

# The Internalities & Externalities on the MSMEs in Indonesia as a Commitment on Organizational Development

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**Abstract.** Micro, Small, and Medium Enterprises (MSMEs) in Indonesia are vital to economic development but face challenges from internal and external factors. This study investigates how (1) internalities, such as; leadership and innovation capacity, and (2) externalities, such as; government policies and market competition, influence MSMEs' commitment to organizational development. Data were gathered from 16 MSMEs in Sulawesi Barat, Sulawesi Selatan, Sulawesi Tenggara, and Eastern Java through surveys and interviews. Results indicate that strong internal and external factors (entrepreneurial orientation, dynamic capabilities, operational efficiency, market orientation, digital transformation, policy support, market environment, and collaborative network). This training really encouraged a collaborative learning process and strengthening networks between MSMEs. This activity showed that a practice-based training approach to ensure the best internalities and externalities of organizational commitment. However, access to technology and capital remains a critical barrier. The study highlights the need for targeted policy interventions and capacity-building programs to align internal strengths with external opportunities. By proposing a framework for sustainable organizational development, this research contributes to the literature on MSMEs and offers practical recommendations for stakeholders in Indonesia's economic ecosystem

**Keywords:** External Organizational Commitment, Internal Organizational Commitment, Ministry of Manpower, MSMEs, Sustainable Organizational Development

## 1 Introduction

MSMEs represent a critical pillar in the economic development of Indonesia making it substantial contribution to both employment and the economy. Their role in generating employment, fostering innovation, and contributing to national growth cannot be understated. In recent years, MSMEs have gained even greater significance as catalysts for sustainable development, offering solutions to various socio-economic challenges. Recognizing this potential, the Ministry of Manpower has undertaken numerous initiatives to support MSMEs and harness their capacity for fostering job creation [1], [2] and workforce empowerment [3], [4], [5].

As of 2025, Indonesia is home to approximately 64.2 million MSMEs. These enterprises contribute significantly to the economy, accounting for over 61% of the nation's GDP and providing employment for 97% of the workforce to Indonesia [7], [8], [9], [10]. MSMEs span various sectors, including culinary services, fashion, agribusiness, and digital services, showcasing their diversity and importance in Indonesia's economic landscape. These vast majority of MSMEs are in the fields of services [11], [12], such as; culinary (restaurants, cafes, catering, and food vendors), fashion and apparel (clothing, accessories, and footwear), education and training (language classes, sport coaching and professional skills development), automotive services (repair shop, spare part stores, and car/motorcycle washing

services), agribusiness (farming, food processing and distribution), digital & IT services (web development, graphic design and digital marketing). But though MSMEs are really vulnerable, they are really facing into problem to really continue and expand with the likelihood that growing expansions is really the case [13].

An obstacle encountered by many Indonesian MSMEs is the constrained of growth capacity from internal and externality [14]. The internalities, include; entrepreneurial orientation, dynamic capabilities, operational efficiency, and market orientation [15], [16], [17], and the externalities, include; digital transformation [18], policy support [19], [20], market environment, and collaborative network [18], [21], [22], [23], [24]



**Figure 1.** Participants Meeting to Construct the Internal & External Factors

The present study explores how internal capabilities (entrepreneurial orientation, dynamic capabilities, operational efficiency, and market orientation) and external factors (policy support, market environment, digital transformation, and collaborative networks) affect MSME organizational development. Following participatory practice-based training conducted in MSMEs in Sulawesi, Java, and the eastern regions of Indonesia, theoretical insights and practical recommendations will be provided.

To address the above challenges and gaps, this study has four main objectives; (1) to discover and analyze internal capabilities that favor MSME organizational commitment and growth, (2) to explore external environmental factors influencing MSME scalability, adaptability, and competitiveness, (3) to assess the influence of practice-based training on the internal and external dimensions of MSME development, and (4) to provide a policy- and practice-oriented framework focusing on Indonesia to match internal strengths of MSMEs to external support systems by the Indonesian Ministry of Manpower and other stakeholders.

Meeting the above objectives brings in a multi-level framework integrating both internal and external dimensions of MSME development, sustaining Indonesia's overarching goals for sustainable economic empowerment.

## 2 Literature Review

This literature review integrates existing work on four areas interrelated to the development of the Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. First, it looks at the internal capabilities underpinning organizational commitment and sustainable growth among MSMEs; leadership quality, entrepreneurial orientation, resource-based competencies, innovation capacity, and human capital development are some of the key aspects usually discussed under the Resource-Based View (RBV) and Dynamic Capabilities approaches.

The second aspect examined by the literature review addresses external environmental dynamics determining MSME scalability, adaptability, and competitiveness. These include regulatory frameworks, access to finance, market parameters, technological infrastructure, and institutional support, especially in the context of emerging economies. The intersection between institutional theory and contingency theory presents opportunities for an analysis of how external contexts either facilitate or constrain MSME development.

Thirdly, the literature discusses how practice-based training and experiential learning can enrich the internal and external dimensions of MSME development. Some of the studies point to skill development approaches and interventions—especially those jointly designed with industry and policy actors—that can make substantial differences to strategic decisions, operational aspects, and market responsiveness.

Lastly, the review proposes a policy- and practice-oriented reference framework specific to Indonesia, geared toward matching internal MSME strengths against external support systems offered, primarily by the Ministry of Manpower and its stakeholders. It provides a way of working collaboratively to build stakeholder capacities, with a joint approach to support policy-building, and to forge multi-stakeholder partnerships in order to ensure that MSMEs do not just survive but thrive in a changing economic environment.

## 2.1 Resource-Based View (RBV)

The Resource-Based View (RBV) posits that firms gain competitive advantage through the acquisition and utilization of valuable, rare, inimitable, and non-substitutable (VRIN) resources [25], [26], [27], [28]. In the MSME context, internal resources such as leadership quality, innovation capacity, brand equity, and workforce competence are central to firm success. Indonesian MSMEs, often operating with limited financial resources, depend heavily on intangible assets like entrepreneurial vision, adaptability, and social capital [26], [29]. RBV is particularly useful for understanding why some MSMEs thrive under similar market conditions while others stagnate. The framework emphasizes internal development, it is a focus this study takes by analyzing entrepreneurial orientation, operational efficiency, and organizational learning as core resource areas.

## 2.2 Dynamic Capabilities Theory

The Dynamic Capabilities (DC) framework, an extension of RBV, highlights a firm's ability to integrate, build, and reconfigure internal and external competencies in response to rapidly changing environments [30], [31]. This is crucial for MSMEs operating in Indonesia's evolving digital and policy landscape. Dynamic capabilities are typically categorized into three interrelated activities; (1) sensing market trends and identifying threats or opportunities (e.g., recognizing the shift to digital platforms), (2) seizing opportunities through innovation, investment, and strategy execution (e.g., adapting to e-commerce), (3) transforming internal operations and resource configurations to support long-term change (e.g., retraining staff or adopting digital tools). Indonesian MSMEs demonstrated dynamic capabilities during the COVID-19 pandemic by pivoting to online sales or modifying supply chains. However, the ability to transform sustainably remains uneven and depends on training, mentorship, and access to enabling environments [32].

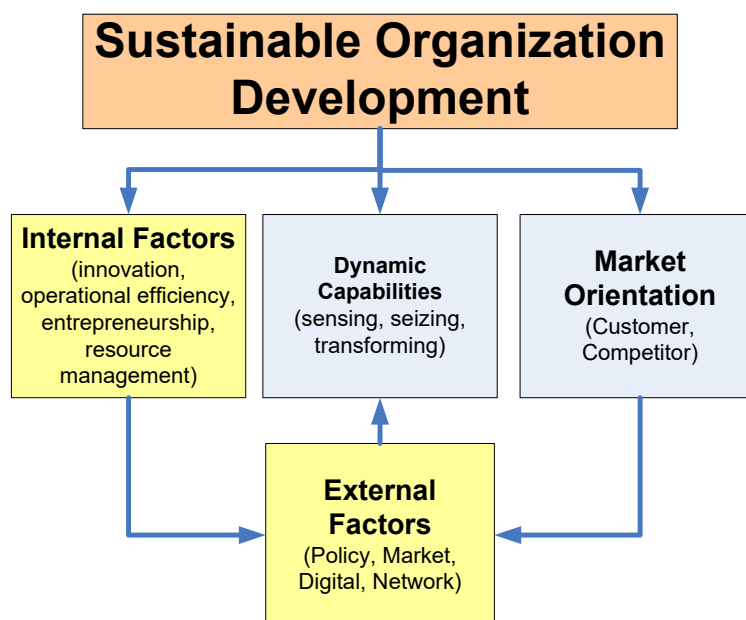


Figure 2. Theoretical Integration of Internalities and Externalities

## 2.3 Market Orientation Theory

Market Orientation refers to a firm's ability to understand and respond to customer needs, competitor strategies, and market dynamics [33], [34]. For MSMEs, particularly in sectors like fashion, culinary services, and digital marketing, being market-oriented means continuously gathering market intelligence, aligning operations with customer preferences, and integrating inter-functional coordination across business units.

In Indonesia, MSMEs that actively engage with market data—via social media analytics, customer feedback, or competitive benchmarking—are more likely to innovate and survive in competitive sectors [35]. This orientation also complements dynamic capabilities by helping firms sense and respond more effectively to external changes.

## 2.4 Integrating Internal and External Perspectives

While RBV and DC focus on internal strengths and adaptive capabilities, external factors; such as regulatory support, digital infrastructure, and collaborative ecosystems—are equally critical to MSME success. This study proposes that MSME organizational development is best understood through an integrative lens that links; (1) internalities, such as; resources and capabilities, (2) externalities, such as; market, policy, and ecosystem conditions, and (3) organizational commitment, such as; intentional actions toward growth and sustainability.

This integrative approach fills a gap in current literature and provides actionable insights for government agencies, particularly the Ministry of Manpower in Indonesia, in designing capacity-building programs that are both internally strengthening and externally enabling. Theoretically, the study contributes to MSME literature by integrating the Resource-Based View (RBV), Dynamic Capabilities, and Market Orientation frameworks to develop a comprehensive model of organizational development that includes both internalities and externalities—an area often overlooked in prior research. Practically, the study offers a tested, practice-based training model that demonstrates measurable improvements in MSME competencies, as seen in the pre- and post-test evaluations. This model can be replicated in various regional contexts to strengthen entrepreneurial capacity and digital readiness. On the policy front, the findings offer data-driven recommendations for the Ministry of Manpower, suggesting how training programs, financial aid, and digital infrastructure initiatives can be aligned to better support MSME growth, job creation, and economic resilience.

The internal factors are [36]:

- a. Entrepreneurial Orientation: SMEs with strong entrepreneurial leadership often exhibit better adaptability, innovation [37], and strategic risk-taking, which are crucial for growth [38]. The first is adaptability, which is also refers to SMEs to respond effectively to changing market conditions, customer preferences, and external disruptions. Indonesian SMEs with strong entrepreneurial leadership often demonstrate agility in modifying their business models, products, or services to align with evolving demands. For instance, during the COVID-19 pandemic, many SMEs pivoted to digital platforms to sustain operations and reach customers. This adaptability not only ensures survival but also fosters long-term growth by enabling SMEs to remain competitive. The second, innovation which is the cornerstone of entrepreneurial success. SMEs in Indonesia leverage innovation to differentiate themselves in crowded markets [39]. This includes developing unique products, adopting advanced technologies, and implementing creative marketing strategies. For example, SMEs in the culinary sector have introduced fusion cuisines and eco-friendly packaging to attract environmentally conscious consumers. Innovation enhances customer satisfaction, builds brand loyalty, and opens new revenue streams, thereby driving growth. The third, is about strategic risk-taking involves making calculated decisions to pursue opportunities with potential high rewards [40], [41], [42]. Indonesian SMEs with entrepreneurial leadership are more likely to invest in untested markets, launch new products, or adopt cutting-edge technologies. While these ventures carry inherent risks, they also offer significant growth potential. For instance, SMEs entering international markets benefit from increased exposure and diversified income sources. Effective risk management and a proactive mindset are essential for maximizing the benefits of strategic risk-taking.





**Figure 3.** Overview on the Internalities

- b. Dynamic Capabilities are the ability to respond to market changes and leverage resources effectively is a key driver of performance. Dynamic capabilities refer to the ability of organizations, including MSMEs, to adapt to changing environments and effectively utilize resources to achieve sustained performance and growth [11], [36]. In the context of Indonesian MSMEs, dynamic capabilities are crucial for navigating the challenges of a competitive and rapidly evolving market landscape. The key components of dynamic capabilities are (1) sensing opportunities and threats whereby MSMEs must continuously monitor market trends, customer preferences, and technological advancements to identify opportunities and potential risks - during the COVID-19 pandemic, for instance, MSMEs that sensed the shift towards digital platforms were able to pivot their operations and maintain customer engagement, (2) seizing opportunities whereby MSMEs need to act decisively to capitalize on them, this involves strategic decision-making, resource allocation, and innovation and Indonesian MSMEs that embraced e-commerce platforms and digital payment systems demonstrated their ability to seize opportunities in the digital economy, and (3) transforming resources involve reconfiguring resources to align with new strategies with optimizing supply chains, retraining employees, and adopting new technologies. MSMEs that successfully transformed their operations to meet changing demands have shown resilience and adaptability [31], [32]
- c. Operational Efficiency: efficient management of resources, including finances, human capital, and production processes, enhances scalability. Operational efficiency is a critical factor for the growth and scalability of MSMEs in Indonesia. It involves the effective management of resources, including finances, human capital, and production processes, to maximize productivity and minimize waste. By achieving operational efficiency, MSMEs can enhance their competitiveness and position themselves for sustainable growth. First, efficient financial management is the backbone of operational efficiency. MSMEs must maintain accurate financial records, monitor cash flow, and allocate budgets strategically [43]. Tools such as accounting software and financial dashboards can help MSMEs track expenses and revenues in real time [44]. Second, human capital optimization is one of the most valuable assets for MSMEs because it involves recruiting skilled employees, providing ongoing training, and fostering a positive work environment. MSMEs can implement performance evaluation systems to identify areas for improvement and reward high-performing employees [7], [45], [46], [47]. By aligning employee goals with organizational objectives, MSMEs can boost productivity and morale. Third, optimizing production processes is essential for reducing costs and improving product quality. MSMEs can adopt lean manufacturing principles to eliminate inefficiencies and focus on value-added activities [48], [49]. For example, implementing just-in-time inventory systems minimizes storage costs and reduces waste. Automation and technology, such as cloud-based inventory management, can further enhance operational efficiency by streamlining workflows and reducing manual errors [50]. Fourth, the adoption of digital tools and technologies plays a pivotal role in operational efficiency [51]. MSMEs in Indonesia can leverage e-commerce platforms, digital payment systems, and customer relationship management (CRM) software to improve customer engagement and streamline operations [52]. Cloud computing and data analytics provide valuable insights for decision-making, enabling MSMEs to respond quickly to market changes [53].
- d. Market Orientation: understanding customer needs and market trends allows SMEs to align their strategies for better outcomes. For MSMEs in Indonesia, adopting market orientation is crucial for achieving sustainable growth and competitiveness in a dynamic business environment [30], [35], [54]. The first one is customer focus as the MSMEs must prioritize understanding their customers' preferences, behaviors, and pain points [55], [56], [57]. This involves conducting market research, gathering feedback, and analyzing consumer data. Second, competitor awareness by way of keeping an eye on competitors helps SMEs identify gaps in the market and differentiate their products or services [30], [58], [59]. By analyzing competitors' strategies, pricing, and customer engagement, MSMEs can develop unique value propositions that set them apart. Third, interfunctional coordination across different departments ensures that customer insights are integrated into all aspects of the business, from product development to marketing and sales [60], [61], [62]. MSMEs can use



tools like customer relationship management (CRM) software to facilitate interdepartmental communication and streamline operations.



**Figure 4.** Overview on the Externalities & Class Pictures

The external factors (externality) are known for digital transformation [18], policy support [19], [20], market environment, and collaborative network [18], [21], [22], [23], [24], they are;

- a. Digital Transformation: the adoption of digital tools and platforms has opened new opportunities for MSMEs to expand their reach and improve efficiency [8], [63]. Digital transformation refers to the integration of digital tools and platforms into business operations, enabling MSMEs to expand their reach, improve efficiency, and remain competitive in a rapidly evolving market. For SMEs in Indonesia, digital transformation has become a critical driver of growth and sustainability, offering numerous opportunities to overcome traditional barriers and enhance performance [64], [65]. In order to do this digital transformation, MSMEs need to (1) expand market, such as, e-commerce websites and social media channels allow MSMEs to reach a broader audience, both domestically and internationally. By leveraging platforms like Tokopedia, Shopee, and Lazada, MSMEs can showcase their products to millions of potential customers, breaking geographical limitations and increasing sales opportunities [66], [67], (2) operational efficiency in terms of the adoption of digital tools streamlines business processes, reducing costs and improving productivity. Cloud-based inventory management systems, for example, enable MSMEs to monitor stock levels in real time, minimizing waste and ensuring timely replenishment. Digital payment systems [22], [51] like GoPay and OVO facilitate seamless transactions, enhancing customer convenience and satisfaction, (3) customer engagement [68], [69], [70], [71] via digital transformation to better enhance customer interaction through personalized marketing and responsive communication. MSMEs can use customer relationship management (CRM) software to analyze consumer behavior and tailor their offerings accordingly. Social media platforms provide a direct channel for engaging with customers, addressing inquiries, and building brand loyalty, (4) data-driven decision-making tools enable MSMEs to collect and analyze data, providing valuable insights into market trends, customer preferences, and operational performance to allow MSMEs to make informed decisions, optimize strategies, and identify new growth opportunities, (5) innovation and competitiveness via adopting advanced technologies such as artificial intelligence (AI), automation, and digital marketing, MSMEs can innovate their products and services, staying ahead of competitors [72], [73], [74], [75].

- b. **Market Environment:** access to larger markets, both domestic and international, can significantly impact growth potential [76], [77], [78]. The market environment plays a crucial role in determining the growth potential of MSMEs in Indonesia. Access to larger markets, both domestic and international, provides MSMEs with opportunities to expand their customer base, increase revenue, and achieve sustainable growth. By understanding and leveraging the dynamics of the market environment, MSMEs can position themselves strategically to capitalize on emerging opportunities. In terms of domestic market access in Indonesia [79], [80] offers significant growth potential due to its large and diverse population. MSMEs can tap into various market segments by tailoring their products and services to meet the specific needs of different regions and demographics. Urban areas, with their higher purchasing power, present opportunities for premium products, while rural areas offer untapped markets for affordable and essential goods. Government initiatives, such as the development of local markets and support for regional trade fairs, facilitate domestic market access for MSMEs. Additionally, digital platforms like e-commerce websites and social media channels enable MSMEs to reach customers across the country, overcoming geographical barriers. Expanding into international markets, however, allows MSMEs to diversify their revenue streams and reduce dependence on the domestic market. Exporting products to neighboring countries in Southeast Asia, as well as to global markets, provides opportunities for growth and increased competitiveness. MSMEs can benefit from trade agreements between countries [81], which reduce tariffs and promote cross-border trade. Participation in international trade fairs and exhibitions helps MSMEs showcase their products to a global audience and establish partnerships with foreign buyers. Compliance with international standards and certifications enhances the credibility of MSMEs and facilitates entry into foreign markets.
- c. **Policy Support** particularly government initiatives [82], [83], such as financial aid, training programs, and infrastructure development, provide a supportive ecosystem for MSMEs. Policy support plays a pivotal role in fostering the growth and sustainability of MSMEs in Indonesia. Government initiatives, including financial aid, training programs, and infrastructure development, create a supportive ecosystem that enables SMEs to overcome challenges and thrive in a competitive market. First, financial aid is financial assistance programs to support MSMEs, like subsidized loans, such as the people's business credit (KUR), offer affordable financing options to MSMEs, helping them invest in growth opportunities without overextending their resources [84], [85]. Additionally, grants and tax incentives are available to encourage innovation and expansion. These measures address the issue of limited access to capital, which is a common challenge for MSMEs. Second, training programs in terms of capacity-building initiatives are essential for enhancing the skills and knowledge of MSME owners and employees via organizing workshops, seminars, and online courses to improve financial literacy, digital skills, and entrepreneurial capabilities. Programs like the MSME Academy focus on equipping businesses with the tools needed to adapt to market changes and leverage technology effectively. These training efforts contribute to the overall competitiveness and resilience of SMEs. Third, infrastructure development is a key component of policy support for SMEs. The government invests in building roads, ports, and digital infrastructure to facilitate business operations and market access [86], [87]. The expansion of internet connectivity in rural areas enables SMEs to participate in the digital economy and reach a broader audience, and improved logistics infrastructure reduces transportation costs and enhances supply chain efficiency, for instance.
- d. **Collaborative Networks** via partnerships with other businesses, institutions, and stakeholders can enhance innovation and resource sharing. Collaborative networks are essential for the growth and sustainability of MSMEs in Indonesia. These networks involve partnerships with other businesses, institutions, and stakeholders, enabling MSMEs to enhance innovation, share resources, and improve competitiveness in a dynamic market environment [88], [89], [90]. The first one is to innovation enhancement because collaborative networks provide MSMEs access to external knowledge, technology, and expertise, fostering innovation in products, processes, and marketing strategies [18], [21], [22], [23], [24]. Partnerships with academic institution can facilitate research and development, and while collaborations with larger enterprises can introduce advanced technologies to MSMEs. Second one is resource sharing such as; limited capital, infrastructure and skilled labor via pool resources, reducing costs and increasing efficiency. Shared logistics and distribution channels can optimize supply chain operations and expand market reach, for instance [91], [92], [93], [94]. Third, knowledge transfer through workshops, training programs, and mentorship enhances the capabilities of MSMEs and prepares them for future challenges. Collaboration with industry associations and government agencies enables MSMEs to gain insights into market trends, regulatory requirements, and best practices [62], [73].

Much of the previous research has focused on internal factors like entrepreneurial orientation and operational efficiency, while important studies looking externally have focused on policy support and digital transformation [15],

[17], [18], [19], [95]. There still remains a serious gap in research that simultaneously connects internal and external dimensions in explaining MSME development, especially in the context of Indonesia's decentralized and diverse economy. Most of these frameworks tend to disjoint these variables from one another, missing the fact that internal capacity and external support systems interact in practice. This study intends to fill that void by providing an integrative model that links internalities (based on RBV and dynamic capabilities) with externalities (collaborative networks, policy interventions), for a holistic understanding of MSME organizational outcomes. Thus, it advances the theoretical and the practical aspects of MSME literature in emerging markets.

Considerably large and contextually relevant to Indonesia's MSME ecosystem, because, this sector dominates the national development where it contributes over 61% to GDP and 97% of total employment [7], [8], [9], [10]. Despite this contribution, Indonesian MSMEs continue to grapple with structural problems, mainly capacity, competitiveness, and adaptability, which are critical in revival after the pandemic and digital transformation. This study responds precisely to such questions by investigating the extent to which internal capabilities such as innovation, strategic leadership, and market orientation can interact with external enabling conditions- policy support, digital access, and collaborative networks in maximizing the possibility for growth. The empirical pieces of evidence are collected from several regions including Sulawesi and Eastern Java, to illustrate the rich and heterogeneous conditions across provinces. Such a study is aligned with the current priority of the Indonesian government, particularly the Ministry of Manpower, on MSME empowerment for inclusive employment and sustainable growth of the economy. With such data-driven recommendations and practical framework to steer formulation of policies and capacity building interventions, the findings will prove timely and critical even as MSMEs prepare within an ever-evolving socio-economic landscape in Indonesia.

Global concepts, such as the RBV, Dynamic Capability, and Digital Transformation, are mapped down to the Indonesian context by case studies and regional insights. Primary data for the study were extracted from MSMEs operating in various areas, including Sulawesi Barat, Sulawesi Selatan, Sulawesi Tenggara, and Eastern Java, making for practical examples whereby internal and external factors impinge on business growth from the grassroots. For example, entrepreneurial orientation is illustrated by MSMEs in the culinary and fashion sectors that responded to market changes using digital tools and product innovation. Contextualizing digital transformation were participants from digitally underserved regions, using platforms like WhatsApp Business and Tokopedia after training. The policy support concept, often declared on the global stage, is examined at the local level through the Kredit Usaha Rakyat (KUR), together with government-sponsored training programs. All these insights from the local context tie abstract concepts into "real-life" Indonesian settings, thus giving this research global information and local relevance.

The meanings of entrepreneurial orientation-the core dimensions of adaptability, innovation, and strategic risk-taking all articulate an explicit conceptual and empirical grounding. Citing standard sources, the manuscript further elaborates on the above concept and defines entrepreneurial orientation in a firm context as a proactive attitude toward the hunt for new opportunities, acceptance of inevitable innovation, and taking calculated risks for growth [96], [97], [98], [99], [100], [101]. These dimensions are contextualized through real examples by the participants in the study. For example, adaptability is shown by these MSMEs with an example of shifting to the digital platform during the pandemic to keep attracting customers. Innovation is seen from the case examples of MSMEs introducing new packaging that is eco-friendly as well as creative product offerings to differentiate themselves from other crowded markets. Strategic risk-taking is represented by MSMEs venturing into new market segments or testing new pricing models post-training. The examples have been illustrated with results garnered from pre and post-tests which depict measurable increases in understanding and application of these entrepreneurial capabilities among participants. Integrating theoretical and field-based evidence makes sure that the concepts will well-defined but practically grounded in the Indonesian MSMEs landscape.

Such research objectives and questions reflect the very challenges faced by Indonesian MSMEs and the theoretical conundrums in the literature associated with them. The study concentrates on four specific objectives; (1) to identify and analyze internal capabilities, such as entrepreneurial orientation, innovation, and operational efficiency that contribute to MSME development, (2) to examine external environmental factors, such as digital transformation, policy support, and market access that influence MSME growth, (3) to evaluate the effectiveness of practice-based training models in enhancing internal and external organization commitment, and (4) to propose an integrative framework aligning MSME internal strengths with external enablers for sustainable development. The objectives are further operationalized into guiding research questions that through which internalities and externalities interact, barriers that hamper growth, and the most effective interventions are examined. Each section-from methodology to results and discussion-conforms to these objectives, simplifying cohere and clear throughout the tale of the research. The study intends to establish practical insights into the following research guidance objectives: First, investigate the interplay between internal capabilities such as entrepreneurial orientation, innovation, and operational efficiency as the prime determinants of MSME development; second, study external dimensions on business viability and



competitiveness, such as digital transformation, market access, and policy support; third, evaluate how effective is using a practice-based training model to make an impact on both internal and external commitment to the organization; and lastly, put together all ideas in a proposed integrative framework to link internal strengths discussing MSMEs with external enablers of sustainability. This upholds the objectives established with corresponding operationalization into guiding research questions defining how internalities and externalities interact, which barriers exist that prohibit growth, and what types of interventions best apply. The entire manuscript-methodology, results to discussions-directly correspond to the objectives, making any relationship and clarity in the research narrative.

The paper gives distinct and applicable industry examples that primarily focus on fashion, apparel, digital services, and culinary issues to justify and amplify its theoretical claims. For example, the discussion on entrepreneurial orientation is exemplified with cases of MSMEs in the fashion industry that adapted their operations to changing market preferences by launching trend-driven product lines and using social media influencers to target younger customers [102], [103]. Likewise, digital transformation is shown by MSMEs in the digital services sector that used platforms such as Instagram and WhatsApp Business to engage their customers and grow the visibility of their brands [8], [63], [104]. The culinary field uses case examples to highlight innovation and operational efficiency such as the adoption of eco-friendly packaging and optimized supply chains to cut down on costs. These real-world examples serve further to enhance the theoretical constructs presented in the literature review, thereby ensuring that the study is not only conceptually robust but also rooted in practical sector-specific realities that Indonesian MSMEs face.

### 3 Method

This activity was carried out through a participatory approach and was based on intensive training designed to answer the concrete needs of MSMEs in terms of internal & external organizational commitment in Indonesia. The implementation of the activity was carried out offline (face-to-face) for three days, with an activity structure consisting of material delivery, discussions, case studies, and direct project-based practice. The selection of participants was carried out through an open registration process with an initial selection based on interests, business profiles, and readiness of participants to participate in the entire series of activities. This activity involved a team consisting of practitioners in the fields of entrepreneurship, digital marketing, and branding and social media specialists.

All the people are divided into 15 classes which consisted of 15-25 participants depending on the expertise, for a total of 225-275 people altogether as the whole group. The participants were also from Indonesia; from Sumatra, Kalimantan, Sulawesi, Nusa Tenggara Barat, Nusa Tenggara Timur, and parts of Java. As the sessions were going to be 3 days from Wednesday, Thursday, and Friday, and the majority of participants were coming from fashion and apparel including digital & IT services from the people of Sulawesi Barat, Sulawesi Selatan, Sulawesi Tenggara, and Eastern Java for the total of 16 people (this was on 1 class only, for the representative of the groups). The daily activities were covering internal to deal with entrepreneurial orientation, dynamic capabilities, operational efficiency, and market orientation, and the externalities, included digital transformation, policy support, market environment, and collaborative network with a summary to be shown to the whole class on Friday.

The stages of implementing the activity included:

- a. Planning and Preparation – a mapping of participant needs was carried out through a short online survey to find out the background of the business, marketing challenges faced, and participant expectations for the training. In addition, the team had prepared a training module consisting of two main themes – internalities and externalities for organizational commitment.
- b. Workshop Implementation – to discuss on branding aspects, covering material on the importance of brand identity, visual branding elements, business value mapping, and product differentiation. Participants also practiced creating basic branding elements such as logos, taglines, and brand narratives. The second day focused on digital marketing strategies, covering the use of social media (Instagram, TikTok, and WhatsApp Business), creating interesting digital content, using digital analytics, and marketing campaign strategies. Participants are directed to create a mini digital marketing plan based on their respective businesses.
- c. Evaluation and Follow-up – was carried out through pre-tests and post-tests to measure the increase in participants' understanding, as well as through feedback sheets to assess satisfaction and the effectiveness of the training. In addition, a presentation session was held by several selected participants to explain the internal & externalities of the organization commitment had prepared.

The practical, contextual, and collaborative training approach is expected to increase participants' capacity in building business brands and designing digital marketing strategies that are in line with current market trends and needs. This method also provides an active, creative, and mutually inspiring learning space among MSMEs.

## 4 Result and Discussion

The workshop was successfully implemented according to plan and achieved the target number of participants and the market they served in fashion, apparel, digital & IT services. The 16 participants participated in the series of activities for 3 days with enthusiasm and participation, both in the material delivery session and during discussions and practices.

**Table 1.** Pre-Test vs Post-Test

Factors to Consider	Pre-Test	Post-Test	Improvements
Entrepreneurial Orientation	25	88	63
Dynamic Capabilities	41	92	51
Operational Efficiency	63	95	32
Market Orientation	79	93	14
Digital Transformation	44	91	47
Policy Support	38	92	54
Market Environment	69	96	27
Collaborative Network	42	76	34
Average	50.125	90.375	40.25

Based on the results of the pre-test and post-test given to the participants, there was a significant increase in understanding in two main aspects, namely understanding the basic concept of internalities and externalities of organizational commitment. In the pre-test, the average participant score was in the range of 50 (out of 100), indicating that the majority of participants did not yet deeply understand entrepreneurial orientation, dynamic capabilities, operational efficiency, and market orientation (internalities) and digital transformation, policy support, market environment, and collaborative network (externalities). The post-test score increased significantly with an average value reaching 90, indicating an increase in knowledge and skills quantitatively. Several participants admitted that they had just realized the importance of consistent visual identity and communication messages that were in line with the target market. Discussions that emerged during the activity showed that many participants previously used social media only as a passive promotional tool without a clear content strategy. Through this training, they learned to design a weekly content plan, recognize consumer interaction patterns, and determine the unique selling point of their products or services. As a form of implementation, all participants prepared a mini digital marketing plan that was presented and received feedback from the facilitators and other fellow participants. This encouraged a collaborative learning process and strengthening networks between MSMEs. From the feedback evaluation, 90% of participants stated that the material presented was very relevant to their needs, while 83% of participants stated that they were ready to implement the strategies they had learned into their respective businesses. Overall, this community service activity showed that a practice-based training approach to ensure the best internalities and externalities of organizational commitment. These results support previous studies stating that increasing entrepreneurship literacy and skills were important factors in the growth of MSMEs in the digital era.

**Table 2.** The Categories of Participants

Categories of Participants	Numbers of Participants	Percentage (%)
Fashion	5	31.25
Apparel	4	25.00
IT Services	3	18.75
Digital Services	4	25.00
Total	16	100

**Table 3.** The Assessed Aspects for Grading

Assessed Aspects	Percentage of Respondents
Relevant of Materials of Participations	90%
Ease of Understanding Materials	76%
Readiness of Participants to Implement Strategies Taught	83%
Satisfaction with Delivery Methods and Facilitators	80%
Expectation for Follow-Up	73%

## 5 Conclusion

This community service activity had a positive impact on the participants. The workshop, which was held for 3 days, was able to provide a significant increase in understanding of the concept of internalities and externalities of organization commitment. Through a participatory, applied, and practice-based learning approach, participants gained knowledge and skills that could be directly applied in developing their businesses. The evaluation results showed that there was a significant increase in the participants' pre-test and post-test scores, reflecting the success of the training method in transferring knowledge.

In addition, the level of participant satisfaction with the material, delivery method, and facilitators was also very high, indicating that this activity was relevant, inspiring, and in accordance with the needs of today's MSMEs. Participants not only understood the theory, but were also able to prepare a simple plan based on the characteristics of their respective businesses. Interaction between participants also formed a potential entrepreneurial network to be further developed. Overall, this community service activity showed that a practical approach is very effective in increasing the capacity of MSMEs. To maintain the sustainability of the impact of the activity, it is recommended that there be follow-up in the form of further mentoring. Activities like this have great potential to encourage the economic independence and encourage the growth of sustainable digital-based MSMEs.

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