

# The Role of Learning Organization in Developing Competency of Micro, Small, and Medium Enterprises (MSME) in Indonesia During Covid-19 Pandemic

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## ABSTRACT

The Covid-19 pandemic have impacted the instability of economy, especially for Micro, Small and Medium Enterprises (MSMEs). These SMEs have been experiencing a decrease in sales turnover. For this reason, MSMEs need to improve their strategies to be able to survive in the midst of this pandemic and to adapt to the conditions by developing their competencies. The competence of MSMEs is very strategic, due to its important role in driving economic activities of community, and will become the main source of income for the majority of the community in improving their welfare. The development of MSMEs' competency is crucial because it will maintain the continuity of their business. To increase MSMEs' competency, it can be done by implementing a learning organization. The purposes of this study are to describe and analyze the competency development of MSMEs by implementing a learning organization. To achieve these goals, the current study employs a descriptive-verification approach, with survey method. The analytical method used to test the proposed hypotheses is multiple linear regression analysis. The results of the study found that the implementation of a learning organization consisting of 5 (five) dimensions namely personal mastery, mental models, shared vision, team learning and system thinking, both simultaneously and partially, has a positive and significant effect on the improvement of MSMEs' competency.

**Keywords:** SMEs, Covid-19, Competence, Learning Organization.

## 1. INTRODUCTION

Economic Politics in the context of Economic Democracy, Micro, Small, and Medium Enterprises need to be empower as an integral part of the people's economy that has a position, role, and strategic potential to realize the structure of the national economy which is increasingly balanced, growing, and justice. Furthermore, the definition of Micro, Small, and Medium Enterprises (MSMEs) concerning Micro, Small and Medium Enterprises. The meaning of SMEs is as follows: 1) Micro Enterprises are productive businesses owned by individuals and individual business entities that meet the criteria for Micro Enterprises as regulated in this Law. 2) Small Business is a productive economic business that stands alone. It was carried out by individuals or business entities that are not subsidiaries or not branches of companies that owned, controlled, or become part either directly or indirectly of Medium Enterprises or Large Businesses that meet Small Business criteria as referred to in this Law. 3) Medium Enterprises are productive economic businesses that stand-alone, carried out by individuals or business entities that are not subsidiaries or branches of companies. It owned, controlled, or become a part

directly or indirectly with Small Businesses or Large Businesses with total assets net or annual sales proceeds as regulated in this Law. 4) Large Business is a productive economic business carried out by a business entity with a net worth or annual sales income greater than Medium Enterprises, which include state-owned or private national businesses, joint ventures, and foreign businesses conducting economic activities in Indonesia. 5) Business World is Micro, Small, Medium, and Large Enterprises that carry out economic activities in Indonesia and were domiciled in Indonesia.

The amount of labor absorbed by the Indonesian SME sector in 2006, reached 96.18 percent of the total number of jobs available. In 2006, the Indonesian SME sector contributed 53.3 percent of the total GDP (Gross Domestic Product) nationwide, while the rest, which is about 46.7 percent of the sector's contribution to Large Businesses. The condition shows that SMEs are one factor that was significant for national economies, particularly in maintaining social stability in the country. Potential SMEs in providing employment and the role of SMEs in developing the national economy are some aspects underlying the need for the development and empowerment of SMEs in Indonesia.

Indonesia is dominated by the presence of Micro, Small, and Medium Enterprises (SMEs) as the backbone of the national economy also seriously affects. It's not only the total aspect of production and trade but also the number of workers who lost their jobs because of this pandemic. Data from the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) shows that in 2018 there were 64,194,057 SMEs in Indonesia (or around 99 percent of the total business units) and employed 116,978,631 workers (or about 97 percent of the total business units). labor in the economic sector). In the face of the COVID-19 coronavirus pandemic, Micro, Small, and Medium Enterprises (SMEs) need to be strengthened. Moreover, SMEs are no longer seen as an alternative, but as the backbone or foundation of the country's economy.

When examined further, many MSME actors experience difficulties in running their businesses. [1] Stated that a survey from BPS identified various weaknesses and problems faced by MSMEs based on their priorities, which include: (a) lack of capital, (b) difficulties in marketing, (c) intense business competition, (d) difficulties with raw materials, (e) lack of technical production and expertise, (f) lack of managerial skills and (g) lack of knowledge in management issues.

Many organizations have failed and can not maintain their existence due to stopping studying and being unable to adjust to the changing times and technology. To be able to continue to maintain the existence and performance of the organization we need a process of the learning organization. The learning process can be achieved if the organization can have the ability to think and act more quickly in response to any change [2].

## 2. LITERATURE REVIEW

### 2.1 Learning organization

An effective learning organization requires 5 (five) dimensions that will enable the organization to learn, develop and innovate [2], namely:

#### 1. Personal Mastery.

Learning to expand their capacity to achieve the most desirable work, and create an environment that fosters the organization of all its members to develop themselves toward the achievement of goals and the meaning of work by the expectations of their choosing.

#### 2. Mental Models.

The Mental model allows humans to work faster. However, in organizations that are constantly changing, this mental model sometimes doesn't work well and hinders the adaptation needed. In learning organizations, this mental model is examined, discussed, and revised at the individual, group, and organizational levels.

#### 3. Shared Vision.

In an organization consisting of various kinds of individuals with different backgrounds, preferences, experiences, and cultures,

it will be very difficult for organizations if they do not have the same vision. With good vision, communication will make it easier to achieve organizational goals.

4. Team Learning. Each employee has his knowledge and experience. Required to share knowledge insights and learn together with other employees. By doing things like that, organizational learning will not run slowly or even stop. Sharing knowledge insights within the team becomes very important to increase organizational capacity.
5. System Thinking. Explain that members of an organization must look at the organization as a whole, not only from the unit. Because all units in the organization play an important role in the organization.

The five dimensions of [2] need to be integrated as a whole, developed and internalized by every member of the organization, and manifested in daily behavior. These five dimensions of a learning organization must be present together within an organization to improve the quality of human resource development which is owned by the offender Micro Small Medium Enterprises (SMEs).

### 2.2 Competence

Entrepreneurial competence is knowledge, attitudes, and skills that are interconnected, and entrepreneurs need to be trained and developed to be able to produce the best performance in managing their business. Competencies that must be owned by entrepreneurs are [3]:

1. Managerial skills. Entrepreneurs must be able to carry out the functions of planning, organizing, mobilizing, and supervising so that the business they run can achieve the desired goals.
2. Conceptual skills. The ability to formulate business goals, policies, and strategies are the main foundation for successful entrepreneurship.
3. Human skills. Sociable, easy to get along with, sympathy and empathy for others are capital skills that support us towards business success.
4. Decision-making skills. As an entrepreneur, you are often faced with conditions of uncertainty. Various problems usually arise in situations like this. Entrepreneurs are required to be able to analyze situations and formulate various problems to find alternative solutions.
5. Time management skills. The inability to manage time makes work pile up or unfinished so it makes his soul uneasy. Time management skills can facilitate the implementation of the work and plans that have been outlined.

### 3. METHOD

This type of research research is a survey. The population in this study is MSMEs registered at the Department of Trade and Cooperatives in Palu City, Indonesia for the trading sector. Samples were obtained by purposive sampling method based on the ease of sampling. The number of samples selected was 35 SMEs.

The variables studied in this study are: competence as the dependent variable with indicators: managerial skills, conceptual skills, human skills, decision making skills, and time managerial skills. While the independent variable is learning organization with indicators: personal master, mental models, shared vision, team learning, system thinking. The learning organization factors are needed in the formation and implementation of an organization.

Data analysis using multiple linear analysis which previously tested the questionnaire for reliability and validity. Before being tested the data regression was tested with the classical assumption test.

### 4. RESULTS & DISCUSSION

#### *4.1 Learning organization (Personal Mastery, Mental Models, Shared Vision, Team Learning and Systems Thinking simultaneously influence the competence of SMEs in Palu Indonesia.*

The results of hypothesis testing that the learning organization variables consisting of disciplines: Personal Mastery, Mental Models, Shared Vision, Team Learning, and System Thinking simultaneously affect the Competence of Micro, Small, and Medium Enterprises in Palu City, Indonesia. These results can be interpreted that the application of the Learning Organization which consists of the five dimensions above in MSMEs in Palu City, Indonesia is important to provide opportunities and encourage every employee in the organization to continue to learn and expand their capacity. They are an organization that is ready to face change by managing change itself (managing change). To begin transforming the organization where we are right now, first, let's look at the important components that must exist in a learning organization, namely Learning, Organization, People, Knowledge, and Technology. In plain view, the five disciplines above exist in the Palu City SMEs and have applied the principles of organizational development. Learning Organizations that can always improve their competence/performance on an ongoing basis, because their members have individual commitments and competencies who can learn and share knowledge at a superficial and substantial level. Organizational Learning is a figurative word that describes an organization as an integrated system that is always changing because the

individual members of the organization experience a learning process.

The existence of an organization cannot be separated from the problems that develop in it, the problems that arise come from internal and external to the organization. Four important reasons make an organization need to continuously learn and become a Learning Organization, even though the organization is considered relatively better than similar organizations. Namely, increasingly fierce competition, the synergy between team members, very fast changes, and anticipation of an uncertain future [4].

Efforts in addressing these problems can be done with a variety of steps, one step is to apply the concept of the learning organization.

In general, this concept can be defined as the ability of an organization to constantly make the learning process (self-learning) so that SMEs in Palu Indonesia itself have a "speed of thought and action" in response to a variety of changes that exist so that in applying the Learning Organization in SMEs Palu Indonesia needs five indicators of learning discipline that must be realized and developed in the creation of a learning organization (Personal Mastery, Model Mentals, Shared Vision, Team Learning and System Thinking)

#### *4.2 Personal Mastery partially affect the competence of SMEs in Palu Indonesia*

In accordance with the results of hypothesis testing that the discipline of personal mastery partially affects the Competence of Micro, Small and Medium Enterprises in Palu City, Indonesia. This result can be interpreted that the application of personal mastery discipline is to encourage employees of the UMM organization to continuously learn how to create their future, which will only be formed if the individual members of the organization are willing and able to continue learning to make themselves a master in their field of knowledge. Personal mastery discipline is formed characterized by the growth of individual skills of members of the organization, their intellectual, emotional and social contemplation and the skills to revise their personal vision or vision, then the skills to build working conditions that are in accordance with the circumstances of the organization.

#### *4.3 Mental model partially affects the competence of SMEs in Palu, Indonesia*

In accordance with the results of hypothesis testing that the discipline of the mental model partially affects the Competence of Micro, Small, and Medium Enterprises in Palu City, Indonesia. These results can be interpreted that the application of mental discipline models in MSME Organizations will have difficulty being able to accurately show the various realities that exist, if organizational members are not able to formulate assumptions and appropriate values to be used as the

basis for ways of thinking and ways of looking at various problems. organization. The skills to find common principles and values, as well as the growth of the spirit of sharing values to foster shared beliefs so as to strengthen the spirit and commitment of togetherness, are disciplines needed to build disciplined organizational mental models.

#### **4.4 Shared Vision partially affects the competence of SMEs in Palu, Indonesia**

In accordance with the results of testing the hypothesis that the shared vision discipline partially affects the Competence of Micro, Small, and Medium Enterprises in Palu, Indonesia. This result can be interpreted that the application of shared vision discipline is that learning organizations need a shared vision, a vision that is agreed upon by all members of the organization. This shared vision will become a compass and at the same time trigger enthusiasm and commitment to always be together, so as to foster motivation for employees to learn and continue to learn to improve their competencies. The skills to match the personal vision with the organization's vision, as well as the skills to share the vision in order to achieve the personal goals contained in the shared vision of the organization, are individual disciplines needed to build the discipline of sharing a vision. That is, to foster commitment and high performance from all employees, it must start with a shared vision.

#### **4.5 Team Learning partially affects the competence of MSMEs in Palu City, Indonesia**

In accordance with the results of testing the hypothesis that team learning discipline partially affects the Competence of Micro, Small, and Medium Enterprises in Palu, Indonesia. These results can be interpreted that the application of team learning discipline will be effective if the members of the group have a sense of mutual need for one another to be able to act according to a common plan. The ability to act is a prerequisite for creating added value to the organization, because plans without real action are mere illusions. The problem is, the ability to act according to a common plan is often hampered simply because we are not able to communicate and coordinate properly with other parties. For this reason, the spirit of dialogue, teamwork skills, the ability to learn and adapt and the effort to increase participation are disciplines needed to build team learning discipline.

#### **4.6 System Thinking partially affects the competence of SMEs in Palu, Indonesia**

In accordance with the results of hypothesis testing that the discipline of systems thinking partially affects the Competence of Micro, Small, and Medium

Enterprises in Palu City, Indonesia. These results can be interpreted that the discipline of systems thinking, namely the skills to understand the structure of the relationship between various internal and external factors that affect the existence of the organization, the skills to think integratively and thoroughly, the skills to think comprehensively, and the skills to build an adaptive organization, are disciplines needed to build systemic learning discipline. With systems thinking, all employees will be directed to see a business condition as part of a broad system, not as a separate specific part. Thus, it will be easier to identify the issues that exist in the Palu City SMEs and then try to think more broadly and in the long term about overcoming the problems that occur.

### **5. CONCLUSION**

Based on the results of the research and discussion that have been stated previously, the researcher can draw the conclusion that through the implementation of a learning organization with 5 (five) namely Personal Mastery, Mental Models, Shared Vision, Team Learning and System Thinking, both simultaneously and partially have a positive and significant effect on the competence of SMEs in Palu City. Taking into account the results of the discussion, the author feels the need to provide input as follows:

1. Need to improve the discipline of time (on time) for employees, in order to respect time and complete tasks in accordance with the specified time.
2. It is necessary to improve the quality of employees in the IT field in accordance with modernization of existing technology, by increasing technology training.

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