation of the Role of Government and Public Policy

The Indonesian government has played a central role as a facilitator and safety net.

- **Job Creation and Formalization Law:** Efforts to simplify licensing through OSS (*Online Single Submission*) and ease of halal certification aim to attract MSMEs from the informal sector to the formal sector. This legality is important for wider market access.
- **Cash Assistance Program (BPUM):** Direct cash assistance has proven to be effective in maintaining the purchasing power of micro business actors at the lowest point of the crisis.

Social Capital as a Resilience Asset

An interesting finding from the literature is that the role of social capital is often more dominant than financial capital in situations of extreme crisis.

- **Bonding:** Emotional support and solidarity from family, friends, and close communities become the psychological foundation for entrepreneurs not to give up. Studies on female entrepreneurs show that strong social networks are directly correlated with financial resilience.
- **Bridging:** MSME business associations and communities serve as a bridge of information regarding market opportunities, access to cheap raw materials, and government programs. Collaboration between MSMEs (for example, *product*

bundling) is an effective survival strategy.

CONCLUSION

This literature study confirms that the Covid-19 pandemic has forced a Darwinian evolution in the Indonesian MSME sector. The adaptation of post-pandemic management strategies is marked by a shift from an intuitive-traditional approach to a more structured, data-driven, and digitally integrated approach.

Digital Transformation is a Must: No longer a complement, but an operational foundation. Success depends on the integration of social media, *e-commerce*, and *fintech*. Financial Resilience Through Discipline and Access: Rigorous financial planning and the utilization of government stimulus (KUR) are key to liquidity.

HR and Innovation as Differentiators: Investment in employee digital competencies and market-relevant product innovations (healthy, hygienic, valuable) distinguishes MSMEs that grow from those that simply survive. Collaborative Ecosystem: The synergy between government policies, community support, and the company's internal adaptability forms a solid safety net.

Further research is recommended to use primary data and more diverse methodological approaches to obtain a deeper picture of the dynamics of skill mismatch from the perspective of workers and organizations. In addition, comparative studies between industrial and regional sectors need to be conducted to identify differences in patterns of skill mismatches. Future research is also expected to evaluate the effectiveness of human resource management strategies, such as competency-based recruitment and workplace learning, in reducing skill mismatch and improving organizational performance and sustainability.

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