

Improving Competitiveness Strategy for SME's through Optimization Human Resources Management Function

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Abstract

This research intends to explore the strategy of increasing SME's competitiveness through the optimization of human resource management function. Human resource management is often forgotten by SME's, whereas effective human resource management will be able to be competitiveness for SME. Methods of data collection conducted are to make observations, questionnaires, in-depth interviews, as well as literature review. The sample of this research is 69 small and medium industries. The results showed that the competitiveness of SME can be improved by optimizing the human resource management function. The human resource management function referred to is procurement (paying attention to skills, knowledge and abilities), maintenance (paying attention to compensation and some aspects of organizational behavior, such as organizational climate, organizational culture, employee commitment), human resources development, performance appraisal (preparing indicators and a fair performance appraisal system, objective and accurate)

Keywords: competitiveness strategy, human resources management function.

Introduction

Small and Medium Enterprises is a business sector that plays an important role in the Indonesian economy both from contributions to the national GDP and in terms of employment. SMEs are also the only economic sector that can survive facing of the monetary crisis that devastated the economic structure of Indonesia. Along with the current era of globalization, SMEs are required to make improvements and changes in order to improve competitiveness. One effort that can be done by SMEs to be able to compete is by paying attention to human resource management.

Many studies stated that one of the important resources in management is human resources. The importance of human resources, need to be realized by all levels of management. However advanced technology today, but the human factor still plays an important role for the success of an organization.

Bismala et al (2014) in her research found that there are some weaknesses in human resources aspect, that is: (1) low compensation, (2) No career development for employees, (3) Can be work boredom because the work done monotone, (4) Low education, (5) Do not do the requirement planning of human resources because of high turnover. But there are strength in terms of employee, that is: (1) Selection of

employee due to proximity of working area, (2) Selection by giving the job to be assessed, (3) one form of human empowerment, (4) Apply specialization, (5) Compensation is given every weekend, as employees expect, (6) Employees are treated like family members. These strengths and weaknesses show that human resource management in SME has tried to apply human resource management simply, but it has not been able to compete to win the competition. This is certainly triggered by other factors, such as relatively limited marketing range, quality and quantity of production that has not been standardized, due to the lack of financing of capital. Low income earned SME cause low ability to give compensation to employees, so the acquisition of employees certainly not pays attention to employee competence.

Competitiveness can be determined by many factors, such as the skill or employees' education, employers' skills, capital availability, good organizational and management systems (as business needs), availability of technology, availability of information, and availability of other inputs such as energy, and raw material (Tambunan, 2008). Further states that highly competitive SMEs are characterized by: an increasing trend of increasing production volume, domestic market share and / or export market, for domestic market, not only serving local but also national market, and for export market, not only serve in one country but also many countries. In measuring the competitiveness of SMEs should be distinguished between the competitiveness of products and competitiveness of companies.

In order for SME entrepreneurs and workers can play an optimal role, at least 5 main prerequisites that they fully possess: education, capital, technology, information, and other crucial inputs. Fulfillment of these five main prerequisites must be dynamic, having to follow: market changes (consumer preferences and competitive pressures), national and global economic changes, technological advances, and new material inventions for production.

As a company on a small and medium scale, ideally the practice of human resource management of workers is certainly no different from large businesses. But in reality, in SME, SME's actors do not pay attention to the function of human resources itself, because of lack of knowledge. This research intends to explore strategy of increasing competitiveness through optimizing human resource function.

Literature Review

Competitiveness

Strategic competitiveness is a company tool to compete with market challengers; this strategic competitiveness arises when a company implements a value creation strategy that cannot be duplicated by other companies. In addition, competitiveness relates to how the effectiveness of an organization in the competition market, compared with other organizations that offer the same similar products or services.

Common indicators used to measure a product's competitiveness are market share and range, growth in production volume and marketing, product value, and consumer response. Based on various references on the concepts of competitiveness mentioned above, SME's competitiveness may include (1) the advantage of utilizing the resources optimally to produce products that are accepted by the market and high incomes, (2) the ability to grow sustainably; and (3) ability to respond to market changes. The ability of SMEs in handling business processes will affect its performance, such as internal performance, external performance and sustainability and business growth. This relationship is also reinforced by support in the process of such activities, such as technological facilities and external assistance, such as research and development, capital assistance or business partnerships.

The results of research conducted by Bappenas (2014), confirmation of competitiveness model of SMEs in Indonesia that describes the potential dimension / input, process, and performance / output, and the factors that influence the competitiveness of SME. The competitiveness factors of SMEs can be related to resources, market conditions, technical-managerial-managerial-entrepreneurship, policy, infrastructure, capital access, partnership, productivity, product quality, market performance, financial performance and business growth prospects. These factors are grouped into six main variables: resource availability and business environment conditions, business capabilities, policies and infrastructure, research and technology, financial support and partnerships, and performance (Research Team, 2014).

According to Tambunan (2002) the main conditions that must be met for industrial development can eventually compete in regional and international markets are:

1. Creating a conducive internal environment, including quality of human resources, mastery of technology and information, organizational structure, management system, business culture, capital strength and business network with outsiders.
2. Creating a conducive external environment, including labor system and labor market conditions, infrastructure conditions and education level of the community.

Nuvriasari et al (2015) proposed the competitiveness strategy of SME among others is strengthening of organizational culture, which is done by changing entrepreneurial mindset which originally sales oriented to become marketing oriented, creating commitment with leaders and members of SME to apply market orientation strategy, Conducive SME's working climate such as good communication between management and employees as well as among employees and work harmony, so that all members develop a sense of ownership and have a high commitment to achieve goals, increase humanity (humanity oriented), with attention to the welfare of employees through the provision of compensation which is worth the burden and work result. This reinforces the results of research that human resource management is one of strategic competitiveness.

Human Resource Management

One of the important resources in management is human resources. The importance of these human resources, need to be realized by all levels of management. Human resource management process emphasizes on; recruitment, maintenance and development and performance appraisal.

The human resources expected by the organization are those that have competencies. There are 2 challenges faced by organizations in the effort to creating competitive advantage through human resource competence (Joko, 2005), that is:

1. Competence must work with a business strategy; and
2. Competence needs to be created. There are five ways to create competence:
 - a). Buy. This is done by replacing old human resources with new ones, which have better quality;
 - b). Build. Investments made to human resources to improve the quality of human resources;
 - c). Borrow. Seek out human resources that capable of providing ideas, frameworks, and tools to make the organization more competitive;
 - d). Bounce. Unleash human resources that fail to perform tasks;
 - e). Bind. Binding employees. If the organization does not implement this method, even if it has applied buy and build it will create intellectual capital for competitors.

Success or failure of an organization in creating competitive advantage depends on the quality of human resources. Lako and Sumaryati (2002) argue that qualified human resources have four characters, namely: (1) have adequate competence (knowledge, skills, attitudes, and behavior); (2) commitment to the organization; (3) always act in a cost-effectiveness manner in every activity; and (4) congruence of goals, acting in accordance with the objectives of the organization. Qualified human resources are a source of competitive advantage to enhance the competitive advantage of the organization.

Human resources competencies can create competitive advantage. The competence of human resources reflected in the work or individual performance through the skills (knowledge, skills, attitudes, and attitudes) will be able to distinguish between those who are of good quality or "ordinary". That, competitive advantage depends on the actions of qualified individuals for the achievement of organizational goals (Hofrichter and Spencer, 1996).

Joko (2005) states that individual performance can be optimal if the individual has a reliable competence in the field. Reliability of human resource competence can be established, where its formation is strongly influenced by the ability of the organization in managing human resources into several specifications of individual competence, among others: 1) competence of achieving the objectives, (2) problem solving competence, (3) interaction competence of with others, and (4) teamwork competence. Thus, the synergy of individual competencies together will optimize the overall performance of the organization. Finally, the role of human resource competency is crucial to organizational progress in order to create competitive advantage.

Human resource management process consists of procurement (recruitment), selection, development, maintenance of human resources. Procurement as a process of filling in vacant formation, from planning, announcement, application, screening to appointment and placement. The best principle of human resource utilization is the satisfaction principle that is the level of satisfaction perceived by the workers who are the driving force for higher achievement, making it more useful for the organization and other parties. The next stage is the maintenance of human resources, which is the responsibility of every leader. Maintenance of human resources accompanied by rewards (reward system) will affect to employee satisfaction.

The main purpose of maintenance is to make people in the organization feel at home and survive, and can play an optimal role. The next stage is the development of human resources that can be implemented through continuous education and training, for the development of intellectual and personality abilities.

In practice, the maintenance of employee is also determined by the practice of organizational behavior that occurs. Such organizational behavior includes organizational climate, organizational culture, job satisfaction, employee commitment and employee empowerment / employee engagement. Good organizational behavior practice will provide job satisfaction for employees and impact on motivation to improve work results.

Human Resources Management In SME

There has been a lot of research on human resource management applications in SME, whether simply identifying HRM practices or building a framework and model of increasing competitiveness through HRM.

Ashri Indriati (2015) in her research found that needs-based training became an alternative priority. Needs-based training is a priority strategy for improving the quality of human resources so that it will impact on improving performance in SME Manisan Cianjur. Prior to the training, the training needs to be identified, so it is not misdirected and not in vain training conducted. From the performance audit results obtained weaknesses and advantages of SMEs. In general there are weaknesses at all levels of performance which is no performance standards for employees and never do the employee performance measurement, has no customer data and no means provided specifically to accommodate suggestions and criticism from customers.

Yunita Resmi Sari, et al (2015) found that Malaysia had embarked on a human resources strategy in the 1970s by improving the skills and capacity of SMEs who had the prospect of being a supplier in the electronics industry. Skills and knowledge is a prerequisite for SMEs in order to meet the criteria and standards required multinational companies. Some factors are very influential on productivity and innovation companies, namely the quality of human resources, corporate culture, educational background of owners and workers, as well as the character of stakeholders within the company.

Feni Dwi Anggraeni, Imam Hardjanto, Ainul Hayat (-) in their research on the Development and training conducted by the Dinas Koperasi dan SME Malang, that coaching and training are forms of empowerment as a motivation or encouragement for the community to hone their skills and can make provision of knowledge and skills for people who want to open their own business. In addressing the problems faced by SMEs, Dinas Koperasi dan SME Malang provide services such as Clinic SME in cooperation with the provincial government of East Java. At the SME Clinic, prospective and SME entrepreneurs can consult on the plan or business development that it runs.

Audita Nuvriasari, et al (2015), explained that the next strategy is to improve the competence to improve the ability of entrepreneur, which is done by improving the technical competence of the SME's players, such as the improvement of skill in production technique, product design that is appealing the consumer, increasing the marketing competence, such as enhancing skills in market research, choosing the right marketing strategy, combining a profitable marketing mix, and managing customer relationships, improving HR management competencies, such as setting job descriptions for employees, creating rules and working systems for employees, improving financial competence, such as improving skills in financial recording / administration, budgeting, capability in obtaining capital access from financial institutions, improving conceptual competence, including the improvement of knowledge and skills in preparing business development proposals. Self-motivation SME's actors should also be improved (Audita Nuvriasari, et al, 2015) which aims to develop the spirit of self-perpetrators SME through positive suggestion, which is done by: cultivate a positive attitude in running a business so motivated to promote and develop business, maintaining consistency in business and not easily give up by problems or challenges, encouraging entrepreneurs to have the spirit of achievement and success.

Nury Ariani Wulansari, et al (-) found that (1) model of recruitment of SMEs Semarang City batik can seek labor outside the surrounding community through cooperation with vocational schools, (2) SMEs batik Semarang City must have training and development programs that include technical batik training and non-technical batik (such as financial bookkeeping training, administration control and promotion online), (3) two alternative career plans that can be selected by employees of batik SMEs Semarang City, a crafter (both employees and business

owners) and become non-craft employees (employees who take care of the bookkeeping, administration, promotion), (4) variable compensation packages (other than salary) will be able to motivate employee performance. For example, bonuses are measured by accuracy, discipline, attendance.

Research Method

Methods of data collection conducted are to make observations, questionnaires, in-depth interviews of SME performers, as well as literature review. The sample of research is 69 small and medium industries. This research is analytical descriptive to give description about SME's human resource management practice.

Results and Discussion

The number of SME in Medan City is not recorded, so that the sampling is done randomly and incidentally, it means that by chance meet the suitable SME to be sampled, then the SME is made the respondent. Of the 100 questionnaires distributed, only 69 returned, meaning that 31% were missing. The questionnaire results are as follows:

Table 1. Questionnaire descriptive.

Statements	Yes		No		Score	Category
	Amount	Freq	Amount	Freq		
Recruitment						
Employees are selected strictly	51	73.9	18	26.1	1,74	High
Employees learn by working directly	31	44.9	38	55.1	1,45	Low
High turn over	47	68.1	22	31.9	1,68	High
Average					1,62	High
Maintenance						
Employees are well trained	42	60.9	27	39.1	1,61	High
Wages in accordance with the work performed	67	97.1	2	2,9	1,97	High
Wages are given on time	68	98.6	1	1.4	1,99	High
The amount of wages becomes the motivation for employees	69	100	0	0	2,00	High
bonus given when employee works exceeds the target	68	98.6	1	1.4	1,99	High
Employees are trying to get a bonus	67	97.1	2	2.9	1,97	High
Employees love their work	69	100	0	0	2,00	High
Employees exchange jobs with other employees so as not to get bored	13	18.8	56	81.2	1,19	Low
Good relationship between employees	69	100	0	0	2,00	High
good relationships with leader	69	100	0	0	2,00	High
Superiors respect employees	69	100	0	0	2,00	High
The salary received causes the employee to work as well as possible	69	100	0	0	2,00	High
All employees are treated fairly	69	100	0	0	2,00	High

Employees get sanction if they cannot meet the target	62	89.9	7	10.1	1,90	High
Employees feel Target work is too heavy	3	4.3	66	95.7	1,04	Low
Average					1,84	High
Development						
Employees only do one job	24	19	45	35.7	1,35	Low
Employees do some other work when the work is done	52	41.3	17	13.5	1,75	High
Employees work according to expertise	65	51.6	4	3.2	1,94	High
Employees do everything that can be done	66	52.4	3	2.4	1,96	High
Employees are willing to develop their abilities	68	54	1	0.8	1,99	High
Employees know the Target of the job	69	100	0	0	2,00	High
Average					1,83	High
Performance assessment						
Owners of SME assess the performance of employees	14	11.1	54	42.9	1,19	Low
Employees know how performance is assessed	37	29.4	32	25.4	1,54	Low
According to employees, the appraisal is fair enough	69	100	0	0	2,00	High
Assessment is also done on employee discipline	61	48.4	8	6.3	1,88	High
Average					1,65	High

Employees are strictly selected, where only candidates who have the required skills are accepted, but there is no standardization of expertise. High employee turnover rates, resulting in low productivity as new employees need to learn and adapt to new jobs. Maintenance is done well, but there is no exchange of work avoiding employees feel bored with the work he does. Low job completion targets create a lack of employee motivation.

The absence of a clear division of labor, employees must be able to do all the work. The absence of a clear assessment of the performance of employees. However, the results of interviews and direct observations give different results, where at the production site, there appears to be discomfort in working conditions, but because they are accustomed to it, they do not make that a reason for low productivity. Many things must be fixed in the SME's work environment. In the SME's work environment, the good relationship between superiors and co-workers is very important.

Based on interviews, observation and literature review, the researcher gives some strategies to improve the competitiveness of SME through the optimization of human resource management function. According to function of human resource management that is, recruitment / procurement, maintenance, development and performance appraisal, then the strategy to improve competitiveness is focused on the function, shown below.

Table 2. Competitive strategy through optimization of human resource management function.

Dimension	Indicators	Characteristics	Strategies
Procurement	Skill	Have expertise about the work done	Guidelines on clearly job descriptions and job specifications
	Knowledge	Having knowledge of the overall work and the interconnectedness of work	The existence of operation process chart so it know the position of work done
	Ability	Able to complete the job effectively and efficiently Able to improve performance	Determine the requirements for each job Clearly determining performance indicators (e.g. production and sales targets, lack of product defects)
Maintenance	Compensation	Financial compensation and nonfinancial compensation	Create compensation schemes that can satisfy and motivate employees
		Division of work	Specialization and expertise determine the amount of compensation given
	Organizational behavior (organizational climate, organizational culture, employee commitment)	Maintain a conducive organizational climate	Maintaining working relationships Apply discipline fairly
		Instill a positive organizational culture that all employees implement	Implementation of 5R culture (concise, neat, clean, care and diligent). Introducing innovative and creative culture
		Improve employee commitment to the organization	Reduce the desire to resign
		Employee involvement / empowerment	Introducing what is meant by engagement / empowerment Invite employees to empower themselves in improving work processes, work activities
Development	Training	Holding needs-based education and training	Recognize the need for real training, such as the 5R culture (concise, neat, tacky, care and diligent). Training for speed and accuracy
Performance appraisal	Performance evaluation	Justice in assessment	Set the performance indicator Doing performance appraisal continuously Compensation from

			performance appraisal
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Strategy to improve SME's competitiveness through optimization of human resource management function can be implemented with guidance for the implementation, accompanied with guidance from authorized institution. The intended guidance will be provided during the implementation process of the human resource management function, so that it can be evaluated for its success and failure.

Conclusions

- 1) SME has not been able to optimize the function of human resource management, due to lack of knowledge
- 2) Optimization of human resource management function can be done by determining the strategy on the process of recruitment, maintenance, development and performance appraisal.

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