Supply Chain Practices of Small and Medium Enterprises as a Maximized Effort of Human Resource Performance Strategy in Tourism Sector

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Abstract—This research aims to map the internal and external condition of SMEs in supply chain performance of tourism sector and determines the effective strategy to increase the human resource performance for each region. This research was conducted in East Java that has the most SMEs in Indonesia. Sampling was done in two stages, namely (1) selecting districts and (2) selecting MSMEs. The results of the sampling process were taken by 20 MSMEs in each district selected as a sample. SWOT was used as an analysis tool in this study. Malang Regency has the most unique conditions, namely strong internal conditions, but has considerable challenges. The models presented in this paper give an informed insight and understanding of the dynamic changes that can transform SMEs within their supply chain relationships.

Keywords— SMEs, Tourism, Supply Chain Strategy.

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) are business activities that cannot be carried out in Indonesia. The number of Micro Small Enterprises (MSEs) in Indonesia reaches 26,073,689. The amount is equivalent to 98.68% of the total businesses in Indonesia [1-5]. The number of MSEs in Indonesia has a positive effect on improving the Indonesian economy. As SMEs are important growth engines in many countries, therefore, a great potential can be discovered to develop Malaysian SMEs through supply chain management. In 2016, MSEs reached more than 5,000 trillion rupiah. In addition, according to Budi Mustopo Micro, Small and Medium Enterprises (MSMEs) are able to contribute Gross Domestic Product (GDP) by more than 60%.

MSEs can also help the Indonesian economy indirectly, by suppressing the level of open unemployment. In 2016, MSEs were proven to be able to absorb workforce reaching 59,266,885 people. In East Java, as the region with the highest MSE, has a higher employment rate. According to BPS, MSEs absorb up to 79.82% of the workforce in East Java [6, 7]. East Java itself is one of the popular tourist destinations in Indonesia. Thus, the presence of MSMEs in East Java also cannot be separated from the tourism sector industry. The tourism industry can be interpreted as a collection of all fields of business that produce various services and goods needed by those who travel [8]. This industry includes services for tourism traffic with the intention of seeking profits in the fields of accommodation/hospitality, culture, restaurants, recreation and entertainment, cultural attractions, travel agencies, tour business (guide business), souvenir businesses (souvenirs), publishing businesses tourism, organizing tours and currency trading (money changers).

The tourism industry is a potential industry in increasing regional and national foreign exchange earnings. To maximize this potential, MSME management in the tourism sector is the right thing to do. MSMEs with good performance are expected to be able to obtain maximum benefits which can become contributors to regional and national foreign exchange [9]. To achieve good MSME performance, good employee performance is also needed.

Employee work is the work achieved by employees in carrying out their duties within a certain period. In general, employee performance can be reviewed by two things, namely quality and quantity. The quality of work shows how thorough the work carried out by employees, while the quantity of
work shows the amount of output produced by employees. In [10] explains more fully that employee performance can be judged on (1) Quality, (2) Quantity, (3) Timeliness, (4) Effectiveness, (5) Independence, and (6) Work commitment.

In this study, researchers formulated that efforts to improve employee performance can be done more effectively if employees understand the conditions of the MSME where they work. The condition of MSMEs can be reviewed from internal and external aspects. The mapping of MSME internal and external conditions in this study was carried out with a SWOT analysis. Thus, the internal condition of MSMEs includes the strengths and weaknesses of MSMEs. Meanwhile, the external conditions of MSMEs include opportunities and challenges. By understanding the condition of MSMEs, it is expected that the best policy can be taken to improve the performance of employees which in turn will affect the performance of MSMEs themselves. [11-20]

2. Literature Review

Performance is related to doing a job and the results achieved from the work. Thus, performance in general can be interpreted as work results, work achievements, or work performance [21, 22]

2.1 Company performance

In general, the term company performance is used to indicate part or all of the actions or activities of a company in a certain period. Thus, the company's performance can be seen as the overall success of the company in achieving the strategic goals that have been set through selected strategic initiatives within the specified time period.

In the process, company performance is achieved through the use of efficient and effective resources. The first resource owned by the company is Human Resources (HR), which is the company's employees. Other resources owned by the company are all matters relating to the production process, for example raw materials. The more efficient and effective utilization of resources by companies, it can be said that the performance is better.

Good company performance can be measured based on the following characteristics [23-30]

1) Relating to company goals
2) Having balanced attention between the short and long term
3) Describing key management activities
4) Being influenced by employee actions
5) Being ready to be understood by employees
6) Being used in evaluating and benefiting employees
7) Having logic aim and it is considered as an easy measurement
8) Being used consistently and regularly

2.2 Employee performance

Employee performance describes the success of individuals (employees) in carrying out their duties within a certain period agreed upon with the company. According to [31], employee performance has six indicators, namely:

1) Quality
   Work quality is measured by the employee's perception of the quality of work produced and the perfection of the task of the skills and abilities of employees.
2) Quantity
   The work quantity is the amount produced expressed in terms such as the number of units, the number of activity cycles completed.
3) Timeliness
   Timeliness is the level of activity completed at the beginning of the stated time, viewed from the point of coordination with the output results and maximizing the time available for other activities.
4) Effectiveness
   Work effectiveness is the level of use of organizational resources (energy, money, technology, raw materials) maximized with the aim of increasing the yield of each unit in the use of resources.
5) Independence
   Independence is the level of an employee who will later be able to carry out work duties.
6) Work commitment
   Work commitment is a level where employees have a work commitment with the agency and employee responsibilities towards the office

3. Method

The main focus of SCM is to provide right product to the right customers at the right cost, right time, right quality and right quantity [32]. Meanwhile, the short-term strategic goal of SCM is to reduce cycle time and inventory and thus increasing productivity, whereas the long-term goal is to enhance profits through market share and
customer satisfaction [33-35]. Quantified benefits of SCM include lower supply chain costs, overall productivity, inventory reduction, forecast accuracy. This research was conducted in East Java with the consideration that this province has the most MSMEs in Indonesia. This research focuses on MSMEs in the tourism sector. Thus, the definition of population in this study is the entire tourism sector MSMEs in East Java. The sampling process is carried out through two stages (two-stage sampling). The first stage of sampling is selecting districts as survey locations using judgment sampling methods. This method allows researchers to take samples subjectively. The districts selected as samples are (1) Blitar, (2) Kediri, (3) Pasuruan, (4) Sidoarjo, and (5) Malang. The second stage of sampling is selecting MSMEs in the tourism sector in each district. The number of MSMEs chosen in each district is 20 MSMEs. Thus, the total sample in this study is 100 tourism sector MSMEs. The respondents in this study were employees. At each MSME survey was conducted on 5 employees, so that the total number of employees involved as respondents was 500 employees. [36-40] The analytical method used in this study is Strength-Weakness Opportunity-Threat (SWOT). This analysis is used to determine strategies based on internal and external conditions of MSMEs in each district. Internal conditions in question are conditions that are felt by employees related to the strengths and weaknesses of the SMEs. Internal factor scores are obtained by calculating the difference between the total Strength score and the Weakness total score. Meanwhile, external conditions include opportunities (Opportunity) and challenges (Threat) outside the UMKM. External factor scores are obtained by calculating the difference in the total Opportunity score with the total Threat score. Internal scores and external scores are placed in a Cartesian diagram with the following information [41-48].

![Figure 1. Chart of SWOT](image)

These are the indicators used to identify internal and external factor of MSMEs

<table>
<thead>
<tr>
<th>Tabel 1. Indicator of SWOT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Factor</strong></td>
</tr>
<tr>
<td><strong>Strength</strong></td>
</tr>
<tr>
<td>1. Quality of product</td>
</tr>
<tr>
<td>2. Brand image</td>
</tr>
<tr>
<td>5. Service</td>
</tr>
</tbody>
</table>
4. Result and Discussion

4.1. Blitar Regency

The difference between the strength and weakness scores and the difference between the opportunity and threat scores form the coordinate points (-0.7207; 0.3297) located in quadrant III. This position shows that the UMK of Blitar Regency is in a weak but very likely position. Thus, the supply chain strategy recommendation given is to change the strategy, meaning that the organization is advised to change the previous strategy. This is because the old strategy was feared difficult to be able to capture the opportunities that exist while improving organizational performance. In summary, employee ratings of each indicator of internal and external factors are as follows.

![Figure 2. Analysis Result of SWOT in Blitar Regency](image)

<table>
<thead>
<tr>
<th>Strength Indicator</th>
<th>Score</th>
<th>Weakness Indicator</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1</td>
<td>3.75</td>
<td>W1</td>
<td>4.00</td>
</tr>
<tr>
<td>S2</td>
<td>2.65</td>
<td>W2</td>
<td>4.35</td>
</tr>
<tr>
<td>S3</td>
<td>2.65</td>
<td>W3</td>
<td>4.35</td>
</tr>
<tr>
<td>S4</td>
<td>2.85</td>
<td>W4</td>
<td>4.30</td>
</tr>
<tr>
<td>S5</td>
<td>2.90</td>
<td>W5</td>
<td>4.05</td>
</tr>
<tr>
<td>S6</td>
<td>3.15</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The position of Blitar’s MSMEs is supported by Table 2, namely the Strength score is relatively lower compared to the Weakness score and the Opportunity score is relatively higher compared to the Threat score. Employees considered that the biggest strength of MSMEs in Blitar was product quality (S1), while the biggest weaknesses were the scope of distribution (W2) and promotional activities (W3). In addition, employees view that MSMEs in Blitar Regency have a great opportunity due to technological advancements (O4). However, MSMEs must pay attention to competitor prices (T4) as the biggest threat.

Based on this description, employees need to be equipped with knowledge related to the scope of distribution and effective promotion methods. In addition, employees and MSME owners must evaluate the production process. It aims to find an effective production process and can reduce production costs so that the price of the product offered is able to compete in the market.

![Figure 3. Analysis Result of SWOT in Kediri Regency](image)

4.2. Kediri Regency

The difference between the strength and weakness scores and the difference between the opportunity and threat scores form the coordinate points (1.8572; 0.2308) which are in quadrant I. This position shows that the UMK of Kediri Regency has great strength and high chance. Thus, the supply chain strategy recommendations given are progressive. MSEs in
prime condition so that it is possible to continue to expand, as well as enlarge growth and achieve maximum progress. In summary, employee ratings of each indicator of internal and external factors are as follows.

**Table 3. Score of SWOT in Kediri Regency**

<table>
<thead>
<tr>
<th>Strength Indicator</th>
<th>Score</th>
<th>Weakness Indicator</th>
<th>Score</th>
<th>Opportunity Indicator</th>
<th>Score</th>
<th>Threat Indicator</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1</td>
<td>3.70</td>
<td>W1</td>
<td>2.45</td>
<td>O1</td>
<td>3.75</td>
<td>T1</td>
<td>2.15</td>
</tr>
<tr>
<td>S2</td>
<td>3.80</td>
<td>W2</td>
<td>2.65</td>
<td>O2</td>
<td>4.10</td>
<td>T2</td>
<td>1.80</td>
</tr>
<tr>
<td>S3</td>
<td>4.25</td>
<td>W3</td>
<td>2.75</td>
<td>O3</td>
<td>4.35</td>
<td>T3</td>
<td>2.25</td>
</tr>
<tr>
<td>S4</td>
<td>4.20</td>
<td>W4</td>
<td>2.40</td>
<td>O4</td>
<td>4.60</td>
<td>T4</td>
<td>1.85</td>
</tr>
<tr>
<td>S5</td>
<td>4.15</td>
<td>W5</td>
<td>2.30</td>
<td>O5</td>
<td>3.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S6</td>
<td>4.15</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

The position of the MSMEs of Kediri Regency is supported by Table 3, namely the Strength score is relatively higher compared to the Weakness score and the Opportunity score is also relatively higher compared to the Threat score. Employees considered that the biggest strength of MSMEs in Kediri Regency was price (S3), while the biggest weakness was promotion activities (W3). In addition, employees view that MSMEs in Kediri Regency have great opportunities due to technological advancements (O4). However, MSMEs must pay attention to newcomer competitors (T3) as the biggest threat.

Based on this description, employees need to be equipped with knowledge related to effective promotion methods. Effective promotion is expected to reduce the threat to MSMEs, namely to make existing MSMEs still be able to exist among the presence of new competing companies, both MSMEs as well as large business group.

### 4.3. Pasuruan Regency

**Figure 4. Analysis Result of SWOT Pasuruan Regency**

Difference in score of strengths and weaknesses as well as difference in score of opportunities and threats form the coordinate points (-0.1881; 0.0768) located in quadrant III. This position shows that UMK Pasuruan Regency is in a weak but very likely position. Thus, the supply chain strategy recommendation given is to change the strategy. It means that the organization is advised to change the previous strategy. This happened because the old supply chain strategy was feared difficult to be able to capture the opportunities that exist while improving organizational performance. In summary, employee ratings of each indicator of internal and external factors are as follows.
The position of UMKM Pasuruan Regency is supported by Table 4, namely the Strength score is relatively lower compared to the Weakness score and the Opportunity score is relatively higher compared to the Threat score. Employees consider that the biggest strength of MSMEs in Pasuruan Regency is product quality (S1), while the biggest weakness is the scope of distribution (W2). In addition, employees view that MSMEs in Pasuruan Regency have a great opportunity because of the abundant availability of raw materials (O5). However, MSMEs must pay attention to the shift in public consumption (T1) as the biggest threat. Based on this description, employees need to be equipped with knowledge related to the scope of distribution. At the same time, employees and MSMEs owners must also study the shift in public consumption. Furthermore, employees can prioritize product distribution in areas with high consumption.

4.4. Sidoarjo Regency

Difference in score of strengths and weaknesses as well as difference in score of opportunities and threats form coordinate points (1.5823; 0.8185) which are in quadrant I. This position shows that the SMEs of Sidoarjo Regency has great strength and high chance. Thus, the strategy recommendations given are progressive. MSEs in prime condition so that it is possible to continue to expand, as well as enlarge growth and achieve maximum progress. In summary, employee ratings of each indicator of internal and external factors are as follows.

Table 4. Score of SWOT in Pasuruan Regency

<table>
<thead>
<tr>
<th>Strength</th>
<th>Indicator</th>
<th>Score</th>
<th>Weakness</th>
<th>Indicator</th>
<th>Score</th>
<th>Opportunity</th>
<th>Indicator</th>
<th>Score</th>
<th>Threat</th>
<th>Indicator</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1</td>
<td>W1</td>
<td>3,50</td>
<td>S2</td>
<td>W2</td>
<td>4,30</td>
<td>S3</td>
<td>W3</td>
<td>4,10</td>
<td>S4</td>
<td>W4</td>
<td>4,25</td>
</tr>
<tr>
<td>S2</td>
<td>W2</td>
<td>4,30</td>
<td>S3</td>
<td>W3</td>
<td>4,10</td>
<td>S4</td>
<td>W4</td>
<td>4,25</td>
<td>S5</td>
<td>W5</td>
<td>3,60</td>
</tr>
<tr>
<td>S3</td>
<td>W3</td>
<td>4,10</td>
<td>S4</td>
<td>W4</td>
<td>4,25</td>
<td>S5</td>
<td>W5</td>
<td>3,60</td>
<td>S6</td>
<td>W6</td>
<td>3,30</td>
</tr>
</tbody>
</table>

Table 5. Score of SWOT Sidoarjo Regency

<table>
<thead>
<tr>
<th>Strength</th>
<th>Indicator</th>
<th>Score</th>
<th>Weakness</th>
<th>Indicator</th>
<th>Score</th>
<th>Opportunity</th>
<th>Indicator</th>
<th>Score</th>
<th>Threat</th>
<th>Indicator</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1</td>
<td>W1</td>
<td>2,50</td>
<td>S2</td>
<td>W2</td>
<td>2,65</td>
<td>S3</td>
<td>W3</td>
<td>2,60</td>
<td>S4</td>
<td>W4</td>
<td>2,80</td>
</tr>
<tr>
<td>S2</td>
<td>W2</td>
<td>2,65</td>
<td>S3</td>
<td>W3</td>
<td>2,60</td>
<td>S4</td>
<td>W4</td>
<td>2,80</td>
<td>S5</td>
<td>W5</td>
<td>3,15</td>
</tr>
<tr>
<td>S3</td>
<td>W3</td>
<td>2,60</td>
<td>S4</td>
<td>W4</td>
<td>2,80</td>
<td>S5</td>
<td>W5</td>
<td>3,15</td>
<td>S6</td>
<td>W6</td>
<td>3,30</td>
</tr>
</tbody>
</table>
The position of SMEs in Sidoarjo Regency is supported by Table 5, namely the Strength score is relatively higher compared to the Weakness score and the Opportunity score is relatively higher compared to the Threat score. Employees consider that the biggest strength of MSMEs in Sidoarjo Regency is the strategic location (S4), while the biggest weakness is the lack of capital for business development (W5). In addition, employees view that MSMEs in Sidoarjo Regency have great opportunities because of their large market share (O2). However, MSMEs must pay attention to the shift in public consumption (T1) as the biggest threat.

Based on this description, the employees together with the owners of MSMEs must find ways to bind investors to want to invest capital. On the other hand, employees must also be equipped with knowledge related to the shift in public consumption. Thus, product distribution can be prioritized in areas with high consumption so as to provide maximum benefits, both for owners, employees, and investors.

4.5. Malang Regency

The position of MSMEs in Malang Regency is supported by Table 6, namely the Strength score is relatively higher compared to the Weakness score and the Opportunity score is relatively higher compared to the Threat score. Employees consider that the biggest strength of MSME in Malang Regency is product quality (S1), while the biggest weakness is overproduction (W1). In addition, MSMEs in Malang Regency have great opportunities because of their large market share (O2). However, MSMEs must pay attention to the shift in public consumption (T1) as the biggest threat.

Based on this description, the employees together with the owners of MSMEs must find ways to bind investors to want to invest capital. On the other hand, employees must also be equipped with knowledge related to the shift in public consumption. Thus, product distribution can be prioritized in areas with high consumption so as to provide maximum benefits, both for owners, employees, and investors.
employees view that MSMEs in Malang Regency have great opportunities due to good relations with fellow entrepreneurs (O3). However, MSMEs must pay attention to the shift in public consumption (T1) as the biggest threat.

Based on the description, the employees along with the owner of MSMEs must evaluate the production quantity based on the number of sales. Thus, it is expected that the quantity of production is the same as consumer needs. On the other hand, shifts in public consumption also need to be studied by MSMEs employees and owners. In addition to quantity, mapping product distribution can maximize profits. [49]

5. Conclusion

The purpose of this research is to show that small or medium enterprises have significant impacts on supply chain performance. They may take the roles of suppliers, producers, distributors, and customers. In this paper large firms and SMEs are compared in terms of strategic and operational choices. On the other hand, Kediri and Sidoarjo Regencies are in very good condition, both in terms of internal and external. In other words, the Regency of Kediri and Sidoarjo can be said to be strong and highly likely. Kediri Regency is superior in terms of product prices and high opportunity due to technological advancements. Meanwhile, Sidoarjo Regency is superior in terms of strategic location and high opportunity because of its good market share. Many SMEs are not taking SCM systems seriously enough and, as a result, they are losing market share and, ultimately, money. Malang Regency has the most unique conditions, namely strong internal conditions, but it has considerable challenges. Good product quality is the main advantage of Malang Regency MSMEs products. However, Malang Regency faces a big challenge because of a shift in public consumption. Pasuruan and Sidoarjo Regencies are also known to experience the same challenges as Malang Regency. SCM systems offer huge process, customer satisfaction and direct cost reduction potential for SMEs. Without proper SCM strategy, action plan and processes, SMEs will lose business to competitors who have already implemented SCM.

References


organizational service orientation, contact employee job satisfaction and citizenship.


