

ADAPTATION OF THAI SMES UNDER GEOPOLITICAL CHANGES*

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Abstract

Geopolitical change has become a major force shaping the global business environment in recent years. Events such as the COVID-19 pandemic, the Russia–Ukraine war, increasing tension among major powers, and political adjustments in Asia have disrupted global trade, investment flows, and supply chains. These disruptions have increased uncertainty in energy prices, logistics systems, and access to international markets. Small and medium-sized enterprises (SMEs) are more vulnerable to these shocks because they often have limited resources, weak financial capacity, and a low ability to manage risk. In Thailand, SMEs represent more than 99 percent of all enterprises and play a crucial role in employment, income creation, and local economic stability. As Thailand is an export-oriented economy, geopolitical uncertainty places strong pressure on Thai SMEs, especially those connected to exports, tourism, and imported inputs. At the same time, geopolitical restructuring also creates new opportunities for SMEs, including regional market expansion, domestic supply chain development, and growth in digital business activities. This review article

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aims to examine how Thai SMEs adapt their strategies and operations under changing geopolitical conditions. The study uses documentary research and literature synthesis to analyse previous academic studies, policy reports, and official documents related to SMEs, geopolitics, and economic adaptation. The analysis focuses on key adaptation strategies such as supply chain and market diversification, digital and technology adoption, financial risk management, skill development, and alignment with government policies. The findings indicate that adaptation is essential for SME survival and stability in times of global uncertainty. SMEs that improve flexibility, manage risks effectively, and use digital tools are better prepared to respond to external shocks. The study provides useful insights for both researchers and policymakers seeking to strengthen SME resilience and long-term competitiveness.

Keywords: Thai SMEs, geopolitical changes, adaptation strategies, resilience, global uncertainty

Introduction

Geopolitical changes have become a key feature of the global business environment in recent years. These changes include the COVID-19 pandemic, the Russia–Ukraine war, rising tension between the United States and China, and new regional power adjustments in Asia (Budanov et.al., 2025). Such events have disrupted global trade, investment flows, and international supply chains. They have also increased uncertainty in energy prices, logistics systems, and market access. Scholars explain that geopolitics shapes economic relations by creating both limits and opportunities for countries and firms (Flint, 2006). For small and medium-sized enterprises, these shocks are more serious because they have limited resources, weak financial buffers, and lower ability to absorb risk compared to large firms (Pencarelli, Cesaroni & Demartini, 2022; Choudhury et al., 2025). Research shows that geopolitical risk often leads to supply shortages,

demand changes, and higher operating costs for SMEs (Alatalo, 2024; Benabed, 2023).

Thailand is an export-oriented economy that is deeply connected to regional and global value chains. Thai SMEs account for more than 99 per cent of all enterprises and play an important role in employment, production, and local development. Because of this structure, geopolitical uncertainty creates strong pressure on Thai SMEs (Office of Small and Medium Enterprises Promotion, 2025). Changes in trade policies, transport disruption, and energy price volatility directly affect their daily operations. At the same time, scholars note that geopolitical restructuring can open new opportunities, such as regional production relocation, digital trade expansion, and niche market creation in Asia (Sinani & Zilja, 2025; Suzuki, 2025). Studies from Asia and Europe show that SMEs that adapt through flexibility, diversification, and digital tools are more likely to survive during crises (Pencarelli, Cesaroni & Demartini, 2022; Bothin, Dahlberg & Larsson, 2024; Kamkankaew et.al., 2025). This situation makes Thai SMEs an important case for understanding how small firms respond to global geopolitical change.

This review article aims to answer the research question: How do Thai SMEs adapt their strategies and operations in response to geopolitical changes? The study uses documentary research and literature synthesis to examine key adaptation mechanisms such as supply chain adjustment, market diversification, digital adoption, and resilience building. Prior studies argue that adaptation is essential for SME survival under geopolitical risk, especially during crises like pandemics and wars. By focusing on Thailand, this article contributes to the literature on SMEs in emerging economies and provides insights for policymakers and business support agencies. Understanding SME adaptation can help improve resilience and long-term competitiveness in a period of continuing global uncertainty.

Conceptual Background: Geopolitics and SMEs

What is the Geopolitics?

Gill (1999) noted that geopolitics as a concept that explains how geography, political power, and international relations shape the global environment in which states and businesses operate. It shows that location, territory, and strategic regions influence how countries compete or cooperate with each other. Geopolitics also highlights the close connection between political power and economic systems, especially through control over trade routes, markets, and resources. In addition, Sinani & Zilja (2025) explained that geopolitics involves international political risks such as war, conflict, and diplomatic tension, which affect economic stability and business activities across countries. These political conditions create uncertainty for firms because they influence relations between home and host countries and shape cross-border decisions. Choudhury et al. (2025) further described those geopolitics reflects a broader global context shaped by major crises such as pandemics and wars, which can spread risks across regions and industries at the same time.

In conclusion, Geopolitics refers to the way geography, political power, and international relations shape the global environment in which states and businesses operate. It explains how location, territory, strategic regions, and control over trade routes, markets, and resources influence competition, cooperation, and economic systems across countries. Geopolitics also includes international political risks such as wars, conflicts, diplomatic tensions, and global crises, which create uncertainty and spread economic risks across regions and industries.

Geopolitics and Economic Activity

Geopolitics refers to the interaction between geography, power, and political decision-making that shapes relations between states and the global economic system (Dahal, 2024). Classical geopolitical theory explains that

location, natural resources, and strategic space influence how states behave in trade and economic cooperation (Flint, 2006). Countries with key geographic positions often control trade routes, logistics networks, and access to resources. These factors affect national economic stability and global production systems. In the modern world, geopolitics is not limited to military conflict. It also includes trade wars, economic sanctions, and strategic competition in technology and energy markets. These forms of geopolitical action directly influence global markets and business activities (Blondeel et.al., 2024). Such dynamics show that economic activity is deeply linked to political power and geographic conditions

In the contemporary global economy, geopolitical forces strongly affect economic activity across countries and regions. Trade policies, diplomatic relations, and regional conflicts shape the flow of goods, capital, and investment. Events such as the COVID-19 pandemic and the Russia–Ukraine war show how geopolitical shocks can disrupt global supply chains and increase economic uncertainty (Choudhury et al., 2025; Budanov et.al., 2025). These events affect energy prices, logistics costs, and financial markets. As a result, firms face unstable demand and rising operational risks. Geopolitical pressure also leads to regulatory fragmentation and protectionist policies, which reduce market openness. This situation weakens international trade and slows economic recovery, especially in export-oriented economies (Pencarelli, Cesaroni & Demartini, 2022).

From a business perspective, geopolitical risk appears through policy uncertainty, trade barriers, and supply chain disruptions. This risk is different from domestic political risk because it comes from relations between states, not from one country alone. Even firms in stable countries can be affected by conflicts between major powers (Sinani & Zilja, 2025). Small and medium-sized enterprises are more vulnerable because they have limited resources and weak bargaining power. Changes in trade rules or sanctions can quickly increase costs and reduce market access. Studies show that SMEs often respond by delaying investment

and reducing international activities (Alatalo, 2024). Therefore, geopolitics plays a critical role in shaping economic activity and business decisions, especially for SMEs operating in a global environment

In conclusion, geopolitics has become a key force shaping economic activity and business operations in the global environment. Changes in power relations, trade policies, and international conflicts affect markets, supply chains, and investment conditions. These effects are not limited to unstable countries but also reach firms in stable economies. Small and medium-sized enterprises face higher risks because they have limited resources and lower flexibility. Therefore, understanding geopolitical conditions is important for firms to adjust strategies and maintain economic stability in times of global uncertainty.

SMEs under Geopolitical Pressure

Small and medium-sized enterprises are highly exposed to geopolitical pressure because they have limited resources and weak risk management systems. Global geopolitical risks such as trade conflicts, sanctions, and governance failures create uncertainty for SMEs in both domestic and international markets (Kamkankaew et.al., 2022). SMEs often cannot control these external risks and must react after the shock occurs. Evidence from manufacturing SMEs shows that geopolitical risks are ranked as major concerns, especially risks related to national governance failure and regional conflict (Asgary, Ozdemir & Özyürek, 2020). These risks increase cost instability, reduce market confidence, and limit long-term planning for SMEs. For Thai SMEs, similar conditions exist because they depend strongly on exports, imported inputs, and regional stability in Asia.

Geopolitical pressure also affects SMEs through supply chain disruption and market instability. Historical experience from Asia shows that economic crises are not only financial events but are closely linked with geopolitical power and international political pressure. During major crises, smaller firms suffer more than large firms because they lack bargaining power and financial buffers (Gill, 1999).

When global powers push trade liberalization or impose new rules, SMEs face sudden changes in costs, access to capital, and foreign demand. These conditions increase business uncertainty and weaken the survival ability of SMEs in developing economies, including Thailand.

Recent global crises such as the COVID-19 pandemic and the Russia-Ukraine war have increased geopolitical pressure on SMEs (Budanov et.al., 2025). Research shows that SMEs experience strong short-term shocks from these events, including volatility, declining demand, and higher operating costs. Asian SMEs show some resilience, but they still face serious short-term risks from geopolitical shocks (Choudhury et al., 2025). SMEs are more sensitive to crises because lockdowns, energy price increases, and trade restrictions directly affect daily operations. These conditions highlight the vulnerability of SMEs under global geopolitical pressure.

In the ASEAN context, geopolitical competition between major powers creates additional pressure on SMEs. Trade policy changes, tariff increases, and technology competition affect regional supply chains and investment flows (Chea, 2023). Report of Zhiding & Yao (2023) noted that ASEAN geopolitics show that rising tension between the United States and China increases uncertainty for businesses in the region. SMEs must operate in a complex environment with unclear rules and shifting alliances. For Thai SMEs, this situation increases operational risk and forces firms to adjust without sufficient support or information. As a result, geopolitical pressure becomes a long-term challenge that shapes SME survival and adaptation strategies

In conclusion, small and medium-sized enterprises face serious challenges under global geopolitical pressure because they have limited resources and weak protection against external shocks. Trade conflicts, sanctions, pandemics, wars, and power competition between major countries create high uncertainty in markets and supply chains. These conditions increase costs, reduce

demand, and limit long-term planning for SMEs. Thai SMEs are especially vulnerable because they depend on exports, imported inputs, and regional stability. In the ASEAN context, changing trade rules and political tension add further risk and confusion for business operations. As a result, geopolitical pressure is not a short-term problem but a long-term condition that strongly influences the survival, stability, and adaptation strategies of SMEs.

Geopolitical Changes Affecting Thai SMEs

Overview of Thai SMEs

Small and medium-sized enterprises play a very important role in the Thai economy. In 2024, Thailand had about 3.27 million enterprises, and around 3.26 million of them were SMEs. This means SMEs accounted for about 99.5 percent of all enterprises in the country. Most SMEs were micro enterprises, which made up more than 84 percent of total SMEs. Small enterprises accounted for about 14 percent, while medium enterprises accounted for only about 1.5 percent. This structure shows that Thai SMEs are mainly very small businesses with limited capital, simple management systems, and strong dependence on daily cash flow. These characteristics make SMEs flexible, but they also make them sensitive to economic shocks and external risks. (Office of Small and Medium Enterprises Promotion, 2025)

In terms of economic contribution, SMEs are a key driver of national income and employment. In 2024, SME gross domestic product was valued at about 6.48 trillion baht, which accounted for around 34.9 percent of Thailand's total GDP. SME GDP grew by about 3.1 percent compared to the previous year. This growth was supported by recovery in domestic consumption, tourism, and service-related activities. The service sector was the largest contributor to SME GDP, followed by manufacturing and trade. However, the share of SME GDP has not fully returned to the level seen before the COVID-19 crisis. This shows that

while SMEs are recovering, their growth remains fragile and uneven across sectors. (Office of Small and Medium Enterprises Promotion, 2024)

SMEs are also the main source of employment in Thailand. In 2024, SMEs employed more than 13.4 million people, which accounted for nearly 69 percent of total employment in the country (Office of Small and Medium Enterprises Promotion, 2024). Micro enterprises employed the largest share of workers, especially in trade and service activities. These sectors depend strongly on consumer demand, tourism, and local spending. At the same time, many SMEs face problems such as high household debt, rising costs, and strong competition from imported goods and online platforms. These conditions increase pressure on SMEs and reduce their ability to absorb shocks. In a period of geopolitical change, these structural features make Thai SMEs both important for economic stability and highly vulnerable to external uncertainty.

Global and Regional Geopolitical Dynamics

The global geopolitical situation has become more unstable in recent years. Many large economies face political tension, trade conflict, and policy uncertainty. In 2025, the world economic growth rate was revised downward to about 2.8 percent. Advanced economies grow at a slower pace, while emerging and developing economies grow faster but still face high risk. Trade tensions between major powers continue, especially between the United States and China. These tensions increase tariffs and trade barriers. They also raise uncertainty in global markets. Global inflation remains a concern even though it is slowing. In 2025, global inflation is expected to be about 4.3 percent. High energy prices and supply chain problems still affect production costs and prices worldwide. These global conditions create pressure on small firms that depend on stable trade and clear rules. (Office of Small and Medium Enterprises Promotion, 2025)

At the regional level, Asia-Pacific faces uneven economic recovery. Tourism and trade in this region recover more slowly than in Europe and the Middle East. In 2024, international tourism in Asia-Pacific remained below pre-pandemic levels, while other regions showed strong growth. This slow recovery affects regional demand and service businesses. Exchange rate movements also reflect geopolitical pressure (Office of Small and Medium Enterprises Promotion, 2024). In 2025, the Thai baht showed volatility against the US dollar due to trade uncertainty and global policy risk. Trade conflicts and changing tax policies between countries affect investment decisions and cross-border trade. Regional supply chains become more fragile under these conditions. Many firms face delays, higher logistics costs, and uncertain export demand. These problems are more serious for small firms with limited financial reserves (Office of Small and Medium Enterprises Promotion, 2025)

For Thailand, global and regional geopolitical dynamics directly affect SMEs. SMEs account for more than 99 percent of all enterprises and employ more than 70 percent of the workforce (Office of Small and Medium Enterprises Promotion, 2023). However, their share of national GDP remains around one third. Global trade uncertainty and regional instability increase business risk for Thai SMEs, especially those linked to exports, tourism, and imported raw materials. Government reports show that SME income and financial stability remain weaker than large firms. High debt levels and limited access to finance reduce their ability to respond to external shocks. As a result, national SME development plans focus on strengthening competitiveness, improving market access, and reducing vulnerability to global risks. These efforts aim to help Thai SMEs adapt to geopolitical change and survive in an uncertain global environment.

Macroeconomic and Policy Context in Thailand

In this section, the review paper analyses and synthesises relevant documents related to the development of SMEs in Thailand and key indicator values (Office of the National Economic and Social Development Council, 2022;

Office of Small and Medium Enterprises Promotion, 2022; 2023; 2024; 2025; Tootongkam, 2025) The results are presented in the following sections.

Slow economic recovery and global uncertainty

Thailand is facing a slow economic recovery in a period of high global uncertainty. After the COVID-19 crisis, economic growth remains weaker than before, and recovery is not equal across sectors. Global geopolitical tensions, trade conflicts, and policy changes among major economies create unstable external demand. Export-oriented sectors and tourism are strongly affected, which reduces income flow to SMEs. Global inflation and volatile energy prices increase production and transportation costs. These pressures reduce profit margins and limit business expansion. Exchange rate fluctuations also increase uncertainty for firms that depend on imports or exports. Many Thai SMEs have limited financial reserves, so they cannot absorb long periods of economic shock. As a result, slow recovery and global uncertainty increase business risk and make long-term planning difficult for Thai SME.

Structural weaknesses in the Thai SME sector

Thai SMEs account for almost all enterprises and a large share of employment, but many firms have low productivity and limited financial strength. Many SMEs rely on traditional business models and local markets. They face problems in accessing finance, technology, and skilled labor. Income inequality and regional gaps also limit SME growth in rural areas. These structural weaknesses make SMEs more vulnerable to macroeconomic shocks and geopolitical changes.

Moreover, Thai SMEs play a major role in the national economy, but many firms face structural weaknesses. SMEs account for most enterprises and a large share of employment in Thailand. However, many SMEs have low productivity and rely on traditional business models. They often depend on local markets and low-cost competition. Many firms lack access to modern technology and

digital tools. Limited skills among workers and owners reduce the ability to improve efficiency. These weaknesses lower competitiveness in a changing global economy.

Financial constraints are another major structural problem for Thai SMEs. Many firms have limited access to formal credit and financial support. High debt levels and weak cash flow reduce investment capacity. SMEs also face difficulties in meeting standards for international markets. Small firm size limits bargaining power in supply chains. These conditions increase vulnerability to economic shocks and geopolitical changes. As a result, structural weaknesses slow adaptation and reduce long-term resilience of Thai SMEs.

Policy direction under the 13th National Economic and Social Development Plan

The 13th National Economic and Social Development Plan sets a clear policy direction to strengthen the Thai economy under global uncertainty and geopolitical change. The plan focuses on building internal strength and reducing vulnerability from external shocks. It promotes economic resilience, balanced growth, and long-term stability. The plan also emphasises the need for adaptation to global risks such as trade conflict, supply chain disruption, and political tension. This direction supports Thai SMEs because SMEs are sensitive to changes in global markets and international relations. The policy encourages SMEs to adjust their business models and improve their ability to survive in uncertain conditions.

A key policy direction of the 13th Plan is the development of strong and competitive SMEs as a foundation of the national economy. The plan highlights the importance of improving productivity, skills, and innovation among SMEs. It supports access to finance, technology, and digital tools to help SMEs adapt to changing global conditions. The policy also promotes learning, skill upgrading, and the use of digital technology to reduce costs and improve efficiency. These measures help SMEs respond to geopolitical risks that affect trade, logistics, and

input prices. Strengthening SMEs is seen as necessary for economic stability and inclusive growth in Thailand.

The plan also promotes sustainable and inclusive development as a core policy direction. It encourages SMEs to adopt green practices, circular economy concepts, and responsible business operations. This approach helps SMEs meet new international standards and trade rules that often emerge from geopolitical change. The policy supports SMEs in rural and local areas to reduce inequality and improve income distribution. It also links SME development with national resilience and long-term sustainability. Under this policy direction, Thai SMEs are expected to adapt not only to economic change but also to environmental and social challenges in the global context.

Government support measures and adaptation gaps

The Thai government has introduced several support measures to help SMEs adapt to geopolitical changes and global uncertainty. Under the 13th National Economic and Social Development Plan, the government focuses on strengthening domestic resilience, improving productivity, and supporting SMEs to adjust to global changes such as trade conflict and supply chain risk. Key measures include financial support, soft loans, and credit guarantees to reduce liquidity problems. The government also promotes digital technology, innovation, and green business practices to help SMEs reduce cost and increase flexibility. These policies aim to make SMEs more resilient and able to survive external shocks in an unstable global environment.

However, clear adaptation gaps still exist among Thai SMEs despite these support measures. Many SMEs have limited access to finance because of strict credit conditions and high debt. Some SMEs lack digital skills, strategic planning, and knowledge of international markets. Government support programs often do not reach small firms in rural areas or informal sectors. In addition, policy implementation is sometimes slow and fragmented across agencies. As a result,

many SMEs remain reactive rather than proactive when facing geopolitical risk. This gap reduces their ability to adjust supply chains, diversify markets, and manage long-term risk effectively.

In conclusion, geopolitical changes have created strong pressure on Thai SMEs because these firms are very small, financially weak, and highly dependent on domestic demand, tourism, and global trade. Global trade conflict, regional instability, inflation, and supply chain disruption increase costs and uncertainty for SMEs, while slow economic recovery in Thailand further limits their ability to grow. Structural weaknesses such as low productivity, limited technology use, weak skills, and restricted access to finance make SMEs more vulnerable to external shocks. Although the 13th National Economic and Social Development Plan provides clear policy direction to strengthen SMEs through productivity improvement, digital transformation, and sustainable development, many firms still face adaptation gaps. Limited access to support, uneven policy implementation, and lack of strategic capability prevent SMEs from responding effectively to geopolitical risk. Therefore, strengthening SME resilience requires not only policy support but also better access, stronger skills, and proactive adaptation to ensure long-term stability in an uncertain global environment.

Adaptation Strategies of Thai SMEs under Geopolitical Changes

This section presents the main adaptation strategies of Thai SMEs under geopolitical changes. The discussion focuses on how SMEs adjust their business operations to reduce risk and maintain stability during global uncertainty. The strategies reflect practical responses to trade disruption, market instability, and policy change. These approaches also align with national development direction and SME support policy.

Supply Chain Diversification

Supply chain diversification is an important adaptation strategy for Thai SMEs under geopolitical changes. Many Thai SMEs reduce dependence on a single country or a single supplier. This adjustment is important because trade conflicts and political tension can disrupt imports and exports. When firms rely on one main supplier, they face high risk during global uncertainty. Thai SMEs therefore search for alternative suppliers in ASEAN countries and within Thailand. This approach helps firms continue production when international transport or trade rules change. The 13th National Economic and Social Development Plan also supports stronger domestic supply chains and regional linkage to reduce external risk.

Thai SMEs also use supply chain diversification to manage cost and delivery risk. When global prices and exchange rates fluctuate, firms with diversified suppliers can compare prices and choose better options. This flexibility supports business stability and daily operations. The SME Situation Report shows that global uncertainty and geopolitical problems affect logistics and trade confidence. SMEs that adjust supply chains can respond faster to disruption and market change. This strategy helps firms maintain production, protect revenue, and improve long-term resilience under geopolitical pressure

Market Diversification

Market diversification is an important adaptation strategy for Thai SMEs under geopolitical changes. Many Thai SMEs reduce dependence on a small number of export markets. Global trade conflict and political tension increase uncertainty in major markets. When demand falls in one market, SMEs face revenue risk. Thai SMEs therefore expand sales to new markets in ASEAN and nearby regions. This strategy helps firms reduce the impact of trade barriers and policy changes. National development policy also encourages SMEs to strengthen regional trade and domestic markets to reduce external dependence.

Thai SMEs also increase focus on the domestic market as part of market diversification. Domestic demand provides a more stable source of income during global uncertainty. SMEs adjust products and services to match local consumer needs. This approach helps firms maintain sales when exports slow down. The SME Situation Report shows that global economic risk and geopolitical pressure affect export confidence. SMEs that balance domestic and international markets can better manage business risk and cash flow.

Market diversification also supports long-term resilience of Thai SMEs. Firms that operate in multiple markets gain more experience and flexibility. They can respond faster to changes in trade rules and customer demand. Diversified markets reduce business shock from sudden policy changes in one country. This strategy helps SMEs maintain stability and improve competitiveness under ongoing geopolitical changes. It also supports sustainable growth in an uncertain global environment.

In conclusion, Thai SMEs use several adaptation strategies to cope with geopolitical changes. These strategies include supply chain diversification, market diversification, digital and technology adoption, cost and financial risk management, skill development, and alignment with government policy. Together, these approaches help SMEs reduce external risk and manage uncertainty in global and regional markets. They support business stability, improve flexibility, and strengthen long-term resilience. These strategies are important for the survival and sustainable growth of Thai SMEs under ongoing geopolitical pressure.

Digital and Technology Adoption

Digital and technology adoption is an important adaptation strategy for Thai SMEs under geopolitical changes. Many SMEs use digital tools to improve business efficiency and reduce operating cost. Online platforms support sales, marketing, and communication with customers. Digital systems also help firms manage orders, inventory, and suppliers more effectively. This is important when

global supply chains face disruption and uncertainty. The 13th National Economic and Social Development Plan supports digital transformation for SMEs to increase competitiveness and resilience. Digital adoption helps SMEs respond faster to changes in trade conditions and customer behavior.

Thai SMEs also use technology to reduce risk from physical and market limitations. E-commerce platforms allow firms to reach customers without relying on traditional markets. Digital payment systems support safe and fast transactions during economic instability. The SME Situation Report shows that uncertainty in global trade and logistics affects business confidence. SMEs that use digital technology can adjust sales channels and reduce dependence on physical trade routes. This strategy supports business continuity and long-term adaptation under geopolitical pressure.

Cost and Financial Risk Management

Cost and financial risk management is an important adaptation strategy for Thai SMEs under geopolitical changes. Global uncertainty increases production cost and financial pressure. Exchange rate volatility and energy price changes affect daily business operations. Many Thai SMEs therefore focus on strict cost control. Firms reduce non-essential expenses and delay large investments. This approach helps SMEs maintain liquidity during unstable economic conditions. The 13th National Economic and Social Development Plan also highlights financial stability and risk management as key factors for SME resilience.

Thai SMEs also improve cash flow management to reduce financial risk. Firms closely monitor income and expenses on a regular basis. Some SMEs adjust payment terms with suppliers and customers. This helps reduce short-term cash shortages. Access to flexible financing and credit support becomes important during periods of uncertainty. The SME Situation Report shows that global economic risk affects SME confidence and investment decisions. SMEs with better financial planning can survive longer during market slowdown.

Financial risk management also includes preparation for unexpected shocks. Thai SMEs increase savings and emergency funds when possible. Some firms diversify funding sources to reduce dependence on one lender. This strategy helps firms cope with sudden changes in demand or cost. Studies on SMEs and global risk show that small firms are highly vulnerable to external shocks. Strong financial management therefore supports business survival and long-term adaptation under geopolitical pressure.

Skill Development and Workforce Adjustment

Skill development and workforce adjustment are important adaptation strategies for Thai SMEs under geopolitical changes. Global uncertainty forces firms to change business processes and working methods. Thai SMEs therefore focus on improving skills of owners and workers. Training often emphasizes digital skills, basic management skills, and problem-solving skills. These skills help workers use new technology and adjust to new market conditions. The 13th National Economic and Social Development Plan supports continuous learning and skill upgrading to strengthen SME competitiveness and resilience.

Thai SMEs also adjust workforce structure to control cost and improve flexibility. Some firms reduce overtime and use flexible working arrangements. Others reskill existing workers instead of hiring new staff. This approach helps firms maintain productivity during economic slowdown. Skilled and adaptable workers help SMEs respond faster to market and policy changes. SME promotion policy also supports training and human capital development for small firms. Skill development therefore supports long-term survival and adaptation under geopolitical pressure.

Strategic Alignment with Government Policy

Strategic alignment with government policy is an important adaptation strategy for Thai SMEs under geopolitical changes. Government policy provides direction and support during periods of global uncertainty. Thai SMEs align business plans with national development goals and SME promotion frameworks.

This alignment helps firms respond to external risk in a more systematic way. The 13th National Economic and Social Development Plan emphasizes resilience, self-reliance, and sustainable growth. SMEs that follow these policy directions can better prepare for geopolitical pressure and economic instability.

Thai SMEs also benefit from participation in government support programs. These programs include financial support, training, and business advisory services. Policy measures aim to improve SME capability in innovation, digital technology, and market access. SMEs that engage with these programs gain better access to resources and information. The SME promotion plan highlights the need to strengthen SME competitiveness and adaptability. This support reduces business vulnerability during global trade disruption and policy uncertainty.

Strategic alignment with government policy also improves long-term business stability. SMEs that follow policy guidelines can adjust more easily to regulatory change. This reduces risk from sudden policy shifts and international pressure. The SME Situation Report shows that uncertainty affects business confidence and investment decisions. Government-aligned SMEs have clearer direction and stronger support networks. This strategy helps Thai SMEs survive and adapt under ongoing geopolitical changes.

Managerial Implications

For Thai SME managers, the study highlights the need to invest in strategic foresight, diversify risks, and embrace digital tools. Proactive adaptation, rather than reactive crisis management, is essential for sustaining competitiveness under ongoing geopolitical uncertainty.

Strengthening Risk Awareness and Business Planning

Thai SME managers should increase awareness of geopolitical risk and its impact on daily business operations. Global trade conflict, policy uncertainty, and

regional instability affect cost, demand, and supply chains. Managers should closely monitor global and regional economic conditions. Simple business planning tools should be used to prepare for different risk situations. Short-term and medium-term plans should focus on cash flow stability and business survival. Managers should avoid relying only on past experience because current conditions change quickly. Better risk awareness helps SMEs make careful decisions and reduce sudden business losses under geopolitical change.

Improving Financial Discipline and Cost Control

Financial management is very important for Thai SMEs in a period of global uncertainty. Managers should focus on strict cost control and careful use of financial resources. Non-essential spending should be reduced to protect liquidity. Regular monitoring of income and expenses helps managers understand financial position clearly. Managers should also prepare emergency funds to manage unexpected shocks. Better financial discipline improves business stability and supports survival during economic slowdown. This approach is suitable for SMEs with limited capital and high sensitivity to external risk.

Enhancing Flexibility through Market and Supply Adjustment

Thai SME managers should increase business flexibility to respond to geopolitical pressure. Dependence on a single market or supplier increases business risk. Managers should explore alternative suppliers and new customer markets when possible. Domestic and regional markets can help reduce exposure to global trade conflict. Flexible supply and market strategies help firms maintain operations during disruption. Managers should gradually adjust business models instead of making sudden changes. This approach supports continuity and reduces vulnerability under unstable global conditions.

Developing Skills and Using Government Support Effectively

Managers of Thai SMEs should invest in skill development and effective use of government support. Basic management, digital, and problem-solving skills help firms adjust to change. Training should focus on practical skills that improve

daily operations. Managers should actively seek information about government programs and policy support. Alignment with national development plans helps SMEs access resources and guidance. Effective use of support programs improves adaptability and long-term resilience. This managerial approach supports stable growth and survival under ongoing geopolitical uncertainty.

Policy Implications

For policymakers, the findings underline the importance of creating an enabling environment that enhances SME resilience. Targeted financial support, digital infrastructure development, and trade facilitation within regional frameworks can significantly strengthen SME adaptive capacity.

Improving Access to Finance and Reducing Financial Barriers

The Thai government and related agencies should improve access to finance for SMEs under geopolitical uncertainty. Many SMEs have limited capital and high debt. These conditions reduce their ability to respond to external shocks. Government policy should focus on flexible financial support and easier credit conditions. Soft loans and credit guarantees should reach micro and small enterprises more effectively. Financial support should be simple and fast to access. This policy helps SMEs maintain liquidity and continue operations during economic instability. Better financial access supports resilience and reduces business failure under geopolitical pressure.

Strengthening Capability through Skills and Digital Support

The government should strengthen SME capability through skill development and digital support. Many SMEs lack digital skills and basic management knowledge. This weakness reduces productivity and competitiveness. Public agencies should provide practical training programs for SME owners and workers. Training should focus on digital tools, financial planning, and market adaptation. Support programs should be designed for small firms

with limited time and resources. Digital infrastructure and advisory services should be expanded to rural areas. This policy improves SME efficiency and supports adaptation to global and regional changes.

Enhancing Policy Coordination and Program Outreach

Better coordination among government agencies is important for SME adaptation. Many support programs exist, but implementation is often slow and fragmented. The government should improve coordination across ministries and related agencies. Clear policy communication helps SMEs understand available support. One-stop service centers can reduce complexity and confusion. Outreach programs should target micro and informal SMEs more actively. This approach helps reduce adaptation gaps and improves policy effectiveness. Strong coordination increases trust and encourages SMEs to engage with government programs.

Supporting Long-Term Resilience and Inclusive Development

The Thai government should focus on long-term SME resilience and inclusive development. Policies should support productivity improvement and sustainable business practices. SMEs should be encouraged to adopt green and responsible operations. This helps firms meet new international standards under geopolitical change. Support should also reduce regional inequality and support local enterprises. Inclusive policy strengthens domestic demand and economic stability. Long-term resilience helps SMEs survive global uncertainty and supports national economic security.

Conclusion

This paper concludes that geopolitical changes have become a long-term condition that strongly shapes the business environment of Thai small and medium-sized enterprises. Events such as global pandemics, wars, trade conflicts, and power competition between major countries have increased uncertainty in

trade, supply chains, energy prices, and market access. Thai SMEs are highly exposed to these risks because they are very small in size, have limited capital, and depend strongly on exports, tourism, and imported inputs. Structural weaknesses such as low productivity, limited use of technology, weak skills, and restricted access to finance further increase their vulnerability. Although Thai SMEs play a key role in employment and economic stability, their ability to absorb external shocks remains limited. The review shows that adaptation is not optional but necessary for SME survival under geopolitical pressure. Thai SMEs respond to these challenges through several practical strategies. These include supply chain diversification, market diversification, digital and technology adoption, cost and financial risk management, skill development, and alignment with government policy. These strategies help SMEs reduce dependence on single markets or suppliers, improve flexibility, control cost, and maintain business continuity. Digital tools support efficiency and market access, while skill development improves the ability of owners and workers to adjust to change. Alignment with national policy, especially under the 13th National Economic and Social Development Plan, provides direction and access to support measures. However, the paper also finds clear adaptation gaps. Many SMEs remain reactive rather than proactive because of limited information, weak strategic planning, and uneven access to government support. Policy implementation is sometimes slow and does not fully reach micro and rural enterprises. Therefore, strengthening SME resilience requires joint effort from both firms and policymakers. SME managers need better risk awareness, stronger financial discipline, and more flexible business planning. Policymakers need to improve access to finance, strengthen skills and digital support, and enhance policy coordination and outreach. Overall, improving the adaptive capacity of Thai SMEs is essential for economic stability, inclusive growth, and long-term competitiveness in a period of ongoing global geopolitical uncertainty.

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