PERCEPTIONS OF HUMAN RESOURCE MANAGEMENT PRACTICES:
STUDY OF CULINARY INDUSTRY OF SMES IN INDONESIA

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ABSTRACT

Purpose: The purpose of this article is to examine the perception of human resource management practices in Culinary industry of SMEs in Indonesia.

Theoretical framework: The conceptual model for this study was developed based on previous research in the field of human resource management globally. The conceptual model has four factors that affect human resource management practices in Culinary industry of SMEs in Indonesia.

Design/methodology/approach: A quantitative method in the form of a structured questionnaire was designed based on a review of pertinent literature. This study collected empirical data from 126 employees of culinary industry of SMEs in Balikpapan City of Indonesia. Analysis method by path analysis is using PLS-SEM to test the significance of the research model.

Findings: The result of research showed that that HRM practices (employee training & development, performance evaluation and compensations) are positively influence on perception of HRM practices itself, but recruitment & selection is not influence.

Research, Practical & Social implications: The implications drawn from this research help owners or managers of human resources in existing SMEs to focus their resources by considering Recruitment and Selection, training and development, performance evaluation, and compensations variables that can affect human resource management practices in their organizations to succeed.

Originality/value: This study is important for owner of SMEs because it confirms business owners' need or desire to increase human capital in order to boost SMEs performance and offer the SMEs a competitive advantage in the marketplace.

Keywords: HRM practices, recruitment & selection, training & development, compensations, performance evaluation.

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PERCEPÇÕES DAS PRÁTICAS DE GESTÃO DE RECURSOS HUMANOS:
ESTUDO DA INDÚSTRIA CULINÁRIA DE PME NA INDONÉSIA

RESUMO

Objetivo: O objetivo deste artigo é examinar a percepção das práticas de gestão de recursos humanos na indústria culinária das PME na Indonésia.

Estrutura teórica: O modelo conceitual para este estudo foi desenvolvido com base em pesquisas anteriores no campo da gestão de recursos humanos a nível global. O modelo conceitual tem quatro fatores que afetam as práticas de gestão de recursos humanos na indústria culinária de PMEs na Indonésia.

Projeto/metodologia/abordagem: Foi concebido um método quantitativo sob a forma de um questionário estruturado com base numa revisão da literatura pertinente. Este estudo coletou dados empíricos de 126 funcionários da indústria culinária de PMEs na cidade de Balikpapan, na Indonésia. O método de análise por caminho de análise está usando PLS-SEM para testar a significância do modelo de pesquisa.

Constatações: O resultado da pesquisa mostrou que as práticas de gestão de recursos humanos (treinamento e desenvolvimento de funcionários, avaliação de desempenho e remunerações) têm influência positiva na percepção das práticas de gestão de recursos humanos em si, mas o recrutamento e seleção não têm influência.

Investigação, implicações práticas e sociais: as implicações decorrentes desta investigação ajudam os proprietários ou gestores de recursos humanos nas PME existentes a concentrarem os seus recursos, considerando as variáveis de Recrutamento e Seleção, formação e desenvolvimento, avaliação de desempenho e compensação que podem afetar as práticas de gestão de recursos humanos nas suas organizações para o sucesso.

Originalidade/valor: Este estudo é importante para os proprietários de PME porque confirma a necessidade ou o desejo dos proprietários de empresas de aumentar o capital humano, a fim de aumentar o desempenho das PME e oferecer-lhes uma vantagem competitiva no mercado

Palavras-chave: práticas de gestão de recursos humanos, recrutamento e seleção, formação e desenvolvimento, compensações, avaliação de desempenho.

1 INTRODUCTION

Indonesia is a developing country trying to achieve equitable economic development with the aim of realizing a prosperous and prosperous life of citizens. This economic development strategy is usually associated with industrialization tips. The development of this industry is the main goal of welfare, not just an independent activity to just look for the physical. In line with this, currently the role of industry, one of which is Small and Medium Enterprises (SMEs), is believed to be the backbone of the economy as well as the spearhead of economic turnover in a country, in other words, SMEs have
a strategic role in national economic development (Hadi, et.al., 2023). Thus, SMEs are considered very important for the economy of one country, one of which is Indonesia, because they can contribute to economic growth, job creation, and employment where this can improve people's welfare. The growth of SMEs in developing countries is very important for development strategies and eliminating poverty and regional disparities. A number of studies have been conducted on SMEs proving their importance to the industry in general and developing countries in particular in Indonesia (Tambunan, 2019; Aladin et.al., 2021; Wijanarka & Sari, 2022; Yusuf, et.al., 2023).

Besides that, SMEs often develop strategic plans to help them achieve their goals, where one of the plans in question is human resource planning (HRP). The organization's current human resources as well as the global labor market are taken into consideration when planning for its future human resource needs. This kind of planning focuses on establishing opportunities for the company's future and external Human Resource management challenges.

If small business owners understand how other small business owners regard them and how they may use them to boost their company's success, they may find human resource management practices to be useful and new information. Small businesses should pay particular attention to growing their human capital and managing their people resources (Ulvenblad & Barth, 2021). While working in a smaller firm, it is more challenging to understand how Human Resource management practices may be employed in other organizations.

A human resource management practice is a set of actions that motivate employees to engage in the organization's goals and direct human resources (Verma et al., 2020). Human resource management strategies were shockingly poorly understood (Mendy & Rahman, 2019a). For this reason, this study tries to further analyze the opinions of SMEs owners about Human Resource management practices and the factors that influence them.

2 LITERATURE REVIEW


Meanwhile, Adresi and Darun (2017) stated that Human Resource management practices include Recruitment, Selection, Training, Development, and performance appraisal that are consistent, integrated and strategically focused so that companies build long-term commitments to maintain their workforce. So did Verma et al., (2020) stated that recruitment and selection, performance evaluation, development training, and compensation planning are examples of tasks that fall within the workplace's purview of human resource management. Training, development, staff selection, and employee retention are aspects of human resources management directly tied to the study's findings and conclusions.

According to Muizu et.al., (2021) review on Human Resource Management Practices In Indonesia’s Culinary SMEs, the majority of SMEs in Indonesia concentrate on obtaining financing, paying little attention to employee development, which includes giving employees clear development plans and helping them acquire new skills. One problem that few business owners or entrepreneurs pay enough attention to is that they might be concerned that one of their employees will leave the company and open a competing enterprise. Several businesses already use this strategy. In the meantime, if the person did not participate in any mentoring or training programs while on the job, their capacity and competency remain stagnant. Based on their review, Human Resource Management Practices in Indonesia’s Culinary SMEs can be determinate by Recruitment and Selection, Training and Development and Performance Appraisal. Even though, Shahzadi, et.al., (2023) only used Training and Development for indicators of Human Resource Management Practices.

Recruitment and Selection are hiring the right people is critical for the success of any organization. Creating clear job descriptions, using a variety of recruitment strategies
using valid and reliable selection tools, and making certain the selection process is fair and transparent are all indications of best practices in recruitment and selection (Sampe, 2023). The recruitment and selection process in Indonesia’s SME usually done in informal. There is no specific units that handle the process. Most of the processes are done by the owner (Muizu et.al., 2021). But the research of Khalil et.al., (2023) stated that there is no significant correlation between Employee Recruitment & Selection and SMEs’ Perception of HRM Practices.

$H1$- There is a significant influence of Recruitment and Selection on Perception of HRM Practices.

SMEs require training just as much as larger corporations (Antonioli & Torre, 2016). If there is training held by SMEs, it is likely that the training is informal, for a limited duration, and unscheduled. As a result, there is no plan in place to provide adequate training and development. However, the training and development program has challenges because the money is relatively restricted, and determining the training and development needs is very tough. It is also tough to decide what type of training they want to provide to their personnel, because they have limited resources and time. Furthermore, (Pauli, 2020) explained how training research assisted SMEs by (i) boosting the motivation and perspective of the business owner toward the HR function; (ii) raising awareness of the training and its benefits in improving HR quality; (iv) Short-term human resource planning. Although training is typically only effective in the short term, in the case of SMEs, training can also be used in the long term because development programs are uncommon in SMEs. With skilled workers, SMEs can improve their business processes and go forward to generate innovation that will be highly helpful to their organization. This is supported the research by Khalil et.al., (2023) stated that there is significant positive correlation between Training-Development and SMEs’ Perception of HRM Practices.

$H2$- There is a significant influence of Training and Development on Perception of HRM Practices.

There has been very little research into how SMEs conduct performance appraisals (Belsito & Reutzel, 2019). Because many SMEs still have a very short business structure, it is typical practice for the owner or manager to handle the performance appraisal. As a result, the majority of SMEs’ owners do all business responsibilities, particularly the HR function. Performance evaluation is used to enhance the performance
of an organization. It is possible to measure performance in a variety of methods besides "performance assessment" and "performance management" (Dixit & Sinha, 2021). In this investigation, we will talk about "performance evaluation." Through performance evaluations, managers can both provide developmental feedback (which focuses on performance improvement) and administrative decisions (such as promotions, salary increases, or punishment that results in dismissal, for example) that effectively increase employee motivation and capacity (Akter, 2020).

Employee performance evaluations were handled more casually (Shah et al., 2020). Each employee had job descriptions, but it was impossible to tell how well they were doing their jobs. A lack of appreciation was shown to those who performed well in their duties. It used to be that workers who did not meet expectations had till the end of the month in which to improve or face sacking. This is supported the research by Khalil et.al., (2023) stated that there is significant positive correlation between Performance Evaluation and SMEs’ Perception of HRM Practices.

H3- There is a significant influence of Performance Evaluation on Perception of HRM Practices.

A worker's right to remuneration due to their labor is described as "employee compensation" (Mendy et al., 2020). Compensation refers to all the rewards given to employees for their time, effort, and knowledge. Both fixed and performance-based compensation is included here (Mendy & Rahman, 2019b). The goal of the company to increase the basic income of its employees is known as a benefit. Non-financial rewards include health insurance, paid time off, retirement savings plans, and the ability to work remotely. Productivity may rise if workers are treated equitably at work. There is no use in having a fantastic position if the pay is not enough (Mendy & Rahman, 2018). Those paid more are more likely to put up their best effort than those who are not. This is supported the research by Khalil et.al., (2023) stated that there is significant positive correlation between Compensation and SMEs’ Perception of HRM Practices.

H4- There is a significant influence of Compensation on Perception of HRM Practices.
3 METHODOLOGY

This research can be considered as a causal investigation because it focuses on the relationship between the independent and dependent variables. HRM practices and perceptions of HRM practices in SMEs are being explored in this study. The data obtained from workers will be used quantitatively to investigate how small business owners and managers view HRM practices. The research method used in this study is a quantitative method using statistical methods and a set of alternative answers that have been predetermined in a structured questionnaire. A standard questionnaire was used to collect data from 126 respondents by using simple random sampling technique.

The hypothesis test used is SEM to determine the direct effect between variables. This study uses path analysis based on Structural equation analysis (SEM) using Partial Least Squares (PLS) SEM which is a variant-based SEM statistical method designed to solve multiple regressions when specific problems occur in the data. To test the construction validity and instrument reliability, the measurement model (outer model in form of confirmatory factor analysis) was used. The correlation between the indicator and variable scores demonstrates the measurement model's convergent validity. If the AVE value and the outer loading variable dimension both have a loading value greater than 0.5, the indicator is considered valid (Fornell & Larcker, 1981). The values of Composite Reliability and Cronbach's Alpha were greater than 0.60 used in the reliability test (Ghozali, 2018). T-statistic test parameters and p-value are obtained from the structural model (inner model) to predict the evidence of a causal relationship using the bootstrapping process.
4 RESULTS AND DISCUSSION

According to Ghozali (2018) that Cronbach’s Alpha can be accepted if > 0.6. The closer Cronbach's alpha to 1, the higher the internal consistent reliability.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Loading factors</th>
<th>AVE/Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment &amp; Selection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERS1</td>
<td>0.735</td>
<td></td>
</tr>
<tr>
<td>ERS2</td>
<td>0.739</td>
<td></td>
</tr>
<tr>
<td>ERS3</td>
<td>0.732</td>
<td></td>
</tr>
<tr>
<td>ERS4</td>
<td>0.813</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.800</td>
<td>0.750</td>
</tr>
<tr>
<td>Training &amp; Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TD1</td>
<td>0.805</td>
<td></td>
</tr>
<tr>
<td>TD2</td>
<td>0.745</td>
<td></td>
</tr>
<tr>
<td>TD3</td>
<td>0.756</td>
<td></td>
</tr>
<tr>
<td>TD4</td>
<td>0.198</td>
<td></td>
</tr>
<tr>
<td>TD6</td>
<td>0.758</td>
<td></td>
</tr>
<tr>
<td>TD7</td>
<td>0.796</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.805</td>
<td>0.747</td>
</tr>
<tr>
<td>Performance Evaluation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PE1</td>
<td>0.776</td>
<td></td>
</tr>
<tr>
<td>PE2</td>
<td>0.750</td>
<td></td>
</tr>
<tr>
<td>PE3</td>
<td>0.724</td>
<td></td>
</tr>
<tr>
<td>PE4</td>
<td>0.772</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.826</td>
<td>0.728</td>
</tr>
<tr>
<td>Compensation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CB1</td>
<td>0.778</td>
<td></td>
</tr>
<tr>
<td>CB2</td>
<td>0.787</td>
<td></td>
</tr>
<tr>
<td>CB3</td>
<td>0.762</td>
<td></td>
</tr>
<tr>
<td>CB4</td>
<td>0.740</td>
<td></td>
</tr>
<tr>
<td>CB5</td>
<td>0.797</td>
<td></td>
</tr>
<tr>
<td>CB6</td>
<td>0.806</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.814</td>
<td>0.765</td>
</tr>
</tbody>
</table>
Convergent validity is done to test the item level that is accurate to measure the object of research. In this research, Convergent validity can be seen from a loading factor test. Each indicator's loading factor value is greater than 0.70, as can be seen in Table 2. This indicates that each latent variable's indicators can be used as a measurement tool. The idea of discriminant validity states that the manifest variables of various constructs shouldn't be highly correlated.

The index of Goodness of Fit can be determined using global optimization criteria that are identified by Path Modeling in PLS. The Goodness of Fit, or GoF index, used to evaluate structural and measurement models. It also provides a straightforward measurement of the model's overall prediction. According to Hair, et.al. (2016), the GoF score criteria are 0.10, 0.25, and 0.36, which indicate that GoF is small, medium, or large. The information in table 3 can be used to determine the GoF value.

### Table 3. Goodness-of-Fit

<table>
<thead>
<tr>
<th>Variables</th>
<th>$R^2$</th>
<th>Communalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perception of HRM Practices</td>
<td>0.664</td>
<td>0.567</td>
</tr>
<tr>
<td>Recruitment &amp; Selection</td>
<td></td>
<td>0.528</td>
</tr>
<tr>
<td>Training &amp; Development</td>
<td></td>
<td>0.652</td>
</tr>
<tr>
<td>Performance Evaluation</td>
<td></td>
<td>0.669</td>
</tr>
<tr>
<td>Compensation</td>
<td></td>
<td>0.685</td>
</tr>
</tbody>
</table>

Source: Proposed by authors (2023)

Calculation of the GoF value using the following formula:

$$GoF = \sqrt{Com \times R^2} = \sqrt{0.567 \times 0.664} = 0.614$$

Based on table 3 and the calculation of the formula above, it shows that the GoF value is 0.614. Thus, the model is included in the large criteria, and the greater the GoF value, the more appropriate it is in describing the research sample.

Further, table 4 shows the strength of the association between the independent and dependent variables, while the p-value shows the significance of the relationship. In this

$$GoF = \sqrt{Com \times R^2} = \sqrt{0.567 \times 0.664} = 0.614$$

Based on table 3 and the calculation of the formula above, it shows that the GoF value is 0.614. Thus, the model is included in the large criteria, and the greater the GoF value, the more appropriate it is in describing the research sample.
way, the paths Training & Development -> Perception of HRM practices, Performance Evaluation -> Perception of HRM practices, Compensation -> Perception of HRM practices have all been shown to be necessary. When the study adopts a liberal approach, Recruitment & Selection -> Perception of HRM practices bare little consequence.

Table 4: T- Statistics & P-Values

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Original Sample</th>
<th>Sample Mean</th>
<th>Standard Deviation</th>
<th>T Statistics</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment &amp; Selection -&gt; Perception of HRM practices</td>
<td>0.057</td>
<td>0.070</td>
<td>0.069</td>
<td>0.892</td>
<td>0.408</td>
</tr>
<tr>
<td>Training &amp; Development -&gt; Perception of HRM practices</td>
<td>0.347</td>
<td>0.329</td>
<td>0.104</td>
<td>3.437</td>
<td>0.001</td>
</tr>
<tr>
<td>Performance Evaluation -&gt; Perception of HRM practices</td>
<td>0.217</td>
<td>0.207</td>
<td>0.081</td>
<td>2.675</td>
<td>0.008</td>
</tr>
<tr>
<td>Compensation -&gt; Perception of HRM practices</td>
<td>0.294</td>
<td>0.312</td>
<td>0.105</td>
<td>2.768</td>
<td>0.005</td>
</tr>
</tbody>
</table>

Source: Result of Data Processing (2023)

Table 6: Finding Summary

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1- There is a significant influence of Recruitment and Selection on Perception of HRM Practices</td>
<td>Recruitment &amp; Selection -&gt; SMEs Perception</td>
<td>No</td>
</tr>
<tr>
<td>H2- There is a significant influence of Training and Development on Perception of HRM Practices</td>
<td>Training &amp; Development -&gt; SMEs Perception</td>
<td>Yes</td>
</tr>
<tr>
<td>H3- There is a significant influence of Performance Evaluation on Perception of HRM Practices</td>
<td>Performance Evaluation -&gt; SMEs Perception</td>
<td>Yes</td>
</tr>
<tr>
<td>H4- There is a significant influence of Compensation on Perception of HRM Practices</td>
<td>Compensation -&gt; SMEs Perception</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Proposed by authors (2023)

The present findings agree that Training and Development, Performance Evaluation, and Compensation have all been consistently linked to Perception of HRM Practices. Although the results of the study suggest that recruitment and selection do not provide sufficient or essential reasons for Perception of HRM Practices, the results of this study demonstrate a relationship between Perception of HRM Practices and three elements: Training and Development, Performance Evaluation, and Compensation. These results support the notion that Perception of HRM Practices is more complicated than direct association. In summary, our findings enrich research on factors influencing Perception of HRM Practices, provide a theoretical foundation for formulating policies to encourage Perception of HRM Practices among employee of SMEs, and help explore effective ways to increase their Perception of HRM Practices.
5 CONCLUSION

Small and medium-sized enterprises (SMEs) have an unfavorable perception of HRM Practices (Zhang & Edgar, 2021). This is supported by the research even though just three hypotheses have been demonstrated to have a substantial effect; it can be argued that the research objectives and four hypotheses have been addressed. SMEs are unable to reap the benefits of effective human resource management due to a lack of resources and experience. Changes in business culture are viewed negatively by owners (Heilmann et al., 2020). HRM Practices are not mentioned as a component in small business success. Many small and medium-sized businesses believe they understand human resource development and how to profit from education and training. Small business owners agree that successful human capital development requires an in-depth comprehension of training and development.

Several replies from small and medium-sized businesses led the creation of two proposals. First, because of their extensive commercial experience elsewhere, owners may misjudge the true impact on HR procedures. Owners may also be aware with HRM Practices and understand if they would enhance or detract from corporate culture if implemented (Adla et al., 2020). When it comes to performance review, it is evident that business owners have a similar viewpoint, which leads to the conclusion that there is inadequate data to support the premise that performance evaluation may aid employee growth.

Human resource management is viewed negatively by the majority of people (Harney & Alkhalaf, 2021). Because of the approach to human resource management, competition in the business sector is invisible. A prevalent misperception among SMEs is that human resource management methods do not generate company culture (Adla et al., 2020). Human resource management is strongly opposed in order to achieve a competitive advantage in business. In terms of hiring and employee retention, it is generally knowledge that a probationary period is insufficient time to establish whether an employee belongs to the company culture.

Based on the research results, it is known that recruitment and selection do not have a significant effect on perceptions of HRM practices, for that SMEs owners may have discovered alternate means of human resource development that do not rely on recruitment and hiring. Salaries and allowances, according to SME owners, play a role in employee retention. SMEs can assist Compensation based on their prior experience.
because they have recognized opportunities for human capital expansion.

The implications of this research can be seen from the researchers' focus on the opinions and attitudes of SMEs towards the human resource development approach. This is an opportunity for SMEs owners to express their thoughts and ideas. Researchers in this study are taking a fresh look at HRM Practices. Taking into account the results, the following recommendations have been made:

SMEs should focus on improving human resource management. SMEs should invest in their professional growth by learning about human resource management. Cooperation with other SMEs in the region should be encouraged to boost human resource development. Human capital studies of SMEs investigate various approaches to human resource management, training and development, performance evaluation, and recruitment. If SMEs owners want to increase their firm performance, they must learn about the human resource management method (Adla & Gallego-Roquelaure, 2019; Khan et al., 2020). The HR management method may have a role in boosting the SMEs productivity, efficiency, and performance.

Comprehensive study enabled researchers to reach particular conclusions. Human capital development and HR management are in line with the outcomes of SMEs. Knowledge and experience in human resource management are employed as a theoretical foundation in the study of leadership. "What is most important is how leaders use their authority to overcome obstacles and effect change in the workplace" (Mendy & Rahman, 2019c). According to Adla et al. (2020), when SMEs owners excite their personnel, they are more likely to be prepared to complete business activities.

Furthermore, this study has major limitations. The perspectives of SMEs owners on human resource management have received little attention. The perspectives and perceptions of small business owners on human resource issues have aided in closing the research gap. However, there are some severe weaknesses in the study that must be addressed.

As a condition of participation, 126 employees of SMEs in Balikpapan, Indonesia, agreed to engage in the study. SMEs that did not make the cut may have had very different perspectives than those who did. An option would have required a longer time frame and a larger financial investment to include the entire population. In some cases, conducting research in the same or a different area is required.

Knowledge and perceptions of participants about human resource management
may be influenced. HR management approaches were only marginally lowered by making participants the owners. Even if the conclusions were broad and biased, they were nonetheless important for understanding the perspectives of SMEs owners.

The following are recommendations for further study. It is recommended that this study be replicated in other geographical places in future studies to further comprehend the various perspectives. Owners of SMEs may be able to assist generalize the findings and widen the scope of the study, knowing how to improve human capital required SMEs' opinions of HRM practices. This study also looked at a subset of human resource management technique called performance assessment, as well as recruiting and selection.

Other HRM practices, including as labor relations, risk management, and career management, can be studied in SMEs. As a follow-up to this research, other crucial positions in SMEs should be investigated. The data may be useful to management, leadership, and other high-ranking people. The following section of this article is devoted to recommended practices for SMEs.
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