

Improvement of Small and Medium Businesses Through the Utilization of Good Human Resources Management

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Abstract

The importance of national development to improve the quality of people's lives is quite essential because the welfare of its people indeed measures the development of a country. One of the steps to improve this welfare is to improve the quality of SMEs. Enhancing SMEs' quality can be implemented by utilizing good human resource management. This study aims to see how the state operates human resource management to be able to increase SMEs owned by the community. This research will be carried out using various data obtained from the results of the study and previous studies that are still related to this research. This study found that weak human resource management often causes SMEs to be afraid to use new technologies, so their development is relatively slow. With the government's intervention in improving the management of existing human resources, it is hoped that SMEs in Indonesia can develop quite quickly.

Keywords: Human Resource Management, Small and Medium Enterprises, Quality Improvement.

A. INTRODUCTION

Ongoing efforts are made by the Indonesian government to improve the quality of life for citizens and society, utilizing national skills and taking advantage of scientific and technological advancements, while also addressing global development issues (Surya et al., 2021). An initial concentration on the expansion of large-scale industries has developed into an emphasis on the people's economy in economic development (Sae-Lim & Jermsittiparset, 2019).

Apart from the problems caused by the economic crisis, the challenges and impediments confronting developing countries are growing in size. Competition among nations is getting more demanding (Song & Zhou, 2020). This can be seen from the integration and regionalization of the economy that is sweeping the world today, significantly affecting the world's economic order. This accelerated economic growth is also a result of the advancement of information technology, which has resulted in more effective and efficient coordination of company activities at reduced costs (Wang & Sun, 2021).

Small and medium-sized firms (SMEs) have a better chance of surviving severe economic situations than large corporations in Indonesia. There are many strategies to grow small and medium-sized enterprises, one of which is to increase their capital (Tajeri, 2020).

The Indonesian Central Statistics Agency (BPS) defines small and medium enterprises (SMEs) in terms of workforce volume. Small businesses employ between five and ninety employees, while medium-sized firms employ between twenty and ninety workers (Sagara et al., 2021). The scale of an industry is determined by its workforce. Entrepreneurs with limited purchasing capacity, such as those in the lower-middle class, have a significant market opportunity for their goods and services (Del Giudice et al., 2021).

The small and medium-sized industrial sector is likely to generate job opportunities. Because the technology utilized in this industry is labor-intensive, it is projected that labor-intensive technology will absorb more workers (Teerasoponpong & Sopadang, 2021). The small business sector requires attention because it employs the bulk of the workforce and is also at the forefront of efforts to alleviate poverty, unemployment, and income inequality (Lele et al., 2020). Each region has a distinct industry, which is impacted by the other qualities of its natural resources. Small businesses help rural economies grow by supplying industry and consuming locally (Li et al., 2019).

Kendal Regency is home to a number of small businesses that have either stalled or just been unable to grow. Kendal Regency is one of the westernmost areas of the former residency of Semarang. It is bordered by Batang Regency, in the south by Temanggung Regency, in the east by Semarang City, and in the north by the Java Sea (Sofyan et al., 2019). Geographically, the Kendal area consists of mountainous regions in the south and lowlands along the north coast highway. Kendal Regency is an area on the north coast with quite promising coastal potential. It is located on the axis of Jakarta, Semarang, Yogyakarta and Surabaya (Olsen & Russell, 2019). Kendal area attracts both foreign and domestic tourists because to its strategic location and renowned natural beauty. This enables Kendal Regency to provide new products and processed goods, one of which is buffalo rambak crackers (Kurniawati & Aliman, 2020). Rambak crackers made from cowhide are common in places like Kudus, Pati, Pekalongan, and Tegal, but in Kendal Regency, they're known as buffalo skin rambak crackers (Kusumastuti et al., 2020).

The little cracker industry is a notable minor industry in Kendal Regency, where this commodity is the primary source of revenue. The cracker industry is classified as an agricultural product (Miftah et al., 2020). There are many versions of the Kendal Regency snack Krupuk, which have been widely diffused throughout the region and beyond (Rosmasari et al., 2019).

Human resource management is lacking in the rambak cracker industry, which makes it difficult for the sector to maintain its business continuity in the face of stiff competition from cracker products made from other raw materials (Tajeri, 2020).

A company's success is dependent on the quality of its workforce. The quality of a company's human resources determines its success or failure in the marketplace. Similarly, if small firms have adequate human resources, they would definitely succeed (Anwar & Abdullah, 2021). The small industry give great benefits to country's economy. Improved human resources are therefore crucial for increasing business performance (Purbasari et al., 2020).

Based on the discussion above, the researcher then intends to research how the national development owned by the government can improve human resource management for small and medium business actors in Indonesia so that the small industrial sector can continue to survive.

B. LITERATURE REVIEW

Human Resources

Human resources (HR) is a human potential that is a non-material/non-financial asset. An organization's existence is fueled by the efforts of HR. Only human capital occupies a prominent role inside an organization, as do all other resources, including those needed and utilised for the organization's intellectual ability (Setiawan & Soedarto, 2021). A person's abilities, skills, and job capacity all go towards determining the quality of a company's human resources.

According to Matutina, the quality of HR (employees) refers to:

1. Knowledge, specifically, knowledge of science and technology acquired via the process of study and experience
2. Physical ability to manipulate an object,
3. Capabilities, namely the attitude toward entrepreneurship tasks, also influence the quality of a human resource (Widagdo & Setyorini, 2018).

The indicators used by Ardiana to determine the quality of human resources are:

1. Expertise, specifically business management knowledge, product or service information, customer knowledge, and promotion and marketing methods.
2. The ability to produce, communicate, cooperate, and organize, as well as supervise, finance, administration, and accounting.
3. Ability, specifically the capacity to manage a firm, make decisions, lead, control, and innovate in response to changing business conditions and situations (Munteanu et al., 2019).

According to Ruhana, improving the quality of human resources can be done through:

1. A formal education path tries to equip a person with basic knowledge, theory, logic, general knowledge, analytical abilities, and character and personality development.
2. The work training path improves professional skills and prioritizes practice over theory.
3. The work experience path is that a person can improve his technical knowledge and work skills by observing others, imitating and doing it himself (Hamam, 2018).

Small and Medium Enterprises

The definition of SMEs is explained in the Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small, and Medium Enterprises (UURI 2008), namely:

1. A small business is an economically productive enterprise that operates independently, and is operated by persons or business entities that are not subsidiaries or branches of corporations that are owned, controlled, or become a part of medium or big businesses that fit certain criteria. Small businesses must have net assets of at least IDR 50,000,000 (fifty million rupiahs) and up to IDR 500,000,000 (five hundred million rupiahs), excluding land and buildings used for business purposes; or annual sales of at least IDR 300,000,000 (three hundred million rupiahs) and up to IDR 2,500,000,000 (two billion five hundred million rupiahs) (Candraningrat et al., 2021).
2. A medium business is a self-sustaining economic activity carried out by individuals or corporate entities that are not subsidiaries or branches of larger firms but are owned, controlled, or become a part of small or large enterprises by meeting the criteria. The criteria for medium-sized businesses are as follows: they have net assets of at least IDR 500,000,000 (five hundred million rupiahs) but not more than IDR 10,000,000,000 (ten billion rupiahs), excluding land and buildings used for business purposes; and they have annual sales of at least IDR 2,500,000,000 (two billion five hundred million rupiahs) but not more than IDR 50,000,000,000 (fifty billion rupiahs) (fifty billion rupiahs). The Central Bureau of Statistics classifies SMEs in terms of labor volume. Small businesses employ between 5 and 19 employees, while medium-sized firms employ between 20 and 99 workers (Lubi et al., 2021).

C. METHOD

This research will be conducted using a qualitative approach. The data in this study are derived from the results of various previous studies and studies that are still related to the research being carried out. The research data that has been collected will

be analyzed so that later research results can be found following the researchers' expectations.

D. RESULT AND DISCUSSION

Improving the Resource Management of Small Industry Actors

Due to low-quality human resources (HR), entrepreneurs in MSMEs are afraid to experiment with technological advancements, which means that the majority of small firms grow conventionally and are family enterprises passed down from generation to generation. The entrepreneur that manufactures rambak crackers faces a difficult task of incorporating new technological advancements in order to boost the competitiveness of their processed products. Attempting innovations that are more efficient and effective is hindered by his lack of knowledge. It is difficult for this rambak cracker producer to build his business effectively because of the low quality of his people resources in terms of formal educational training, expertise, and competence.

Small businesses in Indonesia are expected to become market makers at home and abroad, providing a crucial source of trade surpluses or balances of payments in the new global economy. To compete on a global scale, small industries must strengthen their competitive advantages, specifically efficiency, productivity, technological mastery, and entrepreneurialism.

In order to speed small-scale industrial development, it is necessary to improve the overall quality of human resources. Small firms have a host of challenges, and one of those challenges appears to be one involving human resources. Clarke notes that the competence and talents of human resources in small and medium-sized organizations will decide their ability to expand. Meanwhile, training is being used to increase the quality of human resources. Smith discovered in his study that training is critical to economic progress. Direct training is believed to be the most effective method.

However, the efficiency of training remains debatable in Indonesia. Often, entrepreneurs who have received government training complain that it is overly theoretical, that it lasts only a short time, and that no follow-up is provided. Typically, it does not meet the needs of the business. However, no mention was made in the research as to how the training component could be quantified. For the purposes of this study, training will be measured by looking at how much and what kind of training participants have gotten.

One of the most essential elements for determining the quality of a human resource is his or her prior work experience. Skills are gained during one's working life, one of which is depending on one's experience results, according to the Center for the Study of Living Standards. Hankinson argues in favor of this, noting that experience is

quantified by the length of time spent in the same field. According to the Indonesian basic small industry development strategy, development activities are directed in such a way that entrepreneurs:

1. Possessing an astute entrepreneurial mentality that is tenacious, patriotic (a passion for native products), and professional.
2. Capable of identifying, developing, and capitalizing on business possibilities.
3. Capable of using productive resources and gaining access to markets (local, domestic and export).
4. Capable of managing a business, with technical/technological competence and skills.
5. Capable of increasing competitiveness (because of efficiency, productivity and quality, proactive-creative-innovative).

The ability to improve product quality, efficiency, and productivity in manufacturing, raise revenues through market share expansion and conquer new markets, according to some experts, is vital to the long-term success of small enterprises.

Training and Achievements

Training for small business is not just a topic that affects all facets of a tiny organization; it is also a legacy of huge industry's training assumptions. The capacity to enhance product quality, efficiency, and productivity in manufacturing, to boost revenue through market share expansion, and to conquer new markets, according to some experts, is critical to the long-term success of small businesses.

Numerous research on training and human resource development in small businesses demonstrate that achieving training benefits involves both success and failure. It is anticipated that the training will improve the knowledge and skills of small business owners, enabling them to advance their businesses, among other things, by:

1. Able to absorb better technology

Until now, due to a lack of understanding of technology, rambak skin has been sliced manually with a standard kitchen knife. The limited capacity of standard knives to cut buffalo skin. Cutting buffalo skin as the major material in order to create crunchy and healthy rambak crackers requires the use of traditional cutting equipment or utensils, which results in slightly different results. It takes a long time to cut the skin to use as the base for rambak crackers. Cutting with a standard knife has the disadvantage of requiring considerable human force, as the skin is already strong, requiring additional energy to cut. Inconsistent results and a long manufacturing procedure are the result of improperly cutting the raw material for rambak crackers.

2. Able to improve facilities and infrastructure

With human resource training, information about technical advancements will also improve, allowing for the development of facilities and infrastructure that were initially quite limited and were still operated manually / conventionally. Sunlight is required to dry buffalo and cow skins, which are the key raw materials for rambak crackers. All tools remain manual, which can be evaded through alternative means. Improved facilities and infrastructure can also help generate capital that was previously used as a private source of capital by utilizing low-interest funding for MSMEs.

Entrepreneurs will have the ability to manage their sector as a result of the increase in human resources. Micro, small, and medium-sized businesses (MSMEs) dominate the commercial landscape in Indonesia. Indonesian artisans have begun to expand and are becoming innovative in their efforts to gain national and international recognition for their MSMEs. Because the quantity is fairly significant, 55.2 million, this sector contributes to the circulation of money in society. MSMEs from a variety of business sectors scattered throughout Indonesia contribute to the country's 60 percent economic development. There are several strategies to strengthen the wings of Indonesian MSMEs by focusing on the 5p, or product, price, place, promotion, and people:

1. Product

MSMEs must choose the most effective product to market based on its outcomes. Additionally, the manufactured products must be unique, inventive, and visually appealing. Obtaining a realistic picture of the product is essential for creating a product that is well-liked by the market. The more vigilant and proactive you are in terms of product and service innovation, the more capable you will be of developing and winning a company rivalry. We recommend searching for goods that have not yet been sold but also give beneficial for clients.

2. Price

To establish the product's selling price, you must thoroughly examine the costs connected with the production process. To survive, small businesses must pay both up-front and ongoing expenses. Financial institutions or third parties that grant credit to your organization are included in the cost of capital. Meanwhile, operating costs include wages, raw materials, and manufacturing. If the two costs approach a high nominal value, the selling price will be higher. When it comes to finding low-interest loans with long repayment terms from microfinance businesses, here's some advice for small business owners in the MSME sector. As an illustration, the financial services authorities can require banks to direct 20% of their annual lending to MSMEs at a low interest rate of 12%.

3. Place

Market interest is, in fact, determined by where micro- and small-business owners are located. By picking a strategic and adequate location for your MSME, you can

ensure that your product is instantly recognized by the public and that it sells effectively. In terms of location, attempt to locate MSMEs in traditional markets or other densely inhabited areas. Open an MSME in the following locations if you can't get a good location. When starting a business on the side of the road, it's crucial to keep in mind things like the number of similar enterprises in the area, the need for SIUP permits, HO and NPWP, and, most importantly, how much money you want to spend on the business.

4. Promotion

Some MSMEs have launched promotions through social media, which is a fantastic beginning step. Social media is currently one of the most cost-effective, time-efficient, and convenient means of advertising. Advertising can be done by putting product images, descriptions, and prices. In the event that more money is available, consider developing a website with an eye-catching and useful display so that customers may learn about all of the things available. If you want to target as many buyers as possible and spread throughout Indonesia, social media services, web and business forums are the correct advertising methods.

5. People

When establishing a SME, ensure that the human resources involved are business-savvy. You should not be afraid to conduct an effective staff recruitment procedure. Large and small businesses of all stripes are represented. Even if your company is tiny, you should use a contemporary, tried-and-true process for hiring employees rather than relying primarily on recommendations from friends and family. It is appropriate for personnel selection. Managing human resources must be a top priority, as must being prepared to take calculated business risks, familiar with and understanding of financial accounts and creating and managing cost-effective job ads.

The Role of the Government to Increase the Resources Owned by MSMEs

The presence of critical SMEs can act as a catalyst for other entrepreneurs. SME performance can be improved by relaxing the many constraints stated above, including those related to technology capital and others. For SMEs, the owner's or manager's skill set is critical. As a result, the approach to human resource development is highly strategic. It is envisaged that by strengthening the quality of human resource capabilities, various challenges faced by SMEs can be overcome. Small and medium-sized enterprises (SMEs) benefit from initiatives to both increase quality and develop human resources at the same time. As indicated previously, the accommodating atmosphere is constructed on a macro-public scale and is widely recognized. This must be done in light of the huge number of SMEs.

In addition to the foregoing, the government can adopt three measures to fostering small businesses, namely:

1. Non-Policy approach, this technique is geared toward industries that operate on the lower end of the spectrum (marginal activities). This strategy was adopted in light of the fact that government action, in general, entails rather large bureaucratic expenditures.
2. Protection approach, protection policies often prohibit large-scale firms from producing particular items, impose import limitations on alternatives and exercise control over the spread of technical innovations that may cause unexpected shocks to small businesses. This strategy is typically more beneficial to producers than to consumers.
3. Stimulation approach, this style of policy is more supply-oriented, stressing financing, raw materials, and industrial equipment, as well as course organization. This type of policy has a detrimental effect on the displacement of business units that are not served by the program or have been served in the past.

Developing human resource quality is carried out by improving management and entrepreneurship abilities. This has to do with two areas of human resource management where a hands-on approach often yields better results. For SME entrepreneurs, real experience is preferable than convoluted theory, particularly when it comes to entrepreneurship. Thus far, experience indicates that entrepreneurship typically develops from enterprising families. This strategy is likely to be refined in the future. Numerous pilot initiatives are now underway to develop various internship programs, incubators, business clinics, and field consultations that can be reproduced in other locations.

Thus, the approach to human resource development will be stressed in order to socialize and foster entrepreneurship, particularly among developing SMEs. It is critical to understand that this method does not produce immediate results (quick returns), but rather is a long-term investment that bears fruit over time. Any long-term investment, on the other hand, will often have a longer life cycle. The approach will be replicated for succeeding generations if it is effective in generating a generation of robust and reliable young entrepreneurs. This type of process is self-replicating, leading the development wheel to spin indefinitely. As a result, every location will have a thriving local entrepreneur. As a result, it is hoped that SME entrepreneurs will think about this in advance and act directly as entrepreneurs to help each region's economy thrive.

E. CONCLUSION

Due to the low quality of human resources (HR), MSME owners are hesitant to experiment with technological breakthroughs, resulting in the majority of small enterprises growing conventionally and being passed down through generations. MSMEs will be able to build MSME wings in Indonesia by boosting the quality of human resources. In order to improve the quality of human resources, the government

must improve managerial and entrepreneurial competencies. This relates to two components of human resource management that are frequently more effective when tackled with a learning mentality that must be maintained. For SME entrepreneurs, real experience is preferable than convoluted theory, particularly when it comes to entrepreneurship. Thus far, experience indicates that entrepreneurship typically develops from enterprising families. This strategy is likely to be refined in the future. Diverse prototypes will be replicated in different areas to establish a wide range of internship and business clinic programs as well as on-the-the-ground consultations.

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