

Research Article

RBV-Based Dynamic Capabilities as a Strategy for MSMEs in the Processed Food Sector in the Global Economy

(A Study of Local Processed Food Producers in Tulungagung, East Java)

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Abstract: The objective of this study is to develop a theoretical framework that can be used to identify the key resources and capabilities involved in the globalization process. This case study aims to examine how export-oriented small businesses in Indonesia achieve success at the international level. To obtain qualitative data, in-depth interviews were conducted with the Makmur Susanti Group, an MSME in Tulungagung, East Java. This study, based on the Resource-Based View (RBV), demonstrates how dynamic capabilities in production, networking, marketing, learning, legal, and synergistic areas contribute to the formation of competitive advantages that support business sustainability and continuity. The study indicates that success in internationalization requires a combination of capabilities that can meet market needs, rather than a single capability. This study contributes to the literature by offering a comprehensive framework of the internationalization process and providing practical insights for policymakers and practitioners aiming to enhance the competitiveness of SMEs. The research findings underscore the importance of capability development and government support in facilitating the global expansion of SMEs. Ultimately, this study provides a foundation for further investigation into the dynamic capabilities required for SMEs to thrive in international markets.

Keywords: Dynamic Capabilities; Exports; Internationalization; RBV; SMEs.

1. Introduction

The internationalization of SMEs has now become a key pillar of sustainable economic growth in developing countries, including Indonesia, where the processed food sector is projected to account for up to 20 percent of total SME exports by 2025. Small and medium-sized enterprises from developing countries face the paradoxical challenge of expanding internationally despite limited resources in today's interconnected global economy. With limited skills, limited resources, and insufficient exposure to foreign markets, how can SMEs in developing countries like Indonesia leverage and manage their global performance? This question is critical because emerging markets and developing economies now account for approximately seventy percent of global economic growth (IMF, 2016). This is driven by the growing number of small and medium-sized enterprises (SMEs) in these countries.

Research on international entrepreneurship has grown rapidly since around 1990, but current research still focuses primarily on high-tech industries and large companies in developed countries (Chi et al., 2016). Academics have paid less attention to the Asian context, particularly Indonesia, the largest economy in Southeast Asia with untapped export potential. According to Terjesen et al. (2016), more theoretical and practical research on international entrepreneurship in developing countries is needed. In Southeast Asia, processed food products from MSMEs have a sales potential of USD 10 billion per year, but 60% of them fail in the early stages due to regulatory barriers (Kaur & Kumar, 2026).

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Furthermore, Pertiwi et al. (2018) study on entrepreneurship education in Indonesia supports this view. The results of a literature review by Kaur & Kumar (2026) also indicate the importance of internal resources and capabilities for businesses in achieving competitive advantage in the global marketplace, emphasizing the Resource-Based View (RBV) based on findings from 1994 to 2022, comprising 70 studies. Premium standards are desired in Asian markets such as Hong Kong, such as luxurious packaging and long shelf life, but due to strict regulations, local SMEs often struggle to adapt their businesses. The export target for Indonesian SMEs is USD 30 billion by 2026 (Junita et al., 2023), with a focus on processed food exports to Hong Kong due to diaspora demand. However, only 10 percent of SMEs are able to sustain exports, and the main obstacles are certification and capital.

The cassava processing business operated by the Makmur Susanti Group is located in Tulungagung, East Java. The business produces chips made from taro, cassava, purple sweet potato, banana, and breadfruit, and employs three local workers. There is export potential to Hong Kong through a business agreement, but certification is still pending. Premium standards are desired in Asian markets like Hong Kong, such as luxurious packaging and long shelf life, but due to strict regulations, local SMEs often struggle to adapt their businesses. This phenomenon reflects the international shift of small and medium-sized enterprises driven by digitalization and the global diaspora. The cost of nutritional testing for self-life products is 15 million rupiah per product, provided the product is exported, halal-certified, and packaged in premium packaging with a net weight per package of 70 grams and a minimum monthly shipment weight of 100 kilograms. Quality depends on raw materials and frying temperature; direct owner training is effective but can only be conducted on a small scale.

The Ministry of MSMEs and aggregators assist with market intelligence, but there are no government subsidies, making capital the primary barrier to reconfiguration for machinery upgrades and compliance with legal requirements in the internationalization process—a structural issue that requires standard harmonization, MRA diplomacy, and the adoption of technological innovations so that MSMEs can become more competitive in the global value chain. Findings by Wai et al. (2022) indicate that managerial capacity is crucial for small and medium-sized business owners, who must prioritize the ability to enter new markets over the ability to develop new products, particularly without strong managerial capacity. These findings have several interesting theoretical and practical implications for SME exports. This aligns with the findings by Wong & Ngai (2021) regarding how three business sustainability capabilities—organizational competence, environmental competence, and economic competence—influence business sustainability competence and, consequently, firm performance.

Given business growth and the complex challenges encountered in the market, SMEs must adopt innovative strategies to adapt and evolve. Without this, it will be difficult for these businesses to survive. To achieve the aforementioned goals, SMEs must be able to leverage their resources and skills to manage their organizations efficiently (Hauser et al., 2020). Additionally, they are also expected to ensure that their products and services meet standards and requirements, which will help them develop their businesses to meet supply and demand needs professionally and ethically (Hauser et al., 2020). To this end, SMEs must implement the right strategies to survive amid intense competition.

One strategy that can be implemented is identifying the strengths of the resources available, commonly known as the Resource-Based View (RBV). The RBV strategy is highly beneficial for SMEs in developing the right strategies to implement within their organizations. RBV is a key component of strategic management (González-Díaz et al., 2021). It comprises

two components: 1) Strategies to enhance productivity and operational efficiency, and 2) internal strategic frameworks necessary to achieve strong performance. RBV helps SMEs leverage and manage their dependence on the external environment—such as access to capital, business networks, technology, and markets—while building a foundation of internal strength through the management of valuable, unique, and hard-to-imitate resources (Adriyanto and Hendayana, 2026).

The application of RBV in the business world, including among MSMEs, has actually been widely used as a foundation for business strategy development. However, overall, its utilization has not yet reached its full potential. Many business owners, particularly those in the MSME sector, do not yet fully understand how RBV explains how internal resources can provide a sustainable competitive advantage (Barney, 1991). Limited managerial knowledge, under-trained human resources, and an inability to adapt to rapid changes in the business environment are the main obstacles. Without RBV, the unique asset of processed food recipes in the form of cassava chips is lost as a commodity rather than a sustainable competitive advantage.

RBV is crucial for shifting the SME paradigm from Porter's external analysis which focuses on price and competitors to a focus on diverse internal assets. Dynamic capabilities complement RBV through the identification of opportunities (sensing), the exploitation of opportunities (seizing), and transformation in response to environmental changes. A study by Zahoor et al. (2022) found that dynamic capabilities, as part of innovation, are crucial for the success of SME internationalization. The ability to form digital alliances and demonstrate cross-cultural compatibility drives organizational innovation and international market success. Anggadwita et al. (2024) identified four stages of internationalization in their research. These are initiating a strategy, acquiring knowledge and skills, building networks, gaining international attention, and entering international markets. Business management and operations, governance and risk management, market and external dynamics, and the social environment are all challenges faced by SMEs, particularly those owned by women. Women entrepreneurs believe that internationalization can help the local economy despite these challenges.

The utilization of resources and government support enhances internationalization. Based on the above discussion, it can be concluded that by integrating these two perspectives, companies can leverage their core resources while simultaneously developing the capabilities needed to adapt and thrive in a dynamic environment. This study aims to investigate the extent to which SMEs in the region generate economic revenue through internal versus external market penetration. The case study on the Makmur Susanti Group SME addresses gaps in the analysis of the Resource-Based View (RBV)-Dynamic Capabilities framework within the context of processed food, offering policy implications: certification subsidies and an industrial ecosystem for SMEs. Theoretical contributions to the internationalization of Indonesian SMEs, supported by prior research by Agustie et al. (2025), indicate that optimizing RBV and dynamic capabilities can enhance SME export capabilities, such as digital, innovation, and adaptive capabilities. Given the rapid development of digitalization in

international trade, it would be highly valuable to understand how digital capabilities correlate with network capabilities and market knowledge.

2. Literature Review

Resource Based View

The RBV theory explains how a company's resources can generate value and profitability, defined as "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc., controlled by the firm that enable it to design and implement strategies that enhance its efficiency and effectiveness" (Barney 1991, p. 101). RBV is based on the idea that companies are heterogeneous entities, each possessing a distinct set of resources that are difficult for competitors to imitate (Wernerfelt, 1984). These resources can take the form of tangible assets, such as physical assets, or intangible assets, such as intellectual property, brand reputation, and corporate culture.

Imitation, which is crucial for maintaining competitive advantage, is hindered by the heterogeneity and flexibility of these resources. Two assumptions based on the RBV proposition state that acquired resources vary across firms and cannot be freely transferred between firms without cost. First, resource acquisition can be defined as the purchase of new food processing equipment or the introduction of new food processing techniques. Therefore, the implementation of process innovation is defined as the purchase of new processing equipment or the introduction of new processing techniques. Second, new processing methods are discovered through the reorganization of newly acquired resources alongside existing resources, which in turn enables companies to implement process innovations. Given the resource constraints faced by small and medium-sized businesses operating in developing countries. The primary objective of the RBV theory is to develop and maintain a competitive advantage through the effective use of organizational resources and talent (Lestari et al. 2024).

The RBV concept is a managerial concept which, according to Barney (1991), enables small and medium-sized enterprises to optimize their resources both tangible and intangible so that they gain a competitive advantage over their competitors. This is supported by the findings of a study by Abrokwah-larbi (2024), which states that RBV consists of unique, important, scarce, and demanding assets. The capacity of SMEs to achieve a sustainable competitive advantage and outperform their competitors in the market is determined by a specific combination of resources and competencies within the company. The concept of scarcity as a form of business uniqueness aligns with a previous study by Ringo et al. (2023), which indicates that SMEs in developing countries operate with limited resources, implying the potential for SMEs to introduce unique ways of utilizing their limited resources—whether existing or newly acquired. In this regard, the success of these SMEs depends on their ability to utilize these resources in unique and unconventional ways, thereby enabling them to sustain their operations.

Dynamic Capabilities

Businesses gain and maintain a competitive advantage in dynamic global markets based on the dynamic capabilities perspective. Dynamic capabilities refer to a firm's ability to integrate, build, and reconfigure its resources and capabilities in response to environmental changes (Teece, 2007). Brock & Hitt (2024) conducted a systematic review of ninety-eight articles, classifying twelve constructs of dynamic capabilities into six meta-capabilities and six strategic capabilities, highlighting conceptual ambiguity in this field as well as the need for context-sensitive measurement in an international context.

As environmental and social demands have grown in importance, academics have begun to examine the micro-level foundations of dynamic capabilities in sustainable product and process innovation. Kortus & Gutmann (2023) conducted several case studies of nineteen manufacturing companies to identify the specific skills, routines, and structures that enable the sustainable development of environmentally friendly products. Their findings reveal that these micro-level practices operate as a continuous cycle of strategic renewal, enabling companies to balance ecological goals with market objectives.

The internationalization process, as indicated by a study by Vu et al. (2026), reveals opportunities for increased international demand, value creation, enhanced brand image, and self-driven improvements in the production process. However, business leaders also recognize that current business models are insufficient to meet higher quality demands or market competitiveness. To thrive, the development of more adaptive processes is crucial to meet the constant pressure from quality standards, supply consistency, and ever-unpredictable variables, such as prices and climate. In the context of SMEs, this explains how small businesses can survive amidst economic and technological disruption. Strong dynamic capabilities enable SMEs to respond to market challenges, identify new opportunities, and implement changes to enhance the efficiency of business expansion and operations (Marino-Romero et al., 2024).

Dynamic capabilities are essential for accelerating the digital transformation process, as they provide a framework for companies to respond to business changes quickly and efficiently. This aligns with the findings of a study by Marino-Romero et al. (2024), which states that to remain relevant and competitive, companies must take specific actions. These include recognizing changes in the market (sensing), seizing new opportunities (seizing), and transforming business assets and procedures (transformation). With these changes, flexibility, innovation, and effectiveness increase, enabling a faster response to changes occurring in the market. Dynamic small and medium-sized businesses can effectively manage change and uncertainty in a diverse business environment. These companies are more flexible, ready for new opportunities, responsive, and able to quickly select the right strategies. All these factors are crucial for improving operational efficiency, innovation, and customer satisfaction, which collectively impact the performance of SMEs.

3. Method

This study employs a qualitative research approach, which allows researchers to examine various perspectives, identify contributing factors, and gain a broader understanding. We use a case study approach to facilitate the investigation of complex research phenomena.

Yin (2018) states that case studies are a commonly used social science research method for studying modern phenomena and their real-life contexts. A qualitative approach such as this allows academics to study complex and specific phenomena through structured case studies of the “how” and “why” of these phenomena. This study chose a case study approach for several reasons. First, research on the internationalization process that examines the resources and capabilities involved in that process remains limited, so this case study allows for an in-depth exploration. Second, Indonesia has unique advantages as a developing country. Therefore, exploring interrelated elements can be achieved through multiple case studies. Third, Indonesian SMEs operate across various industries, including the food industry. Multiple case studies allow researchers to compare and contrast cases to identify patterns, similarities, and differences. This helps researchers better understand the phenomenon and draw generalizations.

Data Sources

The focus of this study is MSMEs in the local specialty food processing sector, as defined by Government Regulation No. 07 of 2021. Companies with net assets of up to 1 billion rupiah and sales of up to 2 billion rupiah are classified as micro enterprises under this regulation. The data for this study was obtained from the Makmur Susanti Group, located in Tulungagung, East Java.

Data Collection

To gather initial data, in-depth interviews were conducted with the owners of the target companies. These interviews are well-suited for qualitative research because they can provide in-depth and useful information about the subject under study. We employed an interview protocol featuring open-ended questions to gather information on how the internationalization process was carried out. The purpose of this protocol was to encourage discussion and give the interviewer the opportunity to explore the topic and responses further (Yin, 2018). The main questions asked included, first, what process did you go through when starting to export? Second, what factors contributed to the success of your exports? Third, how do you measure the success of your exports? The results were supplemented by more in-depth questions developed from these main questions. The interviews were conducted offline and lasted approximately 60 to 90 minutes. During the interview sessions, further analysis was conducted based on the interview transcripts. Additionally, as a supplement to the interview data, this study utilizes supplementary data from articles, websites, social media, or other online sources. In some cases, we follow up with participants via WhatsApp to update information and verify their statements made during the interview.

Data Analysis

To gather initial data, in-depth interviews were conducted with the owners of the target companies. These interviews are well-suited for qualitative research because they can provide in-depth and useful information about the subject under study. We designed an interview protocol with open-ended questions to gather information on how the internationalization process has been carried out.

To achieve the research objectives, the first step is to conduct data analysis. According to Weber (1990), case analysis is based on interview transcripts. According to Weber (1990), multiple case study analysis begins with individual case analysis, which aims to describe cases in chronological and thematic order and to link these patterns or themes to form a holistic configuration. Additionally, the purpose of individual case analysis is to organize, define, reduce, and understand the information obtained from each observed case (Pagel & Wu, 2009). The case studies under consideration may have limitations in generalizability and may be biased due to their specific context, particularly in internationalization research (Knight & Cavusgil, 2004). Therefore, triangulation is necessary to enhance the credibility and robustness of the research findings (Yin, 2018). As part of the triangulation process, this study interviewed micro-entrepreneurs working in the processed food industry. Documents, online sources, and interview data were utilized in this triangulation.

4. Results and Discussion

Result

This section presents the results of interviews with the Makmur Susanti Group, a small and medium-sized enterprise (SME) in Tulungagung, analyzed from the perspectives of the Resource-Based View and Dynamic Capabilities within the context of SME internationalization.

Description of Findings

Micro, small, and medium-sized enterprises engage in five key activities as part of their internationalization process. Production is the first activity, which transforms raw materials into high-quality finished goods that meet the demands of foreign markets. This stage is crucial for creating new value for goods sold overseas. Business owners emphasize the importance of managing their production processes efficiently to meet production targets, comply with product standards, and meet production deadlines. PT Makmur Susanti Group was founded in 2022 and operates in Tulungagung, East Java. The company uses premium raw materials from local farmers to preserve authentic flavors, such as glutinous taro, cassava, sweet purple yams, ripe bananas, and breadfruit. There are three local employees: two women working in production who earn a daily wage of Rp50,000 plus bonuses, and one man working in logistics. Resource-Based View (RBV), Dynamic Capabilities, and specific export barriers were the three main themes of the in-depth interviews.

The Resource-Based View posits that a combination of capabilities and resources can enhance competitiveness, address market challenges, and sustain the company. Inputs, procedures, outputs, and results from individual and cross-case analyses are described and explained in the following section. The owner explains the production process, and employees receive hands-on training: "Yes, through training in the form of direct mentoring by the owner to each employee during the production process through to packaging. Flavor and raw materials are very influential, as is the temperature used during the frying process. The business has reached the stage of obtaining Hong Kong business approval through a trading aggregator, with a certification fee of Rp15 million per product for nutritional testing, halal export certification, and shelf-life testing." Hong Kong buyers have strict requirements: packaging specifications must meet their specifications, with a Minimum Order Quantity (MOQ) of 100 kg per month; products must pass organoleptic testing, BPOM certification, and halal export standards. Although the owner acknowledges that "there are specific requirements for exported products based on the importing country's specifications."

In terms of business sustainability, the findings highlight the benefits of internationalization for local communities. Business owners report that they contribute to community development by empowering local communities and supporting local traditions. Additionally, some companies have demonstrated a commitment to sustainability, particularly in the agricultural sector, by promoting sustainable farming practices and improving farmers' well-being.

Description of the Findings from the RBV Analysis as a VRIN Asset

This SME's resources meet Barney's VRIN criteria (1991) due to the availability of inexpensive, high-quality local raw materials in Tulungagung (sweet glutinous taro for the perfect crunch); they are unique because the sweet purple taro variety is rarely found outside East Java; they are unique due to the high-temperature frying technique and heirloom recipes; and they are irreplaceable because their authentic Indonesian flavor is difficult for mass-produced Asian products to replicate. The owner emphasizes that "selection of raw materials and the cooking process" are key to consistent quality, supported by effective internal training, though with a capacity of only three people.

Dynamic Capabilities (Sensing, Seizing, dan Transforming)**Tabel 1.** Description Dynamic Capabilities

	Findings
Sensing	From the Ministry of SMEs and PT Growfield, an export aggregator for buyers in Hong Kong
Seizing	The aggregator supports premium packaging specifications, but scaling up is hindered by a lack of capital
Transforming	At present, there is still room for improvement; budget constraints are hindering the optimization of production equipment, resulting in suboptimal production.

Source: Primary data processed (2026)

The information in Table 1 above shows that business owners actively monitor opportunities through the Ministry of MSMEs and Growfield, and are familiar with the legal requirements of target markets such as Hong Kong. Business adaptation has been successful, and collaboration with aggregators has helped with premium packaging specifications; however, market penetration is hindered by a lack of capital. Ineffective reconfiguration: Machine development and certification have not yet been optimized. The owner hopes for financial assistance, such as interest rate reductions and easier access to additional funds through banking, as well as subsidies to facilitate the legal compliance process for export purposes.

Export Barriers and Policy Implications

Findings from interviews at the Makmur Susanti Group SME in Tulungagung indicate that SME operators seeking to expand their businesses through internationalization often face challenges in the form of obstacles related to: (1) finances, where certification costs Rp15 million without subsidies and daily operational priorities; (2) Technical issues, such as Minimum Order Quantities (MOQs) exceeding capacity, and packaging designed for the local market rather than for export; and (3) Regulatory requirements, particularly regarding costly organoleptic testing and shelf-life testing.

The main obstacle is an ongoing funding issue. Although there is a program from the Ministry of SMEs, the cost of product certification for nutritional and shelf-life testing at laboratories such as Testing amounts to Rp15 million per product, without direct subsidies from the government. Priorities for daily operations, such as wages for three employees (Rp50,000–100,000 per day plus bonuses) and the purchase of seasonal taro and purple sweet potato raw materials from local farmers leave business owners with limited capital to support domestic production rather than invest in long-term exports. With a limited number of daily transactions, business owners complain that capital is a constraint in meeting legal documentation standards, which require relatively higher costs. Consequently, although market opportunities in Hong Kong have been identified through aggregators, the process of dynamically reconfiguring capabilities is hindered. Regulatory barriers, centered on costly and complex requirements for organoleptic testing, shelf life, BPOM approval, and halal export certification, often cause SMEs to abandon the process. These tests are mandatory to meet Hong Kong regulations, including passing nutritional, organoleptic (taste, crunchy texture), and long shelf-life criteria, at costs that are unaffordable without external assistance.

Discussion

This study has identified specific resources and capabilities that contribute to global success in line with the Resource-Based View. Product planning that meets international consumer demand and global production standards is the first step toward internationalization. High-quality products require adequate resources. Production capabilities encompass many elements, including raw materials, employees, production facilities, production methods, and the values embedded in the products. To make SMEs better able to produce with high quality, flexibility, low costs, and shorter lead times, these components are crucial. The results align with those of Kaur and Kumar's (2026) meta-analysis, which found that the Resource-Based View (RBV) dominates 70 studies on SME internationalization,

where resource heterogeneity becomes a global asset. However, a static RBV cannot explain why these VRINs remain trapped domestically: outdated manual tools unsuitable for a Minimum Order Quantity of 100 kg and non-compliant certifications. Resource immobility (local constraints) in the agricultural region of Tulungagung has two sides: domestic benefits but hindrances to exports without Dynamic Capabilities.

The Dynamic Capabilities cycle includes sensing and seizing opportunities, but reconfiguration fails due to financial constraints. This is confirmed by Kwartati et al. (2024), who state that the adaptation cycle increases exports by 25%, but there is a lack of access to the national ecosystem in rural Tulungagung. Halal/SPS barriers align with agro-food barriers (Razali et al., 2025). Furthermore, regarding export regulations, Indonesia differs from other countries such as Vietnam, where government subsidies combined with successful DC training have boosted chip exports. The results of a study by Anggadwita (2024) suggest that the RBV-DC mediation business orientation is relevant to diligent Tulungagung business owners, but requires external assistance. The UMKM Go Export program must be supplemented with agricultural certification subsidies and local aggregators in East Java.

5. Conclusion

This study examines the complex dynamics of internationalization among export-oriented small and medium-sized enterprises (SMEs) in developing countries, with a particular focus on Indonesia. This research employs a case study methodology to determine how production, networking, marketing, learning, and legal capabilities contribute to global competitiveness. These capabilities can be leveraged by SMEs to navigate complex overseas markets and sustain their international operations if strategically aligned and continuously developed.

Findings indicate that the internationalization of SMEs in developing countries depends on inherent capabilities and the strategic utilization of internal and external resources. Key capabilities in production, marketing, networking, learning, and compliance are supported by critical resources, such as local raw materials, production facilities, information technology, and unique product value. SMEs can create high-quality, unique, and globally standardized products by combining these resources and capabilities. Overcoming challenges in foreign markets, enhancing competitive advantage, and ensuring the sustainability of international operations require this synergistic approach.

These findings also demonstrate how digitalization and strategic networks can transform markets and provide critical insights. SMEs demonstrate greater resilience in overcoming export barriers and strengthening their global presence when they participate in government programs, build strong relationships with partners, and utilize digital platforms. By leveraging these networks and platforms, SMEs can access critical insights that help their businesses worldwide. By providing a deeper understanding of how small and medium-sized enterprises in developing countries achieve sustainable international success, this research contributes to academic discourse. The findings indicate that SMEs succeed in global markets by effectively combining their diverse capabilities, transforming challenges into strategic advantages. This supports the notion that competitive advantage stems from coordinated

efforts to maximize resources and capabilities. As SMEs continue to play a vital role in global economic growth, particularly in emerging markets, enhancing their capabilities is essential for achieving long-term business sustainability and continuity.

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