

Human Resources Management Development Strategy at Microfinance Institutions in North Sumatra

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Abstract

Globalization, changing consumer and investor needs, and increased product market rivalry in microfinance institutions such as cooperatives are all signs of rapid change in the economic environment. Human resources created by cooperatives are a microfinance institution's most valuable asset. Recognizing that the basis of competitive advantage has changed, it is critical to develop a new frame of reference to consider management issues and its human resource strategy in innovating. This article used a qualitative approach to analyze strategies in innovation-based HR development using the SWOT model, which is a decision-supporting model for evaluating strategic priorities by outlining alternative strategies. The research revealed that the proposed approach was a WO strategy, which entailed minimizing weaknesses in order to maximize opportunities in the development of microfinance organizations.

Keywords: Strategy, Human Resources Management, Financial Institution.

Introduction

The Industrial Revolution 4.0 is causing fast changes around the world. According to Bailey (2018), the role of the community, government, cooperative institutions, and others must also evolve quickly in the era of Industry 4.0. They need to adapt and endure the rigors of globalization, thus they must evolve.

Cooperatives are encouraged to establish new strategic directions as a result of globalization and technology advancements. According to Michel Armstrong (2010), the shift in Human Resources is in the "Business Model Innovation And Strategy," or BMI, with its management and development approach. To meet the challenges of globalization and compete on a global scale, we have no choice but to develop Human Resources.

Human resource development is founded on the notion that

cooperatives, as man-made enterprises, rely on human knowledge to create and achieve their objectives, and that professionals serve as supports of individuals and groups, work processes, and the cooperative's integrity. They must be intelligent, competent, possess Human Resources management skills, and have the ability and willingness to learn by leading cooperatives capable of creating human resources and collaborating with others on a similar basis, rather than acting as if they were something for them with various models.

As of December 2015-2020, Indonesia and numerous regions such as Aceh, North Sumatra, and Java have major cooperative units. Many cooperatives had an influence prior to the pandemic, and many cooperatives were not functioning in 2016 due of the Covid-19 epidemic. As a result, there was a decrease in data, and the cooperative description is as follows:

No	Year	North Sumatera	Aceh	East Java	Central Java	West Java	Indonesia (in tens)
1	2020	4.593	4.176	22.464	12.706	14.706	12.712,4
2	2019	4.199	4.115	21.757	13.164	13.164	12.304,8
3	2018	4.667	3.950	24.024	13.460	11.127	12.634,3
4	2017	6.073	4.026	27.683	21.667	16.203	15.217,4
5	2016	11.280	7.323	31.980	26.409	25.549	20.819,5
6	2015	11.696	7.834	32.211	27.103	25.732	21.082,9

Table 1. Cooperative Development
Source: <https://kemenkopukm.go.id/2020-2016>

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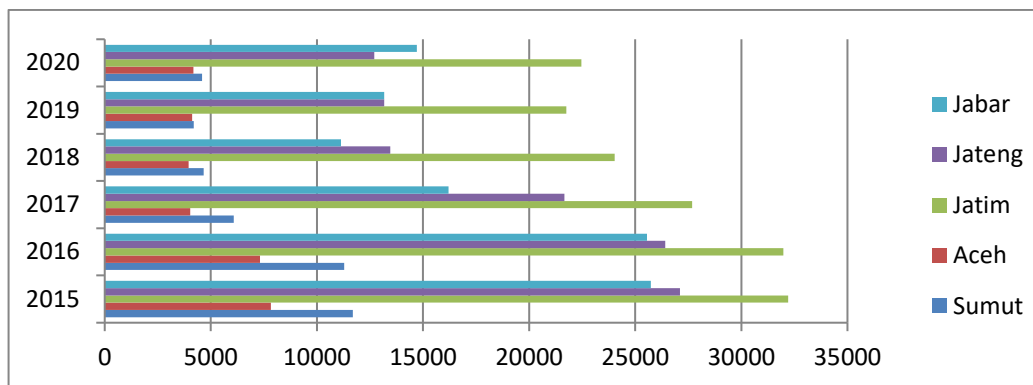


Figure 1. The Number of Cooperatives Development for the 2015-2020 Period
Source: Data processed, 2021

According to the graph above, the number of cooperatives has continued to drop from 2015 to 2020, with the 2019-2020 pandemic era causing a significant decline in cooperatives in Indonesia. This is thought to be owing to a lack of innovation in North Sumatra in particular, the Aceh region, and the Java Island region (West Java, Central Java, and East Java).

The study discovered three primary barriers to cooperative innovation: idea execution, risk avoidance, and problems in selling the innovations' outcomes. Innovation, as a result of new breakthroughs, necessitates specialized management, referred to as Innovation Management. Cooperatives have no idea how to deal with innovation. A series of trainings or workshops for managers can help to create this new capability. It is also required to establish a Cooperative Innovation Hub (CIH) on campus to assist cooperatives in their innovation efforts.

Cooperatives also confront other challenges when it comes to innovation, according to the study. The study lacks a metric for measuring innovation performance, the time required to innovate, a lack of ideas, a lack of internal coordination, no compensation for innovating, a lack of

understanding of what people want, and a lack of leadership commitment or support. The third barrier, risk aversion, is understandable given the fact that innovation can lead to success or failure.

According to Muchlas (2015) innovation is a dynamic strategy (against the business environment) that management must employ in order to compete and perform well. Cooperatives are experiencing exponential growth in terms of innovation and performance. Successful innovation can propel a cooperative forward. Innovation is regarded as one of the most crucial engines for a company's growth.

The business development division must grasp the consequences of existing and potential business models in order to contribute to business model innovation in the 4.0 era. There are companies that are successful in innovating and can improve their company's performance, but the opposite often occurs, so the author will examine strategy development through strategy analysis, which identifies the strengths, weaknesses, opportunities, and challenges of cooperative innovation and maps them through the decision-making model's hierarchy.

Literature Review

Figuerska, I., & Matuska (2013) describe human resource development as a process of improving one's abilities, skills, and knowledge. This can be defined as the accumulation of human capital and its effective investment in economic development from an economic standpoint. HR plays a critical role in fostering innovation.

It's no secret that today's corporate success is largely dependent on people rather than finance. For organizations, innovation is vital in two ways: it plays a role in dramatic progress and smaller, more sustainable change. Employee behavior must change as firms attempt to become more innovative. Wang, Z., Chen, J., Madsen, A. S., & Ulhi, J. P. (2005).

Companies can use human capital to increase organizational knowledge and produce new products and services when running innovations. The realm of human resource development innovation knows no bounds. As a process, innovation, according to Syamsuri et al., (2022), necessitates openness to new ideas and methods of doing things, as well as operational inventiveness. As a result,

Innovation in Human Resource Development

innovation is defined as the aptitude and capability to create many sorts of innovation. There are three types of innovation sectors, according to Singh (2018). Human resource management for innovation falls under the first category, which encompasses all aspects of constantly searching for needed staff, suitable personnel, and suitable jobs. This is a difficult activity that demands meticulous planning, instruction, and training. At the strategic and operational levels, this includes the task of recruiting, educating, and developing high-quality management and leadership professionals. These individuals' expertise and skills are essential for leading and managing large, complicated companies with various departments.

Second, technological innovation is required for strategic human resource development and capacity building, but this may be accomplished by allocating the appropriate financial resources to offer funding and support for technological innovation. Innovation will not take off without the necessary financial backing. The third form of invention is a hybrid of the first two types, which complement each other.

Business Model Innovation and Strategy

What is the relationship between strategy and business model? Joan Magretta was the first to come up with categorical responses to this topic (2002). "Even though many individuals today use the terms interchangeably, a business model is not the same as a strategy. A business model is a system that describes how the many components of a company interact. However, they overlook one important aspect of performance: competition. Every business will run across competitors sooner or later – generally sooner. Strategy's role is to deal with that reality. A competitive strategy discusses how you'll outperform your competitors. And, by definition, achieving better entails being different.

But what if business model innovation is obviously linked to strategy? what's the connection? 'While strategy concerns' long-term value creation and the process of making strategic choices, study of the business model helps clearer analysis, testing, and validity of these choices,' according to Sparrow et al (2016: 5). They also demonstrated how business models 'can' be used to weave together and explain the importance of various components in the implementation of a plan.

'A business model is more general than a company plan,' Teece (2010) noted. To secure any competitive advantages

that come from the design and implementation of the new business model, combining strategy analysis with business model analysis is required.' When Casedusus-Masanel and Ricart (2010) suggested that strategy "refers to the choice of business model in which the firm will 'compete in that market place," they suggested a tighter relationship.

"Strategic management is best defined as a process," Boxall and Purcell (2003) write. It's a process of formulating, defining, and, if the company sticks around long enough, changing its strategy. Johnson et al (2005) define strategic management as the process of 'understanding an organization's strategic position, making strategic decisions for the future, and putting strategy into action.' Rosabeth Moss Kanter (1984) stated that strategic management's goals are to 'get current action for the future' and to become the 'vehicle of action- integrating and institutionalizing mechanisms for change'.

'Deciding what the company's business will be in and forming a strategic vision of where the organization needs to be headed-in effect, growing the organization with a sense of purpose, providing long-term direction, and establishing a clear mission to achieve,' according to Thompson and Strickland (2006).

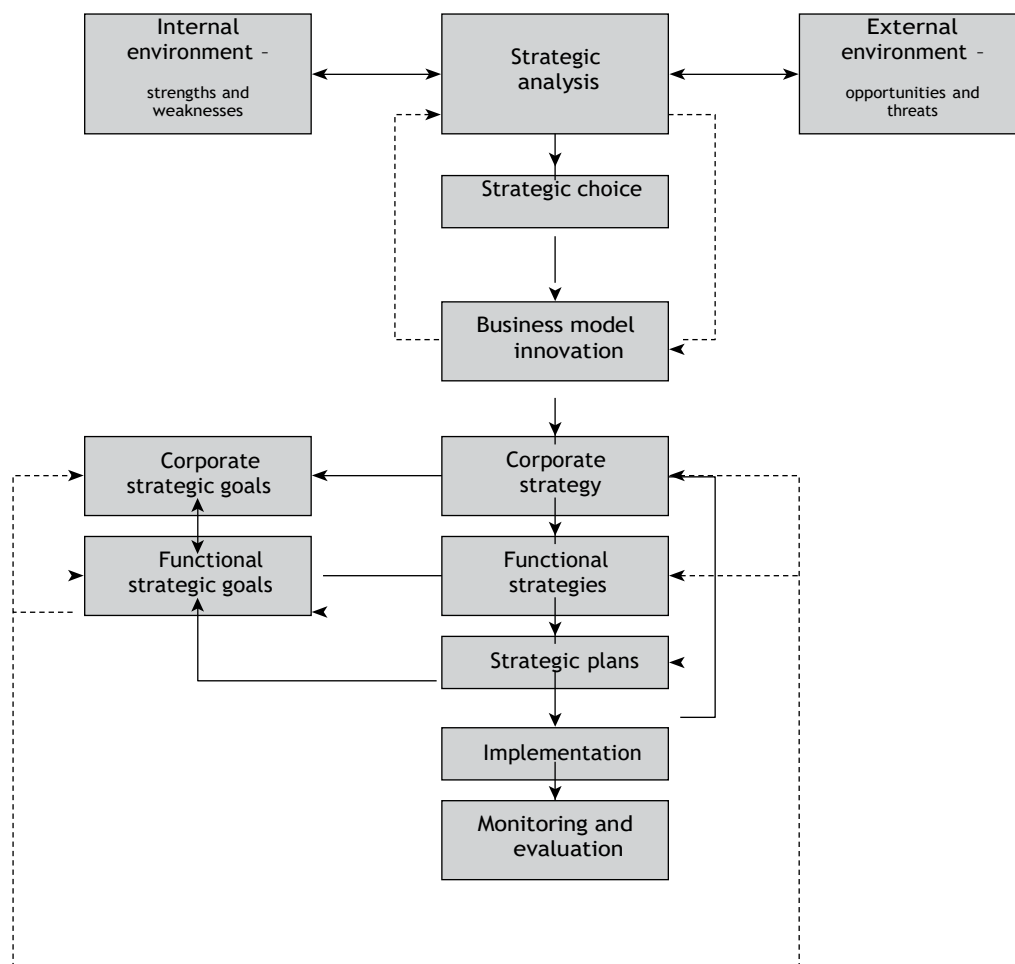


Figure 2. Innovation Strategy
Source: Michael Armstrong, 2010

Figure 1 shows a diagram of the strategic management process. It entailed studying the internal and external

environment, making strategic decisions (there are always options), establishing corporate and functional strategies and

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objectives, implementing strategies, and tracking and evaluating progress toward goals. However, in actuality, it is not as straightforward and straightforward as it appears.

The focus is on determining the organization's objective and strategy, but the resource base required to make it successful is also considered. Managers who think strategically

Research Method

The type of research used was a descriptive qualitative approach with a SWOT analysis approach through several experts who were used as participants, followed by triangulation to check the data's validity and compare it to data

will see their future from a broad, long-term perspective. They will, however, recognize that it is their job to first plan how to allocate resources to opportunities that contribute to strategy implementation, and then to manage these possibilities in a way that adds value to the company's results.

obtained from other sources, at various stages of field research, at various times. An investigation on the use of the SWOT analysis.

In addition, the SWOT analysis analyzes external elements such as opportunities and threats with internal factors such as strengths and weaknesses, resulting in the following strategy selection:

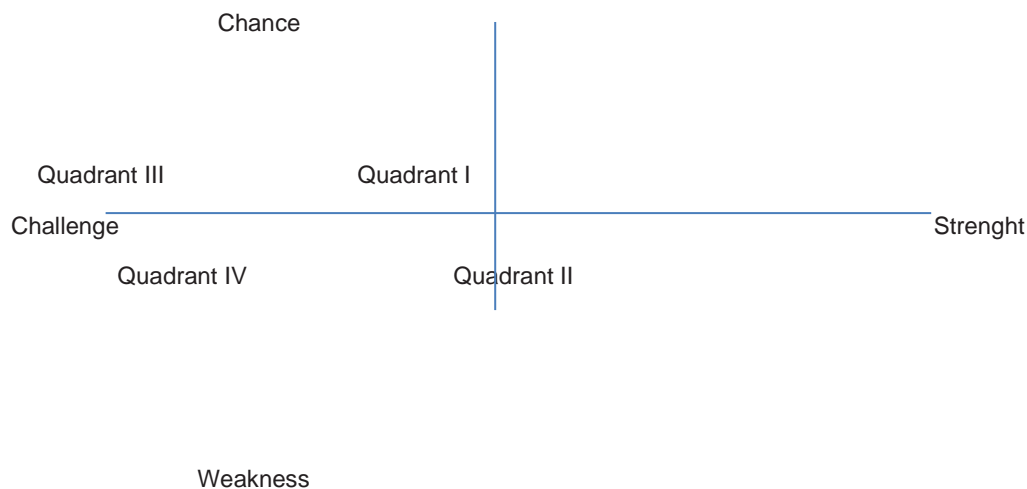


Figure 3. Quadrant Matrix
Source: Freddy Rangkuti SWOT Analysis, 2015

The SWOT approach was used to formulate the internal and external environments of the object under observation in a qualitative and holistic manner. The internal scope of the analysis detailed the components that were the business's

shortcomings and strengths. Meanwhile, this research detailed the features of the opportunities (opportunities) and constraints/threats/challenges (threats) the firm will confront in the external scope.

	STRENGHT (S)	WEAKNESSES (W)
OPPORTUNITIES (O)	SO Strategy: Using all strength possessed to take advantage of existing opportunities.	WO Strategy: Overcoming all weakness to achieve all existing opportunities.
THREATS (T)	ST Strategy: Using all power for	WT Strategy: Push all weakness-weakness and prevent threats

Table 2. SWOT Analysis Matrix
Source: Freddy Rangkuti, 2015 SWOT Analysis

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Result And Discussion

Cooperatives are encouraged to establish new strategic directions as a result of globalization and technology advancements. The change in Human Resources, according to Michel Armstrong, was in the "Business Model Innovation and Strategy," or BMI, with its management and development

strategy. We have no alternative but to develop human resources based on innovation in order to meet the challenges of globalization and compete on a worldwide scale, as described in the SWOT analysis below:

Strength		
	Strength	Weight
S1	The existence of a Cooperative Training Institute	4
S2	Qualified PLUT facilitator	3
S3	Participation of Community Organizations (Profession/Community organization/Education)	3
Weakness		
	Weakness	Weight
W1	Incomplete curriculum / training modules and human resources standardization	3
W2	Lack of Cooperative HR who has competency certification	2
W3	The weakness of Research and Assessment of Cooperative Potential	4
Opportunity		
	Opportunity	Weight
O1	RPJMN 2020-2025 technology-based entrepreneur program (technopreneur)	3
O2	The Strategic Plan and Policy of the Deputy for Human Resources Development of the Cooperatives Ministry 2020-2025 were directed to optimize the potential of human resources so that they could grow innovatively.	3
O3	MEA Free Market in Go Export product competition	4
Threats		
	Opportunity	Weight
T1	Continuously developing innovation and technology	4
T2	Dynamic rules which keep changing	3
T3	Unstable economic conditions	3

Table 3. SWOT Indicators and Weights
Source: Data processed, 2022

After determining the indicators' weight, data from participants was triangulated to select a comparison of

impacts, which was then processed to produce Internal (IFAS) and External (EFAS) values with the following description:

Internal Factors Analysis (IFAS)			
Strength	Weight	Rating	*Rating weight
The existence of a Cooperative Training Institute	0.2057	4	0.822626
Qualified PLUT facilitator	0.1679	3	0.503590
Community Organizations (Profession/Ormas/Education) Participation	0.0870	3	0.261132
Sub Total (Strength)			1.587347
Weakness	Weight	Rating	*Rating weight
Incomplete curriculum / training modules and standardization of human resources	0.1511	3	0.453200
Lack of Cooperative HR who has competency certification	0.0827	2	0.165300
Weak Research and Assessment of Cooperative Potential	0.3057	4	1.222878
Sub Total (Weakness)			1.841379
IFAS Total	1.00		3.428726

Table 4. EFAS
Data source processed, 2022

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Based on the data in the table above, the value of strength was 1.587, which was lower than the value of weakness, which

was 1.841, and the number of IFAS was 3,428, it can be stated that Weakness was the dominant internal strategy.

Eksternal Factors Analysis (EFAS)				
Opportunity		Weight	Rating	*Rating weight
RPJM 2020-2025 technology-based Entrepreneurship program (technopreneurs)		0.0475	3	0.142453
The Strategic Plan and Policy of the Deputy for Human Resources Development of the Cooperatives Ministry 2020-2025 are directed to optimize the potential of human resources so that they are able to grow innovatively.		0.1658	3	0.497452
MEA Free Market in Go Export product competition.		0.3666	4	1.466555
Sub Total (Opportunity)				2.106461
Threat		Weight	Rating	*Rating weight
Continuously developing innovation and technology		0.1860	4	0.744157
Dynamic rules that keep changing		0.1242	3	0.372473
Unstable economic conditions		0.1099	3	0.329588
Sub Total (Threats)				1.446217
IFAS Total		1.00		3.552678

Table 5. EFAS
Data source processed, 2022

Based on the data in the table above, the opportunity value was 2.106, which was higher than the threat (challenge) value of 1.446, and the number of IFAS was 3.552, indicating that Opportunity was the most dominant internal strategy.

Opportunity or (WO), which are plans to overcome weaknesses in order to gain opportunities, according to the results of IFAS and EFAS. Then, using the SWOT matrix in the graphic below, look for WO strategy activities:

The strategic decisions employed were Weakness and

	STRENGTH (S)	WEAKNESSES (W)
OPPORTUNITIES (O)	SO Strategy: Using all the strengths you have to take advantage of the opportunities that exist	WO Strategy: 1. Refine the Curriculum and Training Modules and Standardization of Human Resources in order to optimize the human resources potential so that they are able to grow innovatively (W1, O2) Cooperative human resources and UMKM assisted by cooperatives follow competency certification in order to be able to innovate and compete in the MEA free market and for Go export products (W2, O3) Improve studies, especially the cooperatives digitalization through research to improve cooperatives and MSMEs can develop in accordance with the 2020-2025 economic RPJM (W3, O1)
THREATS (T)	ST Strategy: Using all power for avoid threats	WT Strategy: Press all Weaknesses and prevent threats

Table 6. SWOT Matrix
Source: Data processed, 2022

This is in accordance with the Deputy for Human Resources Development Vision of the Cooperatives Ministry and SMEs for 2020-2025, which is: "Creating Resilient and

Independent Cooperatives and MSMEs Human Resources and Playing a Role in the National Economy" is directed to support the realization of the mission, that is: Increasing the Capacity of

Cooperatives and MSMEs.

Then the national strategy related to the Deputy for Human Resources Development main tasks and functions of the Cooperatives Ministry and SMEs that will be implemented to support policy directions in the field of Entrepreneurship and MSMEs in 2020-2025, that is: Improving the quality of human resources through:

Refine the Curriculum and Training Modules and Human Resources Standardization in order to optimize the potential of human resources so that they are able to grow innovatively (W1, O2)

Conclusion

The priority evaluation of SWOT strategy provides input for decision makers in implementing strategic choices to address customer expectations and the needs of the organization's stakeholders. Strategies that have a high level of importance for each strategy which has a low level of importance. Based on the results of the SWOT matrix, the formulation of the

Cooperative human resources and MSMEs led by Cooperatives participate in competency certification in order to be able to innovate and compete in the MEA free market and for Go export products (W2, O3)

Improve studies, especially the digitalization of cooperatives through research to improve cooperatives and MSMEs can develop in accordance with the 2020-2025 economic RPJM (W3, O1). The strategic target for developing Cooperatives and MSMEs is a condition to be achieved and adjusted as an outcome/impact of the program implemented by the Deputy for Human Resources Development of the Cooperatives Ministry and SMEs in North Sumatra later.

priority of this strategy resulted from the influence of the weakness and opportunity factors (WO) as a program to increase human resources in strengthening innovation by increasing human resources in the curriculum of cooperative training, certification and research.

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