

Determining SMEs Business Sustainability:

Human resources management for sustainability approach

Ardika Sulaeman, Ernie Tisnawatisule, Hilmiana Hilmiana, Martha Fani Cahyandito

Faculty of Economic and Business

Universitas Padjadjaran

Bandung, Indonesia

ardika.sulaeman@gmail.com

Abstract—Background of this research is the low of business sustainability in Indonesia especially on soybean based SMEs. In the SMEs, the role of human resources, especially leaders (entrepreneur) and employees play an important role for business sustainability. Thus, this study aims to determine the effect of human resource factors on SMEs business sustainability. This research was conducted by conducting a survey of 100 entrepreneur of Soybean's SMEs in Bandung by collecting data through interviews and questionnaires. Data processing by using SEM analysis, obtained that there is transformational leader, employee empowerment and stakeholder engagement to SMEs business sustainability.

Keywords—business; sustainability; SMEs; human; resources

I. INTRODUCTION

Business sustainability is the goal of every business in the long run. Business sustainability is achieved through the balance of the performance of economic dimensions, social dimensions, and environmental dimensions. This is called the Triple Bottom Line. Economic Dimensions are indicated by profitability, liquidity, solvency, profitability, ability to face market fluctuations and competition. The social dimension assesses the role of SMEs in people's lives, provides quality products for consumers and society, concerns about the welfare of employees, and cares about labor issues. The environmental dimension in business sustainability aims to keep the company from minimizing the environmental impact of its business activities. The development of increasingly complex social and environmental conditions, with the increasing pressure of business competition, consumer demands for quality products, business operations that care about the surrounding environment and the negative impact of activities business is expanding until environmental degradation occurs.

The approach to be used in this study is the Human Resource Management (HRM) approach which is the most important approach for SMEs because it emphasizes the role of HR as the main control such as leaders, employees, and stakeholders. In addition, the HRM field encompasses human and organizational behavior in various dimensions (multidimensional) and multidisciplinary. The importance of the concept of sustainability in HRM is motivated by a lack of labor skills and efforts to overcome the negative impacts of HRM policies on employees [1]. In addition, the reasons for sustainability are important for HRM, because (1) HRM helps

direct employee mindset and action toward achieving sustainability goals (HRM treated as means). (2) sustainability principles can be embodied in HRM systems that cause the long-term physical, the social, and economic well-being of employees. This opinion states that HRM assists the way of thinking and actions of employees and owners in achieving sustainability goals, namely economic prosperity, environmental awareness and social equality.

Based on the Triple Bottom Line concept, Business Sustainability is achieved through economic, social and environmental dimensions, Parish which states that it is necessary to contribute internal and external factors [2]. Internal factors consist of: (1) performance, (2) employee, and (3) manager / owner; while external factors consist of (1) government (2) customer, (3) stakeholders. Based on Parish and the HRM approach to be used, the factors that will be used are the employee, owner, and stakeholder, while the variables used are transformational leadership, employee empowerment, and stakeholder's engagement [2]. The business that became the unit of analysis in this study was soybean-based SMEs such as tempeh, tofu, soy sauce, milk, and soy flour in West Java. As with other processing businesses, soybean-based businesses are also prone to actions that are not environmentally friendly, gaining competitive pressure, demands for safe and quality products. This soybean-based food ingredient is a typical Indonesian food that has long been known to people since a long time ago, bequeathed by ancestors and can be produced at the household level so that soy-based food ingredients are part of the nation's culture and have the potential to become the nation's leading food source Indonesia. Thus, a business sustainability study on soy-based food needs to be done. Thus, this study aims to determine the effect of transformational leadership, employee empowerment and stakeholder engagement on business sustainability.

II. METHOD

This research was conducted with a survey of 100 tempe, tofu, soy sauce, and soy milk producers in Bandung. The object of the study was transformational leadership, employee empowerment, and business sustainability to the MSME owners. Data collection was done by interviewing, observing and spreading closed questionnaires. The data obtained are then analyzed by a centralized tendency to find a quantitative

description of the object of research, and multivariate analysis through t-test to test the research hypothesis.

III. RESULTS

The results of this study reveal how the role of personnel and management functions in an effort to interact and achieve business sustainability both empirically and teoretically. Based on the Parish model, there are factors that influence business sustainability, namely resource efficiency, employee empowerment, employee confidence, owner motivation, government motivation, consumer pressure and engagement stakeholders [2]. From these variables adjusted to the conditions in the field, the variables used are transformational leadership, employee empowerment and stakeholders engagement. Each explanation are as follows:

A. Transformational Leadership and Business Sustainability

The leadership that supports business sustainability is a leadership that has a vision to make employers and employees adhere to the values of sustainability. The leadership style that supports sustainability is transformational leadership. Bass, and Hartog et al., defines that, "transformational leadership as leaders who want to develop their followers are full potentials, higher needs, good value systems, moralities and motivation" [3-5]. Transformational leadership is characterized by the ability to influence, inspire, motivate, change towards a better , having courage and being integrity. Descriptively, the results of research on transformational leadership and business sustainability are as follows:

TABLE I. TRANSFORMATIONAL LEADERSHIP AND BUSINESS SUSTAINABILITY

Variables	Sub-Variables	Score	Criteria
Business Sustainability	Economy sustainability	325	Middle
	Environmental sustainability	303	Middle
	Social sustainability	223	Low
Transformational Leadership	Agent of change	296	Middle
	Visioner	278	Low
	Influence	318	Middle

Primary research 2018

Based on Table 1 it is known that the ability of transformational leaders in influencing employees to achieve revenue goals, obtaining profitable raw materials and producing environmentally friendly can encourage entrepreneurs to obtain net income and be able to improve adaptation to the business environment. The low visionary behavior of entrepreneurs as indicated by the lack of knowledge of market opportunities, knowledge of production efficiency, SWOT knowledge, and predicting market fluctuations resulted in the low social performance of entrepreneurs' sustainability as demonstrated by fair wages, the application of work safety and occupational health.

Based on the results of the study, 32.4% of business sustainability was influenced by transformational leadership. In SMEs, the role of leaders plays an important role that controls the pace of the company. This is based on the research of Thomas Mark & Bless which provides a model of responsibility that leaders must have in order to establish a

good attachment to society. In this case, Thomas Mark & Bless provides the Role Model of the responsibility of leaders to the community, so that a harmonious relationship occurs. In terms of maintaining relations with the community, Mark states that the leader's responsibility for the environment is a global phenomenon, this concept develops into ownership of social capital capabilities and the creation of network values that must be owned by every leader. In addition, Gozukana states that, transformational leaders can support work engagement with their employees by being mediated by work autonomy in terms of leadership, family companies have several disadvantages, such as (1) the emergence of the moon culture, that the corporate culture is highly dependent on the owner's mood so that management is less professional, (2) the creation of a paternalistic culture that results in unfair treatment between family and non-family employees. (3) Superman syndrome and dual leadership, leaders who cannot distinguish between family and business interests. In this case, the low professionalism of SMEs is accompanied by poor treatment of fellow entrepreneurs, surrounding communities and the government by not carrying out business ethics in their business. Low competencies are the social competencies and environmental competencies of entrepreneurs. In this case, social competence is shown as the ability of the entrepreneur in placing himself well in the social environment and carrying out the role properly. In terms of environmental competence, knowledge, and skills of entrepreneurs in maintaining environmental sustainability and avoiding equipment and products that are not environmentally friendly.

B. Employee Empowerment and Business Sustainability

Employee Empowerment is an effort that aims to improve the quality of employees through the granting of power, knowledge, appreciation, and provision of information. Empowerment of employees in SMEs tends to be low, therefore, in SMEs, the leader plays a dominant role and often occurs in superman syndrome. Empowerment of SME employees includes training in marketing, production, finance, education and delegation of authority [6]. Business sustainability of SMEs through HRM can be achieved by optimizing the quality of human resources in companies /organizations. One of the efforts to improve the quality of human resources is by empowering employees. Employee empowerment is able to improve the quality of individuals and organizations. Personally, employee empowerment can improve skills, knowledge, and self-confidence. An organizationally, employee empowerment can increase individual commitment to work better in the work environment. One of the empowerments of employees who can improve abilities employees and improve long-term performance is through promotion, employee empowerment by promoting by increasing accuracy, increasing personal judgment, self-confidence, self-control, high level of awareness, motivation, innovation, encouragement to achieve breast milk. Organizationally this provides benefits for job satisfaction [7], a commitment to work in groups and increase commitment in the work environment and high-level cooperation. The empowerment that is oriented towards economic effectiveness, concern for the ecological environment and social environment will lead to sustainable

SMEs, which originates from self-ability, organizational commitment, commitment to the social and ecological environment.

Descriptively, the results of the research on employee empowerment and business sustainability are as follows:

TABLE II. EMPLOYEE EMPOWERMENT AND BUSINESS SUSTAINABILITY

Variables	Sub Variables	Score	Criteria
Business Sustainability	Economy sustainability	325	Middle
	Environmental sustainability	303	Middle
	Social sustainability	223	Low
Employee Empowerment	Power	264,7	Low
	Knowledge	292	Middle
	Information	267,5	Middle
	Reward	275	Middle

Primary research 2018

Based on the results of research, empowering employees in the form of providing business knowledge to employees can encourage entrepreneurs to increase the level of profit through low production costs, increased sales and meet market needs. In addition, the low power shown by the low intensity of delegation of authority to obtain production inputs, production processes and sales results in low sustainability performance.

Based on research and data analysis verificative, Business sustainability in SMEs soybeans based, 15% is influenced by employee empowerment. In Indonesia, empowerment in the company is defined as leadership understanding of employee needs and capabilities and helps maximize achievement in achieving organizational goals and increasing competitiveness in the industry. Weaknesses and potential optimizations of employees often occur there are companies with an authoritarian leadership style, in addition to the organization does not provide sufficient rewards for employees [8]. Mwesigaye states that efforts to empower employees in Turkey are often carried out by business academics and business activities [9]. This means that by empowering employees, the employees will be more proactive and meet the needs of the company in achieving the company's goals [10]. In Nigeria, increasing the competitiveness of organizations that require various strategies to increase productivity is one of them by empowering employees [11]. Employee empowerment in the telecommunications industry is used as a strategy and philosophy that allows employees to make decisions in work and is responsible for the work through the best service for consumers. Empowerment in business is often interpreted as the practice of sharing information, rewards, and power with employees. thus they can take the initiative and make decisions to solve problems, trust, improve service quality and sustainability of competitive advantage. Empowerment in the company is based on the idea that empowerment can improve skills in employees, resources, authority, opportunity, motivation, which will contribute to competence and satisfaction [12]. The benefits of employee empowerment are able to improve the performance of SMEs [13]. Empowerment of employees in SMEs is still low. Empowerment efforts in the form of transfer of power, delegation of authority to other parties and the provision of knowledge and skills to produce

sufficient respondents' knowledge and tend to be low (64% sufficient and 34% less), sufficient skills tend to be high (47% sufficient and 47.33 high); sufficient business capability tends to be high (enough 53.33%, high 34%). The low level of empowerment of employees from the SMEs leadership is due to the low commitment of the leadership in implementing employee empowerment [14]. Empowerment of employees who are directed by visionary leaders will be more powerful if supported by optimizing relationships with external parties through mutually supportive and profitable attachments in the form of engagement with stakeholders.

C. Stakeholder Engagement and Business Sustainability

Factors that influence business sustainability are stakeholder factors. According to Parish, external factors consist of the government, customers, and stakeholders (suppliers) [15]. Whereas according to stakeholder theory, stakeholders consist of customers, owners, employees, suppliers, government, and society [16]. These stakeholders joined and collaborated and synergized to build business sustainability.

Stakeholders are interested parties in the company. Stakeholders are defined as "is any group or individual who can be affected by the achievement of the organizational objectives," [16]. Stakeholder Engagement is realized in the form of SMEs cooperation with soybean products of stakeholders.

Descriptive research results about stakeholder engagement and business sustainability can be seen in Table 3 below:

TABLE III. STAKEHOLDER ENGAGEMENT AND BUSINESS SUSTAINABILITY

Variables	Sub-Variables	Score	Criteria
Business Sustainability	Economy sustainability	325	Middle
	Environmental sustainability	303	Middle
	Social sustainability	223	Low
Stakeholder Engagement	Trust Building	383	High
	Information Openess	333	middle
	Need Understanding	235	Low

Primary research 2018

Based on the results of the research, stakeholder engagement shown by building stakeholder trust has an impact on economic sustainability. Stakeholder trust can increase profits resulting from lower production costs, increased sales, and the ability to meet market needs. But in stakeholder engagement, employers have not been able to understand the needs of stakeholders, especially the needs of the minimum salary of employees and the level of profit to be achieved, attention to health and safety. Poor understanding of the needs causes low social sustainability of entrepreneurs. In this case, the quality of collaboration among stakeholders will determine the quality of the attachments that are formed which will further contribute to business sustainability. Based on the results of research on MSMEs in West Java, 25% Business Sustainability is influenced by stakeholder engagement. In this attachment, stakeholders will synergize in the form of mutually

beneficial cooperation. The type of collaboration that is mostly carried out by SMEs with stakeholders is informal cooperation. This synergy is able to contribute to business sustainability both in the economic, social and environmental dimensions. Stakeholder Engagement is a collaboration that is characterized by the dissemination of information, cooperation, coordination, each party that collaborates still has its own authority over him, and does not combine combined goods and services. The relationship between SMEs entrepreneurs and other entrepreneurs occurs by joining PRIMKOPTI or tofu and tempeh cooperatives that are spread in each district/city. In general, the collaboration is carried out, in the form of partnering with the same SMEs and receiving assistance from the government in the form of marketing support and funding of cheap credit from banks [17]. In addition, the relationship with stakeholders in Citeureup Bogor which is a center of tempeh SMEs was established by Rumah Tempe Indonesia with the HACCP (Hazard Analysis and Critical Control Point) standard KOPTI collaboration with the Indonesian Tempe Forum, Mercycorp, and funded by FKS Muktiagro, PT. Antam and the European Union. This collaboration produces environmentally friendly tempeh processing equipment which includes the dimensions of business sustainability. Generally, the merger of soybean processed SMEs is in the form of the merger in cooperative membership. It is this cooperative who then cooperates with large companies and cooperatives to function as suppliers. The low level of cooperation is caused by the unpreparedness of SMEs in their knowledge and technology. Collaboration between SMEs cannot work well because there is no mutually beneficial relationship. With regard to suppliers, low capital in SMEs makes SMEs unable to fulfill their obligations to suppliers, to the community and government, in the case of SMEs, tofu and tempeh often occur cases of environmental pollution that are difficult to control by the government.

According to Bal, et al. with the understanding of SMEs on the different interests of each stakeholder will create business sustainability through 6 stages, such as (i) identification of needs (ii) linking stakeholders (iii) prioritizing stakeholders (vi) taking targets into action [18]. In addition, research supporting the relationship between stakeholder engagement and business sustainability is carried out by Collins et al. which states that stakeholder engagement is mentioned as a mechanism to drive sustainability [19]. Rhodes, et al. states that stakeholder engagement is a key variable between network stakeholders (internal and external factors) and results [20]. Other key factors are human capital/talent, technology, culture, and processes such as collaboration, knowledge sharing, and co-creation of value with stakeholders.

IV. CONCLUSION

The HRM approach to business sustainability is primarily in terms of leadership, employee empowerment, and stakeholders engagement. Descriptively, business sustainability in SMEs is shown by relatively high economic sustainability and relatively low social sustainability. Transformational leadership is indicated by the ability of entrepreneurs to influence employees to achieve business goals, but entrepreneurs are lacking in vision ability. Based on the results

of the study, of business sustainability is influenced by transformational leadership, with the ability to influence, inspire, motivate, change towards a better, courageous and integrity attitude. Employee empowerment is able to improve the quality of individuals and organizations. Personally, employee empowerment can improve skills, knowledge, and confidence. Organizationally, employee empowerment can increase individual commitment to work better in the work environment. In terms of stakeholders engagement, Business Sustainability is influenced by stakeholder engagement In this engagement, stakeholders will work together in the form of mutually beneficial cooperation.

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