

A REVIEW ON HUMAN RESOURCE MANAGEMENT PRACTICES IN INDONESIA'S CULINARY SMEs

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Abstract: *The objective of this research is to introduce condition of Indonesia's Small Medium Enterprises in Culinary. Although the future is promising, but there are lots challenges that still faced by the SMEs in culinary. This paper highlights the importance of human resources function in developing a competitive advantage culinary along with the importance of partnership for SMEs. Research area are in West Java Province of Indonesia. Future research is considered important to gain more understanding to answering the problem related of SMEs. Especially the problem that are related with human resources practices in SMEs.*

Keyword: *SMEs, Human Resource, Culinary*

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1. Introduction

Small and medium enterprises (SMEs) has been claimed as the Indonesia's economic backbone. SMEs in Indonesia successfully provide job to 97% labor force (ILO). The government currently continues to encourage the competitiveness of MSMEs in all cities in Indonesia, especially for SMEs in creative industry such as multimedia, fashion, culinary, and others. Currently, there are 58 million MSME business units in Indonesia until the end of 2016. Based on data in 2013, there are approximately three million business units spread across Indonesia (Central Bureau of Statistic, 2013).

Culinary is one of Indonesia's tourism potential. Various types of food and drinks are an attraction for tourists. Many tourists visit Indonesia not only attracted by the tourist attraction, but also to pamper their taste in food with Indonesian specialties. According to the statement of the Minister of Industry, the growth of the food and beverage industry is increasing. In 2016 the growth was 8.46% and increased to 9.23% in 2017 (Yasmin, 2018). Basically, the average growth rate of the culinary business unit according to the Central Statistics Agency (BPS) is 1.48% higher than the average value of culinary SMEs of 0.98%. In terms of the growth of the culinary business, it has an impact on the absorption of labor which reached 3.7 million workers in 2013 (Study Team and the Ministry of Tourism, Creative Economy, 2015).

Based on the explanation above, competition in the culinary business sector is certainly increasing. The facts in the field explain that the culinary business market is very large, but the emergence of competitors often creates increasingly hot business competition. The high level of competition in

the culinary business followed by an increasingly demands for culinary business actors to continue improve the quality of their services. A number of culinary business people also realize the need to innovate in order to continue to attract customers (Saunders & Gray, 2013). This innovation can be produced if SMEs have a qualified human resources (HR) function that will boost SMEs performance (Dullayaphut & Untachai, 2013). Develop a qualified HR in SMEs is not as easy as developing HR in corporation that already have some resources. SMEs are unique and the treatment must be different because we face some enterprises that still need encouragement to independently develop their HR. One of the solutions is developing HR through partnership program. The partnership program is one of the efforts to develop Indonesia SMEs, by involving other parties as partners to work together by paying attention to the principles of mutual need, strengthening, and mutual benefit (Gray & Jones, 2015). Since we know, that there are so many limitations on culinary SMEs to developing their own HR. The partnership program is a program to improve the ability of culinary SMEs to become resilient and independent, as well as to provide a positive impact for improving the economy and welfare of the community. Through a business partnership, it will result in efficiency and synergy of resources owned by the partnering parties and therefore benefit all the partners (Vanags et al., 2018).

This research aims to explore the factor that can be contributed in developing HR especially in culinary SME in Indonesia. We hope that by this research we could develop model that can be contributed in order to enhance the quality of HR SMEs in Indonesia. We know that there are lots of potential that might not reveal yet. This research use as a literature review to list all the factor in developing HR in SMEs with further research is testing the model.

2. Literature Review SMEs in Indonesia

Empowerment of Micro, Small and Medium Enterprises (MSMEs) is very important and strategic in anticipating the future economy, especially in Law Number 2008 concerning MSMEs, Chapter IV Article 6. 26 strengthening the structure of the national economy. During its development, Micro, Small and Medium Enterprises (MSMEs) are the business groups that have the largest number and have proven resilience in facing various kinds of economic crisis shocks.

According to Central Bureau of Statistics, Small Business consist of 5-19 workforce while Medium Business consist of 20-99 workforce. Sri Winarni (2006) explains that in general, small businesses have characteristics, including: (i) Usually in the form of individual businesses and not yet a company legal entity, (ii) weak business legality aspects, (iii) The organizational structure is simple with no division of labor. standards, (iv) Most do not have financial reports and do not separate personal wealth from company assets, (v) Low quality management and rarely have business plans, (vi) The main source of venture capital is personal capital, (vii) Resources Human (HR) is limited, (viii) The owner has a strong inner bond with the company, so that all company obligations also become the owner's obligations.

UMKM is a form of business that is developing in Indonesia. The Central Bureau of Statistics (BPS) provides a definition of MSMEs which are divided based on the quantity of labor. A small business is a business that has a workforce of five to 19 people, while a medium enterprise is a business that has a workforce of between twenty to ninety-nine people.

Table 1. Classification of SMEs

No	Classification	Criteria	
		Asset	Sales turnover
1	Micro	Maximum Rp 50 million	Maximum Rp 300 million
2	Small	More than Rp 50 – Rp 500 million	More than Rp 300 million – Rp 2,5 billion
3	Medium	More than Rp 500 million – Rp 10 billion	More than Rp 2,5 billion – Rp 50 billion

Source: Indonesia's State-owned enterprise

Human Resources Practices in Indonesia SMEs

The concept of HR development has been arised for so many years especially in the context of SMEs. Investment in HR has been proved to be an important factor to enhance competitive advantage in the SMEs and the employee also become one of the important asset that should be maintain in the business (Sheehan, 2014) (Abdul Rahman et al., 2018). In Indonesia SMEs most of the SMEs are focusing on gaining the financing aspect while they not put much attention on how to develop their employee, such as gaining their skills, train them and also give their clear development program. One of the issues that not many entrepreneur or business owner are not giving to much attention that they might be afraid that their employees will leave the business and create another business which become the business' rivalry. This practices already appear in several business. Meanwhile, if the employee did not receive any training or mentoring program during their job, the capacity and the competency will not be going anywhere.

Recruitment and Selection

Recruitment and selection process in Indonesia's SME usually done in informal. There is no specific unit that handle the process. Most of the process are done by the owner. This was similarly the same with the research done in China (Newman & Sheikh, 2014). The recruitment conducted through the referral from existing employee, from mouth to mouth and also coming from personal connections. Also, for the recruitment stage especially in SME, lots of the owner are chose their own family member to become the part of business (Rahadi et al., 2018).

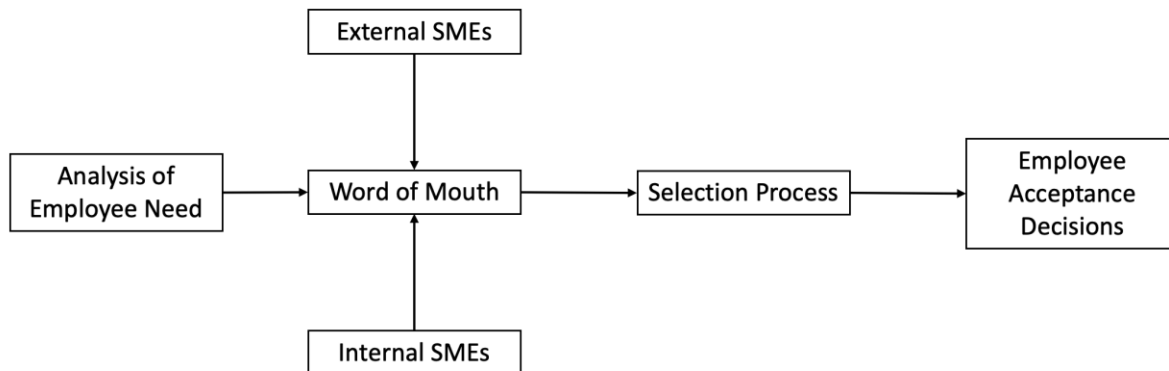


Figure 1. Recruitment Process Small and Medium Enterprises

Sources: (Rahadi et al., 2018)

The process of how recruitment process in SMEs are explained on the Figure 1 above. Recruitment process start with the analysis of the number needed by the SMEs. Then, the SMEs will decide which channel or sources they will use. Then move the selection process, which include the selection process that depends on the expertise that needed by the business. But since the channel are very limited, the qualification also limited. Most of the time, the selection only depends on the relativeness or neighborhood of their business. Then the employee receives the acceptance decision.

Training and Development

Employees in SMEs receive less opportunity to formal training compare to larger firms (Newman & Sheikh, 2014). Most of the reason is because the SMEs which is the owner are unaware of the importance on training and development which also limit by their sources of financial income. Whereas, the SMEs also need training as much as establish company do (Antonioli & Della Torre, 2016). If there is a training held by the SMEs, common training that likely given by the SMEs is informal, short-time purposed only and unplanned. So, there is no plan at all in order to give the proper training and development program. But the training and development program also face difficulty since the budget is very limited, determining the training and development needs also become a challenge. Decide what kind of training that they want to give to the employees are also very difficult. Since the have a very limited resources and time. Meanwhile, (Pauli, 2020) explained the research in training helped SMEs as follows by (i) increasing the motivation and perspective of the owner of the business towards HR function; (ii) increase awareness of the training and the benefit to increase the quality of HR; (iv) HR planning for short-term. Although, commonly training is beneficial for short-term only, but in the case of SMEs, training also can be use in the long term since the development program is not commonly happen in SMEs. By having skillful employees, SMEs could improve their business process and move forward to create an innovation that will be very beneficial for their business. According to (Hutahayan & Yufra, 2019) the issues related skill especially in the food industry that can be develop with help from

stakeholders such as government, business partner or other business are (i) the mental itself from the workers that still want to doing easy work but hoping to receiver high income; (ii) the skill on preparing raw materials such as the hygiene and procedure; (iii) the integrity of the workers such as discipline and honesty while doing the work; (iv) limited workers who advance in cooking, know-how-to create several dishes; (v) laziness of the works to learn something new. Training a whole worker in the SMEs business also can work as the way to prevent business depend on one or two workers.

Performance Appraisal

Research regarding how SMEs do their performance appraisal are very limited (Newman & Sheikh, 2014) (Belsito & Reutzel, 2019). The common practices in SMEs is their owner or manager that do the performance appraisal since lots of SMEs still have very short structure of business. So most of the owner in SMEs do all the business function especially the HR function. Performance appraisal need specific form and system which it was kinda difficult to do since they don't receive any knowledge or information regarding on how the appraisal should be done. Creating a proper performance appraisal is basis for future HR desicion making issues such as compensation and also promotions (Cleveland et al., 1989).

Mentoring Human Resource in Indonesia SMEs

There are three dominant elements that determine the ranking of Indonesian Culinary SMEs in order to facilitate the pattern of fostering and developing culinary SMEs so that they have an advantage over the competition, namely superior commodities that win with the attractiveness of culinary SMEs to these commodities and the ability of existing resources, the mainstay of SME players and fear of the willingness of UKM players who are supported by tenderness in their business.

SME entrepreneurs are expected to have the ability to carry out their business activities which include education of business actors in accordance with their respective fields, experience of business actors in running a business in accordance with other business fields, and entrepreneurial competence (technical expertise, conceptual expertise, and expertise in managing HR) Culinary SMEs also need a mentor consisting of elements from the government, private sector, and associations / communities who are related to the development of culinary SMEs. The forms of guidance needed include directing and assisting culinary SMEs in gaining access to capital, directing an effective and efficient production process, which must be integrated with one another through the partnership concept.

Partnership

Partnership or alliances are common characteristic that found in many human activities and entrepreneurial aspect including business activity (Vanags et al., 2018). Partnership is a program to improve the ability of culinary SMEs, both small and micro, to become resilient and independent, while providing a multifier effect for improving the economy and the welfare of the community.

Basically, the partnership is an activity of mutual benefit with various forms of cooperation in dealing with and strengthening one another. Julius stated that the main objective of the partnership is to develop an independent and sustainable development (Self-Propelling Growth Scheme) with

a strong and just economic foundation and structure with the people's economy as the main backbone.

The partnership itself contains several main elements which are business cooperation with the principle of mutual benefit, mutual strengthening and mutual need, namely:

1. Business Cooperation

In the concept of business cooperation through this partnership, the collaboration between large or medium enterprises and small businesses is based on an equal position or having the same degree to the two partners. This means that the cooperative relationship between large or medium entrepreneurs and small entrepreneurs has an equal position with reciprocal rights and obligations so that neither party is disadvantaged, no one exploits each other and the mutual trust develops between the parties. in developing his business

2. Large or Medium Entrepreneurs and Small Entrepreneurs Partnership

With this cooperative relationship through this partnership, it is expected that large or medium entrepreneurs can establish mutually beneficial cooperative relationships with small entrepreneurs or other economic actors, so that small entrepreneurs will be more empowered and resilient in trying to achieve prosperity.

3. Coaching and Development

Basically, what distinguishes a partnership relationship from an ordinary trade relationship by small entrepreneurs and large entrepreneurs is the form of guidance from large entrepreneurs towards small entrepreneurs or cooperatives that are not found in ordinary trade relations. Forms of coaching in partnerships include coaching in accessing greater capital, fostering business management, coaching the improvement of Human Resources (HR), coaching production management, fostering the quality of production and also regarding guidance in developing aspects of institutional institutions, allocation facilities and investment.

Successful partnership is only possible to achieve if all the stakeholders that contribute in the partnership have specific goals and proper line of communication (Vanags et al., 2018). Since SMEs have relatively small of people, the internal communication might be easy to achieve. But external communication within the external environment might be the barriers since chain of communication or the method might be differences so the SMEs should also ready to adapt a new line or method of communication with their partner(s).

3. Conclusion

As explained before, the SMEs is one of the economic aspect that plays important part on the economic development especially in a developing country. This paper are also explained on how the condition of SMEs in Indonesia especially in a culinary sector whereas the development is very promising but still lack of development program that will lead to the sustainable competitive advantage. SMEs also facing lots of problem since they still lack of financial or even the knowledge on how to survive their business. That is why partnership also presented in this paper, in order to explain the importance on build the partnership within the business environment. So the SMEs have a chance to receive knowledge or maybe financial aspect to build their business. Further research should be conducted to deeply research about first, on how the HR function works in SME. Second, reveal what is the real obstacle of SMEs on build the proper HR function in SMEs. Is it financing is the main problem? Or there is another factor that may contribute. Third, mapping the condition of HR function is also needed to build the right model that can be use by the SMEs.

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