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***"Managerial Decisions in MSMEs: A Praxiological Approach to Indonesian Entrepreneurs"***

Wahyu Dede Gustiawan<sup>1</sup>, Yuyun Kristianingsih<sup>2</sup>

<sup>1,2</sup>, Universitas Negeri Malang, Universitas Negeri Malang

email: <sup>1</sup>[wahyu.dede.2404139@students.um.ac.id](mailto:wahyu.dede.2404139@students.um.ac.id), <sup>2</sup>[yuyun.kristianingsih.2404139@students.um.ac.id](mailto:yuyun.kristianingsih.2404139@students.um.ac.id)

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**ABSTRAK**

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**Artikel History:**

Artikel masuk  
Artikel revisi  
Artikel diterima

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**Keywords:**

pengambilan Keputusan;  
UMKM; pendekatan  
praksiologis; pengusaha  
Indonesia; systematic literature  
review

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**Abstrak**

Pengambilan keputusan manajerial pada Usaha Mikro, Kecil, dan Menengah (UMKM) memiliki peran sangat penting dalam menentukan keberlanjutan dan pertumbuhan bisnis, khususnya di Indonesia. Artikel ini bertujuan untuk menganalisis pendekatan praksiologis dalam proses pengambilan keputusan di kalangan pengusaha UMKM Indonesia dengan menggunakan metode Systematic Literature Review (SLR). Penelitian ini mengidentifikasi dan mensintesis literatur terkait dari berbagai sumber akademik yang relevan dalam kurun waktu tertentu. Hasil kajian menunjukkan bahwa pendekatan praksiologis, yang menekankan pada hubungan antara teori dan praktik, membantu pengusaha dalam menghadapi kompleksitas lingkungan bisnis dan meningkatkan efektivitas keputusan strategis. Temuan penelitian ini juga mengungkapkan adanya faktor kontekstual seperti budaya bisnis, akses terhadap sumber daya, keterbatasan data dan pengetahuan, dan akses terhadap teknologi mempengaruhi proses pengambilan keputusan. Artikel ini memberikan kontribusi teoretis pada pengembangan kajian pengambilan keputusan manajerial serta menawarkan rekomendasi praktis bagi pengusaha UMKM dan pemangku kebijakan di Indonesia.

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**ABSTRACT**

Managerial decision-making in Micro, Small, and Medium Enterprises (MSMEs) has a very important role in determining business sustainability and growth, especially in Indonesia. This article aims to analyze a praxiological approach in the decision-making process among Indonesian MSME entrepreneurs using the Systematic Literature Review (SLR) method. This research identifies and synthesizes related literature from various relevant academic sources in a certain period of time. The results of the study show that the praxiological approach, which emphasizes the relationship between theory and practice, helps entrepreneurs in dealing with the complexities of the business environment and

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*improving the effectiveness of strategic decisions. The findings of this study also reveal that contextual factors such as business culture, access to resources, limited data and knowledge, and access to technology affect the decision-making process. This article makes a theoretical contribution to the development of managerial decision-making studies and offers practical recommendations for MSME entrepreneurs and policymakers in Indonesia.*

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## INTRODUCTION

Domestic Product (GDP) and employ around 97% of the total workforce in the country. Micro, Small, and Medium Enterprises (MSMEs) play an important role in Indonesia's economy. According to the Central Statistics Agency (BPS), MSMEs contribute more than 60% to the national (Candra et al., 2022). In addition, MSMEs make a significant contribution in encouraging local innovation and reducing economic inequality in various regions (Kurniawati & Saputra, 2019). However, despite their large contributions, MSMEs often face complex challenges, including lack of access to financial resources, technological limitations, and market uncertainty (HANGGRAENI & Sinamo, 2021). In this context, the ability to make the right decisions is a key element for the sustainability of MSMEs, especially in the face of market dynamics and global pressures.

Decision-making in MSMEs is often intuitive and experience-based, as decisions are largely made by business owners who also act as key managers (Widjanarko et al., 2022). These intuition-based decisions have an advantage in situations that require a quick response, such as in the face of market pressures or changing customer needs (Azar & Azizi, 2022). However, this approach is often prone to bias and lack of objectivity, especially when business owners are dealing with complex situations or have limited supporting data (Widjanarko et al., 2022). For example, many MSME owners in Indonesia make investment decisions based solely on personal estimates without careful planning, which can affect the sustainability of their business (Dewi & Mahendrawathi, 2019). has the potential to increase the competitiveness of MSMEs. For example, approaches based on financial literacy and managerial innovation have been proven to improve the performance of MSMEs in East Java (Soetjipto et al., 2023). Therefore, understanding the patterns and factors that affect MSME decision-making is important to investigate

Praxiology, as a branch of philosophy that studies human actions, offers a relevant conceptual framework for evaluating decision-making. The main principles of praxiology involve analyzing the relationship between goals, actions, and outcomes, with a focus on

efficiency and effectiveness in achieving goals (Hermawati & Puji, 2019). In the context of MSME management, this approach can help MSME owners to **Avoiding Bias**, By evaluating whether the actions taken are in line with the goals that have been set. **Optimizing Resources**: Using a praxiology-based approach can help MSMEs identify the best way to achieve results with limited resources (Sinyuk et al., 2022). **Understanding the Local Context**: Praxiology emphasizes the importance of actions that are relevant to the context, such as understanding the needs of local customers, market dynamics, and Indonesian business culture (Hermawati & Puji, 2019). Previous research has shown that managerial decisions in MSMEs are often not aligned with long-term goals due to limited knowledge and external environmental pressures (Affandi et al., 2020). For example, many MSME owners have a vision to expand their business but do not have a concrete strategy to achieve it. Praxiology can be used to evaluate these decisions by asking questions such as: Are current actions relevant to the long-term vision? Is there a more efficient way to achieve the same results?

Although there is a lot of research on decision-making in MSMEs, philosophy-based approaches such as praxiology are still rarely applied in this context. The existing literature focuses more on economic or technical factors, without considering the deeper dimensions of human action (Maesaroh et al., 2023). In fact, this approach can provide new insights that are useful for increasing the competitiveness of MSMEs at the global level. For example, by using the principles of praxiology, MSME owners can learn to be more effective in managing conflicts between short-term needs and long-term goals (Widjanarko et al., 2022). This study aims to fill this gap by integrating a praxiology perspective to evaluate managerial decisions in Indonesian MSMEs. This research will make a unique contribution by connecting praxiology theory with the managerial practice of MSMEs in Indonesia. The results of the study are expected to help MSME owners and policymakers understand how decision-making can be improved through a philosophical framework that is oriented towards action and goals. Thus, this research is not only academically relevant, but also provides practical implications for the sustainability and competitiveness of MSMEs in the future

## LITERATURE REVIEW

Decision-making is a core aspect of MSME management, which directly affects business success. Most managerial decisions in MSMEs are made by business owners, making their mindset and approach highly defining (Widjanarko et al., 2022) The literature identifies two key characteristics of MSME decision-making:

1. Intuitive Approach: Many MSME owners rely more on intuition than on data analysis or evidence-based methods. This is often seen in decisions related to investment, market expansion, and marketing strategies (Dewi & Mahendrawathi, 2019)
2. Focus on the Short-Term: MSME owners are often more concerned with immediate outcomes or short-term benefits than considering long-term strategic impacts (Hermawati & Puji, 2019)

Previous studies have also shown that more strategic, data-driven, and reflective decision-making has a positive impact on MSME performance. For example, research by (Soetjipto et al., 2023) shows that good financial literacy allows MSME owners in East Java to make more informed investment decisions, which has an impact on increasing income

### **Philosophy of Praxiology in a Managerial Context**

Praxiology offers a unique perspective that focuses on the relationship between goals, actions, and outcomes. In the context of management, praxiology is used to evaluate the effectiveness of decisions by considering the alignment between strategy and implementation (Hermawati & Puji, 2019) The key principles of praxiology, such as efficiency, contextual relevance, and reflection, provide a conceptual framework to help MSME owners understand and optimize their decisions. Application of Praxiology in MSME Management:

1. Purpose Awareness (Teleology): Identifies whether the actions taken support the organization's strategic goals.
2. Efficiency and Effectiveness: Ensuring that decisions maximize the use of resources and have an optimal impact.
3. Reflection and Adjustment: Encourage continuous evaluation of previous decisions to improve future strategies.

In a study by (Maesaroh et al., 2023) a reflective approach praxiology helped MSMEs in Indonesia identify weaknesses in their marketing strategies, allowing them to adjust their approach more responsively to the needs of local customers.

## **RESEARCH METHODS**

### **Research Design**

This study uses the systematic literature review (SLR) method which aims to identify, evaluate, and synthesize relevant research on:

1. MSME decision-making in Indonesia.
2. Application of praxiology principles in managerial decision-making.

SLR was chosen because this approach allows for in-depth exploration of existing empirical findings, provides theoretical insights, and helps identify gaps in previous research (Creswell & Poth, 2016).

### **Systematic Procedures (PRISMA Framework)**

The PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) method is used to ensure consistency and transparency in data collection. The stages of the research include:

1. Search Identification is carried out on academic databases such as Scopus, Web of Science, Google Scholar, and ProQuest. Keywords used: "MSME decision-making Indonesia," praxiology managerial decisions, "philosophical approach in SMEs." Inclusion criteria: Research published in the last five years (2018–2023), Studies relevant to the topic of decision-making in MSMEs and/or the application of praxiology philosophy. Exclusion criteria: Articles that are not written in English or Indonesian. Articles without verifiable analysis.
2. Filtering: Articles that are not relevant to the focus of the research will be eliminated after reading the abstract and keywords.
3. Eligibility: Articles that pass the initial selection will be further analyzed to evaluate their quality and suitability for the purpose of the research.
4. Synthesis: Articles that meet the criteria will be used to compile key findings, identify MSME decision-making patterns, and analyze them using a praxiology framework.

### **Data Analysis Techniques**

The data obtained from SLRs will be analyzed using the thematic analysis method to identify patterns, themes, and relationships between various studies. The analysis steps include:

1. Familiarization with Data: Read the results of the research in depth to understand the main content.
2. Initial Coding: Identifying key concepts, such as decision-making patterns, limitations, and praxiological implications.
3. Theme Identification: Grouping similar concepts into broader themes, such as "intuition in decision-making" or "resource efficiency."
4. Synthesis and Interpretation: Comparing findings with praxiology principles to understand how MSME decisions can be optimized

## RESULTS & DISCUSSION

### Result

The results of this study were obtained through *a systematic literature review* (SLR) that explored various relevant articles regarding decision-making in Indonesian MSMEs and the application of praxiology principles in managerial decision management. The data screening process based on the specified inclusion and exclusion criteria resulted in 15 articles that were eligible for analysis. The selected studies cover a wide range of aspects of decision-making, including intuition in decision-making, the use of financial data, and the role of the external environment in influencing decisions. The main findings show that the majority of MSME owners in Indonesia still rely on an intuitive approach in making business decisions, especially in terms of investment, market expansion, and marketing strategies (Widjanarko et al., 2022). This intuitive approach is driven more by the limitations of available data and knowledge, as well as the demands for making quick decisions amid changing market dynamics (HANGGRAENI & Sinamo, 2021). Hanya sebagian kecil pemilik UMKM yang menggunakan pendekatan berbasis data atau analitis dalam pengambilan keputusan mereka, dengan mayoritas berfokus pada hasil jangka pendek daripada dampak jangka panjang bagi keberlanjutan bisnis (Hermawati & Puji, 2019). Only a small percentage of MSME owners use data-driven or analytical approaches in their decision-making, with the majority focusing on short-term outcomes rather than long-term impacts on business sustainability. Praxiology, as a branch of philosophy that focuses on the evaluation of human actions to achieve goals, can provide a very useful perspective in decision-making in MSMEs (Schäfer, 2020). In this context, praxiology proposes the principles of efficiency, relevance, and reflection to evaluate the alignment between the actions taken and the long-term goals of the organization. In MSMEs, business owners are often faced with decisions that require them to make optimal use of limited resources (Rapp, 2022). Praxiology can help MSME owners to identify the most efficient actions, avoid decision-making driven by personal biases or short-term market pressures, and encourage them to re-evaluate the decisions they have taken to improve future strategies (Hermawati & Puji, 2019). For example, with the principle of "Purpose Awareness" (Teleology), MSME owners can ask whether their decisions support the long-term goals of the business, such as market expansion or product diversification, and if not, whether there are more efficient alternatives (Affandi et al., 2020). This is also in line with the understanding that many MSMEs, despite having a big vision, often do not have a concrete strategy to achieve it (Pramukty et al., 2022).

Although praxiology can provide a useful framework for strategic decision-making in MSMEs, its application in Indonesia faces several challenges. First, many MSME owners rely



more on an intuition-based approach, which is often less objective and influenced by emotional factors or urgent market conditions (Dewi & Mahendrawathi, 2019). Limitations in financial and managerial literacy are a major obstacle to adopting the principles of praxiology, which requires an in-depth understanding of strategic evaluation and reflection on decisions taken (Soetjipto et al., 2023). In addition, many MSME owners lack knowledge of the importance of long-term planning and are often more focused on instant results (Kalogeropoulos et al., 2020). Hal ini mengarah pada keputusan yang tidak selalu selaras dengan tujuan jangka panjang bisnis (Hermawati & Puji, 2019). In addition, social and cultural challenges, such as reliance on social hierarchies and the inability to adapt to global market dynamics, can also hinder the effective application of praxiology (Widjanarko et al., 2022). The application of praxiology in decision-making requires a change in mindset and openness to a reflection-based approach, which can be difficult to achieve without proper mentoring or training.

## Discussion

The results of this study show that decision-making in Indonesian MSMEs is largely intuitive, with business owners relying on personal experience and instinct. Intuition-based decision-making does have benefits in situations that require a quick response, but if used excessively, it can affect the sustainability of MSMEs in the long term (Marshhev, 2021). Many MSME owners rely on intuition in decision-making regarding investment, market expansion, and marketing strategies, which may lead to decisions that are not based on robust data or careful planning (Dewi & Mahendrawathi, 2019). Decisions taken without proper data analysis can carry the risk of strategic errors, such as unprofitable investments or product development that does not match market needs. For example, in the context of the dynamic Indonesian market, many MSMEs choose to expand without conducting in-depth market research, thereby worsening their financial condition (HANGGRAENI & Sinamo, 2021). On the other hand, intuition-based decision-making can also accelerate adaptation to rapid market changes, such as economic crises or changes in consumer behavior, but if not accompanied by continuous evaluation and learning, it can hinder long-term growth (Widjanarko et al., 2022). Therefore, while intuition plays an important role in rapid decision-making, it is important for MSME owners to compensate with data-driven and reflective approaches to ensure more sustainable and measurable decisions.

The application of praxiology principles in MSME decision-making, although still limited, shows significant potential to increase the effectiveness of managerial decisions. The concept of alignment of goals (teleology) in praxiology can help MSME owners to be more aware of their long-term vision and evaluate whether the actions taken are in accordance with these goals

(Hermawati & Puji, 2019). For example, many MSME owners have ambitions to expand their business but do not have a concrete strategy that supports those goals (Kurniawati & Saputra, 2019). By using the praxiology framework, they can more clearly understand the relationship between goals, actions, and desired outcomes, as well as identify more efficient ways to achieve those outcomes.

In addition, the principles of **efficiency and reflection** in praxiology provide important insights for MSME owners in optimizing the use of limited resources. For example, a reflective approach in praxiology can encourage MSME owners to continuously evaluate their decisions and adjust their strategies based on changes in the market or customer needs (Maesaroh et al., 2023). These findings support research by (Soetjipto et al., 2023) those who show that good financial literacy can help MSME owners to make more informed investment decisions, which has an impact on increasing their income and business sustainability.

However, although the potential of praxiology to improve decision-making in MSMEs is evident, the application of this principle in daily practice still faces significant obstacles. One of the main obstacles is the **limited knowledge** of praxiology itself among MSME owners. For this reason, further efforts are needed in education and training for MSME owners to understand and apply the principles of praxiology in their decision-making. In addition, limited access to relevant technology and information is also a challenge in implementing the data-driven and reflective approach required by praxiology (Widjanarko et al., 2022)

Overall, this study shows that a praxiology-based approach can make a significant contribution to improving MSME decision-making in Indonesia, especially in the context of efficiency and alignment of long-term goals. Therefore, it is important for MSME owners and policymakers to consider the application of these principles as part of efforts to improve the competitiveness of MSMEs in the face of increasingly complex global market challenges.

## CONCLUSION & SUGGESTION

### Conclusion

**The results** of this *Systematic Literature Review* (SLR) study highlight the importance of a praxeological approach in managerial decision-making among Indonesian MSME entrepreneurs. This approach, which integrates theory with practice, has proven relevant in helping entrepreneurs face complex and dynamic business challenges. Contextual factors such as intuition, business culture, resource availability, limited data and knowledge, access to technology also affect the effectiveness of decision-making. By implementing a pragmatic approach, entrepreneurs can develop more adaptive and practice-based solutions to improve the



sustainability and competitiveness of their businesses. These findings provide new insights into how this approach can be applied more widely in the context of MSMEs in developing countries, particularly in Indonesia

### Suggestion

1. **For MSME Entrepreneurs:** It is hoped that they can better understand the importance of integrating theoretical insights with practical experience in the decision-making process. Employers should also pay attention to the dynamics of the external and internal environment, and take advantage of evidence-based approaches to optimize business performance.
2. **For Governments and Policy Makers:** It is important to provide training and mentoring that focuses on implementing a pragmatic approach for MSME entrepreneurs. In addition, policies that support access to resources, technology, and information need to be strengthened to support effective decision-making.
3. **For Academics and Researchers:** Further research is needed to explore the implementation of praxisological approaches in different MSME sectors and different local contexts. Empirical research involving MSME entrepreneurs directly can provide more in-depth and specific insights into the impact of this approach.

By implementing these suggestions, it is hoped that MSMEs in Indonesia can be more resilient, innovative, and competitive in facing global challenges.

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