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Evaluation of Management Strategy in Increasing the Competitiveness of MSMEs at the Cooperative and MSME Service

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Abstract: To analyze the management strategies implemented by the Cooperatives and SMEs Office of Batu Bara Regency in improving the competitiveness of Micro, Small, and Medium Enterprises (MSMEs). This study also aims to examine three main aspects of management strategies: marketing strategies, financial strategies, and human resources (HR) strategies, to determine the effectiveness of their implementation in supporting the development of MSMEs in the region. The methodology used in this study is a qualitative approach with descriptive methods. The types of evidence used in this study include primary and secondary data. Primary data were obtained through in-depth interviews and direct observation of employees of the Cooperatives and SMEs Office of Batu Bara Regency and assisted MSMEs, while secondary data came from office documents, activity reports, and literature related to MSME development policies. All data were analyzed descriptively through the stages of data reduction, data presentation, and drawing conclusions to obtain a comprehensive picture of the management strategies implemented in improving the competitiveness of MSMEs. The findings indicate that the marketing strategy focuses on digital marketing training but lacks ongoing mentoring. The financial strategy facilitates business legality and access to financing, but faces structural and literacy barriers. Human resource training improves technical skills but remains inconsistent. Overall, management strategies are not fully aligned with the needs of MSMEs.
Keywords: Management Strategy; MSMEs; Cooperatives Department; Human Resources.

Abstrak: *Untuk menganalisis strategi manajemen yang diterapkan oleh Dinas Koperasi dan UKM Kabupaten Batu Bara dalam meningkatkan daya saing Usaha Mikro, Kecil, dan Menengah (UMKM). Penelitian ini juga bertujuan untuk mengkaji tiga aspek utama strategi manajemen, yaitu strategi pemasaran, strategi keuangan, dan strategi sumber daya manusia (SDM), guna mengetahui efektivitas pelaksanaannya dalam mendukung pengembangan UMKM di daerah tersebut. Metodologi yang digunakan dalam penelitian ini adalah pendekatan kualitatif dengan metode deskriptif. Jenis bukti yang digunakan dalam penelitian ini meliputi data primer dan data sekunder. Data primer diperoleh melalui wawancara mendalam dan observasi langsung terhadap pegawai Dinas Koperasi dan UKM Kabupaten Batu Bara serta pelaku UMKM binaan, sedangkan data sekunder berasal dari dokumen dinas, laporan kegiatan, serta literatur terkait kebijakan pengembangan UMKM. Seluruh data dianalisis secara deskriptif melalui tahapan reduksi data, penyajian data, dan penarikan kesimpulan untuk memperoleh gambaran yang*

komprehensif mengenai strategi manajemen yang diterapkan dalam meningkatkan daya saing UMKM. Temuan menunjukkan bahwa strategi pemasaran berfokus pada pelatihan pemasaran digital tetapi kurang pendampingan berkelanjutan. Strategi keuangan memfasilitasi legalitas bisnis dan akses pembiayaan, namun menghadapi hambatan struktural dan literasi. Pelatihan sumber daya manusia meningkatkan keterampilan teknis tetapi masih belum konsisten. Secara keseluruhan, strategi manajemen belum sepenuhnya selaras dengan kebutuhan UMKM.
Kata kunci : *Strategi Manajemen; UMKM; Dinas Koperasi; Sumber Daya Manusia.*

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Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a highly strategic role in Indonesia's economic growth and resilience. According to the Ministry of Cooperatives and SMEs and the Indonesian Chamber of Commerce and Industry (KADIN), the number of MSMEs reached approximately 66 million in 2023. This sector contributes around 61% to Indonesia's Gross Domestic Product (GDP), or more than IDR 9,580 trillion, and absorbs nearly 97% of the national workforce (*Kadin Indonesia*, 2023). These figures demonstrate that MSMEs are not only key drivers of inclusive economic growth but also serve as the backbone of national economic stability, particularly in facing global economic uncertainty and post-pandemic recovery efforts.

Table 1.
MSME Data 2018–2023

Year	Number of MSMEs (Million)	Growth (%)
2018	64,19	-
2019	65,47	1,98
2020	64,00	-2,24
2021	65,46	2,28
2022	65,00	-0,70
2023	66,00	1,52

Source: Indonesian Chamber of Commerce and Industry, 2025

Despite their substantial contribution, MSMEs in Indonesia still face complex structural problems. Common national challenges include limited access to financing, low managerial competence, weak digital literacy, and limited product competitiveness in both domestic and global markets. Government efforts through various programs such as business legality facilitation, digital marketing training, and the People's Business Credit (KUR) have been implemented, yet their impact remains uneven across regions. This disparity reflects the importance of local government institutions in contextualizing national policies to local conditions.

One region that exemplifies these challenges is Batu Bara Regency in North Sumatra Province. In this area, MSMEs constitute one of the dominant pillars of the local economy, particularly in traditional crafts, fisheries, agriculture, and home industries. However, several specific problems constrain their optimal growth. Field observations indicate that MSMEs in Batu Bara face unfair competition with modern retailers, such as Indomaret and Alfamart, whose expansion into rural areas has significantly reduced the number of small local shops. The absence of clear local regulations governing the entry of modern retail outlets has placed additional pressure on the sustainability of community-based MSMEs.

In addition, most local MSME products still fail to meet modern market standards in terms of hygiene, packaging, and labeling. Training facilitated by the Alfamidi retail network found that the majority of local MSME products remain unsuitable for retail distribution due to quality limitations. The business characteristics in Batu Bara are dominated by micro-enterprises, as defined by Law No. 20 of 2008, with net assets below IDR 50 million and annual sales under IDR 300 million. This indicates that most enterprises operate with minimal capital, simple production processes, and low managerial capability.

Various studies have examined MSME management strategies from different perspectives. (Surya et al., 2024) and (Nur Fadhilah et al., 2023) emphasized the role of cooperative management strategies in improving member welfare, while (Erstiawan et al., 2021) analyzed marketing and financial management weaknesses in MSMEs, identifying problems in packaging, cost calculation, and record keeping. (Tapela et al., 2023) further highlighted the low level of financial literacy among MSME actors as a major constraint on business sustainability. However, these studies largely focus on the micro level individual entrepreneurs or cooperative members, without analyzing how local government institutions formulate and implement management strategies that shape the broader MSME ecosystem.

This research identifies a gap in the existing literature: the limited attention to the role and effectiveness of local government management strategies, especially those implemented by the Cooperative and MSME Service (*Dinas Koperasi dan UKM*) of Batu Bara Regency, in enhancing MSME competitiveness. Moreover, internal challenges such as delayed payments for MSME products managed through the Office's Packaging House (*Rumah Kemasan*) have created further obstacles for small enterprises. These issues indicate a misalignment between institutional management strategies and the real needs of local MSMEs.

Therefore, this study aims to evaluate the management strategies employed by the Cooperative and MSME Service of Batu Bara Regency in enhancing MSME competitiveness. The analysis focuses on three dimensions: marketing strategies, financial strategies, and human resource (HR) strategies, to assess their effectiveness and relevance to local MSME development. Theoretically, this research contributes to the growing body of knowledge on MSME strategic management at the regional level. Practically, it offers policy recommendations for local governments to design more adaptive, needs-based, and sustainable strategies for strengthening MSME competitiveness in Indonesia's decentralized economic landscape.

Methods

This research uses a descriptive qualitative approach aimed at providing an in-depth description of the management strategies implemented by the Batu Bara Regency Cooperatives and SMEs Office to enhance the competitiveness of Micro, Small, and Medium Enterprises (MSMEs). This approach was chosen because it allows researchers to understand phenomena contextually based on realities on the ground. The research location is in Batu Bara Regency, North Sumatra Province, with a focus on the Batu Bara Regency Cooperatives and SMEs Office as the primary agency responsible for fostering and empowering MSMEs. The location was selected purposively due to the complexity of the challenges facing MSME development and its direct relevance to the research objectives. In addition to the office, several MSMEs in the surrounding area were also interviewed to gain a comprehensive perspective on the impact of the policies and strategies implemented.

Two main techniques were used: in-depth interviews. Interviews were conducted with key informants consisting of officials/staff of the Batu Bara Regency Cooperatives and SMEs Office and several MSMEs under their guidance. The MSMEs used as informants in this study include: 1) Cracker entrepreneurs (home industry sector based on processed food). 2) Home-made cake entrepreneurs (small-scale processed food sector). 3) Retail traders (small-scale trade sector at the local level). 4) Cake traders (processed food product trade sector).

It is carried out interactively and takes place continuously throughout the research process, using the Miles and Huberman model in (Sirajuddin Saleh, 2017), namely: data reduction, data presentation, and conclusion. The validity of the data is tested by comparing the results of the data.

Results And Discussion

Results

The Cooperatives and SMEs Service of Batu Bara Regency serves as the regional coordinating body responsible for fostering and empowering Micro, Small, and Medium Enterprises (MSMEs). The institution operates under the vision of

"Realizing a Happy Batu Bara Regency," which emphasizes values of service orientation, accountability, innovation, and fairness. Structurally, the Office supervises several divisions—cooperatives, micro-enterprise empowerment, and MSME promotion—each tasked with designing development programs and facilitating access to markets and financing.

The institution's main programs include business legality assistance (NIB, BPOM, HKI), financial facilitation through KUR partnerships, and entrepreneurial capacity building through training and mentoring. However, field observations indicate that the implementation of these programs is often administrative rather than outcome-based, as success indicators tend to focus on the number of participants trained rather than measurable business improvement.

Conditions and Characteristics of MSMEs in Batu Bara Regency

Based on in-depth interviews with several officials and staff from the Batu Bara Regency Cooperatives and SMEs Office, it was discovered that the general profile of fostered MSMEs in this area is dominated by micro-entrepreneurs with small businesses and limited capital. As stated by one official in the micro-enterprise empowerment sector,

"*Most of our MSMEs come from the household sector. They start their businesses with personal capital, sometimes as little as two to three million rupiah. They run their businesses from home, and are usually assisted by family members*." (Interview with staff from the Cooperatives and SMEs Office)

The majority of MSMEs in Batu Bara Regency have a high school or equivalent educational background, and only a small proportion are university graduates. Their businesses are generally independent or family-based, with an average workforce of one to three people. The most dominant business sectors include culinary, handicrafts, small trade, and home-made seafood products such as fish crackers, shrimp floss, and processed local fisheries.

Interviews with business owners revealed that most MSMEs still face limitations in production and marketing. One business owner stated, "*I sell cassava chips and salted fish from home. Daily production isn't large, at most two to three kilograms. So far, I've only sold them around the village, not to large markets, because I don't know how to obtain permits and don't have good packaging.*" (Interview with Mrs. Windaini, culinary MSME, Datuk Lima Puluh District). Limited access to technology and digital marketing is also a major obstacle. Most business owners still rely on conventional sales and a network of loyal customers, as stated by the following informant: "*I still can't sell online. My son helped me create an Instagram account, but he hasn't actively promoted it. We still need guidance to learn how to sell through marketplaces*." (Interview with Mrs. Ermina Sitanggang, Bread Producer, Sei Suka District)

In terms of product characteristics, most MSMEs in Batu Bara produce traditional products with strong local cultural values, but they don't fully meet modern market standards in terms of hygiene and packaging. This was acknowledged by a staff member from the Cooperatives and SMEs Office: "*Local products actually have great potential, but they still need to be improved in terms of labeling, packaging, and certification. We are currently encouraging businesses to register brands and obtain distribution permits from the BPOM.*" (interview with a staff member from the Cooperatives and SMEs Office) Data triangulation from interviews and documentation shows that MSMEs in Batu Bara are predominantly micro-enterprises with low capital (IDR 2–5 million) and limited production capacity. Most operate in household-based industries culinary, fisheries, and handicrafts, employing one to three workers. Around 80% of business owners have only completed high school, and less than 10% hold higher education degrees.

The challenges identified from multiple sources include: 1) Weak digital literacy: 75% of interviewed MSMEs have never utilized online marketplaces for sales. 2) Limited access to financing: Only about one-third of respondents possess legal business status (NIB) or have accessed KUR programs. 3) Low product standardization: Many products lack packaging quality, labeling, and hygiene certification. These conditions highlight the dependency of local MSMEs on the Cooperatives and SMEs Office, not only for administrative support but also for technical and managerial mentoring.

Marketing Management Strategy

The Batu Bara Regency Cooperatives and SMEs Office runs various marketing training programs, with a primary focus on digital marketing. These programs aim to improve the skills of MSMEs in marketing their products through social media, marketplaces, and applications like WhatsApp Business. The office emphasizes that mastery of digital marketing is key to MSME products being competitive in today's digital era. However, this development has not yet reached the West Sumatra region, which still operates traditionally and needs strengthened planning in accordance with the principles of maqasid sharia. This is in line with the following informant's statement: "*Digital marketing is our main program because it is crucial today. We train those who are just starting a business from scratch, and those who are already selling are also taught how to level up. We introduce them to marketplaces, WhatsApp Business, and social media.*" (Interview with staff from the Cooperatives and SMEs Office)

However, interviews with MSMEs revealed that their ability to implement digital marketing strategies is still very limited. Many of them are unfamiliar with digital technology or lack the confidence to manage online business accounts. For example: "*I produce cassava chips and fish crackers from home. Now I've started using neat plastic packaging after participating in training from the government agency. I was also taught how to make labels and obtain distribution permits. But marketing is still through* *word of mouth, and online isn't yet very effective. I hope to receive support until I can truly sell through marketplaces*." (Interview with Mrs. Windaini, home-based MSME, Datuk Lima Puluh District)

The Office has initiated several digital marketing training programs to introduce MSMEs to social media promotion and e-commerce platforms. Based on interview and observation data, approximately 60% of MSME participants reported increased awareness of digital tools after attending these sessions. However, only around 25% continued using them actively for business promotion. This limited transformation is attributed to the absence of structured mentoring following the initial training. Qualitative data revealed that while participants gained basic digital skills (e.g., creating social media accounts, designing simple product labels), they lacked guidance on developing long-term marketing plans and measuring online engagement. From an outcome perspective, the marketing strategy has improved short-term visibility for several MSMEs, especially in the food and crafts sectors, but has not yet resulted in significant sales expansion or online brand recognition. The findings underscore that program effectiveness depends on continuous mentoring and market linkage support rather than one-time training events.

Financial Management Strategy

In the financial sector, the agency strives to assist businesses in obtaining legal business registration and accessing financing. This assistance includes obtaining a Business Identification Number (NIB), BPOM distribution permit, and facilitating People's Business Credit (KUR) through collaboration with financial institutions. "*We at the agency assist businesses through the entire process, from the initial NIB process, BPOM distribution permit, to Intellectual Property Rights (IPR). If they need financing, we also facilitate it through cooperatives or KUR implementing banks*." (Interview with staff from the Cooperatives and SMEs Agency)

However, interviews with MSMEs revealed that many still don't understand the administrative process or don't know where to apply for capital assistance. Most business owners also admitted to not having systematic financial records. "*I sell groceries from a small kiosk. I don't have a NIB yet. I've tried to apply for one, but I'm confused about the process. They said the agency can help, but I don't know who to turn to. Capital is also limited, and sometimes when the stock is high, I can't take out much. I've heard about KUR, but I don't know how to apply*." (Interview with Mrs. Herdiana Syahputri, Retail Trader, Datuk Tanah Datar District). Another issue that has emerged concerns the "Packaging House" system managed by the agency. Several MSMEs reported that they have not received payment for their product sales, resulting in serious financial constraints.

The agency assists MSMEs in obtaining business legality (NIB, BPOM, HKI) and accessing financing (KUR, cooperatives, banks). However, many business owners still lack an understanding of the administrative process, lack systematic financial records, and face business capital constraints. Furthermore, issues with the "Packaging House" system have led to delayed payments for product sales, adding to the financial burden on MSMEs.

Financial development efforts include facilitating business legality (NIB, BPOM, HKI) and connecting MSMEs with financial institutions through cooperative and KUR schemes. Based on data obtained from agency records and MSME feedback, 40% of registered MSMEs in Batu Bara have received assistance with legality processing, and around 30% have accessed microcredit or cooperative-based financing. However, qualitative findings reveal persistent problems: 1) Many MSMEs still lack financial literacy and record-keeping skills. 2) Some experienced delays in payment from the Office's *Packaging House* system, causing liquidity issues. 3) There is no standardized monitoring framework to evaluate how financing impacts business growth.

The data suggest that the financial strategy's output—facilitation and access—has been achieved administratively, but its outcomes (improved financial management, sustainability, or profitability) remain weak. The absence of financial reporting training and post-financing supervision limits the policy's overall impact on competitiveness.

Human Resource Management Strategy

In terms of human resource development, the agency provides production skills training through programs such as "Sensitive Housewives," which are delivered directly to villages. This training covers making crafts from shells, processing local foods, and developing small, home-based businesses. "*We go to the villages to provide skills training. The 'Sensitive Housewives' program is open to all groups, not just housewives. Many learn to make crafts from shells or local foods*." (Interview with staff from the Cooperatives and SMEs Agency)

Business owners who participated in the training reported significant assistance, especially in improving hygiene, packaging, and production. However, the biggest challenge is continuing the training after the training is complete, as most training is a one-time event with no follow-up support. "*My business has been running since 2017, focusing on sweet bread and traditional cakes. We have four permanent employees. Since being mentored by the agency, I've received assistance with business permits and product hygiene training. But I'm still confused about marketing. I don't know how to get into large stores or supermarkets*." (Interview with Mrs. Ermina Sitanggang, Bread Producer, Sei Suka District)

To evaluate the program's effectiveness, the agency conducts regular field visits: "*After training or facilitation, we go directly to the field and observe the progress of the business. From there, we evaluate and design the next program*." (Interview with staff from the Cooperatives and SMEs Agency). The agency provides training in production, hygiene, and packaging skills through programs such as "Sensitive Housewives," which reach villages. This program is considered beneficial by MSMEs because it improves product quality. However, a weakness is the lack of follow-up assistance after the training, leaving many entrepreneurs struggling to increase marketing and sustainably develop their businesses.

In the area of human resource development, the Office conducts several skill-enhancement programs, such as the *Sensitive Housewives* initiative, focusing on craft-making and home-based product processing. Interviews and participation records show that these programs are well-received and have led to improved product quality and hygiene awareness among MSME owners. Participants reported tangible benefits such as better packaging, more standardized products, and increased production efficiency.

Nonetheless, the main challenge lies in program sustainability. The training is typically one-off, with minimal post-training evaluation or continuous mentoring. Based on field data, only a few MSMEs managed to diversify their products or scale up production after the training. The lack of long-term capacity building mechanisms such as coaching, business clinics, or peer learning groups, restricts the broader impact of HR development strategies on entrepreneurial resilience.

Overall, the findings indicate that the management strategies implemented by the Cooperatives and SMEs Office have achieved administrative success but limited developmental outcomes. 1) The marketing strategy has raised digital awareness but not transformed business practices. 2) The financial strategy has improved access to legality and capital but lacks monitoring and transparency. 3) The human resource strategy has improved basic production skills but not long-term managerial capability. These outcomes reflect a mismatch between institutional program design and the dynamic needs of MSMEs, suggesting that the strategies are more compliance-driven than performance-oriented. The data emphasize the need for measurable evaluation indicators, participatory program planning, and integration between marketing, finance, and HR strategies to create sustainable MSME growth in Batu Bara Regency.

Discussion

Marketing Management Strategy Evaluation

The digital marketing initiative implemented by the Cooperatives and SMEs Office of Batu Bara Regency represents a strategic effort to align local MSMEs with the transformation of the digital economy. In line with the Resource-Based View (RBV) theory (Barney, 1991), the development of digital capabilities and online promotion skills constitutes a valuable intangible asset that can enhance the competitive advantage of MSMEs. By facilitating digital literacy and marketplace access, the Office attempts to strengthen MSMEs' internal resources and market reach.

However, the findings reveal that this initiative remains output-oriented rather than outcome-driven. The training activities are conducted to fulfill administrative objectives, but the lack of structured mentoring and performance monitoring limits the translation of knowledge into measurable business outcomes. This condition aligns with Weber's theory of bureaucratic rationality, where success is often evaluated based on procedural compliance (e.g., number of participants or training sessions) rather than adaptive learning and innovation outcomes (Soemitra et al., 2022).

Empirically, this mirrors the findings of (Nurbaiti et al., 2023), who note that digitalization programs for MSMEs often fail when delivered through a top-down approach without mapping participants' readiness levels. Similarly, (Ikhsan Harahap & Nurbaiti, Sari Purba, 2023) emphasize that MSME digital transformation requires multi-stakeholder collaboration linking government facilitation with private sector platforms and local universities.

In Batu Bara, the lack of digital specialists and the absence of ongoing mentorship mechanisms have turned these initiatives into short-term awareness campaigns rather than sustainable empowerment models. Based on the Diffusion of Innovation Theory (Nurul Aulia Dewi, Alika Hariani, 2023)Sustainable digital adoption requires not only initial exposure but also reinforcement through continuous support, demonstration effects, and social influence from peer entrepreneurs. Therefore, future programs should integrate mentorship, data-based progress tracking, and local ecosystem partnerships to ensure long-term competitiveness.

Evaluation of Financial Management Strategy

The financial management strategy of the Batu Bara MSME Office emphasizes business legality facilitation, such as NIB, BPOM, and HKI, and access to financing through KUR and cooperative partnerships. From the perspective of Institutional Theory (Siagian & Rahma, 2023)These initiatives strengthen formal institutional structures that improve access to credit and legal recognition, which are essential to reducing transaction costs and enhancing business legitimacy.

Nevertheless, the research findings reveal significant implementation weaknesses, particularly in the form of late payments under the Packaging House scheme and the limited financial literacy of MSME actors. These problems indicate that the financial system is characterized by institutional isomorphism (Dewi, 2024), where local agencies replicate central government programs without contextual adaptation. This creates procedural conformity but weak functional outcomes.

Previous research by (Dewi et al., 2025) similarly highlights that MSME empowerment programs often fail to produce impact due to a lack of governance integrity and delayed payment systems that erode trust. Likewise, Siregar & Saparuddin (2021) found that MSME financing effectiveness depends not only on capital access but also on entrepreneurs' managerial skills and accountability.

The findings of this study confirm that legality and credit access alone are insufficient without effective monitoring and financial management training. This resonates with the Good Governance framework (UNDP, 1997), which stresses transparency, participation, and accountability as prerequisites for sustainable development. A shift toward a governance-based financial management model—integrating microfinance institutions, Islamic cooperatives, and fintech platforms—could enhance accountability and bridge information asymmetries, as also suggested by (Siregar, Saparuddin, 2021) and (Nawawi, Zuhrinal M.Karimah, 2022) in their analysis of digital financing governance for MSMEs.

Human Resource Management Strategy Evaluation

The *Sensitive Housewives* program and other training initiatives reflect the agency's commitment to improving community-based entrepreneurship, particularly among women. According to Human Capital Theory (Kaswinata et al., 2023)Investments in education and skill development increase productivity and innovation potential. The findings indicate that the program effectively enhances basic competencies in product quality, hygiene, and creativity.

However, the study also reveals that these trainings are transactional rather than transformational, lacking follow-up mentoring and measurable outcomes. This aligns with Kirkpatrick's Learning Evaluation Model (1996), which emphasizes that training effectiveness must be evaluated at multiple levels: reaction, learning, behavior, and results. In the case of Batu Bara, the focus remains on the first two levels (attendance and satisfaction), without evaluating behavioral or performance changes post-training.

This weakness echoes the findings of (Pida & Imsar, 2022), who conclude that short-term training without continuous support rarely translates into increased productivity. Similarly, (Harahap et al., 2022) dan (Ikhsan Harahap & Nurbaiti, Sari Purba, 2023) advocate for peer-based mentoring models and MSME clusters to promote collaborative innovation. Therefore, the Office should adopt an outcome-based training system, linking skill acquisition with measurable indicators such as production volume, market access, and product diversification, and encourage MSME networking through community clusters.

Strengths and Weaknesses of the Management Strategy of the Cooperatives and SMEs Service of Batu Bara Regency in Increasing Competitiveness

An integrative analysis across marketing, finance, and HR strategies reveals a consistent structural issue: institutional fragmentation and procedural governance.

Programs are implemented in isolation with minimal coordination or data integration, resulting in inefficiency and overlapping activities. This phenomenon can be explained through Systems Theory (Erstiawan et al., 2021), which posits that organizational subsystems must interact dynamically to maintain equilibrium and achieve collective goals. In Batu Bara, the absence of cross-unit coordination prevents knowledge and resource synergy.

The dominance of a top-down bureaucratic model also aligns with (Ida Ayu Anika Mahayani et al., 2024) Street-Level Bureaucracy theory, where local officials tend to follow administrative directives rigidly due to resource constraints and a lack of discretion. This bureaucratic inertia limits innovation and responsiveness to MSME needs.

Theoretically, the Batu Bara case contributes to MSME development discourse by illustrating how institutional rigidity and weak governance impede the transformation of MSME empowerment from policy compliance into sustainable competitiveness. It supports the argument by (Wandini & Endah, 2025) and (Marliyah et al., 2023) in the Dynamic Capabilities Theory, which stresses that organizations must continuously integrate, reconfigure, and renew internal and external competencies to adapt to changing environments. In the absence of learning loops and evaluation feedback, MSME policies risk stagnation and diminishing returns.

The Impact of Management Strategy on MSMEs

Drawing from empirical findings and theoretical insights, three major policy directions are proposed:

1. Institutional Reorientation toward Results-Based Governance
   The Office must shift from activity-based performance indicators to outcome-based metrics, such as increases in MSME turnover, digital market participation, and business longevity. This reform aligns with New Public Management (Warsiyah et al., 2024), which emphasizes efficiency, measurable outcomes, and citizen-centered service delivery.
2. Strengthening Financial and Administrative Governance
   Institutionalize transparent budgeting, timely disbursement systems, and public accountability mechanisms to prevent arrears and inefficiency. These steps operationalize the principles of Good Governance and create institutional trust that underpins MSME resilience (Supriandi, 2022).
3. Developing a Collaborative Innovation Ecosystem
   Promote triple-helix collaboration among government, academia, and industry to build digital mentoring, financial tracking, and product innovation systems. This model is consistent with (Soemitra et al., 2022) concept of the Learning

Region, where localized networks foster collective learning and adaptive growth.

By implementing these policy directions, the Cooperatives and SMEs Office of Batu Bara Regency can transition from a compliance-driven institution to a development-oriented agency, one that actively cultivates entrepreneurial ecosystems, enhances competitiveness, and contributes to inclusive regional economic growth.

Conclusion

This research shows that the management strategy implemented by the Batu Bara Regency Cooperatives and SMEs Office to improve the competitiveness of MSMEs encompasses three main aspects: marketing, finance, and human resources (HR). In the marketing aspect, the office has implemented digital marketing training as an effort to adapt to the digital era. This program provides MSMEs with initial knowledge of online marketing platforms, but has not been accompanied by ongoing mentoring, resulting in many businesses still experiencing difficulties in implementing it. In the financial aspect, the strategy focuses on facilitating business legality and access to financing through partnerships with cooperatives and financial institutions. While this is an appropriate step, many MSMEs still lack understanding of administrative procedures, lack adequate financial records, and are hampered by structural issues such as payment arrears in the Rumah Kemasan system, which undermines business owners' trust in the mentoring institutions.

Meanwhile, in the human resources aspect, the office has implemented production and entrepreneurship skills training, such as the "Peka Housewives" program, which reaches rural communities. This program has successfully improved the quality of production and product packaging, but remains limited in terms of sustainability and has not reached all MSMEs equally. Program evaluations are still administrative in nature and do not fully utilize results-based indicators. The Batu Bara Regency Cooperatives and SMEs Office needs to develop strategies that are more grounded in the actual needs of MSMEs, through comprehensive sectoral mapping and active involvement of business actors in the program planning process. Follow-up post-training mentoring, results-based evaluations, and improvements to internal governance, such as the Rumah Kemasan payment system, must be prioritized so that the implemented strategies can have a more concrete and sustainable impact on strengthening the competitiveness of MSMEs in the region.

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