Characteristics of MSME Development in Semarang

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ABSTRACT : The purpose of this research is to identify MSMEs in Semarang which will be used in determining strategies to increase the productivity of MSMEs in Semarang. This research was conducted in the Semarang area, the population of this study were SMEs in Semarang from various sectors. The sampling technique uses the snowball method which is taken from several sectors.These general aspects indicate several weaknesses that must be corrected, such as the education level of MSME employees, preparation of SOPs, financial performance appraisal and others. These general characteristics will have an impact on MSME development efforts that focus on management practices.

Keywords - MSME, Human Resource, Marketing, Organizational

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1.   INTRODUCTION

The introduction of the paper should explain the nature of the problem, previous work, purpose, and the contribution of the paper. The contents of each section may be provided to
MSMEs are activities that require creativity, skills and talents to create prosperity and employment by utilizing existing resources. MSME has become an important sector, where MSME itself has been appointed by the government to be managed up to the ministry level. Based on the 2017 Creative Economy Agency Performance Report, the MSME sector was appointed to the ministry level because it has strategic value for Indonesia. These values are a significant contribution, creating a positive business climate, elevating the nation's image and identity, using renewable resources, encouraging innovation, and providing a positive social impact (Susanto, Titisari, & Prajitiasari, 2021)
Strategic issues in MSME development include: (1) Availability of professional and competitive creative resources (creative people); (2) Availability of quality, diverse and competitive natural resources; and easily accessible resources; (3) MSMEs that are competitive, growing and diverse; (4) Availability of appropriate, easily accessible and competitive financing; (5) Expansion of the market for creative works; (6) Availability of suitable and competitive infrastructure and technology; and (7) Institutions that support MSME development.
MSMEs in the Semarang region have considerable potential. This can be seen through the number of MSMEs in the Semarang area. However, to optimize the potential of MSMEs in the Semarang area, various efforts are still needed to make the products more attractive. Often problems in MSME development stem from management, inability to keep up with technological developments, causing some existing MSMEs to be less than optimal.
A study is needed on how the potential or management of MSMEs in various sectors so that appropriate management can be determined. The development of sector- and management-based MSMEs will have an

important meaning for MSMEs, especially from a management standpoint so that these MSMEs become added value.

Based on the conditions of sectoral potential, management, technology utilization in MSMEs in Semarang, it is necessary to study the characterization of MSMEs in order to improve the governance and competitiveness of MSMEs in Semarang. Therefore it is necessary to study the identification of MSMEs in Semarang, then carry out the characterization and in the end a study on consumers as part of supporting the MSME improvement program.

Based on this background, this study emphasizes the characterization of MSMEs based on the potential of MSMEs in the Semarang Region. The purpose of this research is to identify MSMEs in Semarang which will be used in determining strategies to increase the productivity of MSMEs in Semarang

2. LITERATURE REVIEW

2.1 The concept of SMEs

In Indonesia, MSME began to be widely discussed by various audiences. MSMEs are an inseparable part of the popular term also with the creative economy. MSMEs are more of a practical embodiment or implementation of the creative economy concept. So, it can be said that the creative economy is a concept, while SMEs are the activities of this concept. Statistical data shows that the contribution of MSMEs to Indonesia's Gross Domestic Product for the 2015 period was 4.38 percent of the total National GDP with a value of 852 trillion rupiahs. The creative economy's GDP contribution with a rapid growth rate by sub-sector is visual communication design (10.28%), music (7.26%), video animation (6.68%) and architecture (6.62%). The export value of MSMEs reached 81.4 trillion rupiah and contributed 9.13 percent to the total national export value.

Meanwhile, the Ministry of Cooperatives and SMEs (2012) states that SMEs can also be said to be creativity-based SMEs. Micro, Small and Medium Enterprises (MSMEs) which are currently developing are divided into several categories, namely agriculture, animal husbandry, fisheries, forestry, electricity, gas, clean water, trade, hotels, restaurants, private services, and wrong processing industries. one includes SMEs.

According to UNESCO, SMEs are producing activities and services related to creative, architectural and advertising matters. According to Howkins (2006) what is meant by MSMEs are economic activities in society that spend most of their time generating ideas, not just doing routine and repetitive things. The definition of MSMEs in Indonesia as written in the 2009-2015 National Creative Economy Development Blueprint is "Industry that originates from the utilization of individual creativity, skills and talents to create prosperity and employment through the creation and utilization of individual creativity and creativity." it is concluded that MSME is an economic activity that includes the creativity of human resources as the main asset to create economic added value.

2.2 Potential of MSMEs

With the large number of potential MSMEs in Semarang, it is necessary to classify or map MSMEs based on the fourteen classifications of MSMEs that have been determined by the Ministry of Trade of the Republic of Indonesia. With this mapping, it is hoped that government policies to increase the competitiveness of MSMEs can be more focused and sustainable in accordance with their advantages/specificities.

Research conducted by Indahsari (2010) states that one way is to determine the regional priority priority model, which can be done by knowing the regional mainstay products. The reason why it is important and necessary to do sub-sector mapping and determine the core competencies of MSMEs, this is because the MSME sector has a significant economic contribution to the Indonesian economy, can create a positive business climate, can strengthen the nation's image and identity, supports the utilization of renewable resources, is the center of innovation creation and the formation of creativity and has a positive social impact. Selection of superior sub-sectors can also be intended as giving priority to system innovation for MSMEs in maintaining knowledge, engineering and technology, and culture to realize MSMEs through increasing dynamics and improving regional development policies (Cunningham, 2014).

2.3 Contribution of MSMEs in the Indonesian Economy

The creative economy is very important for Indonesia and the world because of its rapid development. According to recent research by UNESCO and UNDP, not only has a large impact on income, job creation and export value, the creative economy also makes an important contribution to prosperity and sustainable

development (Bekraf, 2016). The concept of the creative economy according to the Ministry of Tourism and Creative Economy is an industry that originates from the utilization of individual creativity, skills and talents to create prosperity and employment by generating and empowering the individual's creativity and creativity.

MSME is a new sector appointed by the government to be managed up to the ministry level. Sourced from the 2016 Creative Economy Agency Performance Report, the MSME sector was appointed to the ministry level because it has strategic value for Indonesia. These values are a significant contribution, creating a positive business climate, elevating the nation's image and identity, using renewable resources, encouraging innovation, and providing a positive social impact

The contribution of MSMEs to Indonesia's GDP reaches IDR 642 trillion, or 7 percent of the national figure. The creative economy sub-sectors that contributed the most were culinary and fashion with respective values of IDR 209 trillion (32.5 percent) and IDR 182 trillion (28.3 percent). This figure has increased by 10.7% compared to 2015. Furthermore, for 2017, MSME growth is targeted to increase by 10% and is expected to become the top three contributors to the Gross Domestic Product (GDP) figure.

The creative economy's GDP contribution with a rapid growth rate by sub-sector is visual communication design (10.28%), music (7.26%), video animation (6.68%) and architecture (6.62%). The export value of MSMEs reached IDR 81.4 trillion and contributed 9.13 percent to the total national export value with employment reaching 5.4 million workers. Data from the Creative Economy Agency (2016) shows that currently the MSME GDP ranks 7th out of 10 existing main business fields. The significant growth of the MSME sector is certainly a driving force so that it can be integrated into the Indonesian national economic system. Provisional figures for the achievement of the 2016 creative economy (BPS, creative economy statistics 2016) state that this sector has grown to 7.38 percent of the total national economy.

2.4. Previous Research

There are several studies on innovation capability and HR competence on SME performance. Romijn and Albaladejo (1999) in their empirical research on 50 small and medium scale companies in the United Kingdom (companies with less than 250 employees), found that internal factors, such as the level of education and experience of company owners, research and development institutions, the technical skills of the workforce and investment in training and human resource development are determinants of organizational innovation. This study also found external factors, such as financial support from the government for Research and Development, communication/interaction with external parties (customers, suppliers, competitors, financial institutions, R and D institutions, industrial associations) which are factors that significant determinant of organizational innovation capability.

Research conducted by Zulaikha and Fredianto (2003) on the relationship between the external environment, strategic orientation and the performance of SMEs concluded that the willingness of companies to innovate and be pro-active is positively related to the dimensions of company performance (growth). Willingness to take risks is negatively related to growth. Samples were taken as many as 89 SMEs in Semarang and analyzed using multiple regression.

Syamtinah (2013) researched with the aim of carrying out and rearranging various concepts, models, and optimizing the empowerment and performance improvement of SMEs by identifying and analyzing external conditions, internal conditions, innovation capabilities which include marketing capabilities, new product development capabilities, production and operations capabilities. . The research area includes Genuk sub-districts, Central Semarang, East Semarang, South Semarang, West Semarang and North Semarang. The variables studied in this study include internal factors, external factors, innovation capabilities in SMEs in Semarang. The research was conducted using a survey method, either through in-depth interviews with various stakeholders in SME development or using a questionnaire instrument. The time dimension in this study is cross-sectional in nature which was conducted in June 2010. The study is a policy study that leads to applied research by producing an output model of Performance Improvement through Innovation Capability in SMEs in Semarang.

The results of data processing using SPSS and PLS show that the better the SME's internal factor management efforts, the innovation capability will increase. The better the management of SME external factors, the innovation capability will increase. and increased innovation capability will affect the increased performance of SMEs. There are differences and similarities with previous research in that they both research MSME

development while the difference lies in the variable indicators, objects and analytical methods used in the research.

3. RESEARCH METHODS

3.1 Research Scope

This research was conducted in the Semarang area starting from May to July. This research activity has several stages.

The first stage is to identify. At this stage, MSME clustering of various existing sectors and research feasibility is carried out. The results of this stage are the formulation of research criteria and data on the results of MSME clustering in Semarang. This stage is carried out by means of a literature study and collecting initial data from various relevant sources.

The second stage is the observation stage. At this stage it was carried out by distributing questionnaires and filling out research questionnaires, Focus Group Discussion with MSME groups, analyzing existing data and verifying data to obtain data that supports this activity.

The third stage is the description and discussion stage. At this stage it is carried out to obtain clustering and characterization of MSMEs in Semarang.

3.2 Population and Research Sample

This research was conducted in the Semarang area, the population of this study were SMEs in Semarang from various sectors. The sampling technique uses the snowball method which is taken from several sectors.

3.3 Data Validity Check Techniques

The most important concept in data validity and reliability is data validity. In this study using a combination of quantitative and qualitative research, to test the validity of qualitative research data that is carried out objectively, the validity and reliability of the data must be met to produce a research that can be said to be scientific.

4. RESULT AND DISCUSSION

4.1 Overview

This research covers the Semarang area with the focus area of SMEs with the implementation of superior mapping of SMEs in Semarang. UKM data in the Semarang creative economy sector which can be used as initial data for mapping UKM centers in the creative economy sector was obtained based on data from the Office of Cooperatives and UMKM (2017)

Statistical data for Indonesia's creative economy in 2016 stated that from 2010 to 2015, the creative economy's GDP increased by an average of 10.14% annually, from IDR 525.96 trillion to IDR 852.24 trillion. This value contributes to the national economy ranging from 7.38% to 7.66%, which is dominated by three sub-sectors, namely culinary with 41.69%, fashion 18.15%, and craft 15.70%.

This research covers the Semarang area with the focus area of SMEs with the implementation of superior mapping of SMEs in Semarang. The population in this study refers to the Road Map for the Development of SMEs towards SMEs from the Semarang Tourism and Creative Economy Service (2018). UKM data in the Semarang creative economy sector which can be used as initial data for mapping UKM centers in the creative economy sector was obtained based on data from the Office of Cooperatives and UMKM (2017). Based on the data obtained from the Semarang Cooperatives and UMKM Office, there are 8 superior UKM products that are included in the MSME sector. The data shows that in Semarang there is a lot of potential for MSMEs, various products from these MSME results include: typical food, batik, embroidery and so on. Each of these MSME products still has the potential to be developed.

4.2 Discussion

Based on the results of interviews in the field, results can be obtained based on management aspects.

Aspects of Human Resource Management

The profile regarding human resource aspects of the MSMEs that were used as respondents explained that the availability of human resources, both in terms of the level of education needed and skills, is still easy to obtain in the environment around these MSMEs. However, for some MSMEs, they still need the availability of labor

that cannot be fulfilled in the surrounding environment, so they need workers who are outside the surrounding environment. This is due to specific needs that are not available in the surrounding environment.

Organizational Aspects

The profile on organizational aspects provides a general description of how MSME is managed from legal entities, business ownership, business plans, and how decisions are made within these MSMEs. Based on the interview, it can be seen that the majority of MSMEs who became respondents were not yet legally incorporated. In addition, in terms of majority ownership, the majority are owned by non-family members. This means that the business being run is owned by other people, but businesses whose status is owned by the family are also not small when compared to ownership whose status is joint ownership of other people who are not family.

Aspects of Marketing Management

From the marketing aspect, information was obtained that the MSME who were the respondents had mostly focused on quality, product design, and new variables in product creation. In terms of product distribution, the majority of MSMEs still rely on outlets, although there are several MSMEs that already use agents in their distribution or a combination of outlets and agents. For marketing staff, the majority of MSME respondents still rely on owners as marketers, although there are also a number of MSMEs that have provided special staff to market their products. Ownership of SOPs within MSMEs mostly already exists, but not all MSMEs have implemented these SOPs. This is shown from the results of the response of MSMEs where the majority stated that they already had SOPs but had not implemented them, even so, many MSMEs had also implemented existing SOPs in their activities. For the brands of MSME products, the majority are still known locally, this is a concern that these MSME products are not widely known outside the region, only a small number of UMKM whose products are well known outside the region.

The majority of MSMEs who are respondents have not carried out CSR programs. Then the majority of these MSMEs have not yet joined the UKM association in the Semarang area, although there have been those who have joined, but the number is not large. In determining prices, the majority of MSMEs also use special methods to determine the price of their products. Most MSMEs also have promotional channels using online media. This is expected to be able to introduce their products more broadly so that customers can easily find them.

participating in skills improvement programs, both those carried out by the government and other institutions. The majority of existing SMEs also do not have their own training program to develop the skills of their employees. The majority of MSMEs who were respondents in this study had never attended MSME events, only a small number had attended MSME events both held by the government and other related agencies.

Aspects of Operations and Production Management

Aspects of operations and production management show information that the majority of MSMEs in carrying out product improvisation depend on market conditions. Thus it can be said that the movement of market tastes will influence MSMEs in improvising their products. In terms of machine use, most MSMEs still use simple tools in their operational activities. In addition, the majority of MSMEs do not have plans to add/buy new machines. This is because new MSMEs will replace the operational tools they use if they are damaged.

In terms of utilization or use of Warehouses, the majority of MSMEs do not use Warehouses in their activities. Whereas in the division of tasks during activities between employees, the majority of MSMEs already have a division of work tasks that clearly and firmly regulates the type of work carried out within MSMEs. This is done to avoid job inefficiencies or overlapping jobs that have an impact on inefficiencies in their activities. In terms of determining quality, the majority of MSMEs determine their quality based on the SOP they have compiled and carry out regular monitoring and evaluation to maintain the quality of their products.

Aspects of financial management

The aspect of financial management provides information in the form of financial management as seen from sources of capital, accounting records, and evaluation of MSME financial performance. Based on the source of capital, the majority of MSMEs come from their own capital compared to loan capital or cooperation. Apart from that, for accounting records, the majority of MSMEs already use an accounting recording system, although there are still MSMEs that do not keep records or only use manual recording. Apart from that, there are also SMEs that already use a simple application to record their finances. For performance evaluation, the

majority of MSMEs carry out their own or internal evaluations, but there are several MSMEs that have used external services in evaluating their financial performance.

Human Resource based strategy

Of the several categories of SMEs have several weaknesses that must be corrected. Based on the results of this research, this research tries to develop a business strategy that is suitable for this cluster, one of which is improving and increasing the competence of human resources. The hope is that by developing a strategy through improving and increasing HR competencies, it will produce a better picture in managing their business strategy.

Competence is a skill required by a person as demonstrated by his ability to consistently provide an adequate or high level of performance in a specific job function. Competence must be distinguished from competence, although in common use these terms are used interchangeably. Early attempts to determine the qualities of an effective manager were based on a number of personality traits and skills of the ideal manager. This is an input model approach, which focuses on the skills needed to do a job.

These skills are competencies and reflect the potential ability to do something. With the emergence of scientific management, people's attention turned more and more to the behavior of effective managers and to the results of successful management. This approach is an output model, by which a manager's effectiveness is determined, indicating that someone has learned how to do something well.

Competence or ability is as a basic characteristic of a person which is itself related to the implementation of a job effectively or very successfully (and underlying charactheristic: of an individual which is casually related to effective or superior performance in job). distinguishes a superior performer from behavior of average achievers. To achieve moderate or average performance, threshold competencies or essential competencies are needed. Limit competencies or special competencies for a particular job are patterns or guidelines in employee selection (personnel selection), succession planning, performance appraisal, and development.

Several MSMEs that are market oriented have implemented resource planning which in the long term is expected to create employee independence and foster a responsible and creative attitude. The level of work distribution is also clear and directed. The owner provides knowledge provision to employees in accordance with their respective fields so that it will make it easier for the owner to coordinate and evaluate his employees. The hope is to increase productivity, expand markets, and also foster innovative and creative attitudes and use technology to deal with existing threats and opportunities. The IMS development process for market-oriented MSMEs identifies many internal factors. Consequently, the question arises of how to convey the information obtained to new employees, thereby enabling them to identify with the developed system.

Whereas for SMEs that are entrepreneurship oriented, even though most of them already have a plan, there are still creative industries that have not gone well in terms of human resource planning. This is caused by a recruitment system that is not based on planning and does not have a good employee development program. The recruitment strategy used is generally not based on expertise, but rather based on the availability of labor. This is sometimes a particular difficulty and challenge for SMEs based on entrepreneurship. From the marketing aspect, the strategy that is often used by most SMEs that are entrepreneurship-oriented is the strategy of waiting for consumers. This is due to the fairly tight competition and the high demand for innovation and creativity in running its business, because it has a more specific segment compared to market-oriented MSMEs. This strategy, if it is not supported by the strength of the products or services offered, will tend to decline, especially if it cannot adapt to consumer tastes and has a product cycle that tends to be fast. Regarding the products and services offered, the majority are products that are still general and standard in nature, so there is still opportunity to diversify products. Another obstacle that is often faced by SMEs that are entrepreneurship-oriented is the use of technology. In several businesses in this industry, the trend is that they are satisfied with the existing conditions, so they still need to consider how to use technology in running their business.

5. CONCLUSION

Based on the results of the study it can be concluded that. These general aspects indicate several weaknesses that must be corrected, such as the education level of MSME employees, preparation of SOPs, financial

performance appraisal and others. These general characteristics will have an impact on MSME development efforts that focus on management practices.

Based on the research that has been done, there are three suggestions related to the development of MSMEs in the Semarang area. First, MSMEs in these areas should improve their management practices in all aspects. Second, the government should formulate policies according to the needs of each cluster.

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