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Sustaining Local Food Enterprises Through Social Learning: Comparative Strategic Insights from Malaysia and Indonesia

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ABSTRACT

Small food enterprises (SFE), forming part of small-sized enterprises play a pivotal role in advancing economic development within developing economies. Their operations generate employment and contribute to social development and national progress. Nevertheless, these enterprises face enduring structural and operational constraints that limit scalability, competitiveness, and long-term sustainability. The purpose of this study is to examine the internal and external challenges encountered by SFE in Malaysia and Indonesia, while assessing converging patterns that can guide the formulation of effective policies and targeted interventions for sustainable growth. This research stems from a joint initiative between Universiti Teknologi MARA (UiTM), Universitas Singaperbangsa Karawang (UNSIKA), and Universitas Padjadjaran (UNPAD), conducted via international service-learning projects in both countries. Data were collected through interviews, examination of online platforms, and analysis of strategic management-focused business advisory reports covering three Malaysian and three Indonesian food-related enterprises. The findings reveal strong owner commitment, emphasis on product quality, and customer-centric practices. However, internal barriers and external pressures continue to challenge growth. Despite variations in operational structures and government support, both nations' SFEs confront fundamentally similar obstacles. This study enriches limited literature and provides valuable insights for policymakers seeking to strengthen resilience, advance digital transformation, and promote sustainable development of local food manufacturers. Importantly, the study introduces the concept of social learning, referring to the systematic dissemination of research findings and strategic recommendations to participating business owners. This feedback mechanism enables enterprises to apply informed insights for continuous improvement, thereby enhancing their adaptability and contributing to the broader sustainable development of SFEs in both nations.

Keywords: comparative analysis; emerging economies; international service-learning; small food enterprises (sfes); sustainable growth; strategic management..

INTRODUCTION

Micro and Small-sized enterprises (MSE), which include Small food enterprises (SFE) play their critical roles in supporting Malaysia and Indonesia national economies, with important contributions to gross domestic product (GDP), employment opportunity, business activities and economic resilience (Asian Development Bank, 2024). Contribution to the national 2023 GDP by MSE in Malaysia worth RM613.1 billion, which amounted to 39.1% of total output. Furthermore, MSE in Indonesia show a more dominant role with contribution to 2023 GDP worth 61% of output (Department of Statistics Malaysia, 2024; Antara News, 2024). Hence, these revelations supported the substantial impact that small businesses have on economic growth and productivity. In addition, these enterprises also play their roles as job creators from the perspective of employment. For instance the national workforce in Malaysia of 48% is accounted by MSE in contrast to Indonesia of 97% workforce which depicts their significant roles in providing employment opportunity, especially in underserved and rural areas (EY, 2023; Antara News, 2024). Furthermore, MSE command pervasive presence in many sectors in Malaysia representing 97.4% among business establishments registered, which signal its vitality towards composition of business ecosystem. This is even more significant in Indonesia with almost 99% of business establishments represented by 66 million MSE, which indicate almost total dominance in local enterprises and commerce (Department of Statistics Malaysia, 2024; KADIN Indonesia, 2023). Rather than that, domestic supply chains and market dynamics in Malaysia are still crucially supported by MSE as shown by their export contribution in 2023 at 12.2%, worth RM152.2 billion, despite being modest. This is followed suit by MSE in Indonesia with dominance in local market as well as regional trade, though no exact values of export quantity been provided (KADIN Indonesia, 2023). It can be said that MSE pose strategic significant in supporting national development agendas as evidenced in MADANI policy framework in Malaysia where they are seen as key players contributing to growth inclusivity as well as resilience in economy (EY, 2023). This notion is also shared in Indonesia with MSE seen as critical in maintaining grassroots economic functions, supporting equitable development regionally as key drivers of the economy (KADIN Indonesia, 2023). Nevertheless, despite being seen as significant economic drivers in both countries which include emerging markets, MSE do experience problems such as financial distress and bankruptcy, derived from limited access to financing and continuous financial vulnerabilities. For instance, considerable chunk of bankruptcy cases in Malaysia consists of MSE, although overall cases have slightly declined in beginning 2025, signalling this sector's financial instability (CEIC Data, 2025; Malaysian Department of Insolvency, 2024). As for MSE in Indonesia, despite playing critical role contributing to GDP, they are not immune to financial access constraints and market competitive challenges (International Monetary Fund, 2024; OECD & ERIA, 2024). This is confirmed by 29% of Indonesian firms that concurred one of its major business obstacles is financial access, as revealed in a enterprise survey by World Bank (World Bank, 2024). Furthermore, from broader perspective of emerging and developing countries, financial access gap also dominates as impediment to Micro Small Medium enterprises (MSME) potential growth and sustainability, at the GDP rate of 19% as identified by G20 GPFI (G20 Global Partnership for Financial Inclusion, 2024).

Multiple challenges also being experienced by SFE in Malaysia covering issues related to regulatory, financial and competitiveness. For instance, small food manufacturers ranked the top to fail within early five-years of their operation among those 50 to 60 percent of small and medium enterprises (SME) that succumbed in Malaysia (SME Corporation Malaysia, 2020). This is also going on in Indonesia with small food manufacturers among 30 percent of SME that failed within operation of two years resulting from financial constraints and intense competition, as reported by Ministry of Cooperatives and SME. The failure became worse, leading to bankruptcy among many small businesses especially during the time of COVID-19 pandemic (Ministry of Cooperatives and SMEs of the Republic of Indonesia, 2021). Hence, micro and small enterprises including SFE continue to encounter persistent challenges, that lead to their financial issues and potential demise.

Both cultural and institutional perspectives in Malaysia and Indonesia may have shape differentiation in the dynamics of SFE, which require further understanding inline with their economic contribution. In similarity, these two countries do share some commonalities in area of socio-cultural such as having Muslim majority populations, orientations of collectivist, and informal networks reliance that could mould the way enterprises make decision, behaviour and interactions with the market (Hofstede Insights, 2023; Geertz, 1963). Furthermore, SFE handling of resources management, risks negotiation, customers and suppliers engagement may be influenced by such cultural dimensions including on matters of halal practices and community trust (Fischer, 2016; Ali, 2021). Nevertheless, clear variations do exist in institutional governance aspects between both countries with Malaysia endorsing regulatory enforcement in structured way, centralised governance and stronger institutional frameworks, in contrast to Indonesia with a more decentralised governance structure, and more disparities in policy execution and business support (ACCMSME, ERIA & OECD 2024).Thus, in light of these similarities and variants relating to socio-culture and institutional context, have made both Malaysia and Indonesia SFE as suitable subjects for cross-national comparative research in revealing both common and distinct challenges encountered.

This research examines the challenges encountered by six SFE from both Malaysia and Indonesia, with 3 SFE respectively coming from each country, that lead towards their constraint in growth and declining competitiveness. Comparative case study approach, in line with International Service-Learning project (SULAM) was adopted with qualitative methodology such as in-depth interviews with key SFE personnel in obtaining relevant data. In addition, further data relating to SFE were obtained from social media platforms that they subscribed to and active on. This research initiative involved the participations of final-year accounting students from three universities, headed by Universiti Teknologi MARA (UiTM), Malaysia and supported by both Universitas Singaperbangsa Karawang (UNSIKA) and Universitas Padjadjaran (UNPAD), Indonesia, allowing comparative insights from both countries. The final output of this research findings was structurally communicated with participating SFE owners, providing them with strategic recommendations that are backed with evidences to support their further competitive improvement. This is in support of social learning agenda in building sustainability among SFE by improving their business resilience and competitiveness.

LITERATURE REVIEW

Micro and small enterprises (MSEs) function as a fundamental economic component supporting the growth in developing and emerging nations. Research has extensively studied the diverse obstacles MSEs encounter which include financial barriers together with regulatory hurdles and technological difficulties and human resource constraints. The research conducted by Berisha, Hoti and Hoti (2023) used quantitative survey methods to evaluate 250 micro, small and medium enterprises (MSMEs) in Kosovo regarding their financial access. The study revealed that MSMEs primarily depend on their internal funding sources because high interest rates combined with strict collateral requirements make external financing difficult to obtain. Dabić et al. (2021) used a mixed-methods research design to examine bank financing accessibility in Kosovo and North Macedonia. The study demonstrated that bank loan accessibility depends on business age and firm size as well as the type of collateral and business owner education level. The research by Ongbali et. al. (2024) employed quantitative methods to determine obstacles that prevent SMEs from growing. The research showed that restricted market access together with limited innovation capabilities act as major obstacles for businesses to expand. The problems become more severe because of technological obstacles that include digitalization and artificial intelligence (AI). Oldemeyer, Jede and Teuteberg (2024) conducted a systematic review which showed that SMEs encounter substantial technical along with financial obstacles to implement AI solutions. Proietti and Magnani (2025) developed an implementation framework through empirical research to identify success factors and barriers for AI adoption in small firms.

The topic of digitalization has received growing interest as a broader theme. Morales et al. (2024) conducted fuzzy logic analysis of empirical data to determine that financial constraints together with digital skills deficits and change resistance were the primary barriers to digital transformation. Gutiérrez et al. (2025) conducted Structural Equation Modeling (SEM) analysis of 14,972 Ibero-American firms to demonstrate that technological readiness and external support act as essential factors for digital adoption. Survey data from 7,265 microenterprises across 18 Ibero-American countries showed Viana et al. (2023) that higher digital maturity leads to better resilience and post-crisis business performance. Jackson and Ali (2024) contributed to this discussion through their empirical case studies which demonstrated that digital strategies enable businesses to maintain continuity and achieve antifragility during crises. The COVID-19 pandemic has triggered multiple research studies about resilience together with recovery. The analysis of 450 MSMEs through Partial Least Squares-SEM by Supramono, Damayanti and Adhitya (2025) demonstrated that responsible financial behavior together with dynamic capabilities drive business recovery. Israel and Rutainurwa (2025) stressed that continuous learning alongside dynamic skills enable MSMEs to achieve both long-term profitability and sustainability. The meta-analysis conducted by Darmawan and Rezki (2025) of 60 studies established that entrepreneurial competence proves more influential for resilience than firm characteristics. The systematic review by Mishra, Sahoo, and Mohapatra (2025) identified 19 enablers and 16 barriers to circular economy adoption in MSMEs with financial limitations and lack of technological infrastructure as major challenges. The research by Chakraborty et al. (2025) analyzed 188 academic articles to identify strategic pathways and barriers for circular economy implementation. The research by Vásquez, Gallego and Soto (2024) demonstrated through applied case research that rural MSMEs can implement circular practices with sufficient guidance and institutional support. Multiple research studies focused on institutional and regulatory and policy aspects. Tu et al. (2024) used panel regression analysis on data from seven Central and West Asian countries from 2010 to 2021. The study results showed that higher perceived corruption levels actually boosted MSME activity but regulatory barriers continued to restrict growth. The qualitative research by Loo, Ramachandran & Raja Yusof

(2023) with Malaysian MSME owners revealed that technology adoption and innovation face major challenges because of insufficient funding and inadequate infrastructure and unskilled workforce. The research analysis by Melaku et al. (2025) demonstrated that legal, financial, and institutional barriers continue to block MSME growth and inclusion. Gao, Jiang, and Zhou (2023) used machine learning methods to enhance SME financial distress prediction models which resulted in better early warning systems and risk assessment capabilities. The research by Al-Maamari, Aljonaid and Alrefaei (2025) shows that microcredit enhances performance but its effectiveness diminishes because of high repayment expenses and strict collateral conditions. The PLS-SEM analysis by Rosyidiana and Narsa (2024) of 35 Indonesian MSMEs demonstrated that innovation and financial literacy drive performance, but digitalization failed to achieve statistical significance.

Further research focused on the importance of human capital development. The studies conducted by Na (2021) showed that both formal and informal education improve the innovation and financial performance of MSMEs based on their empirical survey results. According to Zacca (2025) strong network capabilities which are based on survey results are positively related to SME performance and innovation. Research on sector-specific and contextual challenges has been conducted by some scholars. Addisu (2024) applied mixed methods to investigate MSEs in Ethiopia's water, sanitation and hygiene (WASH) sector and found that technological limitations and regulatory requirements were among the key barriers. Supendi (2025) used interpretative phenomenological analysis to study urban micro-entrepreneurs and found that digital tools improved business resilience after the pandemic but government policies did not meet the needs of small businesses. Tudose et al. (2024) discovered that newer and smaller firms experience greater difficulties compared to older and larger firms. The problem of global competitiveness kept appearing throughout the studies. Digital transformation according to Sari and Ahmad (2025) improves both operational efficiency and market expansion which leads to better competitiveness. According to Vasani and Abdulkareem (2024) Indian MSMEs encounter problems in entering the global market because they lack both financial capabilities and knowledge. According to McKinsey Global Institute (2024) MSMEs generate significant employment but their productivity differs widely across nations and industries. According to Oliveira and Rua (2024) innovation ecosystems assist micro-enterprises in lowering their risk exposure and driving innovation. Ćirović et al. (2025) demonstrated through SEM and fsQCA analysis that small open economies face innovation barriers due to insufficient knowledge-oriented leadership and underdeveloped absorptive capacity. Bustamante et al. (2024) developed a strategic framework using Porter’s Five Forces which identifies limited financing and poor managerial skills and technological gaps as fundamental challenges for SME strengthening. The research conducted by Sharma and Gupta (2024) highlights that financial literacy is vital for both MSME decision-making and their overall success. The adoption of e-commerce by MSMEs depends strongly on their socio-economic attributes including gender distribution and income levels and educational background as stated by Juanda et al. (2025). According to Arisinta, Sakti, and Subroto (2024) government strategies that operate during inflationary periods enhance MSME competitiveness in the global market. The systematic review by Rombaldo Junior, Becker, and Johnson (2023) shows that SMEs experience major cybersecurity threats because of inadequate employee understanding and insufficient funding and education. The digital transformation brings about negative effects such as intensified market competition and market saturation according to Oikawa, K., Iwasaki, F., Sawada, Y., & Shinozaki, S. (2024).

The reviewed literature delivers important insights about MSE challenges yet several key limitations become apparent. The majority of research studies employ quantitative cross-sectional methods which measure enterprise conditions at a single moment in time. This research design fails to show how MSE challenges transform throughout time especially during major events such as financial crises or pandemics. Furthermore, prior research lacks empirical studies that use qualitative case study approaches as their methodology of choice. Surveys together with statistical models reveal general patterns yet they fail to deliver the detailed understanding that emerges from studying actual business experiences. Hence, through case studies researchers may gain access to the everyday realities of enterprise owners and managers to understand how individual decisions result from broader policy and economic contexts. Rather than that, these already limited qualitative research on MSE did not focus on comparative analysis covering different countries and economic systems, which is vital to assess how cultural norms, regulations and infrastructure influence enterprise success or failure. Such research would enhance the applicability of policy recommendations as it demonstrates how challenges and solutions differ or match between various settings. The literature also shows awareness about gender, age, education, and informality factors yet these elements are studied separately or combined without considering how they intersected with MSE outcomes. In addition, the growing interest in digital transformation lacks critical studies about its negative consequences such as job losses and market saturation which need equal attention when planning sustainable enterprise expansion. The existing research gaps particularly derived from the survey-based cross-sectional studies that focus on restricted geographic areas require new research approaches. Qualitative case studies together with comparative analyses enable researchers to gain deeper contextual understanding which leads to better cultural understanding. This research methods are essential for creating effective applicable strategies which support the resilience and growth of micro and small enterprises (MSEs) which include SFE.

THEORETICAL FRAMEWORK

The research uses multiple theoretical frameworks to analyze the difficulties which small local food producers encounter in Malaysia and Indonesia. The main theoretical framework of this research is the 'Resource-Based View (RBV)' of the firm which is complimented by 'Institutional Theory' and 'Contingency Theory' to explain both internal and external factors affecting these enterprises. The Resource-Based View (RBV) theory developed by Barney (1991) states that businesses can achieve sustainable competitive advantage through the development and management of valuable resources that are rare, difficult to replicate and replace (VRIN resources). The concept holds particular significance for micro and small food manufacturers because they commonly encounter internal obstacles such as restricted production capabilities, unorganized systems, high employee turnover and inadequate financial management. The current business challenges indicate deficiencies in fundamental resources which drive organizational success. These enterprises face difficulties in expansion and market competition and sustainability because they lack effective internal capabilities. The RBV framework demonstrates that strategic investments in skilled human capital, modern technology and reliable financial reporting systems are essential for business success. The enhancement of these critical areas enables small food businesses to operate more efficiently while gaining strength in an expanding competitive market. In this context, social learning serves as a conduit for resource enhancement, as the structured sharing of research findings and strategic recommendations with business owners supports the development of organizational capabilities such as knowledge, skills, and adaptive practices, which are recognized as key VRIN resources within the RBV perspective.

The research uses Institutional Theory (DiMaggio & Powell, 1983) to analyze organizational adaptation to environmental norms and expectations which helps understand external pressures on small businesses. Small businesses in emerging economies face three types of pressure which include coercive forces from government rules and food safety standards, normative forces from customer demands for online services and sustainable practices, and mimetic forces that drive businesses to replicate their competitors' digital tools and supply chain models. The research results demonstrate how external forces impact small food manufacturers' strategic decisions and operational management through their findings about consumer market changes, supply chain difficulties and regulatory obstacles. The broader environment affects enterprise adaptation and growth through the understanding of framework provided by Institutional Theory. The research also incorporates Contingency Theory (Lawrence & Lorsch, 1967) which states that organizational effectiveness requires internal structures to match external environmental conditions. The external environment conditions of Malaysian and Indonesian enterprises require separate success strategies because their local context includes different infrastructure, policies and market readiness levels. Contingency Theory supports the conclusion that there exists no universal solution for all situations. The implementation of policies and support programs together with digital transformation initiatives needs to be customized according to each country's unique situation. The argument for flexible development initiatives that adapt to specific contexts gains strength through this perspective which supports helping micro and small enterprises succeed in various dynamic environments.

The research combines Resource-Based View with Institutional and Contingency Theories to develop a complete framework for analyzing internal and external challenges of small food manufacturers in Malaysia and Indonesia. The combined framework explains the growth challenges of these businesses and provides practical solutions that consider their unique circumstances. Importantly, these three perspectives are not isolated but complementary. The Resource-Based View highlights the role of internal capabilities such as human capital, technology, and financial systems, while Institutional Theory explains how regulatory, normative, and competitive pressures influence enterprise strategies. Contingency Theory bridges these two by emphasizing that internal resources must be aligned with external expectations in ways that are adapted to country-specific contexts. This synergy underscores that sustainable competitiveness for small food enterprises can only be achieved when their internal strengths are developed in tandem with, and tailored to, the institutional environments in which they operate. The research therefore adds to the scarce literature about micro and small enterprises in developing countries, particularly in food manufacturing, by providing new insights to develop better support strategies.

METHODOLOGY

Research Design

This study utilizes qualitative multiple-case study method to examine challenges encountered by SFE in both Malaysia and Indonesia. Furthermore, this method enables comparative analysis to be performed on multiple countries by taking into consideration differences in economic, cultural and regulatory settings. The research was part of the international service-learning initiative involving students and academic advisors from three universities namely Universiti Teknologi MARA (UiTM Malaysia), Universitas Padjajaran (UNPAD Indonesia) and Universitas Singaperbangsa Karawang (UNSIKA Indonesia). Six small food enterprises (SFE) were selected purposively, comprising of three SFE from each respective country, that met the definition of small food enterprises. All SFE participants have stated their willingness to participate without hesitant. These SFE constitute of the following business nature:

- Malaysia: one (1) café and two (2) traditional snack manufacturers.
- Indonesia: one (1) café and two (2) traditional snack manufacturers.

SFE selected for this study were managed by local entrepreneurs, hiring employees within the range of 3 to 15 staff to fit the description of small enterprise.

Data Collection Methods

Data was collected through two main stages. The collection of data from in-depth interviews and on-site observations, which formed the project on-site fieldwork was done during the first stage. This is followed by the analysis of social media platforms that were engaged or subscribed by SFE actively during the second stage to gauge on their online activities and digital visibility. In ensuring the thoroughness and reliability of the findings, triangulation was made on qualitative methods as follows:

- **In-depth Structured Interviews**

Interview session which lasted between 45 minutes to 1.5 hours were conducted with owners, managers and employees of SFE. The interview allows matters relating to issues due from supply chain, regulatory challenges, digital approach, internal operations, market engagement and financial management to be explored in detail.

- **On-site Observations and Field Notes**

Direct observations were made by participating students on the premise of business, primarily on matters relating to process of production, practices of hygiene, workforce structure, usage of equipment, and customer service performance. All information collected from observations were recorded in field notes.

- **Analysis of online platforms**

Social media platforms that were subscribed or maintained by SFE (TikTok, Facebook, Instagram, and Google business profiles), e-commerce listings (Shopee, Tokopedia), and delivery apps (GrabFood, Gojek) were analysed by participating students during the second stage. The analysis focused on content quality, frequency of posting, customer engagement, and branding effectiveness across these platforms.

Strategic Management-Focused Business Advisory Reports

Each team of students for each SFE were given the task to analysed data collected from the above methods using strategic management tools such as Value Chain, PESTEL, Porter's 5 forces, Strategic Direction, Finance and SWOT. The analysis details were included into a report which were later reviewed and included in the current study data for comparative analysis.

Data Coding and Analysis Procedures

The qualitative data gathered from interviews, field observations, and online platform analysis were analyzed using thematic analysis, inline with the framework proposed by Braun and Clarke (2006). This approach provides a systematic yet flexible way to identify, analyze, and interpret recurring patterns within qualitative data, while also allowing for the recognition of unique contextual variations between Malaysian and Indonesian small food enterprises (SFE). The analysis combined both inductive and deductive coding techniques to ensure the findings were grounded in the data while remaining guided by the study's conceptual framework, which emphasized internal and external business challenges influencing small enterprises. The coding process involved line-by-line examination of the data using both manual methods and digital tool (Excel matrices) to identify meaningful segments of text. Each segment was assigned a code that reflected its main idea, such as owner-led decision-making, manual bookkeeping, lack of standard operating procedures (SOPs), social media engagement, and digital adoption barriers. A shared codebook was developed collaboratively among researchers from UiTM (Malaysia), UNSIKA (Indonesia), and UNPAD (Indonesia) to ensure consistency and reliability in coding. Differences in interpretation were discussed and resolved collectively to strengthen code validity. The coded data were then examined and grouped into six key themes such as: Common Strengths, Common Weaknesses, Shared Opportunities, Common Threats, Cross-Country Similarities, and Cross-Country Differences. These themes reflected both the internal dynamics and external challenges of the participating enterprises, as well as the comparative differences between the two national contexts. The emerging themes were reviewed repeatedly against the dataset to ensure internal coherence and clarity. Following the coding and thematic development, a cross-case matrix was constructed to compare and contrast findings across the six enterprises. This matrix allowed the identification of both shared regional patterns and country-specific characteristics, highlighting areas where Malaysian and Indonesian SFEs demonstrated similarities or divergences in business practices, resource utilization, and operational maturity. The synthesized findings were then presented through thematic tables (Tables 1–6) in the Results and Findings chapter for reference.

To ensure trustworthiness and rigor, several validation procedures were implemented. Triangulation was achieved by comparing findings from multiple data sources via interviews, field observations, and digital platform analyses. Furthermore checking was carried out by sharing summarized interpretations with participating business owners to confirm factual accuracy and interpretation. These measures collectively enhanced the credibility, dependability, and confirmability of the study's qualitative analysis.

Ethical Considerations

This research was conducted strictly in accordance to recognized ethical standards. Participation by businesses and individuals was strictly voluntary, based on informed consent obtained in writing prior to data collection. All participants were assured of the confidentiality and anonymization of their data, with unique identifiers used in transcripts and reports in place of real names or business identities. Data was securely stored and accessed only by authorized members of the research team. At all stages, the study prioritized transparency, respect, and the protection of sensitive business information.

RESULTS & FINDINGS

The research findings from this chapter reveal the internal and external obstacles which Small food enterprises

(SFE) encounter in Malaysia and Indonesia. The research employed a qualitative multiple-case study design to gather data through in-depth interviews, on-site observations and digital platform analysis. The thematic analysis revealed typical patterns, new opportunities and unique characteristics which distinguished between the two national settings. The research findings are presented in six distinct sections which include common strengths and weaknesses, shared opportunities and prevailing threats, and cross-country similarities and differences.

Common Strengths

The six case studies demonstrated identical organizational strengths which show the business resilience and entrepreneurial dedication of SFE operating in Malaysia and Indonesia. Based on table 1, the owner commitment stands as a fundamental strength in all the cases. Every business in the study reported that the owner managed day-to-day operations which included production management along with customer service delivery as well as inventory maintenance and procurement responsibilities. This strong leadership presence is consistent with the broader pattern among micro and small enterprises (MSEs) in Southeast Asia, where businesses often operate on a family-run or sole proprietorship model. The level of owner commitment creates quick responses to operational issues and customer preferences. Quality of products became a universal characteristic which appeared throughout every business case. The entrepreneurs dedicated themselves to maintaining both authenticity, flavour and consistency of their food products which originated from traditional recipes and local cultural heritage. The cultural significance of food throughout Malaysia and Indonesia creates consumer loyalty since traditional cuisine represents a fundamental part of national heritage. The quality commitment functions as a strategic advantage in competitive market environments that base their purchasing decisions on price and other factors. The SFE employed affordable pricing strategies consistently throughout their operations. The SFE structured their pricing strategies to serve customers from the lower and middle income brackets including students and residents of their local neighbourhoods. This pricing approach aligns with the buying behavior in these nations because their populations primarily belong to the B40 and M40 income segments. The competitive advantage of affordable pricing helps businesses maintain their market position since cost remains the main factor consumers use to make their buying decisions. Strategic use of online platforms emerged as a key strength. The companies maintained online presence through Instagram Facebook and TikTok while some of them operated e-commerce marketplaces and food delivery applications. The adoption of digital channels by businesses shows a broader Southeast Asian market pattern since both mobile phone usage and social media consumption reach world-leading levels in this region. Through these digital platforms small businesses gain an affordable way to connect with broader consumer bases while boosting their product promotion and establishing direct customer contact. All business cases showed a customer-centric approach as their main approach. Staff members and business owners provided individualized service through personalized greetings and feedback reception which led to service modifications. The level of personalized engagement with customers becomes essential in these contexts because it builds brand loyalty and promotes word-of-mouth advertising.

	Common Strength Observed Across Businesses
Owner Commitment	Owners are highly involved and hands-on.
Product Quality	Emphasis on maintaining product quality, either artisan or consistent traditional taste.
Affordable Pricing	Pricing strategies are tailored to budget-conscious customers, especially students or local communities.
Online Presence	Most use social media platforms like Instagram, Facebook, Shopee, or TikTok to reach customers.
Customer-Centric Approach	Personalized service or responsiveness to feedback.

Table 1: Common strength observed among 6 SFE

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Common Weaknesses

The internal obstacles experienced by small food enterprises (SFE) in Malaysia and Indonesia prevented their growth and sustainability over time. With reference to table 2, the main challenge arose from their continued dependency on manual processes. The bookkeeping, inventory management and order processing tasks of these companies used handwritten records or basic spreadsheets as their main tools. These operations suffered from inefficiency and high error rates because of which scaling up became impossible. The majority of micro and small enterprises in the region maintain manual systems due to digital skill deficiencies as well as financial restrictions and resistance of new systems. A significant problem also arose because businesses operated without standard operating procedures (SOPs). Without standardized procedures for production along with quality control, customer service businesses struggled to maintain consistent operations. The lack of defined workflows made employee training, product quality maintenance and operational continuity difficult to achieve when staff members departed or transitioned roles. The absence of standard operating procedures poses a significant problem for food businesses as it threatens their fundamental requirements of hygiene and safety as well as product consistency. Financial management emerged as the third widespread weakness as businesses lacked functional budgeting systems, cash flow tracking capabilities and financial performance monitoring methods. This was also contributed by the owners of businesses who performed financial management outside of established systems by mixing personal funds with business assets. Furthermore, businesses without digital accounting tools experienced worse financial planning because it reduced their lending credibility and cut off external funding opportunities. The lack of formal financial systems throughout developing countries presents a widespread challenge that small businesses need to overcome. Human resource practices were also identified to operate without proper structure. The businesses employed family members, seasonal workers and part-time employees without contracts and unclear job descriptions. In addition, these companies operated without formal guidelines for personnel selection as well as evaluation and career advancement strategies. The owner maintained complete control over all decision-making responsibilities which resulted in operational delays and elevated the probability of exhaustion. The management of marketing and branding also presented difficulties to the organization. Many businesses maintained some form of internet presence yet failed to establish a unified brand image. The company's logos and packaging materials along with promotional content displayed inconsistent designs while they operated without defined marketing plans or content strategies. As a result, these businesses struggled to establish themselves and compete with established brands because of their ineffective online market presence.

	Common Weakness Observed Across Businesses
Manual Systems	Heavy reliance on manual bookkeeping, inventory, and ordering processes.
Lack of SOPs/Structure	Most lack standardized operating procedures for HR, production, or customer service.
Poor Financial Management	Weak or non-existent financial planning tools, cash flow monitoring, and digital accounting systems.
HR Limitations	No formal contracts, high staff turnover, over-reliance on owner, and no HR administration.
Inconsistent Branding	Weak packaging design, uncoordinated visual identity, and no structured marketing calendar.

Table 2: Common weaknesses in SFE

Shared Opportunities

The business opportunities for Malaysian and Indonesian small food enterprises (SFE), as shown in table 3 remain abundant despite the present obstacles in their market. The most evident opportunity lies in going digital. The growing availability of digital tools combined with reduced costs has enabled small businesses to adopt simple POS systems, accounting software, customer management tools and inventory apps. These tools enable

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improved operational efficiency and error reduction along with enhanced business decision-making abilities. Both Malaysia through its Go E-Commerce initiative and Indonesia via UMKM Go Digital provide national programs that combine training sessions with subsidized software packages to help businesses begin their digital transition. The business can grow through enhanced marketing strategies which create another significant opportunity. Businesses need to establish an improved online presence by creating better social media content while working with influencers and launching more specific digital advertising campaigns. The implementation of loyalty programs along with giveaways and entertaining interactive content will effectively increase customer loyalty and drive customers to make repeated purchases. The opportunity for operational expansion also exists as a major business potential. These businesses have surpassed their existing facilities so they could now transition to bigger locations and extend their delivery networks. On the other hand, business expansion through franchising partnerships with local shops and delivery platform collaborations can increase customer reach for the company. The decision to diversify product offerings represents another strategic business move. Business products diversification could occur through introducing new seasonal flavours or seasonal products and by offering catering services and selling branded merchandise or creating subscription boxes. The market shift toward health-conscious and sustainable products also enables businesses to access new consumer segments by launching products with sustainable packaging and healthy ingredients. Most SFE operating in Malaysia can benefit from government support programs and certifications. Through their operations, SME Corp, FAMA and the Ministry of Health provide grants along with marketing assistance and help businesses obtain vital certifications like MESTI and Halal. The Ministry of Cooperatives and SMEs in Indonesia also provides support but many business owners remain unaware of these programs.

	Common Opportunity Observed Across Businesses
Digital Transformation	Opportunity to adopt POS systems, accounting software, CRM tools, and inventory tracking apps.
Marketing Enhancement	Collaborate with influencers, improve social media content, run promotions, or loyalty programs.
Expansion Possibility	Many can scale operations, extend delivery services, or rent better premises
Product Diversification	Develop new offerings such as merchandise, eco-packaging, dine-in options, or event-based catering.
Government Grants & Support	Several can benefit from SME grants, digital training, or certifications (MESTI, Halal).

Table 3: Opportunities available for SFE

Common Threats

Small food enterprises (SFE) encounter multiple external threats as shown in table 4 that could damage their growth potential unless they receive proper management. The rise in competition stands as a major challenge for businesses today. The market has become increasingly crowded because more food vendors have entered both online and physical spaces. The minimal startup requirements for food businesses also allow new entrants to draw customers through their low prices and trendy unique products. The growing competition forces established businesses to continuously evolve their operations to protect their customer base. The instability of supply chains represents a typical business problem as well. The price fluctuations of fundamental ingredients such as flour, eggs, cooking oil and packaging materials have caused significant damage to numerous businesses. Global inflation together with currency shifts create price fluctuations that reduce profit margins. In addition, local supplier delays combined with unreliable service create additional operational challenges for businesses. The marketing environment has also become increasingly difficult to predict. The increasing dependence of businesses on social media platforms through Instagram and TikTok makes them exposed to platform operational changes. For instance, the visibility of their content experiences a significant decrease when a single algorithm update occurs. A business that relies on only one marketing approach becomes highly susceptible to losing

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customer engagement and sales when its reach diminishes. Human resource issues are also quite common. The informal nature of their work environment forces employees to work extended hours without receiving adequate support from their small teams. The combination of employee burnout and high staff turnover rates creates negative impacts on workplace morale and operational performance. The increasing danger of reputational damage online represents the final challenge. A single unfavourable social media review or public complaint can rapidly spread to harm the business reputation. SFE face difficulties when handling crisis situations because they lack established crisis communication plans and the process of restoring customer trust requires extended time.

	Common Threat Observed Across Businesses
Rising Competition	All face intense competition either online (Shopee, TikTok) or nearby physical rivals (especially cafés).
Supply Chain Risks	Susceptible to price fluctuations of key ingredients (eggs, flour, packaging) or supplier reliability issues.
Digital Algorithm Dependence	Vulnerable to changes in social media platform algorithms reducing reach and engagement.
Staff Turnover & Burnout	Overworked staff, casual hires, and lack of HR policies pose long-term operational risk.
Reputational Damage Online	Negative reviews or poor customer experience may quickly spread on digital platforms.

Table 4: Common Threats encountered by SFE

Cross-Country Similarities

Despite the differences in national context, the study found several operational and strategic similarities between SFE in Malaysia and Indonesia, as shown in table 5. All businesses analysed operated with manual or semiautomated systems which lacked formal documentation and workflow structures. Furthermore, social media served as the main marketing tool in both countries yet branding efforts showed inconsistent results. The financial practices operated informally because they used basic record keeping tools and had minimal budgeting systems. As for the human resource management system, they lacked structure because teams operated under owner leadership without established HR policies. The cultural significance of food as identity and heritage led both settings to prioritize product quality and traditional values. The owners also maintained direct relationships with customers through personalized interactions. Rather than that, the two countries shared equivalent opportunities to adopt digital tools while exploring new products and government initiatives despite their different access to programs and awareness levels.

Business Function	**Similarity**
Operations	Both use a mix of manual and semi-automated processes with informal SOPs or workflows.
Marketing & Branding	All are active on social media (e.g., Instagram, TikTok) but lack consistent branding.
Finance	Heavy reliance on manual bookkeeping and minimal use of accounting software.
Human Resources (HR)	No formal HR structures, contracts, or training systems; owner-led management.
Product Focus	Strong emphasis on maintaining product quality and traditional or unique recipes.

Customer Engagement	Friendly, personalized customer service practices, often owner-driven.
Opportunities	All businesses can benefit from digitalization (POS, CRM), product bundling, or automation.
Threats	Common threats include staff burnout, rising costs, supply chain issues, and digital competition.

Table 5: Cross-country similarities among SFE

Cross-Country Differences

The SFE of Malaysia and Indonesia showed multiple distinctions in their operations as shown in table 6. The Malaysian businesses operated at a semi-industrial level through commercial kitchen equipment combined with structured production workflows. In comparison, the daily production capacity of Indonesian businesses operated at a lower level because they maintained home-based artisanal operations. The level of government engagement with businesses was also higher in Malaysia. Many businesses in Malaysia were familiar with grant programs and participated in training sessions to obtain food safety certifications. Meanwhile, the Indonesian businesses experienced restricted access to official government programs and showed minimal knowledge about available support opportunities. Furthermore, the Malaysian businesses demonstrated greater adoption of technology compared to their Indonesian counterparts. For instance, the business operations in Malaysia employed POS systems and cloud-based accounting tools in contrast to Indonesian businesses which still maintained manual procedures. The human resource practices in Malaysia followed more formal procedures as they maintained minimum wage standards and employed part-time workers through contractual agreements. Meanwhile, the Indonesian businesses employed informal seasonal workers without establishing formal employment agreements. In addition, the Malaysian businesses operated through e-commerce platforms such as Shopee and Lazada as well as Pasar Tani local markets. Meanwhile, the Indonesian businesses depended on Instagram advertising and in-store customers as their primary sales channels. The delivery services also operated more efficiently in Malaysia since the business model integrated them well while the delivery expansion proved difficult for Indonesian businesses to achieve. The level of regulatory understanding between the two countries also showed major differences. For instance, the Malaysian participants showed knowledge about MESTI together with Halal certification and hygiene standards. Meanwhile, the Indonesian businesses showed no interest in food handling regulations or business formalization standards.

Area	**Malaysia**	**Indonesia**
Production Scale	Tends to be more semi-industrial	More home-based or micro-scale
Government Support	More engagement with government bodies (e.g., FAMA, Selangor Tourism, SME grant awareness).	Less mention of formal government support or certifications.
Technology Adoption	More usage of POS systems (Loyverse, Niagawan).	Minimal tech use; mostly manual processes.
HR Practices	Slightly better HR compliance (e.g., minimum wage adherence, part-time worker use).	Very informal HR, lack of contracts, reliance on seasonal labor, no admin support.
Sales Channels	Greater focus on digital marketplaces (Shopee, Lazada) and Pasar Tani.	Focus is more on physical store presence or Instagram for leads, not e-commerce platforms.

Business Maturity	More developed operations, structured customer service systems.	Earlier stage businesses with more artisan /home-based structure and lower scalability.
Logistics	More integrated logistics efforts (e.g., selfdelivery, WhatsApp orders, Pasar Tani presence).	Limited logistics reach, struggles with delivery.
Regulatory Awareness	Awareness of MESTI, Halal certification, and hygiene compliance.	No mention of regulatory standards or certifications for food handling.

Table 6: Cross-country differences between SFE

DISCUSSION OF RESULTS

In the nutshell, strong owner leadership, customer-focused services, and authentic product quality together form pillar of strengths representing VRIN (Valuable, Rare, Inimitable, Non-substitutable) attributes which aligned to RBV (Resource Based View) theory. These core strengths also drive SFE to attain competitive edge sustainably. Nevertheless, several weaknesses still prevail in the form of manual processes, and informal management systems, in contrast to desired VRIN attributes which affect competitive advantage potential. Rather than that, the differences in regulatory compliance and adoption in technology between SFE in Malaysia and Indonesia can be derived from variation in both government regulations and normative market expectations that constitute external environment, inline with Institutional Theory. Overall, SFE attainment of sustainable performance relies on VRIN resources development internally, inline with RBV. In return, these attributes need to matched with opportunity and requirements set by institutional environment.

CONCLUSION AND WAY FORWARD

This research investigated internal and external obstacles which small food enterprises (SFE) encounter in Malaysia and Indonesia through qualitative multiple-case study methodology. Six SFE enterprises from both countries (three respectively) were examined utilising tools such as interviews, field observations and digital platform analysis, revealing common and distinctive strengths, weaknesses, opportunities and threats. The outcomes reflected valuable inputs on common attributes as well as distinct features within two different national settings for SFE businesses in the form of institutional environments, adaptability and resilience. Nevertheless, several limitations in this study were also acknowledged despite beneficial findings made. Firstly, the research did not take into consideration the wider diversity of SFE sector since it was purely based on six purposively selected cases, constraining the outcome. Next, all six SFE selected may constitute of selection bias since they were part of service-learning program participants, which made them deemed to be more academically engaging and proactive, compared to other typical small enterprises. Furthermore, qualitative data was primarily relied upon in this research, excluding quantitative performance indicators, which its inclusion may strengthen further the examination outputs. Rather than that, institutional conditions such as cultural, regulatory and infrastructural conditions were not examined in depth except on the surface, limiting reasonable assessment of how SFE performance being shaped by institutional conditions. Despite such limitations, several future research directions are suggested to fill the gaps. Firstly, the existing sample should be broaden to ensure more representativeness by including those SFE in rural areas, export-oriented and also women-led. Next, instead of banking on onetime period case study, the research could adopt longitudinal designs or mixed-method to reflect SFE performance over time, from the effect of branding strategies, financial literacy and digital adoption. Other than that, the coverage of SFE in future comparative studies can be expanded further to include more ASEAN countries beyond existing two, to understand better the differences in regional policy and patterns that may shape such enterprises competitiveness. In addition, other relevant trendy new areas covering international trade, food innovation, sustainability and environmental conduct should be considered in future study to examine their impact of SFE potential global transformation and performance.

In light of limitations revealed, this study still relevantly provides insightful findings on both strategic and operational challenges in resource-constrained situations encountered by SFE and how they handled them. As revealed earlier, customer-oriented practices, product quality and strong owner commitment have been heralded as core strengths in uplifting SFE performance through competitiveness. Furthermore their products and services appeal to lower and middle-income customers due to personalised services, affordable products, responsiveness to needs and flexibility they demonstrated. Moreover, despite SFE online engagement still maintains informality and inconsistency from unstructured marketing approaches, they have somehow utilised digital platforms to engage customers online via social media and e-commerce. Several weaknesses of SFE could hinder long-term sustainability and growth in light of still adopting manual record-keeping, informal human resource practices, poor financial management and inadequate standard operating procedures to monitor operations. Similarly, external obstacles encountered by both SFE in two countries were digital platforms algorithmic shifts that subdued content publishing, unstable supply chains, and intensity of competitors rivalry. In differentiation, Indonesian SFE tend to be less integrated with government support system, more artisanal and informal, which contrasted Malaysian SFE that are more active in digital adoption, operating in more structured and semistructured manner while supported by stronger institutional frameworks.

The contribution made by this research helps in enhancing further the existing body of literature relating to micro and small enterprises in Southeast Asia from the perspective of empirical evidence on the operation of SFE within the variant of economic and institutional contexts. Furthermore, it reveals the challenges derived from resources limitation and lack of institutional support, while SFE striving for sustainable competitiveness via entrepreneurial dedication and cultural reflection. In addition, policymakers, educators and development agencies will find this research findings particularly relevant to fulfil their desires for boosting small enterprises competitiveness. Rather than that, digital readiness need to be reinforced among SFE to utilise affordable digital tools for inventory, customer relationship management, and accounting system. This is accompanied by active collaborations with government agencies, NGOs and universities that are tasked with providing training in areas of financial literacy, branding and human resource management. Altogether these endeavours help to boost efficiency in operation while enabling entrepreneurs to formulate effective branding and strategies in marketing. In addition, the critical roles in promoting awareness and the above program accessibility need to be helmed by government agencies in both Malaysia (SME Corp, MDEC, FAMA) and Indonesia (Ministry of Cooperatives and SMEs). This can be attained with offerings of various incentives such as micro grants and digital transformation assistance via simplified application process. Furthermore, growth and global readiness can take stage among SFE with constant support in market connectivity enhancement, certifications in Halal and food safety, and improvements in logistic infrastructure.

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