

MANAGEMENT UNDERSTANDING IN SMALL AND MEDIUM ENTERPRISES

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Abstract

Constraints and problems that are faced in small and medium enterprises can not be separated from an understanding of SMEs to management knowledge. Management function that starts with good planning , organizing many resources , mobilization of human resources, and monitoring / evaluating business activity also, should help small and medium enterprises to have a better business performance.

Research conducted on 200 small and medium entrepreneurs in Jabodetabek (Jakarta , Bogor , Depok , Tangerang and Bekasi) descriptively, aims to determine the level of understanding and practice of small and medium enterprises of management knowledge in their business activities .

The results showed that there are still many SMEs who do not yet have sufficient understanding and practice of management knowledge in their business activities, especially in terms of planning, so this situation does not lead to optimal business performanc. Ongoing training and mentoring is expected to be a solution to this problem .

Keywords : SMEs , Knowledge Management , Business performance

Chapter 1 : Background

There are several research have been done related the constraints and their solutions proposed to the small and medium enterprises (SMEs). Most of the research done focusing on the financial management (Nurhayati, 2009; Damaringati, 2012; Apriliani, 2013), productions, and marketing (Rifai, 2013; Suprpto, 2014,) that are faced by most SMEs. Instead of the those problems, SMEs also face the followings, such as: determining visions, program planning, organization, employee motivation, authority delegation, monitoring, and other management activities. Likewise as the enterprise grows, also grows the necessity for other types of skills needed for survival (Zuzana Papulová And Matej Mokroš, 2007)

SMEs have significant roles in the Indonesian economy by giving contribution more than 50% of the GDP. Besides, they also absorb more employees than large scale businesses. These roles can be increased as the knowledge, understanding, and management functions increase in their daily practice.

This understanding will give significant impact to better management of SMEs. The worse condition may occur in the long run if such understanding is not implemented soon. SMEs must be able to handle conflict management unless the business performance will decrease

In a certain point, in the organization level, such conflict will result in negative effects, such as: energy wasting and unproductive employees (they will loose their concentration to work), lack of

collaboration among employees, the decrease of understanding of other groups of work, lack of group collaboration (this condition may lead to the conflict between groups), the coordination will get worse (Daft, 1982). Another example can be seen in understanding the impact of business firm in a good conflict management that it can benefit the performance of the organization, (Andraeni, 2003). Similarly, the importance of understanding the external environment can significantly affect the performance of the organization, (Yurniwati, 2003). This research aims to investigate the levels of understanding towards the management functions of SMEs.

**Chapter 2 :
Theories**

Based on the previous descriptions above, therefore it is a must for SMEs to understand the management functions. This is because management is a science that tells people how to achieve the goals by employing others. The followings are the management functions that must be understood and implemented:



Figure 1. Identifiable Functions in the Management Process

The eight functions above denote a set of activities that will direct an organization to achieve the goals smoothly:

- a. Planning Function

This is related with the organization activities, such as determining the long term goals, targets and strategies that will used.

- b. Decision Making Function
This is related with the organization activities such as determining the best alternatives toward every problems faced.
- c. Organizing functions
This denotes the activities of an organization to allocate the resources optimally, so that all jobs can be well accomplished.
- d. Staffing function
This relates with organization activities to manage human resources, such as recruitment, and pensions.
- e. Communicating Function
This is an activity of an organization to build communications and good relationships with all entities in it.
- f. Motivating Function
This is related with the activities of organization to support human resources to do their job.
- g. Leading Function
This is related with activities to direct the staffs to achieve the goals.
- h. Controlling Function
This is related with the activities to determine the parameters and evaluate the activities that have been done.

There are many definitions about SMEs, one of them is, According to the Ministry of Cooperatives and Small and Medium Enterprises (SME Menekop), Small Enterprises (SE), including Micro Enterprises (ME), is a business entity that has a net worth until Rp 200 million, not including land and buildings, and has annual sales do not more than Rp 1,000, million. Meanwhile, Medium Enterprises (ME) is a business entity that has a net worth greater than R 200 million until Rp 10,000, million, excluding land and buildings.

**Chapter 3 :
Methodology**

This research was done toward 200 SMEs located in Jakarta-Bogor-Depok-Tangerang and Bekasi regions. The samples were taken randomly in 2013.

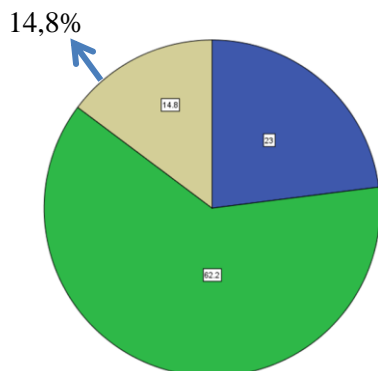
The data were taken from the response of the questionnaires given to the respondents. The analysis are done descriptively toward the variable. The variable of this research is the understanding of the respondents toward eight management functions, namely: planning, staffing, communicating, motivating, leading, and controlling.

**Chapter 4 :
Result and Discussion**

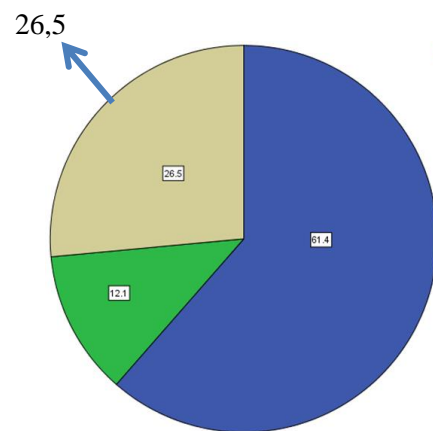
In general, the result of the research shows that the respondent profiles are the SMEs that have been already established not less than 5 years ago. 50% of the SMEs already had establishment permission from the government and the owners are well educated. 80% of the respondents have senior high school certificates. More than 75% have omzet no more than 5 millions. 63.8% of the owners had ever learnt management. Most of them (88.2%) believed that their business success is also due to other people contributions.

Based on the responses of the SMEs toward the questionnaires about the eight management functions, the results can be described as the following:

1. Most of the respondents have already made planning for their business activities. 95.8% of the respondents plan to expand their businesses in the future. This implies that they have understood the importance of planning in a business activity. However not all respondents have understood the importance of business environment. This can be seen that 14,8% of the respondents did not evaluate the business environment.

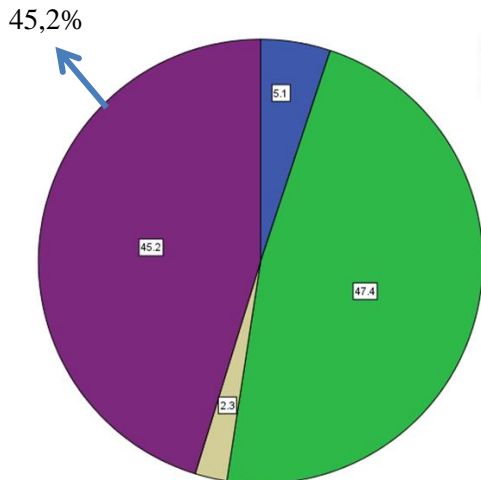


2. In determining the strategy to achieve the goals, most of the respondents (more than 80%) have good understanding of the meaning of strengths, weaknesses, and opportunity.
3. In term of organizing function, for this organization is informal, 50% of the respondednts have not made an organization structure for the business. However they already determined job descriptions to the employees (80.9%). This means the allocation of human resources has been made.
4. Respondents have implemented staffing function. This can be seen that 79.6% have recruited employees based on their skills and 75% of them implemented reward and punishment system in accordance with their performance.
5. Meanwhile, in describing the understanding toward communication function, it is found that 44.5% of the respondents avoid conflict in the workplace. From this result, this can be seen that 48.4% still believe in the old understanding. However, 48.4% of them have good understanding on the conflict. They agree that conflict must be managed.
6. SMEs already motivate their employees This shows that they already understood the importance of motivation.
7. The understanding of SMEs toward leading function shows that 51.1% of the managers felt that they have not been good leaders yet. However, they already shared the authorities, and there are 26,5% of the respondents have not delegated the authorities.



8. Almost all of the respondents agree that controlling function needs to be implemented.

However only 45,2% of them state that the controlling need to be implemented to all activities. Such kind of understanding needs to be changed because controlling functions are needed in all business activities.



The explanation above shows that all eight management functions have been understood and implemented well by SMEs. This can also be noticed that the attention to the business environment has not been implemented yet. The delegation of authority has not been implemented yet. Not all of the respondents understood that all stages in their business activities need control.

**Chapter 5 :
Conclusion**

From the discussion it can be concluded that in order to run the business well, SMEs must understand all management functions. The result of the survey shows that SMEs have understood well about the management functions, however, not all of the 8 functions have been implemented in their daily activity, especially for the evaluation toward the sustainable environment, authority delegation, and activity controlling.

Therefore, sustainable dissemination, training, and partnership can be the solutions and alternatives to improve the understanding of SMEs toward the management functions. This is expected to raise better performance of SMEs.

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