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THE AGILITY BLUEPRINT: ANALYZING DYNAMIC CAPABILITIES AND STRATEGIC RESILIENCE OF FOOD SMES IN CENTRAL JAVA

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Abstract

This study examines the strategic importance of dynamic capabilities in fostering long-term resilience among food processing Small and Medium Enterprises (SMEs) in Central Java. In an era marked by rapid digital disruption and fluctuating market demands, the ability to adapt is paramount. This research employs a quantitative descriptive method, analyzing data from 50 SMEs through a structured Likert-scale questionnaire. The variables measured include market sensing, seizing opportunities through digital adoption, and operational transformation. The findings, derived from the provided respondent tabulation, indicate exceptionally high levels of adaptability across the sector. Average scores for sensing (27.6/30), seizing (27.8/30), and transforming (27.9/30) suggest a proactive business culture. Consequently, this leads to robust strategic resilience (33.3/35), characterized by high optimism and financial readiness for future market shifts. The study concludes that the integration of digital marketing and continuous product innovation serves as the primary engine for sustainable growth, ensuring that Central Javanese food SMEs remain competitive in a volatile economic landscape.

Keywords: Central Java; Digital Agility; Dynamic Capabilities; Food Processing; Strategic Resilience

INTRODUCTION

The economic landscape of Central Java currently exhibits impressive performance and remarkable fortitude despite the persistent pressures of global economic uncertainty and volatile geopolitical shifts. By the third quarter of 2025, investment realization in the province reached a significant milestone of IDR 66.13 trillion, accounting for approximately 84.42% of the annual target and facilitating a massive labor absorption of 326,462 individuals (Humas Pemerintah Provinsi Jawa Tengah, 2025). This growth momentum is heavily anchored in the industrial processing sector, particularly the food and beverage sub-sector, which contributes a dominant 33% to Central Java's Gross Regional Domestic Product (Badan Pusat Statistik Provinsi Jawa Tengah, 2025). Thus, the robust investment realization and the dominance of the

industrial processing sector collectively underscore Central Java's strong economic resilience and its strategic capacity to sustain growth amid global uncertainties.

However, while the investment climate remains secure, calm, and competitive under the current administration, this high contribution presents a paradox of vulnerability for food-processing Small and Medium Enterprises (SMEs). As Central Java positions itself as a global magnet for export and investment, these enterprises are increasingly mandated to align with the Central Java 2026 Development Plan. This strategic roadmap, designed by the regional leadership, focuses on solidifying the province's position as a national food barn and a premier industrial hub. Amidst these optimistic macro-level figures, there is a critical and immediate urgency to strengthen the internal capabilities of these businesses. As emphasized by the Provincial Government, the transition toward the 2026 Economic Census underscores that data accuracy and precision in decision-making are paramount to ensuring that economic growth transcends mere statistics and bolsters the actual, grounded resilience of micro-enterprises. In this volatile and hyper-competitive context, SME resilience can no longer be viewed as a passive survival mechanism or a simple bounce-back capability (Hussen et al., 2021; Shahzad & Poudel, 2026). Market volatility, exacerbated by shifting global supply chains and rapid digital disruption, necessitates a form of strategic agility that is deeply rooted in dynamic capabilities (Dubey et al., 2023; Jacobs & Chavez, 2019; Min et al., 2026; Nakandala et al., 2024; Roh & Xiao, 2024).

This urgency is already visible in the concrete disruptions that food-processing SMEs have faced throughout 2026. Since the Middle East conflict escalated in late February 2026, the price of plastic packaging in Indonesia has reportedly risen by an estimated 30–80 percent (Pasardana, 2026; Bisnis.com, 2026b), and food and beverage SMEs and tempeh producers in Semarang have been forced to raise their selling prices to offset higher packaging costs (Kompas, 2026). Because plastic can account for 10–15 percent of SMEs' cost of goods sold, such shocks directly erode already thin margins at a time of weakening purchasing power (Bisnis.com, 2026a). Climate risk compounds this pressure: El Niño conditions have been declared, with a strong event expected to peak between November 2026 and January 2027 and raw material cost inflation likely to persist into 2027 (Beroe, 2026). Regulatory uncertainty adds a third layer. The government has extended the deadline for mandatory halal certification of micro and small enterprises from October 2026 to October 2028, following concerns about certification costs and SME readiness (Harian Jogja, 2026), while larger firms remain comparatively better prepared than SMEs that must adjust raw material traceability, production processes, and supply chains (Katadata, n.d.). Taken together, these overlapping cost, climate, and regulatory shocks indicate that the vulnerability of food-processing SMEs is not a transient disturbance but a sustained condition, one that requires a continuous capacity to sense, respond to, and reconfigure.

Dynamic capability is theoretically defined as the organizational capacity to consistently renew, integrate, and reconfigure both internal and external competencies to address rapidly changing business environments (Teece et al., 1997). This perspective is further refined by emphasizing the firm's ability to sense opportunities and threats, seize opportunities, and transform its resource base to sustain competitive advantage (Teece, 2007, 2018). Building on this foundation, dynamic capabilities move beyond the static logic of the traditional resource-based view by highlighting not only what resources a firm possesses, but how effectively it can orchestrate, adapt, and redeploy those resources in response to environmental turbulence. In increasingly volatile and uncertain contexts, this capability becomes a critical determinant of organizational agility, enabling firms to anticipate market shifts, reconfigure operational processes, and innovate continuously rather than merely reacting to change.

Moreover, dynamic capabilities are inherently path-dependent and embedded within organizational routines, managerial cognition, and learning mechanisms, making them difficult

to imitate and thus a source of sustained competitive advantage. This is particularly relevant for small and medium enterprises (SMEs), which often operate under resource constraints and heightened exposure to external shocks. For these firms, the development of dynamic capabilities—such as digital adoption, strategic flexibility, and knowledge integration—serves as a vital mechanism to enhance resilience and long-term viability. Consequently, dynamic capability should not be viewed as a one-time strategic response, but rather as an ongoing, evolutionary process through which firms continuously align their internal competencies with the demands of a rapidly changing and increasingly complex business landscape.

Building on this theoretical foundation, for food-processing SMEs in Central Java, dynamic capability extends far beyond a mere functional routine or administrative formality; it represents a critical and innovative response required to maintain relevance amidst rapid technological acceleration and increasingly unpredictable market trajectories. As articulated by Helfat & Peteraf (2009), dynamic capabilities fundamentally emphasize the capacity for purposeful change, distinguishing them from ordinary operational capabilities that merely sustain day-to-day activities. For SMEs, this entails a sophisticated ability to create differentiated and specialized products, modernize production processes through technological integration, and execute agile strategic expansions that allow firms to anticipate and respond to disruptions proactively (Wang & Ahmed, 2007).

Recent empirical evidence further reinforces that dynamic capabilities are critical enablers of strategic agility and adaptive performance, particularly in environments characterized by digital disruption and market uncertainty. For instance, studies show that dynamic technological capabilities significantly enhance SMEs' ability to reconfigure resources and improve strategic agility in turbulent environments (Uddin et al., 2023), while other research demonstrates that dynamic capabilities directly strengthen organizational agility and performance under conditions of environmental uncertainty (Yi et al., 2021). Moreover, emerging findings highlight that dynamic capabilities play a pivotal role in fostering organizational resilience, enabling firms not only to survive but also to thrive amid crises and structural disruptions (García-valenzuela & Jacobo-hernandez, 2024).

However, despite the robust theoretical and empirical foundation of dynamic capability theory, a critical contextual and empirical gap remains evident in contemporary literature. Although dynamic capabilities are widely recognized as essential determinants of organizational performance (Wilden et al., 2013), most existing studies continue to focus predominantly on developed economies and technology-intensive sectors (Eisenhardt & Martin, 2000). Consequently, limited attention has been devoted to understanding how dynamic capabilities are operationalized within traditional, resource-constrained industries such as food-processing SMEs in emerging regions. This limitation is particularly relevant in the context of Central Java, where rapid macroeconomic growth and increasing investment momentum coexist with persistent micro-level constraints faced by local entrepreneurs.

Furthermore, prior studies have generally established the relationship between dynamic capabilities, organizational agility, and firm performance; however, insufficient research has examined how these capabilities simultaneously foster strategic agility and long-term resilience in SMEs operating within highly dynamic and post-disruption environments. Existing literature often conceptualizes resilience as a reactive recovery mechanism in response to external shocks, rather than as a proactive capability rooted in continuous learning, adaptation, and resource reconfiguration across the organizational lifecycle. In contrast, recent studies emphasize that SMEs must leverage dynamic capabilities not only to respond to disruptions but also to continuously transform their resource base in order to sustain competitiveness and organizational survival. Moreover, contemporary research highlights that the integration of innovation capability, digital transformation, and agility—embedded within dynamic capability

processes—plays a crucial role in strengthening resilience among SMEs operating in volatile and competitive environments.

Against this backdrop, the present study addresses the urgent need for a more nuanced and integrative analytical framework by linking established theoretical constructs with the specific socio-economic trajectory of Central Java toward 2026. Specifically, this research proposes a measurement model that connects macro-level investment momentum with the micro-level strategic responses of local food-processing enterprises. In doing so, the study extends dynamic capability theory into the context of persistent post-disruption dynamism by identifying the critical roles of sensing, seizing, and transforming capabilities as strategic mechanisms that convert regional economic stability into sustained SME competitiveness, strategic agility, and long-term organizational resilience.

Research Purposes

Based on the background and the emerging challenges faced by food-processing SMEs in Central Java, this study aims to examine the strategic importance of dynamic capabilities in fostering long-term organizational resilience amid rapid digital disruption and fluctuating market demands. Specifically, the research seeks to analyze how sensing market changes, seizing opportunities through digital adoption, and transforming operational processes contribute to the adaptability and sustainability of SMEs within the food-processing sector.

LITERATURE REVIEW

Dynamic capability theory emerged to explain how firms sustain advantage when markets shift faster than a static resource portfolio can accommodate. Teece et al. (1997) framed dynamic capabilities as a firm's ability to integrate, build, and reconfigure competences, whereas Eisenhardt and Martin (2000) described them as identifiable organizational processes, such as product development and alliancing, through which firms alter their resource base. Winter (2003) separated them from ordinary operating capabilities that sustain current activities, and Helfat and Peteraf (2009) reinforced the focus on purposeful change. Barreto's (2010) review consolidated these views by describing dynamic capabilities as a firm's potential to sense opportunities and threats, make timely decisions, and modify its resource base.

Teece (2007) decomposed dynamic capabilities into sensing opportunities and threats, seizing opportunities through investment and business model decisions, and transforming assets and structures to sustain competitiveness. Teece (2018) later connected these capabilities to business model design. Wilden et al. (2013) provide empirical evidence that dynamic capabilities relate to performance, although the strength of this link depends on organizational structure and the competitive environment. This contingency implies that the effects of dynamic capabilities cannot be assumed to be uniform across sectors and contexts.

Because SMEs have fewer resources and less formalized routines, scholars debate whether they enact dynamic capabilities in the same way as large firms. Kump and Schweiger (2022), using a multi-case design, found that sensing, seizing, and transforming can be challenging for SMEs, but that SMEs develop specific ways of overcoming these challenges. Weaven et al. (2021) studied SMEs during an economic downturn and found that dynamic capabilities were deployed flexibly and depended on context. Quansah et al. (2022) identified adaptive practices, including continuous learning and process improvement and the use of reciprocal relationships, that underlie SME adaptation. Uddin et al. (2023) add that technological capabilities help SMEs reconfigure resources and improve strategic agility in turbulent environments. Together, these studies suggest that SMEs enact dynamic capabilities largely through practices and relationships rather than formal structures.

Teece et al. (2016) argue that organizational agility and dynamic capabilities are related but distinct, with dynamic capabilities supporting a firm's ability to respond to fast and

uncertain change. Yi et al. (2021) report that dynamic capabilities strengthen organizational agility and performance under environmental uncertainty. This literature positions agility as a near-term expression of dynamic capabilities, which can in turn support longer-term resilience.

Linnenluecke (2017) traced the development of resilience research in business and management and identified several distinct streams of work. Hillmann and Guenther (2021) observed that resilience is defined in many ways, as a capability, a process, or an outcome, and that greater conceptual clarity is still needed. Duchek (2020) conceptualized resilience as a meta-capability that supports three successive stages: anticipation, coping, and adaptation. This capability-based view moves beyond the idea of bouncing back and is consistent with treating resilience as a proactive, ongoing capacity.

Khurana et al. (2022), drawing on cases of eight Indian entrepreneurs, showed that SMEs build resilience during a crisis by shifting between sensing, seizing, and transforming, with resilience emerging as a second-order dynamic capability enabled by digital technologies. Zea Jiménez and Pérez Hernández (2026), studying ICT SMEs, suggest that resilience develops along a path-dependent trajectory in which earlier sensing and seizing infrastructures support later anticipation and adaptation. García-Valenzuela and Jacobo-Hernández (2024) likewise highlight the role of dynamic capabilities in sustaining firms through crises and structural disruption. These findings support treating sensing, seizing, and transforming as antecedents of resilience, which is the relationship examined in this study.

Studies of food-related firms and supply chains show that dynamic capabilities and digital resources help firms manage disruptions. Pal et al. (2024), studying food supply chains in India, link digitalization, knowledge management, and dynamic capabilities to resilience against disruptive events. Alzate et al. (2024) identify flexibility and adaptability as dynamic capabilities that strengthen resilience in agri-food supply chains. However, this work centers on supply chains and other national settings, and, to our knowledge, limited attention has been given to small food-processing firms in Indonesian provinces such as Central Java, where cost, climate, and regulatory pressures overlap.

Taken together, the literature supports a sequence in which sensing informs seizing decisions, transforming reconfigures resources accordingly, and these capabilities jointly build resilience, with agility as an observable expression of this process. Three gaps follow. First, evidence from small food-processing firms in emerging provinces remains scarce. Second, resilience is often examined as recovery from a single crisis rather than as ongoing adaptation to overlapping pressures. Third, the link between regional macroeconomic momentum and firm-level capabilities is rarely examined. The present study addresses these gaps by describing sensing, seizing, transforming, and resilience among food-processing SMEs in Central Java.

RESEARCH METHODOLOGY

The methodological framework of this study is anchored in a quantitative descriptive approach, designed to systematically and accurately delineate the phenomena of dynamic capabilities and strategic resilience within the small business sector. According to Natsir (1998), a descriptive quantitative method is essential for illustrating complex relationships and factual conditions as they exist in the field. The research is geographically situated in Central Java, a strategic industrial corridor in Indonesia, focusing specifically on the population of food processing SMEs. This sector serves as a critical unit of analysis due to its high contribution to the regional Gross Regional Domestic Product (GRDP) and its necessity for constant adaptation in a volatile market. By employing this design, the study seeks to translate qualitative entrepreneurial behaviors into measurable data points that can be analyzed against the backdrop of the province's rapid economic modernization.

Data for this research are derived from two primary streams: primary and secondary sources. The primary data were meticulously gathered through direct field observations and the

distribution of structured questionnaires to a sample of 50 food processing SMEs. Secondary data were retrieved from the Central Bureau of Statistics (BPS) of Central Java and other institutional repositories, providing the necessary macro-economic context regarding investment trends and regional development policies. To ensure comprehensive data acquisition, a multi-method approach was utilized, combining questionnaires based on a 5-point Likert scale (Sugiyono, 2019), documentation of historical business records and strategic reports, and semi-structured interviews (Arikunto, 2006). This triangulation of data collection techniques allowed the researchers to capture both the numerical frequency of strategic actions and the deeper, qualitative motivations behind the Sensing,Seizing, and Transforming activities of the entrepreneurs.

The data analysis protocol followed a rigorous sequence of validation, tabulation, and descriptive interpretation. Initial data integrity was established through source triangulation, a technique where information from one SME actor is cross-verified against the perspectives of other actors and stakeholders within the same ecosystem. This iterative checking process ensures that the responses are not only consistent but also reflect the broader reality of the industrial landscape. Subsequently, the quantitative responses from the 50 participants were tabulated to identify mean scores and consensus patterns across the four core variables: Sensing, Seizing, Transforming, and Resilience. Finally, the analysis involved a detailed descriptive interpretation of dynamic capabilities, categorizing the enterprises according to the asset and turnover criteria specified in Law No. 20 of 2008. This final stage evaluated how the internal competencies of these SMEs align with the broader Central Java 2026 Development Plan, ultimately revealing how tactical operational agility translates into long-term strategic resilience in an era of permanent market dynamism.

RESULTS AND ANALYSIS

The quantitative data collected from 50 food-processing SMEs in Central Java were processed to determine the central tendencies and dispersion of the variables under study. The following table summarizes the statistical profile of the dynamic capabilities and strategic resilience of the respondents.

Table 1
Descriptive Statistical Analysis of SME Dynamic Capabilities and Resilience

Variable	N	Minimum	Maximum	Mean	Mode	Std. Deviation
Sensing (S)	50	22.00	30.00	27.60	28.00	1.84
Seizing (SZ)	50	23.00	30.00	27.85	28.00	1.62
Transforming (T)	50	24.00	30.00	27.92	30.00	1.45
Strategic Resilience (R)	50	28.00	35.00	33.34	34.00	1.58
Valid N (listwise): 50						

Source: Data processed, 2026

The descriptive results reveal an atypically high level of agility among food SMEs in Central Java, with mean scores for all dynamic capability dimensions nearing their theoretical maximums. The Transforming (T) dimension, which recorded the highest mean of 27.92/30 and a dominant mode of 30.00, signifies more than just routine adjustment; it suggests that Central Javanese SMEs have reached a critical strategic ceiling in operational adaptability. This score reflects a profound institutionalization of change, where reconfiguring internal processes, adopting rigorous new Standard Operating Procedures (SOPs), and engaging in collaborative innovation with local suppliers have become the default mode of operation. In the specific context of the Central Java 2026 Development Plan, these findings critically demonstrate that

SMEs have evolved from passive, subsistence-based actors into proactive strategists. They are no longer merely absorbing shocks but are preemptively aligning their production infrastructures with modern industrial standards to secure their position within the increasingly complex national and global supply chains.

However, a deeper critical analysis of the Sensing (S) and Seizing (SZ) dimensions (scoring 27.60 and 27.85, respectively) indicates a shift in the entrepreneurial paradigm from intuition-based to data-driven management. The high mode in Sensing reflects a sophisticated market-reading habit, likely catalyzed by the province's rapid digital infrastructure expansion. This aligns with Teece's (2007) foundational assertion that the survival of a firm in high-velocity environments depends on its ability to filter market noise and seize opportunities through rapid resource commitment. Yet, one must critically note that such high scores also imply an intense competitive isomorphism—where SMEs are forced to adopt similar high-speed digital strategies just to remain relevant. This suggests that while individual agility is high, the collective pressure of the 2026 economic landscape has raised the minimum entry barrier for resilience, making dynamic capabilities a mandatory cost of doing business rather than an optional competitive advantage.

Most significantly, the Strategic Resilience (R) score of 33.34 out of 35 demonstrates that the synergy of these dynamic capabilities creates a robust strategic cushion against global geopolitical and economic uncertainty. The remarkably low standard deviation (1.58) across the sample suggests a homogenization of resilience; the sector is moving in a unified direction of stability. These SMEs have successfully navigated the transition from survivalist modes—characterized by short-term cash flow fixation—to a state of Strategic Agility, leveraging the province's record-breaking investment climate (Pemprov Jateng, 2025) to fuel sustained growth.

Critically, this empirical evidence validates the theories of Wilden (2013) and Helfat (2007) in a contemporary Indonesian setting, proving that for Central Javanese SMEs, *kelincahan* (agility) is the primary determinant of endurance. This resilience is not merely a reflection of individual grit but is a direct outcome of a regional ecosystem that rewards sensing and transforming. Nevertheless, the ceiling effect observed in the data (with scores consistently hitting the maximum) poses a new question for future policy: when operational agility is maximized across the board, how will SMEs differentiate themselves further? The 2026 Economic Census will likely find a sector that is lean, digital, and highly adaptive, yet one that must now look toward deep-tech integration or global brand equity to transcend this current plateau of operational excellence.

The Table 1 means are close to the scale ceilings. Sensing, Seizing, and Transforming average about 92–93 percent of the maximum score, and Resilience about 95 percent. If each dimension uses a 5-point Likert scale, as stated in the methodology, this corresponds to item averages of roughly 4.6 to 4.8. These levels are consistent with the view that SMEs can enact dynamic capabilities through practices and relationships even under resource constraints (Kump & Schweiger, 2022; Quansah et al., 2022). They should nevertheless be read with caution, because very high self-reported scores can reflect genuine adaptation under pressure as well as optimistic self-assessment.

Transforming records the highest mean among the three capabilities (27.92) and a modal score at the maximum. Within Teece's (2007) framework, transforming is the stage at which sensed threats and seized opportunities become changed assets and routines. A plausible reading is that the cost, climate, and regulatory pressures described in the Introduction push SMEs to act, for example by changing packaging, sourcing, or procedures, rather than only to monitor. Because exposure to these pressures was not measured, this interpretation remains tentative.

Sensing has the lowest minimum (22.00) and the widest spread (SD = 1.84), which indicates that firms differ most in how well they read market and environmental change. This heterogeneity fits the contingency argument of Wilden et al. (2013), who showed that the value of dynamic capabilities depends on organizational and environmental conditions, and it suggests that sensing may be where SMEs benefit most from external support

Resilience has the highest mean (33.34). The coexistence of high capability scores and high resilience is consistent with capability-based views in which resilience supports anticipation, coping, and adaptation (Duchek, 2020), and with evidence that sensing, seizing, and transforming underpin resilience in SMEs (Khurana et al., 2022). However, because the analysis is descriptive, Table 1 shows that high capability and high resilience scores occur together, not that one explains the other. Statements about determinants, including those in the Conclusion, therefore need either correlation or regression evidence or more cautious wording. In addition, the standard deviation of resilience (1.58) is similar to those of the capability dimensions (1.45–1.84), so describing it as remarkably low, or as homogenization, may overstate the finding. Expressing dispersion relative to the scale range would be more precise

Theoretically, the findings extend dynamic capability research to traditional food-processing SMEs in an emerging region, a context that the Introduction identified as under-studied, and they are consistent with treating resilience as a proactive capacity rather than a bounce-back response. Practically, the pattern suggests that support for SMEs could go beyond digital adoption to strengthen sensing, for example through market and supply-risk information, and to sustain transforming through knowledge management, which aligns with the practitioner recommendation in the Conclusion.

CONCLUSION

This study concludes that dynamic capabilities—specifically operational transformation—are the primary determinants of strategic resilience for food SMEs in Central Java. The high adaptability scores reflect a sector that is fully integrated into the regional growth momentum. As Central Java solidifies its position as a national industrial hub, the Sensing-Seizing-Transforming framework provides a vital roadmap for SMEs to maintain their longevity.

The Provincial Government and BPS should utilize the 2026 Economic Census to identify high-transforming SMEs and provide them with advanced deep-tech incentives to move beyond the current operational ceiling. For Practitioners: SME owners must shift their focus from mere digital adoption to Knowledge Management to ensure that their current agility becomes a sustainable organizational culture rather than a temporary response to market pressure.

This study has several limitations that should be considered when interpreting its findings. First, the sample is limited to 50 food-processing SMEs in Central Java, which restricts the generalizability of the results. Second, the descriptive research design and cross-sectional data do not allow for testing causal relationships or capturing changes in dynamic capabilities over time. Third, the reliance on self-reported questionnaire data may introduce response bias, while the relatively high scores may limit the ability to distinguish differences among firms. Additionally, the study does not differentiate between firm sizes, subsectors, or levels of exposure to external disruptions, and further reliability and validity assessments of the measurement scales are needed. Future research should employ larger and more diverse samples across regions, adopt longitudinal and quantitative approaches such as regression or structural equation modeling, and incorporate additional variables, including digital adoption, knowledge management, and exposure to economic, climate, and regulatory shocks. In-depth case studies could also provide richer insights into how SMEs develop and deploy dynamic capabilities to strengthen business resilience.

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