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# ARE WE INVESTING IN THE RIGHT CAPABILITIES? UNPACKING THE DRIVERS OF SME COMPETITIVENESS IN SURABAYA

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**Abstract:**

**Background:** Small and Medium Enterprises (SMEs) play a vital role in Indonesia's economy, particularly in East Java, where they contribute 58.35% to regional economic performance. In Surabaya, a major metropolitan center, SMEs face increasing competition, evolving consumer preferences, and technological disruption. Despite their significance, many SMEs struggle with limited digital literacy, low innovation capacity, and suboptimal human resource management, which hinders their competitiveness in dynamic markets.
**Purpose:** This study aims to analyze the influence of strategic agility, organizational innovation, human resource management, and digital platform capability on competitiveness within Surabaya's F&B sector.
**Design/methodology/approach:** A quantitative approach was employed using multiple linear regression analysis in SPSS. The sample consisted of 160 SME owners or managers in Surabaya selected through purposive sampling, with criteria including an annual turnover exceeding IDR 2 billion (based on Law No. 20 of 2008) and active use of digital platforms. Data was collected using structured questionnaires with five-point Likert scales measuring strategic agility (eight indicators), organizational innovation (six indicators), human resource management (seven indicators), digital platform capability (five indicators), and SME competitiveness (six indicators).
**Findings/Results:** The results reveal that all independent variables have positive and significant effects on SME competitiveness. Digital platform capability exhibits the strongest influence, followed by human resource management, organizational innovation, and strategic agility. The model explains 72.5% of the variance in SME competitiveness, with all classical assumption tests satisfied.
**Conclusion:** Strategic agility, organizational innovation, human resource management, and digital platform capabilities are critical drivers of SME competitiveness in Surabaya. The findings underscore that SMEs must enhance their responsiveness to market changes, foster continuous innovation, develop employee competencies through structured HR practices, and optimize digital platform utilization to strengthen their competitive positions.
**Originality/value (State of the art):** Integrating four strategic capabilities into a comprehensive framework explaining SME competitiveness in urban Indonesia contributes to the Resource-Based View (RBV) theory. This helps SME managers prioritize digital capability development and strategic HR practices and provides policymakers with evidence-based advice for designing targeted interventions to boost metropolitan SME competitiveness.

**Keywords:** digital platform capability, human resource management, organizational innovation, SME competitiveness, strategic agility

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## INTRODUCTION

SMEs are small and medium-sized enterprises that are managed by a business entity or individual and focus on a productive economy, in accordance with the criteria in Indonesian Law No. 20 of 2008, which supports the movement of economic development in Indonesia (Munthe et al. 2023). In a changing business environment, SMEs need to strengthen their competitiveness to survive in a competitive market (Setyaningrum et al. 2023). According to Kominfo Jatim (2023), the contribution of SMEs to economic performance in East Java is very high, reaching 58.35%. This has led to increasingly fierce competition, changes in consumer preferences, and the uncertainty of a business environment that often changes (Rajala & Hautala-Kankaanpää, 2022). In the face of these dynamics, SMEs need to have the ability to adapt quickly and effectively. The transformation of digital promotion from direct selling or personal selling to social media is one form of adaptation of a business to the growing conditions in terms of technology (Malesev & Cherry, 2021).

According to Wibowo et al. (2022), there are three important points related to SME constraints. The first point is related to the limited knowledge in the field of information technology in SMEs, and digital literacy among SMEs is still lacking (Rahayu and Day, 2016). The second point is related to the low level of participation of SMEs in the digital environment (Srimulyani & Hermanto, 2021). The last point is related to SMEs that have constraints in marketing, the causes of which can be a lack of understanding of digital literacy, lack of innovation in products, limited knowledge of production technology and inadequate quality control, and lack of knowledge on resources (Putritamara et al. 2023). These three points cause SMEs' production and marketing systems to follow conventional patterns, making it difficult to seize opportunities in the market and meet market needs. This study focuses on the competitiveness of SMEs domiciled in Surabaya City. Researchers want to know the effect of strategic agility, organizational innovation, human resources management, and digital platform capabilities on Surabaya City SME competitiveness which can provide hope for SMEs in the future to further increase in sales.

Resource-based view (RBV) is a theory that emphasizes the importance of companies obtaining and utilizing unique resources to achieve good performance (Martin et al. 2020). RBV theory explains that an organization's competitive advantage comes from its unique resources and capabilities (Barney, 1991). Strategic agility is the organization's ability to respond quickly to changes in the external and internal environments and create new opportunities to respond to threats (Tallon and Pinsonneault, 2011). There are eight indicators of strategic agility according to Tallon and Pinsonneault (2011), including competitive change, innovation, new market opportunities, price changes, a threat of new entrants, adjustment to market needs, the use of new technology, and supplier replacement.

Organizational innovation is an effort made by companies to introduce new changes in the use of technology, management, services, or business processes to improve efficiency and productivity (Liu et al. 2022). According to Liu et al. (2023), there are six indicators of organizational innovation, including risk in the use of resources, new products and change, new business opportunities, expansion opportunities, major changes to the business, and risk-taking in investments. Human resource management is a management practice that focuses on managing and developing human resources in an organization to attract, retain, and motivate employees to use knowledge (Le, 2023). Human resources can be interpreted as a strategy that focuses on managing employee talent and competencies to improve organizational performance (Wongsansukcharoen and Thaweepaibonwong, 2022). According to Le (2024), there are seven human resource indicators, including relevant skills, learning ability, collaboration skills, skill development opportunities, training with up-to-date knowledge, specific needs training, and competency development.

Digital platform capability is an organization's ability to effectively utilize digital technology to carry out business operations (Liu et al. 2022). According to Liu et al. (2023), there are five indicators of digital platform capability: communicating with consumers, disseminating product-related information, product understanding and market preferences, an increase in the number of consumers, and using a platform that is suitable for consumers. Competitive advantage or competitiveness of SMEs is an advantage that a company has over its competitors that allows the company to maintain sustainable performance (Xu et al. 2020). According to Xu et al. (2020), there are six indicators of SME competitiveness, including superior

cost control, superior product or service quality, high profitability, rapid market share growth, better reputation, and superior product position in the market.

This study focuses on the competitiveness of SMEs based in the city of Surabaya. The research aims to examine the impact of strategic agility, organizational innovation, human resources, and digital platform capabilities on the competitive advantage of SMEs, which may offer future prospects for these businesses to achieve further growth in sales.

## METHODS

This quantitative study analyzes the data collected from the questionnaire using multiple regression analysis with the Statistical Product and Service Solution (SPSS) software. The resource-based view provides a theoretical framework for the investigation, which aims to understand the competitiveness of SMEs in Surabaya City. Quantitative methods are used to determine the effect of strategic agility, organizational innovation, human resource management, and digital platform capabilities on SME competitiveness. Strategic agility was specified as X1, organizational innovation as X2, human resource management as X3, digital platform capability as X4, and SME competitiveness as Y.

The population for this study comprised all SMEs in Surabaya City, totaling 15,650 enterprises (BPS, 2021). Although the population size is known, this study employed a non-probability purposive sampling technique with sample size determination based on Hair et al.'s (2010) formula, specifically the 1:5 to 1:10 ratio rule for multivariate analysis, which recommends a minimum of 5 to 10 observations per estimated parameter. With 32 indicators across all measurement scales, a minimum sample size of 160 respondents was required. This approach was selected because it prioritizes statistical power for detecting significant relationships among multiple independent variables over simple population representation, which is particularly appropriate given the multivariate regression design of this study (Hair et al. 2010). The purposive sampling criteria ensured that only eligible SMEs were included: (1) domiciled in Surabaya City; (2) having an annual turnover exceeding IDR 2 billion in accordance with Law No. 20 of 2008 on Micro, Small, and Medium Enterprises; and (3) actively utilizing digital platforms for business operations.

The first previous research by Gerald et al. (2020) entitled "Strategic Agility and Performance of Small and Medium Enterprises in the Phases of Covid-19 Pandemic". This study aimed to determine the effect of strategic agility on SME competitiveness. This study showed that strategic agility had a positive and significant effect on SME competitiveness. The relationship between Gerald et al.'s research (2020) and this study is that they had similar variables, namely strategic agility and SME competitiveness.

The second previous research by Azeem et al. (2021) entitled "Expanding Competitive Advantage Through Organizational Culture, Knowledge Sharing, and Organizational Innovation". This study aimed to determine the effect of organizational culture, knowledge sharing, and organizational innovation on SME competitiveness. This study shows that organizational culture, knowledge sharing, and organizational innovation have a positive and significant effect on SME competitiveness. The relationship between Azeem et al.'s (2021) research and this study is that they have similar variables, namely organizational innovation and SME competitiveness.

The research framework (Figure 1) hypothesizes that strategic agility, organizational innovation, human resource management, and digital platform capability positively influence SME competitiveness. Each independent variable is linked to the dependent variable through a separate hypothesis (H1–H4), indicating a direct-effect model. The framework is grounded in the Resource-Based View, which posits that these four capabilities represent valuable, rare, and difficult-to-imitate resources. Together, they are examined as simultaneous predictors of competitiveness among F&B SMEs in Surabaya.

Gerald et al. (2020) state that strategic agility has a positive and significant influence on SME competitiveness. SMEs with strong adaptive capabilities are more responsive to changes in the business environment that may affect their market position. Compared to their less agile rivals, SMEs are better able to reduce production costs, increase precision in adjusting financial and human resources, and respond to changes in the market and customer expectations (Doz & Kosonen, 2008; Teece et al. 2016). Based on this explanation, strategic agility is expected to positively influence SME competitiveness. Therefore, the first hypothesis is:

**$H_1$: Strategic agility has a positive and significant effect on the competitiveness of SMEs**

Azeem et al. (2021) states that organizational innovation has a positive and significant effect on SME competitiveness. SMEs that can innovate in improving the quality or services provided will be able to survive in market competition. Based on this explanation, it is possible that there is an influence between organizational innovation on the competitiveness of SMEs, so the hypothesis obtained is:

**$H_2$: Organizational innovation positively and significantly affects the competitiveness of SMEs.**

Wongsansukcharoen and Thaweepaibonwong (2023) state that human resources have a positive and significant influence on SME competitiveness. SMEs with human resources (HR) management that have good skills and competencies can certainly increase productivity and the quality of products or services produced to increase competitiveness. Based on this explanation, it is possible that there is an influence between human resource management and the competitiveness of SMEs; therefore, the hypothesis obtained is as follows:

**$H_3$: Human resource management has a positive and significant effect on SME competitiveness.**

Yusuf et al. (2023) states that digital platform capability is a factor that has a significant effect on SME competitiveness. Pardede et al. (2025) emphasize the importance of cybersecurity, regulatory compliance, and digital leadership as key drivers of strategic outcomes in smart ecosystems. These outcomes include competitive advantage and adaptability. When SMEs can utilize digital technology well, they can increase their ability to continue to develop, innovate, and adapt to a changing market. Based on this explanation, it is possible that there is an influence between digital platform capabilities and SME competitiveness; therefore, the hypothesis obtained is as follows:

**$H_4$: Digital platform capabilities have a positive and significant effect on the competitiveness of SMEs**

As presented in Table 1, this study employs two types of variables: independent and dependent. The independent variables are strategic agility, organizational innovation, human resource management, and digital platform capability. The dependent variable is SME competitiveness. Table 1 details the operational definitions and indicators for each variable, adapted from established sources.

## RESULTS

### Respondent Profile

The demographics indicated that the dominant respondents were aged 37–46 years old (52.5%), male (56.9%), held a bachelor's degree (53.1%), lived in Mulyorejo District (7.5%), had been operating for over 5 years (58.8%), had 6–10 employees (50.6%), had a business income of IDR2 billion – 15 billion/year (74.4%), and used digital platforms (100%).

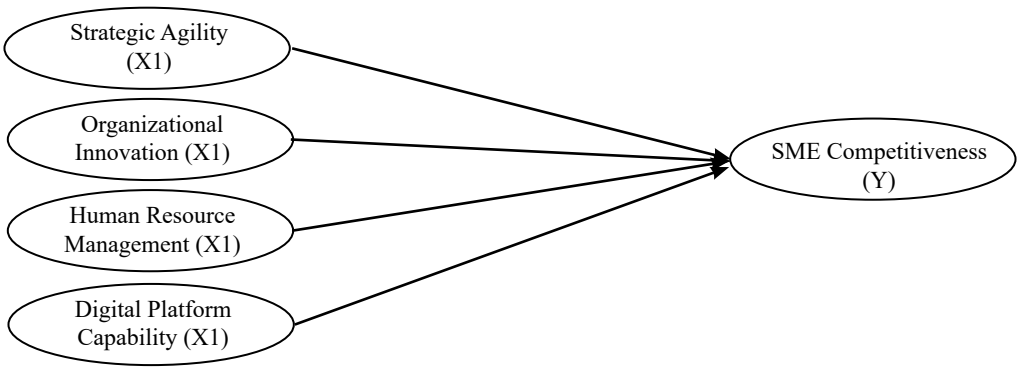



Figure 1. Analysis Model

Table 1. Operational Definition of Research Variables

| Variables | Operational Definition of Variables | Indicator | Source |
|---|---|---|---|
| Strategic Agility (X1) | Strategic agility is an organization's ability to respond quickly to changes in the external and internal environment and create new opportunities to respond to threats. | Competitive change | Tallon and Pinsonneault (2011) |
| | | Innovation | |
| | | New market opportunities | |
| | | Price changes | |
| | | There is a threat of new entrants | |
| | | Adjustment to market needs | |
| | | Use of new technology | |
| | | Supplier replacement | |
| Organizational Innovation (X2) | Organizational innovation is the effort made by companies to introduce new changes in the use of technology, management, services, or business processes to improve efficiency and productivity. | Risks in the use of resources | Liu et al. (2023) |
| | | New products and changes | |
| | | New business opportunities | |
| | | Expansion opportunities | |
| | | Big changes to the business | |
| | | Taking risks in investment | |
| Human Resource Management (X3) | Human resource management focuses on managing and developing human resources in an organization to attract, retain, and motivate employees to use knowledge. | Relevant skills | |
| | | Learning ability | |
| | | Collaboration skills | |
| | | Skill development opportunities | |
| | | Training with the latest knowledge | |
| | | Training according to specific needs | |
| | | Competency development | Le (2023) |
| Digital Platform Capabilities (X4) | Digital platform capability is an organization's ability to utilize digital technology effectively to carry out business operations. | Communicating to consumers | |
| | | Disseminate product-related information | |
| | | Product understanding and market preferences | |
| | | Increased number of customers | |
| | | Using consumer-friendly platforms | Liu et al. (2023) |
| Competitiveness of SMEs (Y) | Competitive advantage is an advantage that a company has over its competitors, allowing the company to maintain sustainable performance. | Superior cost control | |
| | | Superior product or service quality | |
| | | High profitability | |
| | | Rapid market share growth | |
| | | Better reputation | |
| | | Superior product position in the market | Xu et al., (2020) |

The demographic characteristics indicate that the majority of respondents are experienced entrepreneurs, given their age range of 37–46 years and over five years of business operation. Their educational background, with a significant portion holding a bachelor's degree, suggests a relatively high level of formal education, which may contribute to their ability to adapt and compete in a dynamic business environment. The concentration of respondents in Mulyorejo District reflects the geographic focus of the study, while the dominance of businesses with 6–10 employees highlights the scale typical of SMEs in the area. Furthermore, the high percentage of respondents with a business income of IDR 2–15 billion/year illustrates their financial capability, and the universal use of digital platforms underscores the integration of digital tools in maintaining competitiveness.

**Validity Test**

The validity test in this study was performed using bivariate analysis. The research was conducted using the SPSS software, and an item is considered valid if it has a sig. <0.05. Based on the data processing generated through the SPSS application, the results show that all items of the strategic agility variable, organizational innovation, human resource management, digital platform capabilities, and SME competitiveness have a Sig. value < 0.05 so it can be said that each statement item is valid.

**Reliability Test**

In this study, reliability was assessed using Cronbach's alpha. The instrument is considered reliable or consistent if it has a Cronbach's Alpha value > 0.60. Based on the data processing generated through the SPSS application it can be concluded that all variables have a Cronbach's Alpha value > 0.60. It can be considered that all these variables are reliable or consistent.

**Classical Assumption Test**

The normality test in this study used the Kolmogorov–Smirnov test method. If the significance value is > 0.05, it can be concluded that the residuals have a normal distribution. The normality test has assumptions that must be met, namely, that the residuals are normally distributed or close to normal. Based on the data processing generated through the SPSS application, the Asymp. Sig (2-tailed) was 0.200 greater than the significance value of 0.05; therefore, the residuals were normally distributed.

In this study, the multicollinearity test was carried out using the VIF value with a value of <10 and tolerance > 0.10. Based on the data processing generated through the SPSS application, the VIF value for all variables was < 10 and had a tolerance number > 0.10; therefore, it can be said that all variables in this study do not have multicollinearity symptoms.

In this study, the Glejser test was used to test heteroscedasticity by regressing the independent variable and the absolute value of the residual. Based on the data processing generated through the SPSS application, strategic agility, organizational innovation, human resource management, and digital platform capabilities variables have a significance value greater than 0.05, namely 0.584, 0.861, 0.396, and 0.859, respectively. From this data, it can be stated that the regression model used does not deviate, and there is no heteroscedasticity problem.

This study aimed to determine the effect of strategic agility, organizational innovation, human resource management, and digital platform capabilities on SME competitiveness in Surabaya City; hence, analysis was carried out using multiple linear regression. Based on the multiple linear regression test results contained in Table 2, the regression equation is obtained as follows:

$$Y = 2.332 + 0.117X_1 + 0.152X_2 + 0.242X_3 + 0.411X_4$$

The regression coefficient of each variable is positive, indicating a unidirectional positive influence between independent and dependent variables. The constant 2.332 shows the expected value of SME competitiveness if the values of strategic agility, organizational innovation, human resource management, and digital platform capabilities are all zero.

The regression coefficient for strategic agility is 0.117, which indicates that each one-unit increase in strategic agility will increase the competitiveness of SMEs by 0.117 units. The regression coefficient for organizational innovation is 0.152, which indicates that each increase of one unit in organizational innovation will increase the competitiveness of SMEs by 0.152 units. The regression coefficient for human resource management is 0.242, indicating that each one-unit increase in human resource management increases the competitiveness of SMEs by 0.242 units. The regression coefficient for digital platform capabilities is 0.411, which indicates that each one-unit increase in digital platform capabilities increases SME competitiveness by 0.117 units.

**Hypothesis Test**

Table 3 shows the t-test was used to determine how far the influence of the independent variables individually explains the variation in the dependent variable. If the sig value was <0.05, the independent variable had a significant effect on the dependent variable, and vice versa, if the sig value was > 0.05, the independent variable did not have a significant effect on the dependent variable. Based on the data processing generated through the SPSS application, the sig values for the variables of strategic agility, organizational innovation, human resource management, and digital platform capabilities were 0.026, 0.033, 0.000, and 0.000, respectively, which were lower than 0.05. The variables of strategic agility, organizational innovation, human resource management, and digital platform capabilities have a significant effect on the competitiveness of SMEs in Surabaya City.

The F test was conducted to determine whether all independent variables included in the model had an influence on the dependent variable and to test the feasibility of the model. In this study, the significance level was set at 0.05; if the sig value was <0.05, it can

be stated that the independent variable simultaneously influenced the dependent variable. Based on the data processing generated through the SPSS application, the sig value was .000, which is not greater than 0.05. The F test results state the feasibility test of the model, so that the variables of strategic agility, organizational innovation, human resource management, and digital platform capabilities can be used in this study and are jointly able to influence the competitiveness of SMEs in Surabaya City.

The coefficient correlation test was used to measure the strength of the relationship between independent and dependent variables. The correlation value ranges between 0 and 1, with a closer value of 1 indicating a stronger relationship. Based on the data processing generated through the SPSS application, the R value was 0.852, indicating a very strong relationship between the variables.

The coefficient of determination test was used to determine the proportion of variance in the dependent variable explained by the independent variables. Based on the data processing generated through the SPSS application, the r-square value was 0.725, where 72.5% of the strategic agility variables, organizational innovation, human resource management, and digital platform capabilities could explain the competitiveness variables of SMEs, and the remaining 27.5% was explained by other variables outside the study.

**The Effect of Strategic Agility on SME Competitiveness**

The positive influence of strategic agility on SME competitiveness ($\beta = 0.117$, $p < 0.05$) reinforces the resource-based view that dynamic capabilities enabling rapid adaptation are valuable strategic assets (Barney, 1991; Kero & Bogale, 2023). This finding aligns with previous studies that consistently report a positive association between strategic agility and SME performance (Gerald et al. 2020; Battour et al. 2021).

The mechanism underlying this relationship is twofold. First, agile SMEs are better positioned to sense and seize emerging market opportunities and adjust to price fluctuations, regulatory changes, and competitive threats more rapidly than their less agile counterparts. Second, strategic agility facilitates the redeployment and reconfiguration of scarce resources both financial and human resources toward their most productive uses, thereby enhancing operational efficiency and reducing production costs.

This capability is particularly critical in the context of Surabaya's F&B SMEs, where most operate with annual turnovers between IDR 2 billion and IDR 15 billion and must navigate intense competition in a metropolitan market. Consequently, responsiveness to product variety adjustments, adoption of new technologies, and strategic supplier switching all contribute to a strengthened competitive position.

Table 2. Multiple linear regression results

| | Regression Coefficient |
|---|---|
| Constant | 2.332 |
| Strategic Agility | 0.117 |
| Organizational Innovation | 0.152 |
| Human Resource Management | 0.242 |
| Digital Platform Capabilities | 0.411 |

Table 3. Result of t-Test

| Free Variable | t | Sig | Description |
|---|---|---|---|
| Strategic Agility | 2.250 | 0.026 | Influential |
| Organizational Innovation | 2.149 | 0.033 | Influential |
| Human Resource Management | 5.311 | 0.000 | Influential |
| Digital Platform Capabilities | 5.308 | 0.000 | Influential |

**The Effect of Organizational Innovation on SME Competitiveness**

Organizational innovation positively impacts SME competitiveness ($\beta = 0.152$, $p < 0.05$), including restructured processes, business models, and resource allocation (Liu et al. 2022). Azeem et al. (2021) and Arsawan et al. (2020) found that organizational innovation boosts competitiveness by accelerating decision-making, digital technology adoption, and productivity. Organizational innovation in Surabaya's F&B SMEs, which have annual turnovers between IDR 2 billion and IDR 15 billion, includes allocating resources despite potential failure, actively seeking new business opportunities, expanding operations, and implementing major strategic changes.

Two mechanisms explain this effect. First, an innovative organizational culture motivates and inspires employees, resulting in unique products and services in a crowded metropolitan market. Second, investing in new technologies, such as inventory or production automation systems, improves operational efficiency and reduces waste, which is crucial in the perishable F&B sector.

Descriptive statistics showed that many Surabaya SMEs are risk-averse, with "making major changes to the business" and "daring to invest despite risk of failure" scoring lowest. To boost competitiveness, F&B SMEs should try bolder innovation initiatives, such as piloting new menu concepts or adopting digital ordering and payment systems, which can reduce perceived risks and build innovation momentum.

**The Effect of Human Resource Management on SME Competitiveness**

In line with the resource-based view proposed by Barney (1991), the substantial positive impact of HRM on the competitiveness of SMEs ($\beta = 0.242$, $p < 0.001$) highlights the continued importance of people as a source of competitive advantage. This finding is consistent with the findings of Wongsansukcharoen and Thaweepaiboonwong (2023), Henryanto and Hartawan (2025), and Battour et al. (2021), who discovered that the performance of SMEs is directly influenced by competent, motivated, and productive employees.

Effective HRM practices in Surabaya F&B include recruiting experts, encouraging learning, providing skill development opportunities, updating training, and discussing competency development. HRM improves competitiveness through three channels: (1) employees who understand their roles and responsibilities increase productivity and service quality, which boosts customer satisfaction; (2) a supportive work environment motivates and retains employees, reducing costly turnover; and (3) collaborative teamwork fosters creativity and innovation, helping SMEs stand out from competitors.

The lowest-scoring indicator was "evaluating employees' ability to collaborate," suggesting that SMEs neglect teamwork skill assessment. Most surveyed SMEs employ 6–10 people, so informal HR practices may prevail. Surabaya's F&B SMEs should use simple but structured collaboration evaluation mechanisms, such as team performance reviews or peer feedback and cross-training, to build functional flexibility to compete. In F&B, service quality and consistency directly affect customer loyalty and word-of-mouth reputation, making HR improvements crucial.

**The Effect of Digital Platform Capabilities on SME Competitiveness**

Among the four capabilities, digital platform capability had the greatest impact on SME competitiveness ($\beta = 0.411$, $p < 0.001$), emphasizing its strategic importance in the digital age. Yusuf et al. (2023), Henryanto et al. (2025), and Proksch et al. (2024) found that digital platforms help SMEs increase market reach, lower operational costs, and build customer relationships more efficiently than traditional channels. In Surabaya's competitive metropolitan environment, digital platform capability includes coordinating product, price, and delivery information; disseminating product-related content through social media (Instagram, TikTok, WhatsApp Business); understanding customer preferences via platform analytics; attracting more customers through marketplace presence (Shopee, Tokopedia); and connecting directly with consumers.

Two mechanisms cause this significant effect. First, digital platforms drastically lower customer acquisition and engagement costs, allowing SMEs with limited marketing budgets to compete with larger firms. Second, platforms generate real-time consumer behavior data, allowing SMEs to dynamically adjust their product offerings, pricing, and promotions (digital strategic agility).

The lowest-scoring item was "using digital platform services to connect with customers," indicating that SMEs use platforms for basic promotion but have not fully utilized interactive features such as live sessions, Q&A, giveaways, or personalized messaging. Surabaya's F&B SMEs should respond to customer comments, use platform analytics to tailor offerings, and integrate e-commerce and delivery services to be more competitive. Since all surveyed SMEs used digital platforms (per sampling criteria), their competitiveness likely depends on how deeply they integrate platform capabilities into their strategy rather than just being on platforms.

**Implications of Research Results**

The results of this study indicate that strategic agility has a significant and positive effect on the competitiveness of SMEs; thus, SMEs in Surabaya City need to maintain the strategic agility factor by being more responsive in the face of market changes, actively innovating in products or services, introducing new pricing schedules in response to competitor price changes, making quick strategic decisions, expanding or reducing the variety of products for sale, using new technology, and changing suppliers to obtain lower costs with better quality. This is evidenced by the lowest mean statement, namely, "Our company is responsive in dealing with market changes, " indicating that SMEs in Surabaya City must be able to be more responsive in dealing with market changes, such as conducting market research to identify potential threats and designing market change strategies.

The results of this study indicate that organizational innovation has a significant and positive effect on the competitiveness of SMEs; therefore, in the future, SMEs in Surabaya City need to maintain the organizational innovation factor by daring to allocate resources despite the risk of failure, supporting new products, looking for new business-related opportunities, expanding business operations, making major changes to the business, and making investments. This is evidenced by the lowest mean statement, namely, "Our company has made major changes to the business" and "Our company dares to invest despite the risk of failure" so that in the future SMEs in Surabaya City should be able to make more major changes to the business and dare to invest despite the risk of failure such as adopting technology and product innovation.

The results of this study indicate that human resource management has a significant and positive effect on the competitiveness of SMEs; therefore, in the future, SMEs in Surabaya City need to maintain human resource management factors by paying attention to employee expertise, employee learning ability, employee ability to collaborate, providing opportunities for employees to deepen expertise, offering training to employees, developing employee competencies, and improving employee competency development. This is evidenced by the lowest mean statement, namely "Our company evaluates employees' ability to collaborate" so that in the future SMEs in Surabaya City must be able to evaluate employees' ability to collaborate by involving employees in team performance.

The results of this study indicate that digital platform capabilities have a significant and positive effect on the competitiveness of SMEs. Therefore, SMEs in Surabaya City must maintain digital platform capability by coordinating information related to products, prices, and delivery through digital platforms, disseminating information through digital platforms, understanding product preferences through digital platforms, gathering more customers through digital platforms, and using digital platform services to connect with customers. This is evidenced by the lowest mean statement, namely, "Our company uses digital platform services to connect with customers." Therefore, SMEs in Surabaya City must use digital platform services to connect with customers through various social media or e-commerce platforms.

## CONCLUSIONS AND RECOMMENDATIONS

**Conclusions**

Based on the results and discussion, this study concludes that: Strategic agility has a positive and significant effect on the competitiveness of SMEs in Surabaya. Organizational innovation positively and significantly affects the competitiveness of SMEs in Surabaya. Human resource management has a positive and significant effect on the competitiveness of SMEs in Surabaya.

Digital platform capabilities have a positive and significant effect on SME competitiveness in Surabaya. This research improves the RBV by conceptualizing SME competitiveness as a multi-dimensional capability

bundle, challenging the fragmented approach in previous literature (Kero & Bogale, 2023). The findings suggest that SMEs must develop strategic agility, organizational innovation, digital platforms, and HRM as an integrated system rather than just having valuable resources.

Practical advice for SMEs in Surabaya City can improve strategic agility by being more responsive to market changes. This can be done by improving market understanding, by conducting market research and developing new products or services that meet the needs of the market. In addition, SMEs in Surabaya City can conduct risk analysis to identify potential threats and devise market change strategies. SMEs in Surabaya should also encourage continuous innovation as part of the organizational culture.

Business owners in Surabaya City can increase organizational innovation by making major changes to the business and making bold investments despite the risk of failure. This can be done by allocating funds to adopt the latest technology, such as automation systems. SMEs in Surabaya City can also conduct customer surveys to understand unmet needs and then create better products or services. SMEs in Surabaya City should also implement pilots to test new innovations in products or services.

Small medium entrepreneurs in Surabaya City can improve human resource management by evaluating employees' ability to collaborate. This can be done by evaluating employees' ability to work together and holding regular meetings to ensure that all members have the same understanding of company goals. SMEs in Surabaya City can also involve all employees in working together on specific projects and ensure that all team members have complementary roles. Furthermore, SMEs need to build an organizational culture that prioritizes teamwork over individual work.

SMEs in Surabaya City can enhance their digital platform capabilities by using digital platform services to connect with customers. This can be done by creating business accounts on social media platforms such as Facebook, TikTok, Instagram, and WhatsApp Business and uploading engaging content such as promotions, tips, and behind-the-scenes stories to increase interaction with customers. Furthermore, SMEs can join marketplaces such as Shopee and Tokopedia to reach a wider range of customers. SMEs can also hold live, giveaways, and Q&A sessions on social media to attract customers' attention.

**Recommendations**

In this study, the researcher faced limitations related to respondents, such as the distribution of questionnaires online posing a risk of misunderstanding in filling out the questionnaire by respondents, which might affect the quality of answers provided. In addition, there were variations in respondents' perceptions that may affect data interpretation.

This study recommends five areas for further research: qualitative mechanism exploration, mediation/ moderation testing, multi-city and rural studies, cross-sectoral comparisons, and longitudinal causal inference. As part of the implementation, there are several factors to consider. These include income-tested subsidies to prevent crowding out, differentiated digital literacy training tracks, tiered strategies to accommodate heterogeneity in business scale, and sequential phasing, which begins with a multi-platform presence and continues with digital literacy training, collaborative assessment, analytics deployment, and interactive engagement.

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