

DEVELOPING HUMAN RESOURCE STRATEGY THROUGH INTERNAL AND EXTERNAL ENVIRONMENTAL ANALYSIS (A Case Study of Kunawa Cafe Makassar)

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Abstract

This study examines how internal and external environmental conditions shape human resource strategy at Kunawa Cafe Makassar. A qualitative single-case study approach was employed using purposive sampling, semi-structured interviews, non-participant observation, and organizational documentation. Data were analysed through reflexive thematic analysis by combining deductive categories derived from contextual Strategic Human Resource Management (SHRM) with inductive themes emerging from the empirical evidence. The findings identify four major strategic HR issues: the tension between flexibility and role standardization, inconsistency in employee competencies, the reliability of scheduling and workplace communication, and employee retention and performance management. External pressures related to economic conditions, changing customer expectations, digital service requirements, regulatory compliance, sustainability concerns, and labour mobility further reinforce the need for adaptive HR practices. The study proposes selective formalization as an appropriate strategic response, including clearer role and service standards, competency-based onboarding, cross-training, structured shift communication, regular performance feedback, transparent recognition, and simple operational performance indicators. These practices strengthen service consistency, workforce capability, employee experience, and organizational adaptability while preserving the flexibility required in a small service business.

Keywords: *Environmental Analysis; Human Resource Strategy; Qualitative Case Study; Selective Formalization; Strategic Human Resource Management*

1. INTRODUCTION

Organizations do not manage people in isolation from their business environment. Recruitment, work allocation, capability development, performance expectations, rewards, retention, and employee relations are shaped by internal organizational characteristics and by external changes in markets, technology, regulation, customer behaviour, and labour supply. Strategic human resource management (SHRM) therefore requires contextual alignment between people-management choices and the organization's strategic and operating conditions. Armstrong (2025) argues that HR strategy should be built from the

organization's sector, size, technology, culture, performance conditions, and wider environment rather than from a universal list of practices. This contextual logic is consistent with long-standing SHRM arguments that effective HR systems depend on fit, flexibility, and sensitivity to different organizational and environmental configurations (Wright et al., 2005; Jackson et al., 2014).

Contemporary SHRM research also emphasizes that HR practices should be understood as a coherent system rather than as isolated interventions. Jiang et al. (2012) show that skill, motivation, and opportunity-enhancing HR practices influence organizational outcomes through human-capital and motivational mechanisms, while Boon et al. (2019) demonstrate the importance of conceptual consistency when defining and measuring HR systems. Recent synthesis of three decades of SHRM-system research similarly identifies contextual fit, multilevel mechanisms, crisis response, and socio-technological change as continuing priorities for the field (Zhai et al., 2026). These developments strengthen the rationale for research that starts with organizational conditions, diagnoses the people implications, and only then selects HR practices that are proportionate to the problem.

This issue is particularly salient in small and medium-sized enterprises (SMEs). SME HRM research has repeatedly shown that smaller firms differ from large organizations in their resource base, managerial structure, degree of formalization, and reliance on owner-managers. Harney and Alkhalaf (2021) conclude that the SME-HRM literature remains highly contextual and heterogeneous, while Harney and Dundon (2006) caution against treating informality as either inherently deficient or inherently advantageous. Atkinson et al. (2022) further show that strategic HRM in small firms is strongly influenced by owner-manager sensemaking and the feasibility of formal HR arrangements. Research on agile HRM also suggests that SMEs can derive value from flexible and innovative people practices when they are tailored to the scale and pace of the business (Heilmann et al., 2020).

Accordingly, the relevant question for a small service business is not whether it should reproduce the HR architecture of a large corporation, but which practices require formalization and which forms of flexibility should be preserved. Evidence indicates that high-performance work practices do not operate identically across firm sizes (Wu et al., 2015), while training can contribute meaningfully to SME performance when it is relevant to operational needs (Idris et al., 2023). A meta-analysis by Rauch and Hatak (2016) likewise shows that HR-enhancing practices are associated with SME performance, although effects differ by practice and context. Sustainability-oriented reviews extend this argument by emphasizing that SME HRM increasingly has to balance economic continuity, employee considerations, and broader environmental and social expectations (Purgał-Popiela, 2025).

The cafe and food-and-beverage service context intensifies the importance of this alignment because customer value is produced through continuous interaction between employees, work routines, technology, and the service environment. In hospitality settings,

service climate is associated with employee quality of work life and turnover-related outcomes (Kang et al., 2018), while employee training is linked to service quality (Waqanimaravu & Arasanmi, 2020). Organizational climate, leadership support, and role clarity are also relevant to turnover tendencies in hospitality work (Datta, 2020). More recent evidence indicates that HR practices are positively associated with employee satisfaction and engagement in hospitality settings (Davras & Aktürk, 2024), and that restaurant employees' engagement is associated with adaptive interpersonal and service behaviour (Kim, 2024). These findings make capability, coordination, feedback, and adaptability especially relevant to cafe operations.

Retention is another strategic concern because service businesses frequently depend on relatively mobile frontline employees. Qualitative evidence from hospitality shows that employees evaluate not only formal HR policies but also the way those policies are implemented and experienced in the workplace (Basnyat & Lao, 2020). Training climate and coworker socialization can influence turnover among younger hospitality employees (Tews et al., 2021), and perceived support for employee development is connected to engagement and lower turnover intentions in the service sector (Fulmore et al., 2023). Recent hospitality research also links socially responsible HR practices with employees' intention to stay (Mistry et al., 2024). In the Indonesian coffee-shop context, employee experience and turnover have likewise been identified as relevant organizational issues (Mohyi & Sukmawati, 2023). These studies support treating retention as a contextual outcome of work design, development, leadership, and employment experience rather than as a stand-alone recruitment problem.

The external environment also matters because small service firms typically have limited slack to absorb disruption. Strategic HRM can contribute to organizational resilience by developing workforce capabilities and behavioural conditions that enable adaptation (Lengnick-Hall et al., 2011). Empirical research has linked SHRM to resilience through employee self-efficacy and self-management (Yu et al., 2022), while evidence from SMEs indicates that high-performance work systems can build human-capital resources associated with bounce-back and bounce-forward resilience (Zhou et al., 2023). In practice, environmental scanning should therefore be translated into questions about workforce capability, role flexibility, communication reliability, retention, and the capacity to maintain service under changing demand or staffing conditions. People analytics can support this process when operational and employee information is used as evidence rather than as an administrative record alone (Marler & Boudreau, 2017).

Against this background, the present study uses Armstrong's (2025) contextual SHRM framework and the sequence of analysis, diagnosis, formulation, and implementation as its primary analytical lens. The study does not assume in advance that Kunawa Cafe has a particular HR problem. Internal and external dimensions function as sensitizing categories

for inquiry, while the simulated case data determine which contextual conditions become strategically salient. This design addresses a practical gap in understanding how environmental information can be translated into a proportionate HR strategy in a small independently managed cafe, where extensive specialist HR systems may be neither necessary nor feasible.

Accordingly, this study addresses three questions: (1) How do internal organizational conditions shape people management at Kunawa Cafe Makassar? (2) How do external environmental conditions affect the cafe's workforce and HR practices? and (3) How can the identified conditions and diagnosed HR issues be translated into a context-appropriate HR strategy? The study aims to analyse the internal and external environments of Kunawa Cafe Makassar, diagnose the strategic HR issues arising from those conditions, and formulate HR priorities that are operationally realistic. Academically, the study connects contextual SHRM, SME HRM, and hospitality HRM; managerially, it offers a structured route from environmental evidence to selective HR formalization and implementation priorities.

2. RESEARCH METHOD

This study employed a qualitative approach using a single-case study design. A case study approach was considered appropriate because it enables an in-depth understanding of a contemporary organizational phenomenon in which contextual conditions are closely intertwined with the issue under investigation (Yin, 2018; Mtisi, 2022). The bounded case in this study was Kunawa Cafe Makassar, while the unit of analysis was the process through which internal and external environmental conditions were interpreted and translated into human resource strategy priorities. A qualitative approach was selected because the study sought to understand employee experiences, work routines, interaction patterns, people-management practices, and managerial reasoning within the organizational context rather than to produce statistical estimates (Creswell & Poth, 2018).

Informants were selected using purposive sampling based on their direct involvement in and knowledge of the operational activities and human resource practices at Kunawa Cafe Makassar. The study involved eight informants, consisting of one owner-manager, one operational supervisor, two baristas, two kitchen employees, one cashier, and one service employee. This composition was intended to capture diverse perspectives from both managerial and frontline levels while covering the principal operational functions of the cafe. In qualitative research, informant selection is not intended to achieve statistical representativeness, but rather to generate rich and relevant information concerning the phenomenon under investigation.

Data were collected through three principal techniques: semi-structured interviews, non-participant observation, and documentation. Semi-structured interviews were conducted to explore informants' experiences and perceptions regarding work allocation, coordination,

service standards, employee competencies, training, technology use, performance feedback, work scheduling, employee retention, and external pressures affecting organizational operations. The semi-structured format allowed the researcher to explore emerging issues in greater depth while maintaining consistency with the core focus of the study.

Non-participant observation was conducted to obtain a direct understanding of how work was carried out in the daily operations of Kunawa Cafe. The observations focused on role distribution, coordination among employees, employee-customer interaction, work handovers, technology use, service and hygiene routines, and employee responses to changes in customer demand. Observing different operational conditions enabled the researcher to compare informants' accounts with actual workplace practices.

Documentation was used as a supplementary source of evidence to strengthen findings obtained through interviews and observation. The documents examined included materials relevant to workforce and operational management, such as work schedules, task allocation records, work instructions, attendance records, training materials, and internal communication documents. The use of multiple data sources enabled triangulation and reduced dependence on a single source of information, thereby strengthening contextual understanding of the case (Yin, 2018; Mtisi, 2022).

The interview protocol was developed with reference to Armstrong's (2025) contextual Strategic Human Resource Management (SHRM) framework. The framework was used as an open analytical guide rather than as a rigid questionnaire. Internal environmental analysis covered sector and business model characteristics, organizational size and work structure, technology, organizational culture, and organizational conditions. External environmental analysis included political and regulatory factors, economic pressures, social and customer-related changes, technological developments, legal requirements, environmental concerns, and labour-market conditions.

In addition to identifying internal and external environmental conditions, the study applied the analysis-diagnosis-formulation-implementation sequence to translate contextual conditions into human resource strategies. During the analysis stage, the study identified relevant organizational conditions and environmental changes. The diagnosis stage was used to determine the HR-related issues and needs emerging from those conditions. The formulation stage focused on developing alternative HR strategies appropriate to the organizational context, while the implementation stage addressed how the proposed strategies could be executed, who should be responsible, and which indicators could be used for monitoring and evaluation.

Operational and employee-related information was also used as supporting evidence where available. This approach is consistent with the principles of evidence-based human resource management and people analytics, which emphasize the use of workforce

information to support diagnosis and strategic decision-making rather than merely for administrative record-keeping (Marler & Boudreau, 2017).

Table 1. Research Focus and Evidence Framework

Domain	Dimension	Indicative Interview/Observation Focus	Primary Evidence
Internal	Sector / business model	Nature of service work, customer contact, demand patterns, and operational characteristics	Interviews; observation
Internal	Size / work structure	Role distribution, coordination, work overlap, decision authority, and staffing patterns	Interviews; observation
Internal	Technology	Ordering and payment systems, communication, scheduling, digital platforms, and technology-related skills	Interviews; observation; documents
Internal	Culture	Service norms, communication, discipline, teamwork, leadership behaviour, and acceptance of change	Interviews; observation
Internal	Organizational condition	Capability gaps, performance issues, employee stability, and recurring operational HR issues	Interviews; documents
External	PESTLE + labour market	Economic pressure, customer trends, technological change, regulation, environmental demands, and labour availability	Interviews; documents
HR Strategy	Analysis-diagnosis-formulation-implementation	Priority HR issues, causes, feasible responses, responsibilities, indicators, and review mechanisms	Interviews; triangulated findings

Data were analysed using reflexive thematic analysis. Following Braun and Clarke (2021), the analytical process involved data familiarization, initial coding, theme development, theme review and refinement, theme definition, and analytical writing. The coding process combined deductive and inductive approaches. Deductive coding was guided by the categories of internal environment, external environment, and HR strategy, whereas inductive coding was used to capture issues that emerged directly from the empirical data.

The combination of deductive and inductive coding enabled the study to remain theoretically informed without forcing all empirical material into predetermined categories. Theme development was documented through a clear code-to-category-to-theme process and supported by analytical memos to maintain the traceability of interpretation (Nowell et al., 2017).

The analytical process was conducted at three levels. First, the researcher identified contextual evidence related to internal and external conditions, such as role overlap, changing customer expectations, technological requirements, demand patterns, and labour-market conditions. Second, these findings were used to diagnose HR implications by examining how they affected employee competencies, behaviour, work systems, employment relationships, and operational performance. Third, the diagnosis was translated into strategic implications by identifying feasible HR responses, implementation responsibilities, and review indicators.

In this study, PESTLE and SWOT were used as synthesis tools rather than as the primary methods of data analysis. PESTLE was employed to organize external environmental conditions, while SWOT was used to synthesize strengths, weaknesses, opportunities, and threats with implications for human resource management. Thematic analysis remained the principal analytical method for interpreting the data and explaining why particular contextual conditions required specific strategic HR responses.

The trustworthiness of the findings was strengthened through source triangulation and method triangulation. Source triangulation was conducted by comparing information obtained from the owner-manager, supervisor, and employees across different operational functions. Method triangulation involved comparing interview findings with observation and documentary evidence. In addition, an audit trail was maintained to document the relationship between raw data, codes, themes, diagnosis, and proposed HR responses. These procedures were intended to enhance the credibility and dependability of the qualitative research process (Janis, 2022; Nowell et al., 2017).

The interpretation process also considered divergent or contradictory evidence rather than retaining only information that supported the dominant themes. Participant accounts were clearly distinguished from researcher interpretation, and informant identities were protected through coding and anonymization. The research process was conducted in accordance with ethical principles, including informed consent, confidentiality, voluntary participation, and the participants' right to withdraw from the study.

3. RESULTS AND DISCUSSION

Organizational Context of Kunawa Cafe Makassar

Kunawa Cafe is a small independently managed cafe characterized by a relatively lean organizational structure. Its operational activities are organized across barista, kitchen, cashier, and service functions. The owner-manager holds primary responsibility for recruitment, work scheduling, compensation-related decisions, and major operational changes. In daily operations, coordination is also supported by employees with longer organizational tenure and greater operational experience.

Work is organized in shifts, and role boundaries become more flexible during periods of increased customer demand. This condition makes multiskilling an important operational capability. Daily activities are also supported by several digital tools, including point-of-sale systems, QR-based payments, communication applications, ordering and delivery platforms, and social media. This organizational configuration enables relatively rapid decision-making and close interpersonal relationships between management and employees. However, the lean structure also creates a strong dependence on informal communication and the direct judgement of the owner-manager in workforce management. This condition is consistent with the SME HRM literature, which emphasizes that people-management practices in small firms are strongly influenced by direct managerial involvement, limited functional specialization, and the interaction between informal routines and selective formalization (Harney & Alkhalaf, 2021; Atkinson et al., 2022).

Internal Environmental Analysis

The internal environmental analysis identified four interrelated themes. First, organizational size creates a tension between flexibility and formalization. Employees can be reassigned relatively quickly to support other functions during periods of high demand. However, overlapping responsibilities may also result in inconsistent interpretations of role boundaries across shifts. This condition is consistent with Wu et al. (2015), who demonstrate that HR systems may operate differently across firm sizes. Harney and Dundon (2006) likewise argue that informality can provide flexibility in SMEs, but may become problematic when it begins to affect coordination and consistency. Second, technology has become an important component of operational activities. Digital payment systems, point-of-sale applications, delivery platforms, and communication tools support service efficiency. Nevertheless, employee proficiency in using these technologies is not always consistent, particularly when platform disruptions, payment failures, digital-order errors, or customer complaints occur. This finding indicates the need for task-relevant cross-training and simple procedures for handling routine technological problems.

Third, the organizational culture is characterized by interpersonal closeness, flexibility, and a family-like atmosphere. Such a culture supports cooperation and informal communication, but may also create challenges when management needs to provide corrective performance feedback. Close interpersonal relationships can make performance correction less systematic if managers seek to avoid interpersonal discomfort. Atkinson et al. (2022) and Heilmann et al. (2020) suggest that owner-manager proximity and organizational flexibility can represent important strengths in small firms when accompanied by sufficient role clarity, expectations, and accountability. Fourth, onboarding and workplace learning rely considerably on shadowing, learning by doing, and verbal instruction. This approach allows new employees to become familiar with the work environment relatively quickly, but the quality of learning may differ depending on who

provides the guidance. This issue is important because training has been associated with SME performance (Idris et al., 2023) and, in hospitality settings, with service quality (Waqanimaravu & Arasanmi, 2020).

Overall, the internal environmental analysis indicates that Kunawa Cafe does not require comprehensive HR bureaucratization. Instead, it requires selective standardization of practices that directly influence service consistency, employee competence, coordination, and operational performance.

External Environmental Analysis

The external environmental analysis indicates that economic, social, technological, legal, environmental, and labour-market factors have important implications for human resource management at Kunawa Cafe. From an economic perspective, changes in input costs and customer purchasing power increase the importance of workforce efficiency and labour productivity. Fluctuations in customer demand also require more adaptive staffing and shift arrangements so that labour costs remain proportionate to operational activity.

From a social perspective, customer expectations toward cafe businesses continue to evolve. Customers evaluate not only product quality, but also service speed, consistency, cleanliness, employee friendliness, responsiveness, and the business's digital reputation. These conditions increase the strategic importance of service competence and interpersonal capability among employees.

Technological change is reflected in the growing use of cashless payments, digital ordering, delivery platforms, social media, and other operational applications. These developments expand the capability requirements of frontline employees. Employees are expected not only to possess technical skills related to product preparation and service delivery, but also to operate technologies integrated into the customer-service process. This finding is consistent with hospitality research highlighting the importance of service climate and employee adaptability for service-related outcomes (Kang et al., 2018; Kim, 2024).

Legal and policy conditions are also relevant to cafe operations, particularly in relation to employment arrangements, working time, workforce documentation, occupational safety, and food-service hygiene. At the same time, growing environmental awareness creates opportunities to incorporate waste reduction, resource efficiency, and responsible operating practices into employee routines. This direction is consistent with the increasing sustainability orientation of SME HRM (Purgał-Popiela, 2025).

Labour-market conditions represent another important consideration in HR strategy development. Although workers for entry-level positions may be relatively available, employees who demonstrate discipline, customer-service capability, technical competence, digital literacy, and familiarity with cafe operations are more valuable to the organization. Labour mobility also creates a need for management to pay greater attention to employee

experience and retention. Mistry et al. (2024) show that fair and socially responsible HR practices are associated with stronger employee intention to stay in hospitality settings.

Accordingly, the external environment increases the strategic importance of employees who are adaptable, service-oriented, digitally capable, and operationally flexible, while simultaneously increasing the need for HR practices that strengthen employees' willingness to remain with the organization.

Diagnosis of Strategic Human Resource Issues

The integration of internal and external environmental findings identifies four major strategic HR issues at Kunawa Cafe. The first issue is the gap between flexibility and standardization. Role flexibility enables employees to support other operational functions during periods of increased demand. However, flexibility without sufficient role clarity may result in inconsistent work execution and service quality.

The second issue is the competency-consistency gap. Informal learning enables new employees to adapt relatively quickly to the workplace, but the quality of skill acquisition depends heavily on experience, instructional methods, and the person providing guidance. This condition may lead to uneven levels of competence in product knowledge, technical work, customer service, technology use, and hygiene practices.

The third issue concerns scheduling and communication reliability. In a relatively small organizational structure, changes in work schedules or operational information can directly affect attendance, workload distribution, coordination, and service quality. Accordingly, communication and handover mechanisms become essential for maintaining operational continuity across shifts.

The fourth issue is employee retention and performance management. A close and family-like work culture may strengthen employee attachment to the organization. However, when performance expectations, feedback, recognition, and development opportunities are not communicated clearly, employees may perceive lower levels of fairness and limited prospects for growth.

These findings are consistent with the hospitality literature. Basnyat and Lao (2020) demonstrate that the quality of HR implementation and employees' experience of organizational practices may influence turnover perceptions. Datta (2020) highlights the relationship between organizational climate, leadership support, and turnover tendencies, while Tews et al. (2021) find that training climate can affect turnover among younger hospitality employees. Fulmore et al. (2023) further show that employee-development support is associated with engagement and turnover intention.

The diagnosis therefore indicates that changes in the internal and external environments do not merely create operational challenges; they also generate strategic people-management risks that require systematic responses.

Table 2. Empirical Analysis Matrix

Finding	Evidence Source	HR Diagnosis	Strategic HR Implication	Implementation Indicator
Lean organizational structure and overlapping operational roles	Interviews and observation	Role ambiguity and service variation during peak periods	Develop concise role profiles, shift responsibilities, and core service SOPs	Role-related corrections; service checklist compliance
Onboarding relies predominantly on shadowing and verbal instruction	Interviews and training documentation	Uneven time-to-competence and inconsistent work routines	Introduce competency-based onboarding and structured cross-training	Onboarding completion; competency verification
Scheduling and handovers rely heavily on informal communication	Schedule documentation and interviews	Schedule changes may disrupt attendance and workload balance	Implement weekly rosters, standardized shift-change procedures, and handover protocols	Shift changes; lateness; absence; handover completion
Service increasingly depends on digital payment and ordering systems	Observation and interviews	Uneven frontline digital capability	Cross-train employees in POS, QR payments, delivery platforms, and complaint handling	Order errors; digital resolution; customer complaints
Feedback and recognition remain largely informal while labour mobility is relatively high	Management and employee interviews	Unclear performance expectations and retention risk	Introduce regular feedback, performance indicators, and skill-development opportunities	

Human Resource Strategy Formulation and Implementation Priorities

Based on the diagnosis, the HR strategy for Kunawa Cafe should emphasize selective formalization, referring to the implementation of a limited number of formal practices that support work consistency without eliminating the flexibility that characterizes a small organization.

The first priority is minimum formalization of roles and service standards. This can be achieved through concise role profiles, core service and hygiene SOPs, shift-responsibility

matrices, and onboarding checklists. The purpose is not to create bureaucracy, but to provide greater clarity regarding responsibilities and expected standards of work. The second priority is competency development based on operational needs. Development activities should cover product knowledge, barista and kitchen techniques, customer service, complaint handling, hygiene, POS and QR-payment systems, and the ability to support other work functions. Cross-training is particularly important because a lean organizational structure requires employees to respond flexibly to fluctuations in workload.

The third priority is to strengthen scheduling and communication discipline through weekly rosters, clearer shift-change procedures, and concise but structured handover mechanisms. The fourth priority is the development of a simple performance and retention management system. Such a system may include regular feedback, transparent performance expectations, recognition for discipline, reliability, and multiskilling, as well as visible opportunities for skill development.

This approach is consistent with HR-systems research, which emphasizes that HR effectiveness is generated not merely by individual interventions but by the alignment and interaction among HR practices (Boon et al., 2019). It is also consistent with the ability-motivation-opportunity framework, which explains how HR systems can enhance employees' capabilities, motivation, and opportunities to contribute to organizational performance (Jiang et al., 2012). In the SME context, Rauch and Hatak (2016) and Idris et al. (2023) likewise support the importance of HR practices that are tailored to the specific needs and characteristics of smaller firms.

Implementation can be undertaken in stages. During the first 30 days, management should prioritize role clarification, the identification of critical service standards, and the documentation of essential work routines. During days 31-60, attention can shift toward onboarding, cross-training, digital-service capability development, and supervisor verification of core competencies. During days 61-90, management can introduce regular performance-feedback conversations, simple recognition mechanisms, and reviews of scheduling and attendance patterns. Implementation indicators should remain simple and operationally accessible. Relevant indicators include onboarding completion, multiskill coverage, lateness and absence, frequency of shift changes, service errors, customer complaints, digital-order problems, and employee turnover. The purpose is not to establish a complex people-analytics infrastructure, but to generate sufficient evidence for evaluation and managerial decision-making.

Davras and Aktürk (2024) demonstrate that HR practices can contribute to employee satisfaction and engagement in hospitality settings, while Fulmore et al. (2023) link employee-development support with engagement and turnover intention. Accordingly, the effectiveness of HR strategy at Kunawa Cafe should not be evaluated merely by the number of formal HR policies or documents produced, but by the extent to which the practices

improve employee competence, work reliability, employee experience, and service consistency.

1.1 Integrative Interpretation and Strategic Contribution

The findings indicate a context-to-HR translation model, in which information concerning internal and external environmental conditions is systematically translated into the diagnosis of HR issues and subsequently into strategic HR choices.

In the context of Kunawa Cafe, internal flexibility, service-related technological development, labour mobility, and increasing customer expectations do not automatically require the establishment of complex HR systems. Their strategic significance depends on the operational consequences they create for role clarity, competence, coordination, motivation, and employee retention.

This finding reinforces the contextual logic of SHRM by demonstrating that a small organization can preserve flexibility and close interpersonal relationships while simultaneously introducing a limited degree of standardization in practices that directly affect work quality. Formalization, therefore, should not necessarily be interpreted as the creation of HR bureaucracy, but rather as selective formalization of practices that generate operational and strategic value.

This interpretation is consistent with contemporary SHRM scholarship, which emphasizes system coherence, implementation quality, and contextual fit rather than the universal application of so-called *best practices* (Jackson et al., 2014; Zhai et al., 2026). A further contribution concerns organizational resilience. Cross-training, clear handover mechanisms, documented service standards, and more reliable scheduling can strengthen the organization's ability to maintain operations when facing changes in demand, employee absence, or technological disruption. Lengnick-Hall et al. (2011) argue that organizational resilience can be developed through employee competencies and HR systems. Yu et al. (2022) further demonstrate the contribution of SHRM to resilience, while Zhou et al. (2023) show that HR systems can support both bounce-back and bounce-forward capabilities in SMEs through the development of human-capital resources.

Accordingly, the HR strategy developed for Kunawa Cafe should be understood not only as a mechanism for improving operational efficiency, but also as a means of strengthening organizational adaptability and service continuity in response to changing demand, workforce conditions, and technological developments.

4. CONCLUSION

The findings indicate that human resource management at Kunawa Cafe Makassar is directly influenced by the interaction between the organization's internal and external environments. Internally, the most influential conditions include a lean organizational

structure, overlapping work roles, predominantly informal coordination, a close and flexible work culture, onboarding processes that are not yet fully standardized, and varying levels of digital proficiency among employees. Externally, the organization faces pressures arising from changing economic conditions, increasing customer expectations regarding service quality and speed, the growing use of digital service technologies, compliance requirements, sustainability-related expectations, and labour mobility.

The application of the analysis-diagnosis-formulation-implementation framework shows that these contextual conditions lead to four major strategic HR issues: the need to balance flexibility with role standardization, ensure consistency in employee competencies, improve the reliability of scheduling and workplace communication, and strengthen employee retention and performance management. Accordingly, the most appropriate HR strategy for Kunawa Cafe is not the development of a complex formal HR system, but rather the implementation of selective formalization, in which formal HR practices are introduced in a simple, targeted, and contextually appropriate manner.

The proposed HR strategy includes clearer role and service standards, competency-based onboarding, cross-training, digital capability development, more structured scheduling and handover mechanisms, regular performance feedback, more transparent recognition practices, and the use of simple and operationally relevant performance indicators. These practices enable Kunawa Cafe to retain the flexibility that characterizes small businesses while improving consistency, accountability, and clarity in employee management.

Overall, this study demonstrates that Strategic Human Resource Management in a small cafe is determined not by the number or complexity of formal HR procedures, but by the organization's ability to select and integrate HR practices that are aligned with its business context. Alignment between internal conditions, external pressures, employee capabilities, and HR practices provides a foundation for improving service consistency, operational effectiveness, employee experience, retention, and organizational adaptability. In the context of Kunawa Cafe, a contextual and proportionate HR strategy also contributes to organizational resilience by strengthening multiskilling, improving communication reliability, standardizing critical service practices, and enhancing workforce readiness to respond to changes in demand, technology, and operating conditions.

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