

LOCAL BUSINESS DYNAMICS IN THE ERA OF GLOBALISATION: LEGAL UNCERTAINTY, GLOBAL COMPETITION, AND ADAPTIVE STRATEGIES OF LOCAL ENTREPRENEURS

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Abstract

This study examines the dynamics of local businesses in the era of globalisation, focusing on the challenges of legal uncertainty, global competition, and the adaptive strategies implemented by local entrepreneurs. Globalisation has opened up opportunities for market access, but it has also increased the risks to the sustainability of local businesses due to the entry of global players who are superior in terms of capital, technology, and networks. Legal uncertainty manifests in various forms, including inconsistent regulatory changes, incompatibility with international law, and weak protection for domestic businesses. Through a literature review, this study identifies that local entrepreneurs address these challenges through product innovation, digital transformation, human resource development, and business network expansion. These adaptive strategies are not only important for maintaining their position in the domestic market but also key to penetrating global markets. Government support in the form of clear regulations, access to technology, and fair legal protection is essential for local businesses to develop sustainably. This study provides insights for business actors, government, and academics to understand the real conditions of local businesses in facing the ever-changing global era.

Keywords: Local businesses, globalisation, legal uncertainty, global competition, adaptive strategies, innovation, digitalisation.

Introduction

In the era of globalisation, the business world has undergone significant transformations with the development of technology, market openness, and increased mobility of products, services, and labour across national borders. This phenomenon has brought new opportunities, as well as significant challenges, especially for local businesses that previously only competed in the domestic market. This transformation has created an increasingly intense competitive landscape between local businesses

and global players who enter the market with various advantages in terms of capital, technology, and extensive distribution networks (Yuliana & Rahman, 2022).

These changes have forced domestic businesses not only to survive but also to continuously innovate in order to address the multidimensional external pressures. Global competition demands exceptional adaptive capabilities from local businesses, particularly in terms of product development, marketing, and business efficiency. Traditional advantages, such as proximity to local consumers, are no longer sufficient without being complemented by modern business strategies based on technology and innovation (Hutagalung, 2022).

One of the main challenges faced by local businesses is legal uncertainty. The ambiguity or sudden changes in government policies, both at the national and regional levels, often create unstable and high-risk business conditions. Regulations that are not fully adaptive to the dynamics of the global market, changes in international trade policies, and legal protection for local products are central issues that domestic entrepreneurs must address (Ma'ruf & Huda, 2024).

This situation becomes even more complex with the entry of foreign products that often offer lower prices and competitive quality due to much larger production scales and global supply chain efficiency. This directly impacts the domestic market structure, where local businesses face significant challenges in maintaining the sustainability of their operations amid the ongoing expansion of globalisation (Prasetyo & Timotius, 2024).

Globalisation is also driving changes in consumer behaviour, making them more critical, open to international brands, and expecting products with global quality and trends. Consumers have more choices thanks to access to information and digital transactions; this forces local businesses to adapt in terms of product innovation, services, and technology-based marketing strategies. In this context, adaptive strategies are vital. Local entrepreneurs need to find adaptation patterns that not only follow changes but also create added value through innovation rooted in local potential and strengths (, 2023).

The use of digital technology, optimisation of social media for promotion, and cross-sector collaboration are important components in strengthening the competitiveness of local businesses in the era of globalisation. In addition to technology, strengthening business networks and collaboration are also key to surviving in the midst of global competition. Many business actors have begun to collaborate with others, both at the local and regional levels, to enhance their bargaining power and reduce production and distribution costs. Government policies that encourage the development of an inclusive local business ecosystem are also crucial to the success of this strategy (Nurfadillah et al., 2025).

The era of globalisation not only brings product competition but also shifts in business models and value addition. Local businesses must be able to read changes,

transform, and leverage cultural uniqueness and local wisdom as differentiation in a homogenised market due to globalisation. Businesses that can balance technological innovation with local values will find it easier to win competition and build customer loyalty (Najib et al., 2024) . Undeniably, global competition has put significant pressure on the sustainability of local businesses, especially those that are not yet fully prepared to adapt in terms of operations, technology, and management. Therefore, it is important for the business world to invest in resources, training, and capacity building to strengthen the foundation of businesses in facing an era full of uncertainty (Rusmiati et al., 2025) .

Another challenge that has emerged alongside globalisation is the rapid change in international trade policies, both tariff and non-tariff, requiring businesses to be more careful in reading the opportunities and risks of the export-import market. Issues of certification, quality standards, and adaptation to the regulations of export destination countries have become important agendas in the development of export-oriented businesses (Anisa et al., 2023) . In a high state of legal uncertainty, local entrepreneurs require regulatory certainty that protects them without hindering innovation and new investment. Active collaboration between the business world, government, and academia is needed to create a legal framework that is responsive and accommodating to global dynamics, while still providing space for local businesses to grow (Hendra & Ningrum, 2023) .

Ultimately, the sustainability of local businesses in the era of globalisation is highly dependent on their ability to adapt, innovate, and develop knowledge-based strategies that are integrated with the ever-changing market realities. Therefore, research on the dynamics of local businesses, legal uncertainty, global competition, and adaptive strategies of entrepreneurs is crucial to provide relevant recommendations for strengthening domestic economic competitiveness.

Research Method

The research method used in this study is a literature review method, which involves collecting, examining, and analysing various relevant literature sources such as scientific journals, books, research reports, and policy documents related to the topic of local business dynamics in the era of globalisation (Eliyah & Aslan, 2025) . The research process began with problem identification, followed by the search and selection of appropriate literature. A thematic analysis was then conducted on the main findings from these sources to gain a deeper understanding of legal uncertainty, global competition, and adaptive strategies of local entrepreneurs. The analysis results are systematically synthesised to formulate dynamics, challenges, and strategic recommendations for local businesses. (Machi & McEvoy, 2016) .

Results and Discussion

Local Business Dynamics in the Era of Globalisation

Globalisation has brought significant changes to the local business landscape in Indonesia. Market integration, technological advancements, and information openness have created new opportunities alongside complex challenges for local businesses. Businesses that were previously focused solely on the domestic market now must compete in the global arena, facing international players with more advanced resources and technology (Santoso, 2023) . One of the most tangible impacts of globalisation is the opening of access to international markets. Local products can now penetrate foreign markets thanks to free trade and reduced tariffs. However, this ease also means that foreign products enter the domestic market with prices and quality that are often more competitive, making competition increasingly intense (Nugroho, 2025) .

The opportunities offered by globalisation are not limited to market access but also include the influx of foreign direct investment (FDI). This investment brings capital, technology transfer, and improved skills for the local workforce. The manufacturing, services, and technology sectors are the most benefited from this investment flow, driving faster economic growth. However, behind these opportunities, local businesses face significant challenges in the form of legal and regulatory uncertainty. Rapid policy changes, unclear rules, and differing standards between countries are major obstacles for local entrepreneurs to grow and innovate. This uncertainty often hinders investment and the development of new businesses (Su'udiah, 2025) .

Global competition also forces local businesses to continuously innovate. The products and services they offer must be able to compete not only in terms of price but also quality, design, and added value. Businesses that fail to adapt to changing consumer preferences and global trends risk losing market share and even facing bankruptcy. The pressures of globalisation also impact the identity and character of local products. Many businesses are forced to adjust their products to meet international standards, causing unique elements and local cultural values to gradually fade away. This cultural homogenisation not only affects businesses but also society, which loses part of its cultural heritage. (Lestari, 2025) .

Additionally, globalisation increases economic dependence on international markets. Local businesses heavily reliant on exports or imported raw materials become vulnerable to global economic fluctuations, changes in trade policies, and international crises. This dependence can threaten local economic stability if not properly anticipated (Silalahi, 2022) .

Changes in consumer behaviour also pose a unique challenge. Consumers are now more critical, open to international brands, and expect products with global quality and trends. Access to information and digital transactions give consumers more choices, so local businesses must adapt in terms of product innovation, services, and technology-based marketing strategies. To survive in the midst of globalisation, local

businesses need to adopt adaptive strategies. Product innovation, digitalisation, and operational efficiency are key. The use of digital technologies such as e-commerce, social media, and modern business management systems can help local businesses reach a wider market and increase competitiveness (Wijaya et al., 2020).

Market diversification is also an important strategy. Local businesses are encouraged to not only rely on the domestic market but also seek opportunities in international markets. Participation in international exhibitions, leveraging free trade agreements, and cross-border collaboration can open new access and reduce dependence on a single market. The government plays a strategic role in supporting local businesses in facing globalisation. Policies that support legal certainty, regulatory stability, and training and mentoring assistance are urgently needed. This support can enhance the capacity of local entrepreneurs to face global challenges and take advantage of existing opportunities (Siregar, 2021).

Collaboration and strengthening business networks are also important factors. Local businesses that can build partnerships with other businesses, both locally and internationally, will find it easier to access resources, technology, and new markets. This synergy can enhance bargaining power and strengthen the position of local businesses in the global market. Despite the significant challenges faced, Indonesia's local businesses still have great potential for growth. With the right innovation, policy support, and adaptive strategies, local products can remain competitive in the domestic market and even penetrate global markets. The uniqueness of culture and local wisdom can serve as a value-added differentiator for Indonesian products amid global homogenisation (Skare & Soriano, 2021).

Ultimately, the dynamics of local business in the era of globalisation demand that businesses continue to learn, adapt, and innovate. Only businesses that are responsive to change, capable of leveraging technology, and preserving their local identity will survive and thrive in the face of increasingly intense global competition.

Forms of Legal Uncertainty Faced

Legal uncertainty is one of the main challenges faced by local businesses in the era of globalisation. This form of uncertainty does not arise without reason but is the result of regulatory dynamics heavily influenced by technological changes, cross-border trade, and the adaptation of national laws to evolving international standards. One form of legal uncertainty is the frequent changes in regulations and policies related to trade and investment. Sudden changes in regulations make it difficult for businesses to develop sustainable business strategies, as they must constantly adapt to new rules that may not be clearly implemented on the ground. (Wu, 2023).

Complex bureaucracy and differences in the interpretation of regulations across regions or levels of government also increase legal uncertainty. Regulations that are supposed to be national are often interpreted differently at the regional level, causing

uncertainty in the implementation and protection of the law for local businesses and foreign investors. Uncertainty also arises due to the lack of harmony between national commercial law and modern international legal principles. The Commercial Code (KUHD), which serves as the legal basis for commercial law in Indonesia, for example, is considered inadequate to address the challenges of globalisation and digital technology, thereby hindering the development of multinational or cross-border businesses (Sulaiman & Hidayat, 2021).

Legal jurisdiction conflicts are another form of legal uncertainty. In many cross-border business transactions, differences in legal systems and dispute resolution practices often raise questions: which country's law applies, what are the dispute resolution mechanisms, and what rights are protected? This dynamic is exacerbated by the slow adaptation of regulations to technological developments, particularly in digital transactions or e-commerce. Rules on consumer data protection, electronic transactions, and digital intellectual property rights have not been fully accommodated in the existing regulatory framework, leading to uncertainty regarding the rights and obligations of business actors (Setyawan & Nugroho, 2020).

It is also important to note that many technical standards and certifications are still applied domestically, even though local products must now meet international standards to compete in the global market. This inconsistency in standards can lead to non-tariff barriers that are difficult for businesses to predict. Another legal uncertainty relates to the protection of intellectual property rights such as patents, trademarks, and copyrights. Domestically, this protection remains weak, while globally, businesses face different enforcement challenges in each country, potentially leading to complex disputes (Simamora, 2023).

Cybersecurity and data privacy issues, which are regulated differently across jurisdictions, also add to the dimension of legal uncertainty. Cyberattacks and leaks of sensitive data are not yet fully regulated by clear protection and dispute resolution mechanisms. This impacts consumer trust and the legal position of businesses in the event of a breach. The lack of alignment between national regulations and multilateral agreements such as the United Nations Convention on Contracts for the International Sale of Goods (CISG) also poses a potential source of uncertainty. National laws often are not compatible with international principles, thereby hindering trade cooperation and foreign investment (Utari et al., 2025).

In addition, business dispute resolution that still relies on conventional court proceedings is often considered slow and uncertain. Alternative dispute resolution methods such as arbitration and mediation have begun to be adopted, but harmonisation of rules, implementation, and recognition at the international level often remain problematic. The final form of legal uncertainty frequently cited by local businesses is the weak legal protection against unfair competition practices, such as cartels, monopolistic practices, or dumping. The enforcement of competition law in

Indonesia is deemed less effective than in developed countries, often harming businesses that comply with the rules (Raharjo, 2024).

Overall, the legal uncertainties faced by local businesses in the era of globalisation include rapid regulatory changes, jurisdictional conflicts, differing technical standards, weak intellectual property protection, and slow adaptation to the digital era. More adaptive legal reforms, harmonisation of standards, and active involvement of business actors in the regulatory process are needed to create legal certainty and a more conducive business climate.

Local Entrepreneurs Adapt to Global Competition

In the era of globalisation, local entrepreneurs face increasingly complex challenges. Competition no longer comes only from domestic businesses but also from multinational companies with greater resources, technology, and distribution networks. To survive and grow, local entrepreneurs must make strategic adaptations in various aspects of their businesses (Wijaya et al., 2020). One of the main forms of adaptation is product and service innovation. Local entrepreneurs are required to continuously develop unique, relevant, and value-added products to compete with global products. This innovation can take the form of attractive packaging, the use of high-quality local raw materials, or the development of product variants that suit international market tastes (Yuliana & Rahman, 2022).

Digitalisation is a key component of adaptation strategies. By leveraging digital technologies such as e-commerce, social media, and online payment systems, local businesses can expand their market reach, improve operational efficiency, and strengthen their brand presence. Digital transformation also enables businesses to access consumer data and market trends in real time, thereby improving business decision-making (Hutagalung, 2022). In addition to innovation and digitalisation, local entrepreneurs need to build networks and collaborations. Collaboration can be done with other businesses, the government, or international platforms. Through strategic partnerships, local entrepreneurs can share resources, expand market access, and enhance production capacity. A real-world example is the joint venture between an Indonesian and foreign company, such as the collaboration between Nestlé and Indofood, or TikTok and GoTo in the e-commerce sector (Ma'ruf & Huda, 2024).

Cultural adaptation is also a crucial factor. Local entrepreneurs aiming to penetrate global markets must be able to align their products, services, and business communication with the norms and preferences of consumers in target countries. The concept of glocalisation—combining global strengths with local touches—has proven effective in enhancing product acceptance in international markets. Indomie, for example, adapts its flavour variants to suit consumer preferences in various countries. Improving human resource quality is a priority. Local entrepreneurs must invest in employee training and skill development, particularly in technology, management, and

digital marketing. Competent human resources will enhance productivity and business competitiveness at the global level (Prasetyo & Timotius, 2024).

Cost efficiency and sound financial management are also crucial adaptive strategies. Local entrepreneurs need to reduce production costs, seek more affordable raw materials, and utilise alternative financing such as fintech or business incubation programmes. Good cash flow management will increase business resilience amid global economic fluctuations. The government plays an important role in supporting the adaptation of local entrepreneurs (Sutrisno, 2023). Support in the form of training, technology access facilitation, incentives, licensing ease, and legal protection is essential for local entrepreneurs to compete fairly. Digitalisation programmes for SMEs, digital marketing training, and business network formation are concrete examples of the government's role in creating a conducive business ecosystem (Nurfadillah et al., 2025).

Strengthening local identity and values is a unique advantage. Products and services that reflect local cultural characteristics have a unique appeal in the global market. Local entrepreneurs can leverage cultural heritage as a product differentiator, making them less susceptible to being replaced by homogeneous products from abroad. Market and product diversification also serve as effective adaptive strategies. Local entrepreneurs are encouraged not to rely solely on the domestic market but to explore opportunities in international markets. Product diversification in line with global market needs will expand market share and reduce the risk of dependence on a single segment (Najib et al., 2024).

Regular market analysis and competitor monitoring are essential. By understanding global trends, consumer behaviour, and competitor strategies, local entrepreneurs can formulate more precise and responsive adaptation measures in response to market changes. Local entrepreneurs also need to strengthen their business management systems, such as the use of ERP (Enterprise Resource Planning) and CRM (Customer Relationship Management), to improve operational efficiency and customer service. These systems help entrepreneurs manage data, inventory, and customer relationships more professionally (Nurfadillah et al., 2025).

The success of local entrepreneurs in adapting is closely linked to their ability to learn from experience and successful case studies. Many local companies have successfully penetrated global markets with the right adaptation strategies, such as Indomie, Polytron, and SMEs in the creative sector. These case studies can serve as inspiration and references for other entrepreneurs in formulating adaptive strategies (Rusmiati et al., 2025).

Finally, local entrepreneurs' adaptation to global competition is an ongoing process that requires innovation, collaboration, digitalisation, and a strong ecosystem. Only entrepreneurs who are responsive to change, capable of leveraging technology,

and preserving their local identity will survive and thrive in the increasingly intense global competition.

Conclusion

The dynamics of local businesses in the era of globalisation are characterised by changes in market structure, economic integration, and technological advancements that present both opportunities and new challenges for businesses. Globalisation provides broader access to international markets, drives economic growth, and accelerates the transfer of technology and knowledge. However, on the other hand, local businesses must face increasingly fierce competition from global companies that have greater resources and networks, as well as high dependence on international markets and policies.

Legal uncertainty is one of the main obstacles faced by local entrepreneurs. Rapid regulatory changes, unclear law enforcement, and differences between national and international standards often create an unstable business environment. This can hinder investment, innovation, and the development of new businesses. Therefore, joint efforts between the government, business actors, and stakeholders are needed to create clearer, more consistent, and adaptive regulations to global dynamics. To survive and grow, local entrepreneurs must adopt adaptive strategies such as product innovation, digitalisation, operational efficiency, and building cross-sector networks and collaborations. Strengthening local identity, improving human resource quality, and diversifying markets are also key to facing global competition. With the right strategies and a supportive ecosystem, local businesses can not only survive but also have the potential to grow and compete in the dynamic global market.

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