



# Analysis of the Dynamics of Cross-Sector Collaboration: Towards an Optimized Framework for MSMEs Development

Maryam Maryam<sup>1</sup>, Ade Muana Husniati<sup>1</sup>, Muryali Muryali<sup>1</sup>, Aiyub Aiyub<sup>1</sup>, Francis Mwaijande<sup>2</sup>

<sup>1</sup>Universitas Malikussaleh, Kota Lhokseumawe, Aceh 24353, Indonesia

<sup>2</sup>Mzumbe University, Magorofani Street, Tanzania

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## CORRESPONDENCE

Name: Maryam

Email: [maryammar@unimal.ac.id](mailto:maryammar@unimal.ac.id)

## ABSTRACT

The development of excellent MSMEs plays a crucial role in economic growth. However, in developing countries, MSME growth has stagnated due to weak stakeholder collaboration. Although previous studies have explored this issue, the understanding of stakeholder interactions holistically remains incomplete. Moreover, no concrete framework has been proposed to enhance collaboration. This research addresses these gaps by applying system thinking and a collective impact approach to develop an ideal collaboration framework. Using a qualitative case study method, informants were selected through purposive sampling, covering four key actors: the public sector, private sector, MSMEs, and the community. Findings indicate that MSME collaboration in Lhokseumawe remains fragmented, lacking synergy to achieve collective impact. The proposed framework defines four key roles: (1) the public sector should enhance training, capital access, regulations, and leadership; (2) the private sector should increase investment; (3) MSMEs must strengthen solidarity, ethics, adaptability, and entrepreneurial motivation; and (4) the community should foster security and stability. This integrated approach ensures a more effective collaboration model to drive MSME growth and sustainability.

## INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the Indonesian economy. As the main support, this sector contributes around 60% to the Gross Domestic Product (GDP) and absorbs more than 96.9% of the national workforce, as well as contributing to non-oil and gas exports by 15.69% (Kemenkeu, 2023). The reality that more than 66 million MSME units operate throughout Indonesia, shows that the existence of MSMEs has a strategic role in maintaining economic stability, especially at the local level. (Kadin Indonesia, 2023). A number of studies have also shown that MSMEs have emerged as significant economic force that has great potential in poverty reduction. This potential is obtained because MSMEs play an important role in creating jobs and increasing people's income (Sitepu, 2023). Rini & Sugiharti (Rini & Sugiharti, 2018) added that this contribution is evident through the substantial absorption of labor by the MSME sector, which directly contributes to poverty reduction in Indonesia. However, despite its significant contribution. MSMEs in Indonesia are still faced with various challenges that hinder their growth, including weak productivity (Dhewanto, et al 2019), difficulties in accessing financing, marketing, low adoption of technology, production facilities, business development plans, readiness to face threats, limited market access (Anggraeni et al., 2021; Hamid & Susilo, 2015), and policy regulations that have not optimally supported the development of MSMEs (Ajija et al., 2020; Nurulia, 2014). A number of challenges also stem from the low quality of human resources, causing the competence of entrepreneurs to be

unable to compete with the demands of market demand (Pakaya et al., 2008).

In the case of Lhokseumawe, Aceh, the situation of MSME development is increasingly worrying. Despite an increase compared to the previous year, the number of MSMEs in Lhokseumawe is still far behind when compared to other districts and cities in Aceh. For example, Banda Aceh recorded a much higher number of MSMEs, with 34,428 units (Diskopukmdag, 2024). Meanwhile, in Lhokseumawe, based on data collected by the Office of Trade, Industry, Cooperatives and MSEs, there are currently only 6,848 MSME units (Pemkot Lhokseumawe, 2024). This imbalance shows that Lhokseumawe still faces various challenges in developing the MSME sector, both in terms of access to capital, innovation, and policy support. A number of studies mention that Lhokseumawe MSMEs are still faced with a number of challenges, thus hindering growth. Farida in (Farida, 2016) said that Lhokseumawe MSME players, especially in Meuraksa Settlement, Blang Mangat District, face challenges in the form of: limited access to capital and marketing, weak business management, and low entrepreneurial spirit among local entrepreneurs. The same thing was also found in research (Saharuddin et al., 2023), found that MSME actors in Lhokseumawe, especially in Batuphat Timur Village, Muara Satu District, experience difficulties, especially in capital and marketing of entrepreneurial products.

A number of previous studies have suggested that one of the main causes of the challenges faced by MSMEs, leading to growth stagnation, is the lack of effective collaboration between various stakeholders (Intikaroh, 2018). In many cases,

interactions between the government, private sector and community are not well established, resulting in unclear roles and responsibilities of each party. Cross-sector collaboration, when done well, can be an effective solution to overcome the challenges faced by MSMEs.

The presence of this dynamic has led a number of researchers to pay attention to the topic of collaboration between stakeholders. Research (Bryson et al., 2006; Emerson & Tina Nabatchi, 2012) define cross-sector collaboration as cooperation between organizations from two or more sectors including the public, private, and non-profit sectors that collaborate in sharing information, resources, and capabilities. The goal is to achieve results that each sector or organization cannot achieve separately (Bryson et al., 2015). Numerous studies show that collaboration has great potential to increase innovation, expand marketing networks, and improve access to finance. In this context, cross-sector partnerships are particularly important, as solutions to problems often go beyond the size and scope of a single institution or sector. Effective partnerships between different sectors not only aid the implementation of initiatives, but also increase the likelihood of achieving positive program outcomes (Brown et al., 2012). Previous research also emphasizes that the success of collaboration is influenced by several conditions, such as local context and existing relationships. In addition, processes such as effective communication and trust-building are also important for successful collaboration (Bryson et al., 2015; Turrini et al., 2015). Some research also highlights key challenges in building effective partnerships. According to (Horan, 2022), one of these challenges arises from the difficulty in identifying the right stakeholder groups to engage in solving a particular problem. Accuracy in stakeholder selection is crucial, as appropriate engagement can influence the success of the collaboration in achieving the desired goals.

The previous description shows that the topic of collaboration between stakeholders is growing and is favored by many researchers in related fields. This is also emphasized by (Van Tulder et al., 2016) who said that research on cross-sector collaboration has undergone significant development, one of which focuses on the question of the need for such partnerships to solve complex problems. However, although many studies have analyzed the problematic dynamics of cross-sector collaboration, most still focus on one particular sector or do not touch on the complexity of interactions between stakeholders in depth, so there is still a gap in understanding the interactions between various stakeholders in a holistic and integrated manner. One of the main weaknesses in the existing literature is the lack of a systematic approach to analyzing the dynamics of cross-sector collaboration, which often ignores the factors that influence the effectiveness of such collaboration. To see the research gap in detail, we scraped data on 200 articles using the keyword "cross sector partnership". The scraping results show that studies on collaboration between stakeholders are dominated by explorations of sustainability, social innovation, and exploring successful sector partnerships. This shows that there is minimal exploration of collaboration dynamics analysis. In particular, dynamic analysis that uses a comprehensive approach, namely system thinking.

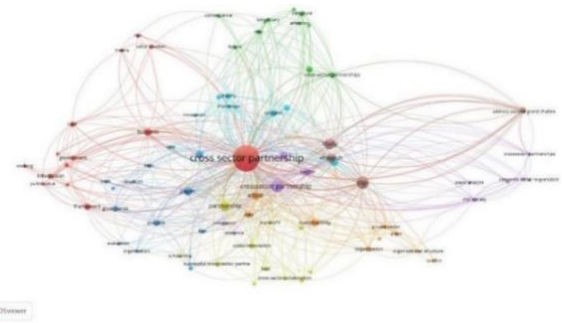


Figure 1: Study on Cross Sector Partnership

Source: Processed by researchers using the Vos Viewer Application (2024)

On the other hand, previous research has also been limited in providing concrete frameworks to address challenges in collaboration dynamics. While many studies discuss the importance of cross-sector collaboration, the lack of practical guidance on how to build and manage such partnerships makes it difficult for many organizations to implement effective strategies. For example, some studies emphasize the need to understand the local context and pre-existing relationships as the basis for successful collaboration, but do not provide specific details on the steps to take. Such foundations make the development of a clear and comprehensive framework for collaboration crucial. This is not only to increase the effectiveness of the partnership but also to ensure that all stakeholders can contribute maximally in achieving common goals.

The previous description shows that there is limited exploration on analyzing collaboration dynamics with a system thinking approach and offering an ideal framework that can be used to overcome the problems of collaboration dynamics. This needs to be a concern, because effective collaboration can be the key to driving the development of a program, especially in the development of MSMEs. Therefore, this research aims to identify and analyze the problematic dynamics of collaboration dynamics with a systematic approach, and aims to provide potential pathways to Rebuilding Ideal Partnerships. Through this research, it is expected to find practical recommendations that can be implemented by stakeholders to optimize cross-sector collaboration, so as to create an ecosystem that supports the development of MSMEs. Ultimately, this research provides a significant contribution to the development of MSMEs, particularly in the Lhokseumawe area and broadens the understanding of the importance of cross-sector collaboration in addressing the challenges faced by MSMEs.

Furthermore, this research also provides broader international insights. Many developing countries face similar challenges in fostering effective cross-sector collaboration to support MSME growth. By utilizing a system thinking approach and a collective impact framework, this study offers a model that can be adapted to various global contexts, particularly in regions struggling with fragmented stakeholder collaboration. The findings highlight the importance of multi-actor synergy, which aligns with international best practices in cross sector collaboration and inclusive economic development. Additionally, this research adds value to global discussions on sustainable MSME ecosystems, making it relevant for

policymakers, researchers, and practitioners working on economic empowerment in emerging markets.

## METHOD

This study employs a qualitative case study approach to explore the challenges of MSME development in Lhokseumawe, Aceh. The case study method is used because it can reveal the complexity and uniqueness of the studied situation, allowing researchers to examine and describe it in detail. In this study, this approach is superior to other methods as it captures contextual dynamics, uncovers causal relationships, and identifies specific factors that influence the phenomenon being studied more deeply. Purposive sampling was used to select stakeholders from the public sector, private sector, MSMEs, and the community based on their experience and relevance to the issue. Data were collected through in-depth interviews and document analysis.

The analysis follows (Creswell & Poth, 2018) spiral data analysis framework, utilizing NVivo software for systematic coding and categorization. The process consists of five stages: first, data import and organization to structure information within Nvivo for efficient analysis; second, case node creation to categorize data based on stakeholder groups and relevant characteristics; third, thematic coding to identify patterns and key themes from the findings; fourth, query exploration to analyze relationships and trends within the dataset; and finally, visualization and summary to present results using Nvivo's visualization tools and a matrix framework. This structured approach ensures a comprehensive yet systematic analysis of stakeholder collaboration in MSME development. A visualization of the research method can be seen in the following figure:

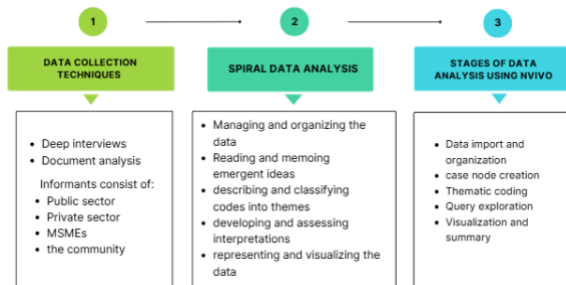


Figure 2: Visualization of Research Methods

Source: Processed by the researcher (2024)

## RESULT AND DISCUSSION

### *Analysis of Collaboration Dynamics*

#### *Mutually reinforcing activities*

Mutually reinforcing activities are actions of various stakeholders that complement each other and work together to achieve goals more effectively (Stroh, 2015, p. 31). So that cross-sector stakeholders will harmonize different activities but according to the action plan. The role of mutual reinforcement is seen in MSME development efforts in Lhokseumawe City by involving various stakeholders. Starting from the role of the local government, namely the Department of Industry, Trade, Cooperatives, and Small and Medium Enterprises (Disperindagkop), which provides a variety of training and mentoring according to the needs of MSME actors, ranging from training in product innovation, packaging, preparation of financial reports, to digital marketing. The program is funded

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by the Special Allocation Fund (DAK) from the central ministry for several districts in Aceh. MSME players also receive training and mentoring from the public sector, such as Bank Indonesia (BI), Bank Syariah Indonesia (BSI), Bank Aceh, and the Rumah BUMN organization. In addition, the government also provides supporting infrastructure for businesses (such as wooden barrels and tents), and promotional activities by organizing certain events or festivals and holding regular weekly markets called "Pasar Ahad" or "Ahad Festival". Then, the provision of access to capital from the public sector for MSMEs in the form of KUR (Kredit Usaha Rakyat) is also carried out by applying directly to the bank or through Disperindagkop, covering a large enough nominal according to the scale of the business, namely super micro (1-10 million), micro (10-50 million), and small (50-100 million). This shows that the government does have a big role in encouraging the development of MSMEs through its programs and policies, including in promoting businesses and collaborating with larger businesses to help MSMEs (Lwesya et al., 2021).

From the private sector, represented by the Pegadaian Company, they admitted that they had provided KUR (Kredit Usaha Rakyat) for MSMEs with low credit interest rates like banks, through gradual disbursements, but only for super-micro level businesses. Because, low business loan interest can help MSME business development, and KUR is the government's spearhead (main) program in supporting business actors (Fadhilah et al., 2024). From the perspective of MSMEs, mutually reinforcing activities are reflected through solidarity actions between business actors and the local community. As done by Owner Bylilu as a fairly developed hijab business, which creates jobs for the surrounding community, and also provides training (sewing, product marketing), as well as various business mentoring lessons for people who are generally single parents and unemployed women in their area. The owner of Taylor Sol Sepatu also conveyed the findings of solidarity actions to strengthen each other in running a business with other shoe sole business actors, namely the voluntary distribution of customer rations so that both get daily income. In fact, the role of the local community reflects an attitude of mutual assistance for MSME actors, as conveyed by the Owner of Fast Food, if he often gets help from the community when opening a business at certain events and never finds extortion (illegal levies) when running a business.

Although we have explained some of the mutually supportive activities carried out by the government, private sector, MSMEs, and the community. It turns out that there are some stakeholder activities that are not categorized as mutually supportive activities. As a finding of this research, where the role of the government and public sector is the most highlighted by paying attention to Figure 1 below:

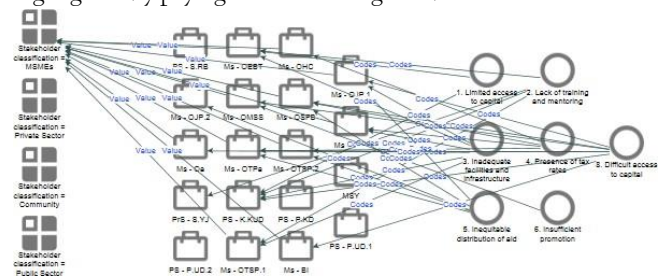


Figure 1: Mapping of Government's Non-Converging Activities

Source: Author's Processing (N-Vivo14)



What can be studied from Figure 1 is that although there has been a program to provide capital as explained earlier. In looking at the role of the government, in fact there are still obstacles related to the lack of access to capital, and business premises, especially in organizing the "Sunday Festival" which was reviewed by the government and MSMEs themselves. This is followed by the lack of training and mentoring carried out by the government (Disperindagkop) because some MSME actors, such as the Owner of Es Bunga Telang, believe that the government is more focused on providing business funding assistance, even though they also need knowledge so that their businesses develop and are adaptive to the times. This is in accordance with research findings (Owusu et al., 2017), if the utilization of non-financial/non-funding business support services is needed to overcome the various challenges faced by MSMEs and has proven to be able to develop MSMEs (Owusu et al., 2017). In fact, due to the uncertain income of MSMEs due to weak government mentoring, Sol Sepatu owners prefer to find other livelihoods to make ends meet rather than focus on MSME businesses. Therefore, training and mentoring from the government, according to Jinoo Foundation as a private party, is not a matter of implementation that is limited to numbers, and requires regular and continuous implementation and evaluation. Then, from the MSME side, the government's role is still not optimal, because MSMEs still face limitations in accessing and obtaining business facilities from the government when running their business as conveyed by the Owner of Teh Poci. This reality contradicts several previous studies that stated governments play a crucial role in creating a conducive environment for MSMEs through policies that provide financial support, technological assistance, and skill development programs (Asghar et al., 2011; Nadeem et al., 2023; Nanda & Kumar, 2023).

MSMEs also regret the government's policy of setting tax rates for MSME businesses in general and during events, even though their businesses are only micro businesses with uncertain income. Although, the determination of taxes on MSMEs is the realization of Indonesia's tax reform which targets MSMEs as potential tax contributors with a significant contribution reaching 60% of GDP (Ulum, 2018). The attitude of not supporting the taxation of MSMEs in Indonesia is not without reason, this is because the perceptions of Indonesian MSME actors nationally show that the principle of justice in MSME taxation is very low compared to other principles (certainty, convenience and economy) (Nuryanah et al., 2023). In terms of aid distribution, there is injustice in providing assistance by the government, ranging from financial assistance, infrastructure assistance, which prioritizes old MSMEs, and the absence of assistance for new business places for small MSME actors who have been evicted. In addition, it is undeniable that MSME actors consider that access to business capital provided is still minimal or only initial capital, making it difficult to develop their businesses. Although there are various negative assessments of the strengthening efforts of the government. This study also found negative views on the aspect of mutually reinforcing activities of MSMEs. For more clarity, see Figure 2 below:

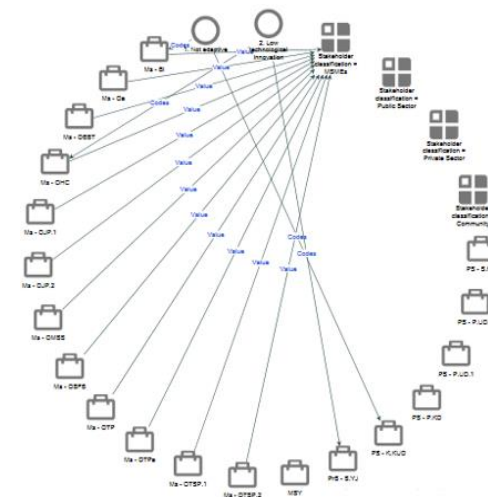


Figure 2. Mapping of Non-converging Activities of MSMEs  
Source: Author's Processing (N-Vivo14)

It can be seen from Figure 2, if the findings show various activities that are less encouraging on the MSME side. Starting from MSMEs that are not adaptive to market demands, reflected in less innovative products, and reluctant actions to take care of halal logo labeling on their products submitted by the government. This also includes the majority of businesses still using conventional / traditional marketing methods or not utilizing digital platforms as part of technological innovation. In fact, the business paradigm is changing very rapidly, so the demand for digital transformation is the key to facing national and international competition (Sutrisno et al., 2024). Then, from the community side, it was also found that there was a lack of integrity, namely a lack of integrity by not paying for business products owned by MSMEs, especially the third time there were many customers (crowded), or in the case of Owner Taylor Sol Shoes, there were customers from the community who did not take their goods when they were finished, which was detrimental to business actors.

### Join Agenda

A shared agenda is an agreement between all stakeholders to achieve a common vision and goal, and to ensure that various parties work in the same direction (Stroh, 2015, p. 31). In this indicator, all stakeholders are expected to have a shared vision for change, reflected in a common understanding of the problem and a problem-solving approach according to agreed actions. The shared agenda that each stakeholder is trying to realize in the development of MSMEs in Lhokseumawe includes several findings. First, the agenda from the government is quite visionary, namely that the "Ahad Festival" be used as a permanent culinary market with a location provided by the City Government as stated by the Head of Disperindagkop. KUR assistance is also a joint agenda that the government and public sector are trying to always strive for to support the sustainability of MSME businesses that need funding capital. Therefore, it has also been seen the same vision between various government agencies to collaborate with SOEs as the public sector, involving the CEO (Chief Executive Officer), to the CFO (Chief Financial Officer) of BSI, PLN, Telkom, Taspen, and PT PNM (Penanaman Nasional Madani) to organize training for hundreds of MSMEs contained in the organization "Rumah BUMN" as a facilitator of activities to help business actors in

Lhokseumawe. Where, the role of organizations that provide support in the form of business advisory and consulting is an important service in the development of MSMEs (Owusu et al., 2017). Second, there has been an agenda for periodic coaching from the private sector through the role of the Jinoe Foundation, starting from collecting data on MSMEs in the first year, training in the second year, and consulting on institutional arrangements and marketing in the third year. This cross-sectoral involvement is quite good, because involving the private sector in the development of MSMEs is an effective strategy in encouraging development and innovation, because it allows for managerial capacity building, expansion of cooperation networks, and technology transfer to strengthen competitiveness (Nurcholidah et al., 2024).

However, the various development agendas have not been able to accommodate the needs of MSME business actors in Lhokseumawe. Especially from the role of the government, namely the role of Disperindagko, and the public sector in the form of Bank Indonesia, BSI, and various affiliates. More details can be seen in Figure 3 below:

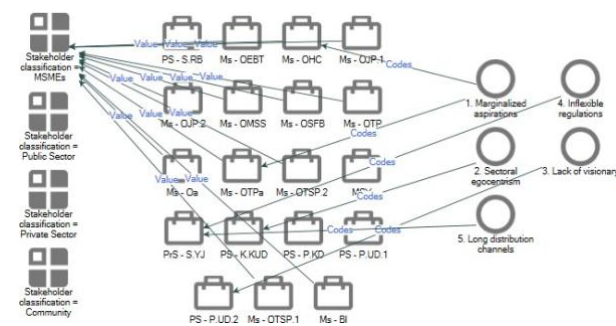


Figure 3. Mapping the Common Agenda that the Government has Not Realized

Source: Author's Processing (N-Vivo14)

It can be seen in Figure 3, if the unfavorable assessment of the role of government and the public sector in realizing a common agenda to develop MSMEs comes mostly from business actors and weakens MSMEs. The Handy Craft Owner argues that there are still MSME aspirations that are neglected by the government because most of the program agendas implemented prioritize MSMEs of food products rather than creative products. Another thing is also reflected in the role of public sectors that are not integrated with each other when providing guidance to MSMEs, so that sectoral egos between public sectors make the programs on the agenda overlap with each other. Due to the synchronization of programs and roles in pursuing MSME development governance, it requires a strong commitment between stakeholders and the role of the empowerment program coordinator as the leading sector (Mindarti & Sukoco, 2024). Then, although at the beginning the government had visionary thoughts, in fact, MSME facilitators assessed that the government was not focused on developing MSMEs as part of a visionary attitude, as exemplified by the action of not providing fixed business locations for MSMEs, which was actually a common agenda, namely making the Pusong Reservoir location or the Old Terminal in Lhokseumawe a culinary center, so that MSMEs have a strategic location for centers that can be accessed freely by the community.

Then, the private sector, namely the Jinoe Foundation, also provided views on government policies that were not in line with the common agenda, because existing policies were too tactical or rigid and hindered the development of MSMEs. The policies exemplified are mainly in terms of capital arrangements, including the terms of disbursement of aid funds and the percentage of interest from the credit provided. In fact, there is no policy to provide business mentors when business capital has been provided, which can actually help MSMEs run their businesses better. Thus, continuous assistance is a necessity that the government should be able to provide by establishing partnerships with other parties. This is supported by research (Ramadhona et al., 2023) which explains that continuous assistance in the form of training and coaching in the entrepreneurial business has a strong influence in improving the performance of MSMEs. Furthermore, the long product distribution chain is also highlighted by the Jinoe Foundation, because it can reduce the welfare of MSME business actors. Where the long product distribution will make product distribution hampered and marketing cannot be done as widely as possible (Harahap & Tambunan, 2022). Therefore, Jinoe Foundation hopes that these conditions can be improved through the creation of village cooperatives to support the needs of MSMEs that shorten the product sales chain.

### Continuous Communication

Continuous communication means that there is a continuous exchange of information to maintain responsibility, trust, and ensure that all remain aligned with the common goal. (Stroh, 2015, p. 31). Communication means that all stakeholders are involved in open and structured communication to build trust, create motivation, and ensure a common goal. Based on the research findings, the sustainable communication aspect can be seen from the synergy between stakeholders when carrying out MSME development efforts. The author will first review the positive aspects of sustainable communication between stakeholders that have been established in Lhokseumawe. The government has coordinated with other government agencies such as the cleaning service when various events such as the "Sunday Festival" are held. Then the public sector also seeks further communication in the form of forming a forum that facilitates training and coaching for MSMEs called "Rumah BUMN", by involving academics from several universities in Lhokseumawe, namely Malikussaleh University, Lhokseumawe State Polytechnic to IAIN Lhokseumawe. So that the communication that has been built has led to sustainable communication. From the MSME side, Bylilu has also implemented sustainable communication, reflected in community empowerment activities that attract local people to work together for a long time. Because strong communication will form a social network of mature cooperation as a foundation for building business partnerships (Aulia et al., 2024).

However, sustainability communication in the development of MSMEs in Lhokseumawe still faces massive challenges. Especially in the role of government and public sector which comes from the opinion of MSME business actors. More details can be seen in Figure 4 below:

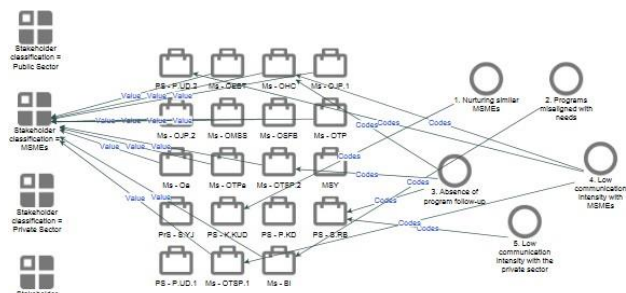


Figure 4: Mapping of Obstacles to the Realization of Sustainable Communication from the Government  
Source: Author's Processing (N-Vivo14)

Elaborating on Figure 4, the obstacles to realizing sustainable communication mostly rest on the role of the government, which actually hinders the development of MSMEs in Lhokseumawe. Starting from organizing several trainings that often involve the same MSMEs for quite a long time, thus making the impact of development not widely felt by other MSME actors. The government, which consists of Disperindagkop, and public sectors such as Bank Indonesia, BSI, PLN, PAG (PT. Perta Arun Gas), Pertamina Company and others also still do not synergize in conducting MSME development. This is evidenced by the various development activities that tend to be the same as each other, and the business actors involved in the programs organized are also the same. This is because each of these institutions already has its own CSR (Corporate Social Responsibility) fund allocation to carry out guidance on MSMEs. Therefore, synergy in sustainable communication between government institutions has not been achieved and well contained. Then, although the programs tend to be similar, in fact there are still programs that do not align with the needs of MSMEs. Bylilu said that so far, the development carried out by the government and the public sector has focused more on improving product quality. In fact, Bylilu hopes that there will be protection to develop cultural promotion, so that the local wisdom of the product is more highlighted because it is a strong attraction for tourists to buy products. This is in line with the findings of (Rizal & Akmalia, 2022), if economic harmonization and local wisdom can contribute to driving MSMEs, the trade service sector, making businesses competitive, and building social solidarity for culture. Various coaching programs implemented by the government sometimes also have no follow-up, as the opinion of the Rumah BUMN Staff who said that when the regional officials changed, continuous communication to develop MSMEs was stopped. Therefore, after a change of leader occurs, communication must be rebuilt from scratch.

Furthermore, it was also found in this study that the intensity of communication between the government and MSMEs is still low, as evidenced by the statements of Taylor Sol Sepatu MSMEs who have never attended training from the government in MSME development. Then there are still some MSMEs that do not know how to access KUR, which is also an obstacle. This is in accordance with the findings of (Fadhilah et al., 2024), if there are still many business actors in Indonesia who do not know how to distribute business loans, even though the funds disbursed for KUR are very large. The low intensity of public sector communication also occurs with the private sector. This was conveyed by the BUMN House, which

still has to establish cooperation or re-exploration with a ball pick-up system to the private sector, namely Abby Hospital (private) as an effort to build sustainable communication across sectors. Even BUMN Houses must establish more intense communication with the community, because there are still many who do not know the existence of BUMN Houses as facilitators who help MSMEs. Apart from the government and public sector, MSMEs also face weak ongoing communication among themselves. For this reason, see Figure 5 below:

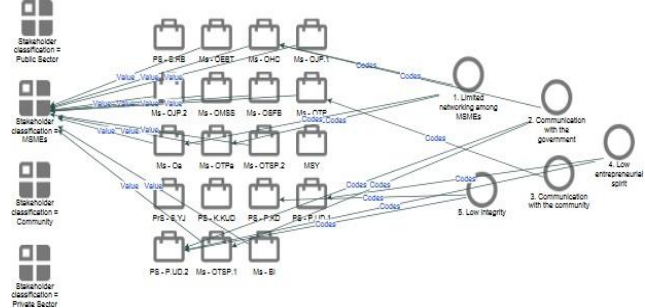


Figure 5: Mapping of constraints to the realization of sustainable communication from MSMEs  
Source: Author's Processing (N-Vivo14)

As shown in Figure 5, MSMEs are also still weak in building cooperation networks, even with MSME actors as an effort to realize sustainable communication, as stated by the Owner of Handy Craft, and the Owner of Taylor Clothing if they have never collaborated in running a business with other MSMEs. So far, MSME communication with the government is minimal, as stated by the Owner of Taylor Shoes, if government policies do not pass through the net of opinions from MSME actors, for example the policy of evicting stalls and relocating stalls which does not have a positive impact on business actors. Furthermore, according to the Disperindagkop assistant, some MSMEs still do not understand the role of KUR assistants so they apply for KUR themselves to the bank. The head of Disperindagkop also assessed that the business spirit of MSMEs is still low or unstable, because they are considered very dependent on the government, for example, when training is carried out, business actors are enthusiastic about developing their businesses, but when the program ends their enthusiasm decreases. In fact, MSMEs cannot be fostered forever because the fostered MSMEs must progress, and the next task of the government is to regenerate the fostering of new MSMEs. Then, MSMEs also depend on events or festivals organized by the government, and are constrained in the use of technology for business. In fact, it cannot be denied that the training provided, such as making financial reports, is not really applied in running a business, including when given the opportunity to take care of BPOM product licenses by inviting special resource persons, MSME players did not complete the permit processing to completion. Finally, weak ongoing communication was seen during the evaluation of the KUR program, where there were MSMEs that were late in paying or in arrears. This is in accordance with the results of research (Setyarini et al., 2024), that special financing programs that support certain groups in Indonesia tend to experience various difficulties when repaying KUR. Therefore, a periodic evaluation of the implementation of the KUR policy is needed so that its benefits can be optimized and it does not cause losses for the lender.



### Potential Pathways to Rebuilding Ideal Collaboration in the Development of MSMEs

In an effort to overhaul the current governance framework, in order to contribute to the development of a new framework to create more effective collaboration among stakeholders, in-depth attention to the previously identified issues is required. Synergies between the public sector, private sector, community, and Micro, Small, and Medium Enterprises (MSMEs) are crucial in creating an ecosystem conducive to the growth and development of MSMEs. Each actor plays a complementary role, with the government providing access to capital and training, the private sector contributing through investment, and the community creating a supportive environment. The proposed new framework can be seen in Figure 6 below.

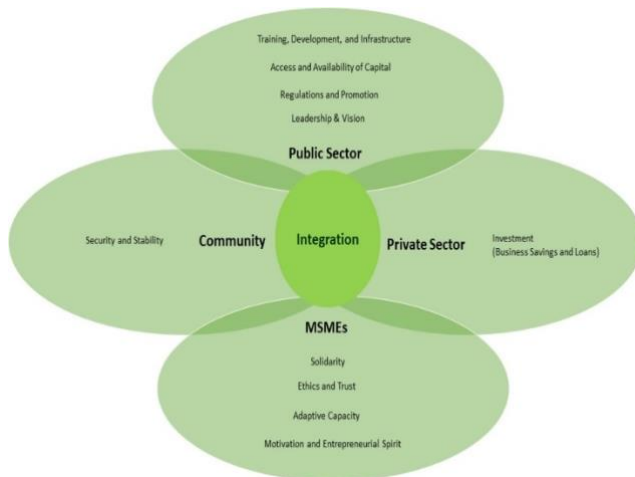


Figure 6. Potential Pathways to Rebuilding Ideal Collaboration in the Development of MSMEs  
Source: Researcher's Work (2024)

First, the public sector has a central role in creating a conducive environment for the growth of Micro, Small and Medium Enterprises. One of the main focuses is to ensure access and availability of capital for MSME actors. In this context, the public sector needs to provide a variety of funding sources, including low-interest loans and easily accessible financing programs. These measures are intended to empower MSME players to meet their working capital needs efficiently and effectively. This is the main point that needs to be presented, because access to capital is the main door for MSME actors to develop their business. This is also supported by the views of (Marsudiyanti et al., 2023), who said that accessibility of capital is key in driving the success of a business. In addition to providing access to capital, the public sector has a significant responsibility in conducting training and development programs aimed at improving the knowledge and competencies of MSME actors. This knowledge is very important, as it is closely related to the entrepreneur's success in running the business (Zhou, 2023). Training programs focused on improving skills, technological innovation and effective business strategies are key. This support is also reinforced by the views of (Kloutsiniotis & Mihail, 2017), which states that a lack of training can hinder businesses from optimizing their potential. On the other hand, the public sector

must also ensure the availability of infrastructure, such as training centers, business locations, and business incubators, to support MSME capacity building. This is in line with the view of (Fahraty et al., 2024), which asserts that infrastructure and facilities have a significant correlation in determining the success of a business. Through the outlined aspects, the government can contribute significantly to creating an ecosystem that supports the growth of MSMEs, as well as facilitating collaboration between various stakeholders.

Second, the private sector plays an important role in MSME development through investment. Through investment schemes, the private sector will provide the capital needed by MSMEs to start and develop their businesses. Marsudiyanti et al in (Marsudiyanti et al., 2023) said that access to financial resources is very important, especially for MSMEs that often face difficulties in obtaining capital from formal financial institutions. In addition, the private sector also needs to make investments that are not only limited to providing capital, but also creating opportunities for MSMEs to develop, one of which is through support in human resource development. The presence of the private sector in carrying out this role can increase production capacity and expand the market reach of MSME players. Furthermore, cooperation between MSMEs and private companies can open access to a wider distribution network, which in turn will increase the competitiveness of MSME products. This shows that the role of the private sector in investment is vital in supporting the development of MSMEs, so its role needs to be maximized.

Third, MSME players. MSME players need to be open to change and ready to adopt new technologies that can help them meet dynamic market demands. This is necessary, given that in the context of an increasingly advanced digital era, technological innovation has emerged as one of the crucial factors that enable businesses to improve operational efficiency and competitiveness in the market (Ali, 2024). Such increased adaptive capabilities not only enable MSMEs to survive the competition, but also contribute significantly to inclusive local economic growth. Furthermore, MSMEs need to develop solidarity among fellow businesses. This is necessary to create a mutually supportive business ecosystem. Collaboration among MSMEs in sharing resources, knowledge and experience will strengthen the collective capacity of the community.

Finally, MSME players need to establish the motivation and enthusiasm to participate in training programs as well as the initiative to convey new ideas in running their businesses. This is necessary in order to create competitiveness, and be able to attract consumer attention to the products they sell. Fourth, the community. Communities play a crucial role in supporting the sustainability and growth of Micro, Small and Medium Enterprises in multifaceted ways. Community support through the purchase of local products, participation in ethical transactions, and positive promotion of MSME products contribute significantly to increasing the confidence and motivation of businesses. Ali in (Ali, 2024) also argues the same thing, where community participation has a positive correlation in the success of a program. Community participation in purchasing local products not only impacts the economic growth of MSMEs, but also strengthens cultural identity and local uniqueness, which in turn can encourage consumer loyalty. In addition, transparency in transactions and positive communication between MSME players and the

community improve the quality of social relations, which is essential in creating a sustainable business ecosystem. When communities show active support, MSME players are encouraged to innovate and improve the quality of their products, thereby contributing to competitiveness in the wider market. Therefore, community engagement is not only important in creating an enabling environment for MSME growth, but also serves as a key driver in strengthening social and economic networks at the local level, which is essential for achieving inclusive and sustainable growth.

To ensure the effective implementation of the proposed framework, its success can be measured through three key indicators: (1) increased access of MSMEs to formal funding sources, which can be evaluated by the number of business actors obtaining business credit with more affordable schemes; (2) the effectiveness of training programs, which can be assessed based on the improvement of MSME skills and productivity through post-training surveys; and (3) the expansion of business scale, which can be observed through the growth of MSME revenue and market reach after receiving support from the public and private sectors.

### *Significance of Synergy in MSME Development*

Synergy between the public, private, Micro, Small and Medium Enterprises (MSMEs) and community sectors is an essential element in building an ecosystem that supports the sustainable growth of MSMEs. Through targeted and strategic collaboration, these four actors can utilize their respective advantages and potentials to create a significant impact. The role of the public sector in formulating supportive policies and providing access to adaptive and inclusive capital, when combined with private sector support in the form of investment and knowledge transfer, builds a solid foundation for the sustainability and development of MSMEs. Active community participation, through the purchase of local products and positive promotions, contributes not only to the increased confidence of MSME players but also to the creation of a conducive and safe business environment. This synergy, in turn, strengthens the competitiveness of MSMEs which is critical for inclusive local economic growth. Furthermore, collaboration among actors results in a cohesive social network, facilitating a more effective exchange of ideas, resources and innovations. Active community involvement in supporting MSMEs, combined with strategic investments from the private sector, can accelerate the achievement of shared economic goals. All of these aspects confirm that synergy is key in achieving the main objective of MSME development. Through cooperation by providing access to resources owned by each stakeholder, it will ultimately create a successful synergy (DeSeve, 2007). With strong synergy, MSMEs will not only be able to face existing challenges, such as limited access to markets and capital, but also adapt quickly to ongoing change in market dynamics.

### CONCLUSION

Cross-sector collaboration in the development of MSMEs in Lhokseumawe remains fragmented due to the lack of effective coordination among key actors, including the government, private sector, MSMEs, and the community. Although various programs and policies support MSMEs, their implementation often occurs in isolation without strong

integration between sectors. For instance, government-provided training programs do not always align with the specific needs of MSMEs, while the private sector, which has the potential to support financing, has not been optimally engaged in providing sustainable access to capital.

Based on these findings, this study highlights four key roles necessary to build an effective collaboration framework. First, the public sector must enhance training and infrastructure, ensure broader financial access, establish supportive regulations, and provide leadership and strategic vision. Second, the private sector should contribute by increasing investments, particularly in financial support for MSMEs. Third, MSMEs need to strengthen solidarity, business ethics, adaptability to market changes, and entrepreneurial motivation. Lastly, the community plays a crucial role in creating a stable and conducive environment to support productive collaboration.

This study has several limitations. First, the limited number of informants from public, private, and community sectors affects data representativeness. Second, only three of the five indicators from collective impact theory were adopted, reducing the depth of analysis. Third, incomplete data on collaboration dynamics limits the formulation of the research framework, potentially affecting conclusions. Future research should involve more informants for a broader perspective, adopt more comprehensive collective impact theory indicators for deeper analysis, and apply a more systematic approach to identifying collaboration dynamics to improve data comprehensiveness and strengthen findings.

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