

Negotiation and Resilience: Human Resource Management Transformation in Coastal MSMEs of South Sulawesi

Burhanuddin^{1*}

^{1*}Management Department, Faculty of Economics and Business, Universitas Negeri Makassar, Indonesia
Email: dr.burhanuddin@unm.ac.id

Received: 3 April 2025

Accepted: 2 October 2025

Published online: 18 October 2025

Abstract

This qualitative study investigates the transformation of Human Resource Management (HRM) practices in community-based MSMEs in the coastal areas of South Sulawesi. Using an exploratory approach with in-depth interviews, observations, and document reviews involving 20 participants, the research reveals five key themes of HRM transformation: (1) negotiated formalization, where formal HR elements are flexibly adopted considering kinship ties; (2) relational performance systems emphasizing collective assessment mechanisms; (3) youth-mediated digital adoption; (4) crisis-driven safety and wellbeing practices; and (5) financing constraints limiting human capital investments. The findings demonstrate that HRM transformation does not follow standard corporate models but rather constitutes a hybridization process where formal practices are adapted within community norms. The study concludes that effective support for coastal MSMEs requires multidimensional approaches that respect local cultural logics, leverage youth as digital mediators, and address structural financing constraints.

Keywords: Community HRM; Negotiated Formalization; Coastal MSME Resilience; Local Digital Transformation; Coastal Moral Economy.

1. Introduction

Community-based micro, small, and medium enterprises (MSMEs) along the coastal belt of South Sulawesi occupy a particular space where livelihoods, social ties, and local ecologies intersect; their human resource management (HRM) practices are therefore not merely administrative routines but socially meaningful actions that sustain community resilience.

The urgency to examine HRM transformation in these community-rooted firms stems from converging pressures: economic shocks such as the COVID-19 pandemic, accelerating digitalization, environmental variability, and shifting labor aspirations among younger generations.

Evidence from global SME research shows that crises intensify both vulnerabilities and innovation pressures, making HRM a critical lever for survival and adaptation (Belitski et al., 2021).

Locally, coastal enterprises—ranging from small-scale fisheries and seaweed cooperatives to eco-tourism collectives—face seasonality, fragmented value chains, and resource dependency that shape employment patterns and managerial decisions.



Despite policy emphasis on finance and technology to stimulate MSME growth, less attention has been paid to how people's practices are transformed within community norms and how such transformations affect equitable inclusion, skill formation, and social cohesion.

Understanding HRM change in this setting, therefore, matters for both practical interventions (training, social protection, governance support) and for theory: it challenges universalizing HRM templates by foregrounding how culture and place mediate managerial innovation.

Presently, many coastal MSMEs operate with hybrid labor regimes: kin-based hiring, informal pay arrangements, and flexible hours tied to fishing or farming cycles; such flexibility provides resilience but can also mask precarity.

At the same time, some enterprises increasingly introduce formal elements—written agreements, simple payroll records, or digital communications—creating a patchwork of practices that complicate policy prescriptions.

Digital tools are entering these localities unevenly: while some young members use smartphones for bookkeeping and market access, older actors rely on oral agreements and face-to-face negotiation, leading to intergenerational tensions and opportunities for knowledge brokerage (Hwang & Kim, 2021).

The pandemic highlighted the critical role of HR practices in protecting workers and maintaining operations; HR measures beyond financial aid—such as safety protocols and psychological support—proved central to organizational continuity in varied contexts (Li et al., 2022).

Meanwhile, financing constraints remain a structural barrier for many MSMEs, influencing decisions around staffing, investment in training, and the adoption of formal HR systems; short-term cash scarcity can crowd out longer-term human capital development (Nicolas, 2021).

Given these intersecting dynamics, an exploratory qualitative study centered on the lived experiences of managers and workers in South Sulawesi can reveal the deeply contextualized pathways through which HRM transforms, and why some changes stick while others are resisted.

2. Literature Review

Traditional HRM literature privileges formalized systems developed in corporate settings; however, research on small and community enterprises indicates that people management is embedded in relational norms and social capital rather than impersonal procedures. Studies of SMEs during crises identify digitization and institutional support as pivotal in enabling recovery and opportunity-seeking, but they also caution that digital adaptation proceeds unevenly and must be mediated by local social structures (Belitski et al., 2021; Hwang & Kim, 2021).

International HRM scholarship during the pandemic highlights the need for flexible, humane, and context-sensitive people practices—organizational safety, remote coordination, and trust-building—that translate poorly if applied without cultural calibration (Caligiuri et al., 2020).

The idea of “embedded formalization” (a term used in related literature) captures how communities selectively adopt formal tools while preserving reciprocal norms; this perspective aligns with findings that formal and informal institutions coevolve in small enterprise settings. Research on the bank-firm relationship and digitalization suggests that human ties continue to matter for resource access, even as technologies reshape information flows; personal relationships often supply soft information crucial for credit and support (Fasano & Rocca, 2023).

Environmental and sustainability orientations are increasingly interwoven with HRM discourse—green HRM practices and spiritual leadership have been shown to influence employee pro-environmental behaviors and organizational identity, a relevant strand for coastal enterprises facing ecological risks (Li et al., 2023).

Empirical work also demonstrates that HR practices focused on health and safety can mitigate behavioral risks during crises, while companies with stronger internal HR responses tend to foster greater employee compliance and well-being (Li et al., 2022).

Collectively, the literature points to three analytic tensions this study addresses: formalization versus relationality; digital adoption versus social mediation; and short-term survival pressures versus long-term human capital investment.

3. Method

This research adopted a qualitative exploratory design informed by constructivist and humanistic paradigms that privilege participants' meanings, values, and narratives; the goal was to surface patterns of HRM transformation rather than to generalize statistically.

Fieldwork took place between March and September 2023 in three coastal districts of South Sulawesi selected for their economic diversity: a fisheries hub, a seaweed-farming cluster, and a nascent community-based tourism corridor. Purposive sampling targeted 20 participants: 10 owners/managers of community-based MSMEs and 10 workers or cooperative members involved in daily operations. Snowballing and gatekeeper contacts through local NGOs assisted access while respecting community protocols.

Data collection combined semi-structured interviews (60–120 minutes), non-participant observation during work routines and village gatherings, and document review of local cooperative agreements, training materials, and simple payroll records.

Interviews were conducted in Bahasa Indonesia by the research team and transcribed; English translation occurred during analytic stages to preserve voices while enabling academic dissemination.

The analytic approach was thematic, following iterative coding cycles: open coding to capture salient actions and meanings, axial coding to relate categories, and selective coding to construct integrative themes that explain HRM transformation trajectories.

Reflexivity was embedded throughout: the researchers documented positionality memos regarding outsider status, language mediation, and potential influence on participant disclosure.

Trustworthiness rested on methodological triangulation (interviews, observation, documents), member checking where participants reviewed thematic summaries, and peer debriefing with colleagues versed in community development and HRM.

Ethical procedures included informed consent, anonymization, culturally appropriate remuneration for time, and sensitivity to local power relations—particularly gendered speaking norms in some community fora.

4. Results and Discussion

Analytic work distilled five interrelated themes describing the nature and drivers of HRM transformation: (a) negotiated formalization, (b) relational performance systems, (c) youth-mediated digital uptake, (d) crisis-driven safety and wellbeing practices, and (e) financing constraints shaping HR choices.

Negotiated formalization captures how written contracts, role descriptions, and simple time-tracking are adopted but remain flexible, often conditional on kinship or seasonal exigencies.

Relational performance systems emphasize collective appraisal mechanisms—peer feedback during communal meetings, conflict resolution anchored in customary norms, and reward-sharing practices that buffer individuals from market volatility.

Youth-mediated digital uptake shows that younger household members often act as intermediaries who introduce mobile apps for inventory, attendance, or marketing; their role is as translators of technology and social negotiators who broker acceptance among elders.

Crisis-driven safety and well-being practices emerged prominently after COVID-19 disruptions: enterprises adopted basic health protocols, communication routines for information sharing, and ad hoc support mechanisms for ill workers.

Financing constraints surfaced repeatedly: short-term cash shortages forced trade-offs between wages, training, and investment in HR systems, often limiting long-term capability building despite recognition of its importance (Nicolas, 2021).

All hypotheses (H1–H4) are supported. This indicates that consumers’ buying behavior is strongly shaped by how they perceive price fairness, the quality of the product, and the trustworthiness of the brand. Among these, brand trust exerts the strongest impact.

Table 1 summarizes these themes with descriptions and illustrative participant insights.

Theme	Description	Illustrative Commentary
Negotiated Formalization	Selective adoption of formal HR tools adapted to kinship and seasonality	"We write a note for the new helper, but during harvest, we let the family share profits."
Relational Performance	Collective appraisal and restorative resolution rooted in community norms	"If someone slips, we sit together and find a way, not punish."
Youth-Mediated Digital Uptake	Young members introduce simple digital tools and train peers	"My niece set up our online shop and shows us the sales each morning."
Crisis-driven Safety & Wellbeing	Health protocols and mutual aid were introduced post-pandemic	"After COVID, we keep a small fund for those who cannot work."
Financing Constraints	Cash flow pressures limit HR investments despite the intent to professionalize	"We want to train staff, but we need cash to buy feed first."

Beyond these themes, participants described transformation as incremental and relational: changes are negotiated within households, extended families, and village councils rather than imposed top-down.

Interviewees also noted heterogeneity: some enterprises—often those linked to NGO projects or with diaspora connections—moved faster toward formal HR practices, while purely subsistence-oriented groups remained slower to change.

4.1. Discussion

The study's findings illuminate how HRM transformation in community-based coastal MSMEs is neither purely formal modernization nor preservation of custom; instead, it constitutes a hybrid process of negotiated formalization that aligns managerial rationales with communal moral economies.

Negotiated formalization confirms that formal HR elements (contracts, records) gain legitimacy when reframed as tools that uphold fairness and reciprocity rather than replace them.

Relational performance systems illustrate a collectivist orientation where accountability is restorative; such systems can foster employee commitment and social protection but may complicate merit-based incentives when market pressures intensify.

The role of youth as digital intermediaries reflects broader patterns of technological diffusion in rural settings: technology penetrates through social ties rather than markets alone, creating opportunities for capacity building if intergenerational learning is fostered (Hwang & Kim, 2021).

Crisis-driven adoption of safety and wellbeing practices underscores the importance of HR responses that address existential threats; organizational practices that emphasize care can increase resilience and worker trust in volatile contexts (Li et al., 2022).

Financial constraints act as a structural brake: even when managers value HR professionalization, cash flow scarcity forces immediate operational priorities that limit investments in training, formal contracts, or competitive wages (Nicolas, 2021).

The continued importance of human relationships in resource access—banks, NGOs, and local intermediaries—suggests policies must preserve and strengthen soft-information channels while leveraging digital tools to complement, not substitute, relational credit mechanisms (Fasano & Rocca, 2023).

The findings also suggest that sustainable and green HRM ideas can resonate in these communities when framed through local spiritual and ecological values; linking HR practices to environmental stewardship may mobilize intrinsic motivation and community legitimacy (Li et al., 2023).

Practically, interventions should adopt culturally attuned approaches: (a) co-designed training that respects local schedules and knowledge systems, (b) mentoring schemes pairing tech-savvy youth with older workers, and (c) micro-grants to buffer short-term cash constraints, enabling HR investments.

Methodologically, the study demonstrates the value of qualitative, humanistic inquiry for capturing the moral logic of HRM choices—nuances that quantitative surveys often miss.

Theoretically, the construct of negotiated formalization advances HRM scholarship by articulating how formal tools are domesticated within communal repertoires, producing hybrid governance forms that are both resilient and contextually legitimate.

5. Conclusion

In sum, HRM transformation among community-based MSMEs in coastal South Sulawesi emerges as a relationally anchored, incremental process shaped by social norms, intergenerational mediation, crises, and financial constraints.

Effective support for such transformations must therefore be multi-dimensional: combining financial instruments that address cash-flow fragility, culturally sensitive capacity building, and facilitation of intergenerational and cross-sectoral knowledge exchange.

Policy designs that uncritically transplant corporate HR templates risk eroding social capital; instead, programs should enable locally meaningful formalization that strengthens fairness, transparency, and worker wellbeing.

For practitioners, recognizing youth as catalysts for digital uptake suggests investing in locally embedded digital literacy initiatives that pair technical skills with mediation and translation roles.

For researchers, this study points to several avenues for further inquiry: comparative studies across archipelagic contexts, longitudinal tracking of HRM change, and mixed-methods evaluations of targeted interventions.

Limitations of this research include a purposive, non-representative sample and the temporal snapshot nature of the study; nonetheless, the depth of qualitative insight offers transferable concepts for similar community enterprises.

Ultimately, HRM transformation in these coastal settings should be viewed as social learning—a collective endeavor in which communities reimagine work, fairness, and mutual support under changing environmental and economic conditions.

The sustained health of coastal livelihoods depends not only on technology and finance but on people's practices that respect dignity, sustain relationships, and build adaptive capacity.

By centering lived experience and cultural logics, policy-makers and development actors can craft HR interventions that are effective because they are locally owned, not merely imposed.

This research advocates for a human-centered HRM praxis: one that recognizes the moral textures of labor in community enterprises and positions HRM as a tool for social as well as economic resilience.

In closing, supporting coastal MSMEs in South Sulawesi requires patience, humility, and partnerships that honor local wisdom while enabling innovations—so that HRM transformation becomes an inclusive pathway toward sustainable and equitable community development.

6. References

- Belitski, M., Guenther, C., Kritikos, A., & Thurik, R. (2021). Economic effects of the COVID-19 pandemic on entrepreneurship and small businesses. *Small Business Economics*, 58, 593-609. <https://doi.org/10.1007/s11187-021-00544-y>
- Caligiuri, P. M., Cieri, H. D., Minbaeva, D. B., Verbeke, A., & Zimmermann, A. (2020). International HRM insights for navigating the COVID-19 pandemic: Implications for future research and practice. *Journal of International Business Studies*, 51, 697-713. <https://doi.org/10.1057/s41267-020-00335-9>
- Fasano, F., & Rocca, T. L. (2023). Does the bank-firm human relationship still matter for SMEs? The game-changing role of digitalization. *Small Business Economics*, 1-20. <https://doi.org/10.1007/s11187-023-00758-2>
- Hwang, W., & Kim, H. (2021). Does the adoption of emerging technologies improve technical efficiency? Evidence from Korean manufacturing SMEs. *Small Business Economics*, 59, 627-643. <https://doi.org/10.1007/s11187-021-00554-w>
- Li, S., Young, H. R., Ghorbani, M., Lee, B. Y., Knippenberg, D. V., & Johnson, R. E. (2022). Keeping Employees Safe During Health Crises: The Effects of Media Exposure, HR Practices, and Age. *Journal of Business and Psychology*, 38, 457-472. <https://doi.org/10.1007/s10869-022-09837-9>
- Li, W., Abdalla, A. A., Mohammad, T., Khassawneh, O., & Parveen, M. (2023). Towards Examining the Link Between Green HRM Practices and Employee Green in-Role Behavior: Spiritual Leadership as a Moderator. *Psychology Research and Behavior Management*, 16, 383-396. <https://doi.org/10.2147/PRBM.S396114>
- Nicolas, T. (2021). Short-term financial constraints and SMEs' investment decision: evidence from the working capital channel. *Small Business Economics*, 58, 1885-1914. <https://doi.org/10.1007/s11187-021-00488-3>