Improving the human resource capability of food SMEs managers through training: A preliminary research

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ABSTRACT

Food Small and medium food enterprises have the potential to increase sustainable competitiveness through innovation. Previous research proves that one of the factors that hinder the implementation of innovation is the limited capability of entrepreneurs to manage their human resources. Research on human resources in small and medium enterprises is more focused on employees and the relationship with company performance but is still very limited in the capabilities of the managers. This research fills the gap by improving the capabilities of SMEs in managing human resources through training. Data were collected using a one-group pre-test post-test design conducted on 35 purposively selected food SME managers in Malang, East Java, Indonesia, using a questionnaire containing 14 indicators of human resource management. Respondents’ responses were measured with a Likert scale from a score of 1 (strongly disagree) to 5 (strongly agree) on the statement of each indicator, then analyzed using nonparametric statistics (Wicoxon Rank Sign Test) since it was not normally distributed. The findings of the study were the knowledge of SME managers increased significantly for all indicators related to HRM after training. The greatest increase in knowledge was how to build a good working relationship with employees. Two other indicators that also highly increased were the process of selecting new employees and motivating employees, the facts of which were carried out simply and not systematically.

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Introduction

Research on the competitiveness of small and medium industries has been widely carried out by researchers (e.g. Najib et al., 2011; Anton et al., 2015; Wisenthige & Guoping, 2016; Siddik, 2018), but research on sustainable competitiveness and inhibiting factors still very limited. One of the main inhibiting factors is the low quality of the workforce including employers (Bank Indonesia, 2015). Human resource capability is the key to organizational success, where a highly skilled workforce is an important factor for innovation (Baldwin, 1999). Innovation capabilities are an important source of competitive advantagfor the firm (Guan & Ma 2003; Zahra et al., 2006), underpinning (a) the firm’s innovation and new product development capacity, and (b) the deployment of new managerial and production processes. Innovative capabilities are recognized as a major driver of firm growth (Teece et al., 1997), which is little explored in the research on competitiveness among SMEs (Lisboa et al., 2011; Oura et al., 2016).

In developing countries such as Indonesia, which are rich in natural resources including agricultural products, agro-industry is the most important sector to get attention, especially from the government. Agro-industry plays a role in the transformation from an agrarian country to an industrial country that is able to increase the added value of agricultural products, absorb a lot of labor, and support the export of processed agricultural products (Parwati, Cyrilla Indri., Sakti, 2012). Thus the capability of the workforce plays an important role in creating product innovation, process, organization and business innovation.
The fact is the quality of labor in Indonesia is very limited. Data from the Central Statistics Agency in February 2019 showed that the Indonesian workforce employed 129.36 million people and 6.82 million people were unemployed. Of those employed, it was still dominated by the working population with elementary school education and below as many as 52.40 million people (40.51 percent). The working population has a high school education of 23.10 million people (17.86 percent), junior high schools of as much as 22.97 million people (17.75 percent), and vocational high schools of as many as 14.63 million people (11.31 percent). Meanwhile, the working population with high education (Diploma and above) is 16.26 million people (12.57 percent) including 3.65 million people with Diploma I / II / III education and 12.61 million people with university education.

Bank Indonesia Research (2015) found obstacles faced by SMEs in the field of human resources as follows: (1) lack of knowledge of the latest production technology and how to carry out quality control of products, (2) the ability to read market needs is still not sharp, so before being able to capture carefully the needs desired by the market, (3) marketing of products still relies on simple ways of mouth to mouth marketing, (4) not making social media or internet networks a marketing tool, (5) in terms of quantity, it cannot involve more labor because of limited salary ability, and (6) because MSME owners are still often involved in technical issues, so they do not think about the long-term goals or strategic plans of their business. These constraints are related to capabilities. Capability is a specific type of resource, specifically embedded in the human resources of a non-transferable organization that aims to increase the productivity of other resources owned by the company; while resources are available stocks or factors that are owned or controlled by the organization (Makadok, 2011). The hus, capability is the capacity of organizations to use resources optimally.

The training program is the main method used to improve the capability of the workforce (Vidal-Salazar, 2012). However, research on the ability to manage human resources by SME managers is still very limited. Research on training in SMEs has focused more on improving workforce performance or on business in general as was done by Baldwin et al. (1995), Elenga & Imran (2013), Jones et al. (2013), Chasovschi et al. (2021). Several studies on training for SMEs in Indonesia (for example Granita & Safarini, 2019; Audina, 2021) found that training is not effective in improving the performance of SMEs because it is only done momentarily without follow-up. Taneo et al. (2018) found that employers is one of the main inhibiting factors to improve SMEs performance.

This research was conducted to fill this void with a focus on answering the question "does the training provided to managers improve their capabilities in managing SMEs' human resources, especially in the food sector as a basis for improving performance and competitiveness?". Therefore, this study aims to improve the capability of food SME managers through training on human resource management. The scope of training covers the functions of human resource management, the benefits of the organizational structure in the company, management of employees starting from the selection process to termination of employment, managing conflict, and how to motivate employees. Scientific information about improving human resource management functions will be very important input for companies, governments, academics, and other related parties in an effort to improve the performance and competitiveness of SMEs.

Literature Review

Sustainable Competitiveness

Competitiveness is "The ability of a company to win consistently in the long run in a competitive situation" (Black & Porter, 2000: 213). Sustainable competitiveness is "a set of institutions, policies and factors that make a nation productive in the long run while ensuring social sustainability and environmental sustainability" Schwab (2013). With a resource approach, Barney and Clark (2007: 52) assert that "A company is said to have sustainable competitiveness if the company creates economic value better than its industry and when other companies are not able to imitate the benefits of the company's strategy".

Michael Porter's competitiveness theory known as the Diamond Porter Model (1985) was deemed unsuitable for developing countries, so Cho and Moon (1998) developed the Nine Factor Model. The nine factors include: human factors include workers, politicians / bureaucrats, entrepreneurs, and professionals; physical factors include resources that are gifts, domestic demand, related and supporting industries, and other business environments; and external factors, namely opportunities. The Nine Factor Model is widely applied in the macro context, but Porter (1998) states that companies are competing in international markets, not nations, because the environmental factors faced by companies in global competition are relatively similar. In fact, Christensen (2006) and Ambastha and Momaya (2012) assert that a nation can compete in the global market only if its company has competitiveness.

Barney (1991) developed a resource theory framework known as Resource-Based View (RBV) showing the relationship between resources and the company's competitive advantage that is sustainable. Barney builds the assumption that strategic resources are heterogeneously distributed between companies and that these differences remain at all times. Four empirical indicators of a company's resource potential to create sustainable competitive advantage, namely value-creating, rare, in-imitable, and non-substitutable, abbreviated as VRIN.

Barney and Clark (2007) then refined the VRIN analysis framework with VRIO, where O is an organization. Four key parameters in the VRIO analysis framework are elaborated through several questions about a company's business activities. The first question about value: do the company's resources and capabilities enable the company to respond to environmental threats or opportunities? The second question about awareness: are resources currently only controlled by a small number of competing companies? The third question about imitability: does the company without a certain resource face unfavorable costs or conditions in obtaining or
Entrepreneur Capabilities

Capability is the framework needed by an organization to use assets and skills, which can be in the form of resources, competencies and knowledge, and skills which are the capacity of an organization to manage external conditions (Renn, 2008). Many definitions of capabilities vary but refer to one or several of the following characteristics: (1) capability is equated to resources, (2) resources constitute an important component of capability, (3) capability describes the ability to do something, (4) capability is a capacity, and (5) capability is a factor affecting an outcome or goal (Lindbom, 2015). Entrepreneurs as business leaders need to have capabilities in managing the company's resources including human resources.

The scope of human resource management is very broad, ranging from employees applying to work to leaving the company. Scope of human resource management can be divided into three aspects, namely (1) personal aspects which include human resource planning activities, recruitment, selection, placement, induction, transfer, promotion, demotion, training, development, layoff, retrenchment, wage and salary administration, etc., (2) welfare aspects, concerned with working conditions and amenities such as creches, rest rooms, lunch rooms, housing, transport, education, medical help, heath and safety, washing facilities, recreation, etc., and (3) industrial relations aspects, concerned with company relations with the employees which includes union management relations, negotiations, collective bargaining, grievance handling, disciplinary actions, settlement of industrial disputes, etc. (Mahajan, 2016).

The entrepreneurship literature has shown the role of entrepreneurs in the success of small and medium industry businesses. An entrepreneur is an individual who develops and grows the businesses through creative and innovative activities, by introducing new products or services, by improving the existing methods of production or service (Tehzen & Ramayah, 2015). Thus, the competencies of entrepreneurs make a business more successful and may lead towards its sustainable competitive advantage as well. Entrepreneurial competencies are related with the performance of the firm and its competitiveness (Rasmussen et al., 2011), growth and success of business (Colombo & Grilli, 2005).

Employees as individuals have capabilities that need to be managed as well as possible by owners/managers of small and medium industries in order to improve company performance. High individual capabilities can have an impact on high performance. Individuals who continue to learn to develop their capabilities can become more skilled and can affect their performance. Several studies have found that good work capabilities will produce good performance, the higher the capabilities a person has, the higher the performance produced (Menon et al., 1999; Enny, 2006; Kurniati et al., 2012; Septiana et al., 2012).

Entrepreneur Training and Enhancing Capabilities

Training can be defined simply as a systematic approach to learning so as to develop individual, team and organisational effectiveness by means of improving their knowledge, developing skills, and bringing about attitude and behavioural changes, to perform these effectively and efficiently (Aguinis & Kraiger, 2009:452; Ongori & Nzonzio, 2011:187). In other words, training refers to a planned effort by an organisation to enable employees to acquire certain job-related competencies, such as knowledge, skills or behaviours that are essential for positive job performance. De Vos and Willemse (2011:27) identified two types of training, namely formal and informal training. Formal training refers to learning that ensues based on a planned structure that is constructed in terms of objectives, time and resources. Informal training, on the other hand, refers to learning stemming from daily activities related to work, family and leisure. Informal training is not structured or organised in terms of objectives, time or learning support (de Vos & Willemse, 2001:27).

Njoroje & Gathungu’s (2013) found that entrepreneurs can book business transactions easily but cannot do complex financial statements. The conclusion is that although entrepreneurs report increases in sales and profits and may seem to be registering growth, lack of training on financial, strategic management and marketing will mean that the SME will not grow beyond the first stage of enterprise development to other stages and will hence eventually fail within its first five years of existence. The study recommended that the government through the Ministry of Trade should formulate and implement training programs aimed at equipping SME owners with entrepreneurial skills.

Training for small and medium entrepreneurs needs to be done simply according to their business conditions. Research findings of Nai-Wen et al. (2015) suggest that higher levels of training need attenuate the positive relationship between FDI-related training implementations and SME performance. This implies that the alignment between SME training needs and training implementation may be of a more complicated nature than was previously thought. Some studies also prove that training for small entrepreneurs increases the performance of small and medium industries (Magableh et al., 2011; Yahya et al., 2012; Mayuran, 2016). Mayer-Haug (2013) specifically found that growth, scale (number of employees) and sales outcomes are significantly related to planning skills, while profit and other financial and qualitative measures are strongly connected with the network surrounding the firm founders. Moreover, we observe that entrepreneurial talent is more relevant in developing economies.
Entrepreneurs who have the capability will be able to innovate to create sustainable competitiveness. Innovation capabilities are an important source of competitive advantage of the firm (Guan & Ma 2003; Zahra et al., 2006), underpinning (a) the firms innovation and new product development capacity, and (b) the deployment of new managerial and production processes. Innovative capabilities are recognised as a major driver of firm growth (Teece et al., 1997), which is little explored in the research on competitiveness among SMEs (Lisboa et al., 2011; Oura et al., 2016).

The research by Quratulain et al. (2014) proved that business strategy has a positive impact on SMEs business results. It means that the companies should adopt the strategies according to their needs and requirement of the personnel and the companies which focus on training can achieve their objectives at a better level and their performance increases; thus, they are able to achieve competitive advantage on other firms and businesses. Sudiyatno (2017) recommend that the results of internal and external analysis need to be sharpened by VRIO analysis as one of the considerations of developing a competitive development strategy. VRIO indicators need to be entered explicitly in the policy setting stage as a basis for consideration of development strategy. Training for entrepreneurs will enhance the ability to create and strengthen sustainable competitiveness with the VRIO analysis framework.

Based on the description above, the hypothesis in this study is formulated as follows: "Training for SME’ managers significantly improve their capabilities in managing human resource as the basis to strengthen sustainable competitiveness".

**Methodology**

This study used a single group ‘pre-experimental’ research design known as the before and after or pre-and post-test design. In this design, according to Marsden and Torgerson (2012), the pre-test was carried out on selected participants, then there was an intervention and a post-test was carried out. The observed increases in outcome measures were ascribed to interventions in causal relationships. The intervention in this study is training on human resource capability. According to Popovic (2009) there are 14 functions in human resource management that are needed by small and medium enterprises, namely (1) management functions, (2) the benefits of organizational structure in the company, (3) the process of selecting prospective workers, (4) the recruitment process prospective workers, (5) types of training, (6) differences between rules and policies, (7) the basis of salary compensation, (8) basic rewards, (9) employee performance appraisals, (10) how to build working relationships that well, (11) reasons for termination of employment, (12) prohibition on termination of employment, (13) conflict management, and (14) motivating employees.

The SME population in the Malang area is 171 units in 2018. Because the approach in this study was training, 35 food SMEs were chosen purposively based on the following considerations: (1) have a business license, (2) the business has been running for more than two years, and (3) have a workforce of between 5 and 99 people according to the definition of SMEs according to the Indonesian Central Bureau of Statistics. SMEs generally do not have a manager of human resources and therefore the respondents in this study are business managers who are in control of the conditions of SMEs including human resources.

Data were collected using a questionnaire containing statements from 14 human resource management functions and measured with a Likert scale, namely a score of 1 (strongly disagree) to a score of 5 (strongly agree). The same data were collected twice, namely before training (pre-test) and after the training (post-test). The collected data were analyzed using paired different test statistics, namely before and after training, using SPSS software. Data analysis begins with the normality test. Nonparametric statistic (Wilcoxon rank sign test) was used because the data were not normally distributed.

**Results**

The normality test using the Kolmogorov-Smirnov One-Sample Test proves that HR management data were not normally distributed as indicated by Asymp. Sig. (2-tailed) of 0.006 so that non-parametric statistics was used, that is the Wilcoxon Sign Rank Test. The Wilcoxon Sign Rank Test results in Table 1 show that training significantly increased the capabilities of food SME managers in Malang District as indicated by Asymp. Sig. (2-tailed) all indicators are .000 smaller than α = 1 percent.
Table 1: Enhancing Employers’ Capabilities through Training

<table>
<thead>
<tr>
<th>No.</th>
<th>Indicator</th>
<th>Average Before</th>
<th>Average After</th>
<th>Z-score</th>
<th>Asymp. Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>HR Management Function</td>
<td>2.66</td>
<td>3.97</td>
<td>-4.574b</td>
<td>.000</td>
</tr>
<tr>
<td>2</td>
<td>Benefits of Organizational structure in the enterprise</td>
<td>2.89</td>
<td>3.97</td>
<td>-4.357b</td>
<td>.000</td>
</tr>
<tr>
<td>3</td>
<td>New employee selection process</td>
<td>2.89</td>
<td>4.00</td>
<td>-4.292b</td>
<td>.000</td>
</tr>
<tr>
<td>4</td>
<td>New employee recruitment process</td>
<td>2.77</td>
<td>3.91</td>
<td>-4.567b</td>
<td>.000</td>
</tr>
<tr>
<td>5</td>
<td>Types of training</td>
<td>2.86</td>
<td>3.74</td>
<td>-3.843b</td>
<td>.000</td>
</tr>
<tr>
<td>6</td>
<td>Difference between rules and policies</td>
<td>2.71</td>
<td>3.71</td>
<td>-3.854b</td>
<td>.000</td>
</tr>
<tr>
<td>7</td>
<td>The basis for giving salary compensation</td>
<td>2.69</td>
<td>3.71</td>
<td>-3.987b</td>
<td>.000</td>
</tr>
<tr>
<td>8</td>
<td>The basis for giving reward</td>
<td>2.66</td>
<td>3.86</td>
<td>-4.132b</td>
<td>.000</td>
</tr>
<tr>
<td>9</td>
<td>Employee performance appraisal</td>
<td>2.89</td>
<td>3.91</td>
<td>-3.769b</td>
<td>.000</td>
</tr>
<tr>
<td>10</td>
<td>How to build a good working relationship</td>
<td>3.14</td>
<td>4.11</td>
<td>-3.869b</td>
<td>.000</td>
</tr>
<tr>
<td>11</td>
<td>Reasons for termination of employment</td>
<td>2.69</td>
<td>3.91</td>
<td>-3.811b</td>
<td>.000</td>
</tr>
<tr>
<td>12</td>
<td>Prohibition of lay off</td>
<td>2.57</td>
<td>3.89</td>
<td>-3.966b</td>
<td>.000</td>
</tr>
<tr>
<td>13</td>
<td>Conflict management</td>
<td>2.60</td>
<td>3.74</td>
<td>-3.913b</td>
<td>.000</td>
</tr>
<tr>
<td>14</td>
<td>Motivate employees</td>
<td>3.03</td>
<td>4.00</td>
<td>-3.952b</td>
<td>.000</td>
</tr>
</tbody>
</table>

b. Based on positive ranks.

Discussion

The capability of managing the human resources of SMEs entrepreneurs increased significantly after attending the training. The highest increase in knowledge was about how to build good working relationships before the training (average 4.11) and before the trainers this indicator was also the highest (average 3.14). The relationship between workers, employers and the government in Indonesia is regulated in Law number 13 of 2003 concerning Manpower. Industrial relations cover a very broad aspect, namely social, cultural, psychological, economic, political, legal, and defense and security aspects. In the context of food SMEs, the relationship between employers and workers is more supported by socio-cultural aspects. Rodhiyah (2013) concluded that the relationship between workers and SME owners was more kindship. For example, when there is labor or family difficulties, SMEs help by giving souvenirs, and are allowed not to come to work, during Ramadan it is held open together, every periodically almost all SMEs invite to have a picnic together for refresing, and there are SMEs that organize savings for the holiday carried out by the owner of SMEs itself, when the holiday gets a gift or a Lebaran gift. This kind of relationship is also carried out by food SMEs in Malang Regency and is seen by employers as a way of motivating employees. The entrepreneur’s level of knowledge on indicators motivating employees was also relatively good before training (average 3.03).

Training for small entrepreneurs is a combination of formal forms because it is planned with the allocation of special resources, but it is also informal because it is based on their daily work. The training given to SMEs managers can be said to be effective because it is able to increase the capabilities of entrepreneurs in all its indicators. This is also supported by the existence of training need analysis in the preparation stage so that the training material is truly in accordance with the needs of employers. According to Cardona & Steven (2004), in small firms unstructured training, informal on the job instruction, and organizational socialization are quite important and are often seen as substitutes for formal training processes. In fact, many small firms pride themselves on providing workers with more hands on highly interactive learning opportunities and avoiding formalized systems and practices more typical of large bureaucratic organizations. It is widely accepted that not all employee learning occurs during formal training (Ford, 1997), and in fact the Bureau of Labor Statistics reports that more than 70 percent of workplace learning is not formally facilitated and not dependent upon organizational size (Bishop, 2003).

The capability of entrepreneurs in understanding management functions is one of the keys to the success of SMEs including in the food sector to create and strengthen competitiveness. Nolan & Garavan (2015) emphasize that it is important to understand how the quality and intensity of HRD practices impacts SME organizations and individual-level outcomes. The organizational structure will simplify the process of implementing management functions. As long as operational activities are concerned, it seems easier to look at a small rather than a large enterprise because of factors such as smaller personnel numbers, simpler organizational structure and perhaps greater transparency in relationships and transactions (Zaridis & Mousiolis, 2014).

The selection process for prospective workers is also one of the indicators that increased highly after the SMEs managers attended the training. The practice of employee selection and recruitment processes at food SMEs is carried out simply by asking about willingness to work for a certain salary, without information about work processes, work standards, compensation, incentives, performance appraisal, and termination of employment. Recruitment and selection processes still use centralized techniques, where the family still plays an important role in determining employees. The results showed that recruitment influences selection, selection influences performance and recruitment directly influences performance (Aziz, Maarif, & Sukmawati, 2017).
Conclusion

This study aims to improve the capabilities of food SME managers through training on human resource management. The scope of training covers the functions of human resource management, the benefits of the organizational structure in the company, management of employees starting from the selection process to termination of employment, managing conflict, and how to motivate employees.

The results of the study prove that training increases the capabilities of food SME managers in managing their human resources. All indicators studied significantly improved after the training so that it can be said that training for food SME managers is effective. The effectiveness of the training was achieved because of the training need analysis in the training preparation phase. This allows a combination of formal and informal training. The material given is really in accordance with the condition of food SMEs and is really needed in running their daily business.

This study has limitations. First, measuring the impact of the training is done at the end of the training so that it more measures the capability in knowledge. Therefore, this research is a preliminary study. A clear impact can be identified within a certain period, for example after six months or a year. The recommendation for further research is that the measurement of training effectiveness should be done twice after the training at the end of the training activity so that the level of understanding of the participants can be identified and within a certain period thereafter (for example six months) to evaluate the application of the training results.

Second, the number of training participants is limited (35 managers) so it is difficult to generalize the results, especially in Malang District where the number of food SMEs is more than 170 business units. Recommendations for future research when it has cost and labor resources should involve more managers in training activities so the results can be generalized.

Third, the entrepreneurs involved in the training have a variety of processed food and beverage products so that they cannot reach all of them to certain operational technicalities that are specific to the product's characteristics. For example, expertise specifications of prospective workers at the selection and recruitment stages for processing chips different from beverage processing. Therefore, in future studies it is recommended that future training be more effective if based on the type of product.

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Data Availability Statement: The data presented in this study are available on request from the corresponding author. The data are not publicly available due to privacy.

Conflicts of Interest: The authors declare no conflict of interest.

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