

DEVELOPMENT OF MSME HUMAN RESOURCE MANAGEMENT BASED ON KNOWLEDGE MANAGEMENT IN INDONESIA

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ABSTRACT

More than 90 percent of the economic sector in Indonesia is comprised of MSMEs, making them the economic engine of the country. To succeed in an increasingly competitive business environment, MSME operators must be able to cultivate their human capital. Increasing employees' expertise is one aspect of HR development. Therefore, in a competitive context, Knowledge Management must be implemented by SMBs. This study intends to assess the growth of knowledge management-based small and medium-sized enterprises (SME) in Indonesia from an HRM viewpoint. This research employs a qualitative descriptive methodology. The results of the study indicate that as competition increases, MSMEs must be able to overcome their deficiencies, innovate swiftly, and develop goods efficiently through knowledge manager-based HR management. Knowledge management is required to create MSME competitiveness since knowledge is the key to success in beating the competition. Knowledge management and HRM are crucial to enhancing the competitiveness of micro, small, and medium-sized enterprises (MSMEs) because they facilitate the transformation of HR knowledge into organizational knowledge, thereby creating MSME assets.

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1. INTRODUCTION

Micro, small and medium enterprises (MSMEs) in developing countries, including in Indonesia have a role in improving the economy. MSMEs contribute to development by creating employment opportunities, and providing flexibility of needs and innovation in the economy as a whole (Hendrawan et al, 2019; Achmad et al., 2022). MSMEs are one of the key players in the national development process which has been proven to be able to live and thrive when the crisis hit Indonesia. This sector is also able to provide opportunities for MSMEs to grow and compete with companies that tend to use large capital. The accumulated impact of the economic crisis is still visible with high levels of poverty and unemployment in Indonesia (Windusancono, 2021; Purwanda & Achmad, 2022).

Empowerment and Development of MSMEs is one of the priorities in dealing with these problems. MSMEs are considered as an important alternative that can reduce the national and regional economic burden (Kadeni, 2020; Safitri & Nurwulandari, 2022). Budiarto et al (2018), stated that MSMEs are an important element in the development and planning of industrialization concepts in developing countries because of their technological characteristics. Dense labor SMEs are an important factor in employment.

Many developing countries have begun to place small and medium industries as the center of development. The development of SMEs actually has a strategic value. This can at least be based on several reasons, namely: (1.) MSMEs have productive economic activities so that the need is development and capacity building not growth, so that it is easier and more certain; (2) If a group of MSMEs have proper authority, they will easily switch to the small business sector; (3) MSME development can effectively reduce poverty suffered by the perpetrators themselves, and can even help empower the poor, as well as more and more young people (Siregar et al, 2018; Suwanto et al., 2022).

The relatively large growth and development of MSMEs shows that MSMEs are truly the fulcrum of economic development in Indonesia, however, the problems that hinder MSMEs include many MSME actors who do not have qualified human resources both in weak mastery of information technology and in non-managerial fields (Nurwulandari et al., 2022). The ability of human resources owned by MSMEs is still very low. Therefore it is necessary to have training to improve human resources, especially in the field of Information Technology to help increase the Competitive Advantage of MSMEs (Prasetyaningrum et al, 2019; Muliawaty et al., 2022; Achmad, 2022). The competitive advantage of MSMEs can be increased through the application of Knowledge Management and this is an important factor in achieving the goal of

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increasing and improving MSME operational activities. Based on the above phenomena, this paper was conducted with the aim of understanding the HRM perspective in the development of knowledge management-based SMEs.

2. METHOD

A qualitative descriptive research type is utilized in conjunction with the method of library research for this form of research. This qualitative research is predicated mostly on detailed observations of both human behavior and the surrounding environment (Ismail, 2009; Yulianah, 2022). This methodology was selected because the subject of the investigation necessitates that the researcher conduct primary research using direct observation as the primary instrument in order to investigate processes and meanings. The HRM viewpoint on the development of knowledge management-based SMEs was researched in libraries to acquire secondary data in the form of materials including books, papers, research results, and expert opinions. These materials were used to compile the study report.

3. RESULT AND DISCUSSION

a. The Importance of Knowledge Management

Learning, adjusting, and responding to the needs of a cultural milieu that is volatile, virtual, and rich in divergent expectations are all part of doing business in the modern era. Employee skills, outlooks, and knowledge are what truly make or break a business. It is crucial to take into account the abilities and value of its members, as well as the possibility for altering behavior that comes with a rigorous learning process, as stated by Ruhana (2012) and Supardi et al (2022). Knowledge, intelligence, training, and education as components of human capital appear to be important in the current economic climate around the world. This fact, of course, puts stress on production units and workers inside organizational structures, which in turn necessitates reimagining their functions in light of the current state of the global market. In this setting, investing in the education and development of the staff is essential to the company's survival and expansion. It is crucial to a company's success to hire the proper people.

New human capital management strategies, including knowledge management, emphasize knowledge and innovation rather than financial capital as the source of economic growth. Companies have developed methods for selecting the data they need to compete, and as a result, they seek employees with more than just a breadth of knowledge, ideally the kind of knowledge that can be put to use in a dynamic, ever-evolving work setting. The theoretical knowledge that underpins the accomplishments that workers must build in order to satisfy the demands of their work is an essential component of the "know-how" that enables workers to apply knowledge in order to achieve organizational goals. This is an essential component of the "know-how" that enables workers to apply knowledge in order to achieve organizational goals. According to Suprihanto and Putri (2021), in the modern, worldwide economy, routine jobs have taken the place of more innovative ones. This leads to the development of innovative corporate and industrial structures that are ideally adapted to fulfill the requirements of the global economy.

In this view, the intellect of the worker is not an end in itself but rather the fundamental tool for creating value. Here, the management model's ideas are gaining traction, emphasizing the importance of drawing on people's extensive backgrounds and skill sets to generate fresh insights, enhance existing procedures, and forge ahead with groundbreaking innovations. Therefore, adding value to the company is the objective.

Companies are affected by the globalized world in a variety of ways, including changes in technology, innovation, acquisition, and better information management. Human resource management has been affected to the point where employees must now actively seek out opportunities to innovate and build a knowledge base for the business sector. To this end, firms, as argued by Rini (2016), actively endeavor to better educational opportunities for their employees. As business owners, we believe the biggest issue is educating and empowering one's workforce to make sound decisions on their own. A smart organization, equipped with knowledge-based capabilities and a clearly articulated strategy to direct day-to-day operations, is essential in the current business climate.

b. MSME based on Knowledge Management according to the HRM Perspective

There are two categories of knowledge, tacit and explicit, as described by Nonaka and Takeuchi in 1995. Tacit knowledge is information that a person has gleaned from their own understanding and experience and is therefore stored in their own brain or mind. Typically, the content of such knowledge is based on the individual's own understanding and is therefore unstructured, vague, and hard to articulate in formal language. Since this information is still only in a person's head, it is rarely written down. Among

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the features of Tacit Knowledge are: Knowledge can be effectively transferred through face to face (person to person), specifically knowledge what we get will be easy to transfer through conversations between us and others. Tacit is obtained from experience, experience that has been experienced, and is not easily communicated or given to others because it is difficult to express. The difference between tacit knowledge and explicit knowledge is that the latter is knowledge that has been compiled and documented (summarized) for the benefit of others. Since this is typically theoretical information, it lends itself well to being documented and disseminated in print media such as books, essays, and journals rather than through personal instruction. Knowledge gathered through explicit means, such as written or documented sources, makes its application simpler.

The objectives of implementing knowledge management in the MSME sector are (1) So that MSME operational activities can run as expected, namely saving time and costs through well-structured knowledge sources. (2) MSMEs can improve the process of creativity and innovation through the knowledge possessed by their employees. (3) Improving the ability of MSMEs to adapt to changes in the business environment that occur both in the long and short term. (4) Increase productivity through reuse or reuse of knowledge already owned by MSME employees.

Research that develops MSME knowledge management models is still very rare. Even though MSMEs really need a knowledge management model to achieve competitive advantage, considering that in general MSMEs do not have sufficient financial resources to produce quality products. MSMEs must be able to explore and utilize existing knowledge so that it can be used to innovate product development. Therefore it is necessary to develop a MSME knowledge management model that is integrated with HR management (Kusumawijaya & Astuti, 2013) and can be used to foster and empower MSMEs in achieving competitive advantage.

Facing increasingly competitive competition, MSMEs must be able to overcome weaknesses to achieve competitive advantage. MSMEs must be able to innovate and develop products quickly. Fast product innovation and development can be done by accelerating knowledge that is managed effectively and efficiently. This shows that SMEs need knowledge management. Knowledge management is an HR management (HRM) process to create value that comes from knowledge-based or intellectual organizational assets. Even though the knowledge management process is not easy, if MSMEs do not maintain it, it will open up the potential for loss of knowledge, efficiency, productivity and competitive advantage. Therefore, it is necessary to understand HRM in developing knowledge management-based MSMEs to achieve competitive advantage.

In most MSMEs, especially MSMEs in Indonesia, they do not apply the organizational and management systems that are commonly applied in the modern business world. This then raises various problems both internal and external which often hinder the growth and development of MSMEs. Internal challenges faced by micro, small, and medium-sized enterprises (MSMEs) include, among other things, a lack of capital, limited human resources, and weak business networks; external challenges faced by MSMEs include a business climate that is not yet fully conducive, limited business facilities and infrastructure, implications for regional autonomy, implications for free trade, products with short lives, and limited market access; and internal challenges faced by MSMEs include, among other things, a lack of capital, limited human resources, and weak business networks (Hubeis et al, 2015).

The limited mastery of knowledge is one of the most significant challenges that may be found inside the internal environment of MSMEs. The continued existence of micro, small, and medium-sized enterprises (MSMEs) in Indonesia is put in jeopardy when large corporations join the market with high-quality, highly competitive goods priced affordably. As a result, a solution is required in order to establish competitiveness through knowledge management because, at the present time, having a command over one's information is the essential component in coming out on top of the competition (Jha, 2011). To boost the competitiveness of micro, small, and medium-sized enterprises (MSMEs), it is essential to have effective knowledge and technology management. The knowledge and technology that is produced comes from HR, and this knowledge needs to be handled so that it can become business knowledge and so become an advantage for MSME. MSMEs will have a greater chance of long-term success if they make use of the knowledge or experience available to them in order to develop MSME competences. Knowledge can be defined as the sum of experience, textual information, and the opinions of experts in their respective disciplines (Setiarso, 2006). In order to achieve a competitive advantage, effective and efficient management of knowledge through HRM enables tacit knowledge to be converted to other types of tacit knowledge or explicit knowledge. This can be accomplished by socialization, externalization, internalization, and combination.

So far, knowledge management has been successfully applied to large companies. However, not many MSMEs have implemented it. Even though SMEs basically have great potential to implement knowledge management in their operations to achieve competitive advantage. This is due to the fact that in terms of human resource management (HRM), most of the managers of MSMEs are also the owners of the company, which has implications for the centralized decision-making process and fewer management levels. Therefore, in SMEs, owners play an important role in the implementation of knowledge management. With the existing limitations, MSME management focuses more on strategic issues related to knowledge management. Structures in SMEs that are simple, flat and less complex will also facilitate change initiatives between organizations because functional integration both horizontally and vertically will become easier to achieve. In terms of culture, human resources in SMEs are usually united by beliefs and values that have implications for the ease of making changes and implementing knowledge management. This will make it easier to create a culture of sharing knowledge.

MSMEs have their own characteristics that make them different from large companies. One characteristic that is often encountered is that the majority of MSMEs are family businesses, owned and managed by family HR. Family HR is generally not willing to use or recruit professionals who will manage knowledge within the company. Even if MSMEs use or recruit professionals, the owner will not be willing to share the knowledge he has with HR who are not members of his family. Even though with limited financial resources, what is very possible for MSMEs to achieve competitive advantage is to use the knowledge they have through HR management (MSDM).

4. CONCLUSION

MSMEs are one of the key players in the national development process which has been proven to be able to live and thrive when the crisis hit Indonesia. MSMEs that employ a lot of human resources so as to open up great employment opportunities must be supported by expertise that has high competitive value from each of its employees. Knowledge management can not only be implemented by large companies but can also be implemented in SMEs to answer current problems. To achieve a competitive advantage, MSMEs must know their knowledge assets, determine how to manage human resources (HR) and use these assets to maximize returns. In most MSMEs, managers are also the owners of the company, which has implications for the central decision-making process and fewer management levels. In MSME owners play an important role in the implementation of knowledge management. Structures in SMEs that are simple, flat and less complex will also facilitate change initiatives between organizations because functional integration both horizontally and vertically will become easier to achieve. In terms of culture, a number of human resources in SMEs are usually united by beliefs and values that have implications for the ease of making changes and implementing knowledge management.

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