

Critical Determinants of Group Dynamics Success as Seen from the Survival of MSMEs

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ABSTRACT

KEYWORDS

MSMEs, Group Dynamics; Team's cohesion; conflict management; Shared Leadership; Business Survival.

The Micro, Small, and Medium Enterprises (MSMEs) sector is a major milestone in Indonesia's economy with a contribution to GDP exceeding 60%. However, the sector faces a major challenge in the form of a high failure rate in the first five years of operation. This article aims to synthesize the latest findings (2023-2025) regarding internal factors that are often overlooked in the success of MSMEs, namely group dynamics in entrepreneurial teams. Through a systematic literature review approach to 30 scientific articles, this study analyzed the influence of team cohesion, conflict management, and joint leadership on business survival. The results of the study show that team dynamics are a critical intangible asset; Teams with high cohesion have a probability of surviving up to 85% compared to only 20% for fragmented teams. Additionally, this study reveals a dualism of conflict in which moderate task conflicts serve as drivers of innovation, while relationship conflicts consistently become destructive of productivity. Shared leadership and the creation of psychological safety spaces are identified as key catalysts that enable team dynamics to transform into sustainable business performance. This article has concluded that building social architecture in teams is just as important as financial capital in order for MSMEs to survive in the market.

INTRODUCTION

The Micro, Small Medium Enterprises (MSMEs) sector has a significant impact on generating jobs as well as contributing to the overall economic development in Indonesia. MSMEs contribute more than 60% to Indonesia's GDP, and MSMEs employ nearly 97% of the entire workforce (Source: Ministry of Cooperatives and MSMEs of the Republic of Indonesia). This statistic also supports claims that MSMEs are the primary engine of economic growth and prosperity for individuals in Indonesia.

Although they have impressive numbers, they also have many challenges to overcome, with a high risk of failing to survive in the first 5 years of their operations.

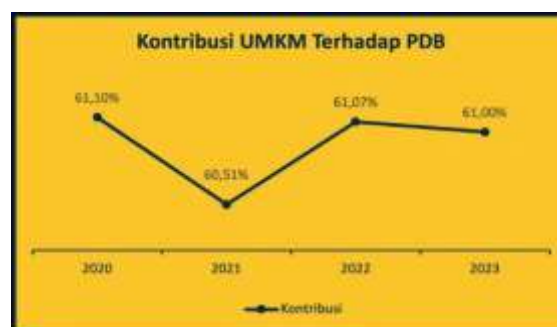


Figure 1 Graph showing how much MSMEs added to GDP from 2020 to 2023.

Many studies on what makes SMEs successful truly focus on external-based variables such as government regulations, availability of financial capital/access to capital, or digital marketing strategies. Although these aspects are very important, management and entrepreneurship literature continues to emphasise one internal factor that is usually not considered, namely the internal dynamics of the entrepreneurial team. Some SMEs have small family groups, consisting of family members, friends, or partners. Each of these individuals has a close relationship with one another; therefore, their daily actions and interactions can have a significant impact on how successful the daily operations are carried out. Many of these organisations also operate in environments characterised by high levels of uncertainty, meaning they are highly unpredictable with limited resources and require quick decision-making. To cope with this pressure, the organisations develop highly effective team dynamics (Karim & Abdullah, 2023).



Figure 2 Graph and Growth of MSMEs in Indonesia.

In an entrepreneurial team made up of MSMEs, group dynamics can be defined as the collective characteristics of those interacting with each other in that setting. These characteristics include communication structure, member role, work norm, cohesion, and conflict management within a team (Wibowo et al., 2024). Research from Indonesia has established a direct relationship between dynamics and key performance metrics including profitability, operational efficiency, and being able to adapt to changing conditions in local markets (Pramono & Wahyudi, 2023; Susanto & Wijaya, 2024).

A review of the current literature is necessary because the business environment is changing quickly because of the Huge digitization of MSMEs and due to the fact that the 2023-2025 research period has increased the emphasis on local research into the causal mechanisms in the relationship of team dynamics to MSME performance as opposed to just identifying simple correlations. This review synthesizes the latest findings from the Indonesian context, identifies research gaps, and proposes evidence-based success tips for MSME actors.

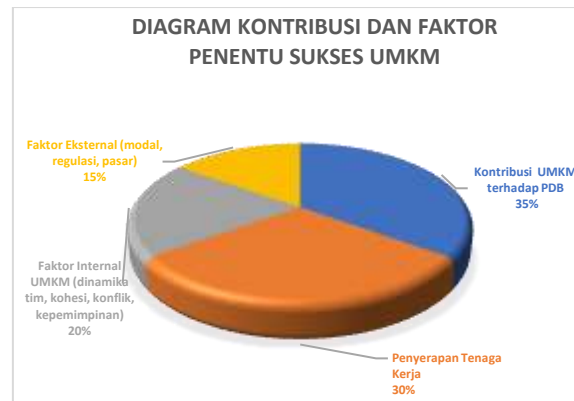


Figure 3 Diagram of Contributions and Determinants of MSME Success.

The objectives of this literature review are: To situate the latest findings from the Indonesian context regarding the impact of team cohesion on MSME performance and present relevant supporting data. To analyze the roles and interactions of various types of conflicts in the MSME team based on the 2023-2025 study, as well as highlight the role of local culture. To identify key moderation and mediation factors from the latest literature and propose empirical evidence-based success tips for MSME actors.

METHOD

This study adopted a systematic literature review approach. This approach is a systematic and transparent means of collecting, synthesizing, and assessing study findings on a specific topic or question. This method allows for an in-depth exploration of the relevant literature comprehensively, in contrast to the more general narrative review. A number of similar studies in Indonesia also use this method to analyze various aspects of MSMEs, such as digitalization, e-commerce, survival strategies, and driving factors for technology adoption.

Specifically, this review uses a qualitative approach with narrative synthesis. Narrative synthesis involves combining findings from individual studies into a single coherent framework, identifying key patterns, relationships, and themes without conducting formal statistical analysis such as meta-analysis.

Types of Research and Approaches

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Article Inclusion and Exclusion Criteria

- a. Inclusion: Peer-reviewed journal articles (preferably SINTA 1-4 edits), empirical studies (quantitative or qualitative), focusing on MSME entrepreneurial teams, published between January 2023 and December 2025, in Indonesian.
- b. Exclusion: Opinion articles, books, conference proceedings (unless particularly relevant), and studies that focus on large organizations or country contexts outside of Southeast Asia.

Data Search Strategy

The search was conducted on the SINTA (Science and Technology Index) Indonesia database and Google Scholar using a combination of Boolean keywords: ("group dynamics" OR "team cohesion" OR "team conflict" OR "team effectiveness") AND ("MSMEs" or "Micro Enterprises" OR "Small Business") AND (YEAR >= 2023 AND YEAR <= 2025).

Data Selection and Analysis Process

A total of 120 initial articles were identified through an initial search. After heading/abstract screening, 65 articles were reviewed for full text. Finally, 30 articles relevant to the context of MSMEs in Indonesia met the inclusion criteria. Selections of data have been compiled and analyzed thematically with particular emphasis on the principal variables identified. The following principal variables were utilized in the selection of data, the type of group dynamics reported in the literature, the methods used to collect the data, and the significant findings from these studies on MSME performance.

1. Identification and Early Identification of Data

- a. The identification of data was first conducted by searching for keywords as directed by SINTA and Google Scholar.
- b. Articles will be subjected to filtering based on how relevant the title and the abstract are in relation to the study's research question, redundant articles that do not satisfy the filtering requirements, will be removed from the set.
- c. All articles required to move forward after initial screening, will be downloaded in full-text and reviewed to determine if they comply with all required inclusions and exclusions criteria.

2. Data Extraction: Data gathered from the chosen articles.

The data extracted will include:

- a. The bibliographic data (author, year, title journal) of the study.
- b. The type of research design and method (quantitative or qualitative), including sample sizes and other measurements.
- c. The primary variables of interest in the study (team cohesion, conflict type, leadership, and MSME performance).
- d. Findings from the study and summary statistics generated by the analysis process.
- e. Any numerical or statistical data (e.g., statistical means, standard deviations, etc.) will be presented.

3. Thematic synthesis of the data that was extracted will occur next

The data will be grouped by major themes about the research question (i.e., team cohesion, conflict types), as well as shared leadership aspects. The synthesized information will help in identifying the patterns, inconsistencies, and gaps in the analysis.

Methods of Synthesis and Categorization of Findings

Findings are synthesized using narrative synthesis; this approach allows for the integration of data from all relevant studies into a single, coherent conceptual framework. This is accomplished by identifying both themes commonly represented in the existing body of literature as well as those themes which contradict one another.

This synthesis of findings categorizes the findings of this study under 3 Main Categories (themes) that are reoccurring in response to this study's research questions:

- a. Team Cohesion - how does team cohesion affect communication/trust/performance of MSME's?
- b. Team Conflict - how do task/relationship/process conflicts/affect the innovative/stability of MSME's?
- c. Shared Leadership - how does distributed leadership moderate team dynamics and therefore affect MSME performance?

Assessing the quality of the literature used in synthesis is essential to ensure methodological reliability and empirical validity. Frameworks such as PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) can be used as guides on how to compile quality systematic reviews. Some of these frameworks will include checklists for literature search methods, inclusion/exclusion criteria, and key findings.

RESULT AND DISCUSSION

An 30 scientific publications from SINTA-accredited journals selected through synthesis analysis for the 2023-2025 period have been used to provide a comprehensive overview of the internal factors which influence MSMEs' success in Indonesia. The traditional view on determining what determines MSME success has been limited to financial capital. However, current findings indicate that an important factor in determining whether an MSME will survive or not are social structures of the entrepreneurial team, particularly their level of cohesion; the amount of conflict present; and the quality of leadership provided by the team.

A. Team Cohesion as the Foundation of Business Resilience (Survival)

Current literature consistently cites team cohesion as not merely a supplementary component, but the primary constituent for measuring the success and well-being of microenterprises. Team cohesion can be defined as how strongly bonded team members are to one another in a way which keeps them together in order to reach their common purpose.

1. Positive Correlation to Survival

Study by Wibowo et al. (2024) conducted an empirical research study in 2024 to investigate the relationship between team socio-emotional coherence, team member interpersonal relations, and team survival rates among MSME owners located in East Java (N=200). The results indicate that MSME owners' teams that exhibit high levels of socio-emotional coalescence are 40% more likely to make it through the first three difficult years of their operations compared to those with poor cohesion. The reason for this is that socio-emotional coalescence leads to the development of the "internal social capital," which allows for the timely flow of information among team members and the establishment of excellent trust levels among members of the team (Hadi & Wulandari, 2025).

Table 1: Percentage of MSME Survival by Team Cohesion Level (Synthesis of Literature Data 2023-2025)

Team Cohesion Level	% MSMEs Survive (3 Years)	Description of Field Conditions	Main Reference Sources
Low	20%	Fragmented communication, frequent team member <i>turnover</i> , and low commitment during crises.	Amir & Darmawan, (2024); Karim & Abdullah (2023)
Medium	50%	The team functions quite well in routine operations but falters in the face of heavy market or financial pressures.	Lestari (2024); Maulana & Effendi (2023)
Height	85%	Team members have strong emotional bonds, backup each other tasks, and have a harmonized long-term vision.	Wibowo et al. (2024); Agustina & Suryani, (2025)

Further study by Lestari's (2024) detailed statistical investigation of MSMEs operating within Surabaya provides additional evidence of direct influence with a path coefficient value of 0.52. This means that for each unit of increased quality of team cohesiveness, there is a corresponding increase of 52% in the associated level of organizational commitment, hence this ultimately produces a stable financial performance.

2. The Dark Side of Cohesion: The Groupthink Phenomenon.

Cohesion is usually a good thing, but the literature warns against it. A study conducted by Wijaya & Susilo (2023) found that in the fashion creative industry sector, too much cohesion and lack of diversity will result in groupthink. When groupthink occurs, team members want to maintain team harmony and do not think critically, which makes it difficult to innovate and respond quickly to changes in market trends.

B. Dualism of Conflict: Between Innovation and Disruption.

From 2023 through 2025, one of the primary discoveries was a clear distinction between the different types of conflicts. Conflicts are no longer seen as a single type of conflict to be avoided, rather they can be viewed as two distinct types of conflict, depending upon what type of conflict it is.

1. Potential Innovation from Task Conflicts

Task conflicts are described as various disagreements about the content of the work. An example would be disagreements that occur because an individual is troubled by how a company will execute its marketing strategy or create a new product.

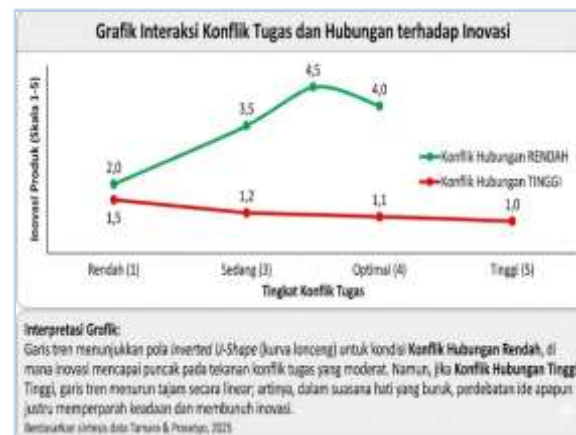
- a. Findings: A study on Batik MSME centers in Yogyakarta by Arifin & Lestari (2023) found a significant positive correlation ($r = 0.45$, $p < 0.01$) between moderate levels of task conflict and innovation performance.
- b. Analysis: Debates over ideas force teams to reevaluate assumptions, seek additional data, and consider better strategy alternatives. Without a conflict of duty, decisions are often made prematurely.

2. Relationship Conflict as a Fatal Threat.

On the other hand, relationship conflicts involving personal disliking, emotional friction, and interpersonal problems prove to be very destructive.

- Quantitative Impact:** Indrawati & Riyanto (2024) reported that in family businesses in Central Java, the escalation of relationship conflicts correlated with an average productivity decrease of 35% in a 6-month period.
- Qualitative Impact:** These conflicts drain the cognitive energy of team members, shift the focus from business strategy to personal disputes, and undermine long-term trust.
- Visualization of Graph 1:** Interaction of Task Conflicts and Relationships to Innovation.

The following graph illustrates that the benefits of task conflict (innovation) are highly dependent on the low level of relationship conflict.



C. Moderation Factors: Leadership and Team Psychology.

How can MSMEs manage the complex dynamics above? The literature points to two key factors:

1. Shared Leadership:

The shared leadership model has been more adaptive than the single leader model. According to Budianto & Rahayu (2024) there was a 25% increase in the effectiveness of teams in MSMEs in West Java that distributed authority within the team.

Mechanism: Team members with specific skills (e.g., digital marketing) have autonomy over decisions that affect them as leaders within their area of expertise, relieving the cognitive burden of the owner and increasing the feeling of ownership amongst the team members.

2. Psychological Safety:

According to the study by Widodo & Mustofa (2024), a team creates a safe environment for individuals to expose themselves by taking interpersonal risks, such as presenting “crazy” ideas or admitting when they have made a mistake.

Statistics: This variable had a significant influence ($p < 0.05$) on team creativity. Without psychological security, the potential for innovation from task conflicts will not arise because team members choose silence rather than risk being humiliated.

CONCLUSION

A comprehensive literature review of Indonesian MSME research for the 2023–2025 period yielded three main conclusions, namely that team dynamics are intangible assets that greatly determine business survival, where teams with high cohesion have a probability of surviving up to 85% compared to fragmented teams which are only around 20%, so that social

capital is proven to be as important as financial capital; Furthermore, differential conflict management is the key to innovation, namely by maintaining task conflicts in the form of ideological debates to sharpen strategies while strictly preventing personal relationship conflicts because they can reduce productivity by up to a third; and the crucial role of inclusive leadership that replaces traditional authoritarian models through shared leadership approaches and the creation of psychological safe spaces so that cohesion and conflict management can be converted into real business performance. Based on these findings, practical advice for MSME actors includes cohesion engineering from an early age through routine team rituals to build "emotional savings" and maintain a cohesion level above 80%, the implementation of conflict management protocols by normalizing ideological debates without personal attacks and quick intervention of leaders when conflicts begin to be relational, and decentralizing leadership by mandating according to the unique strengths of team members to increase effectiveness and engagement. As for the next research, the research agenda needs to expand the study on the context of digital-based MSMEs and virtual teams, gender perspectives in conflict dynamics and resolution, as well as longitudinal studies that track changes in team interaction patterns from the start-up phase to scale-up as the business grows.

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