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The Influence of HRM Practices on SMEs Organizational Performance

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ABSTRACT

The study was intended to explore the influence of HRM practices on organizational of SMES in Makassar Metropolitan City. HRM practices for small business are claimed to be less applied than large business. Using survey to collect data, 36 SMEs business owner or manager participated in the study. The collected data were analyzed descriptively and then using factor analysis was applied to compress observed variables prior to regression analysis. The results reveal that intensity of HRM practices still left-behind. However, the HRM practices have positive significant influence on organizational performance. It is suggested that best HRM practices should be applied continuously by SMEs owner or manager.

Keywords: HRM, SME, Organizational performance

1. INTRODUCTION

When the Covid-19 Disaster hit the world, all nations and all aspects of human life were affected. Apart from health, the economic sector also experienced a very high impact (Tian et al., 2021). Most companies experience difficulties in trying to maintain the performance they enjoyed before the Covid-19 pandemic emerged (Juergensen et al., 2020; Sardi, et al., 2021). Apart from companies engaged in information technology, businesses in other sectors such as tourism with all their derivative products and supporting elements experienced a decline in sales turnover.

One of the business groups that has experienced the adverse effects of the Covid-19 outbreak is the micro, small and medium enterprise (MSMEs) group (Juergensen et al., 2020; World Bank, 2021). MSMEs that are mainly engaged in aspects of supporting larger companies or serving business activities that require large groups of people have experienced a decline in sales turnover.

In a global context, the micro, small and medium enterprises (MSMEs) sector also has a contribution in terms of increasing the number of products (Qalati et al. 2021). MSMEs have a very important role in the growth of the national Gross Domestic Product (GDP) and employment (Roostika, 2019). MSMEs generate more than 60% of global economic output (World Bank, 2021). According to the World Bank (2021), more than 90% of companies worldwide are companies from the MSME sector. MSMEs contribute more than 60% of EU GDP and are also an important source of innovation and information wealth (Juergensen et al., 2020). World Bank data (2021) reveals that in New Zealand, 98% of all businesses are SME companies; similarly 99.8% of all businesses in Turkey are MSMEs. Furthermore, Zaman et al. (2021) revealed that MSMEs in China account for 99% of the entire country's business, 60% of exports, 40% of GDP, 75% of employment opportunities, and are playing a growing role in adopting the principles of sustainable development; there are nearly 36 million enterprise SMEs in India, and contribute 8% of GDP, and account for 45% of total manufacturing output and 40% of exports; In Poland, the SME sector constitutes 99.8%, the majority of companies in Poland generate almost 73% of the value of GDP and employ almost 10 million employees.

Since the economic crisis, the new government in Indonesia (especially under Joko Widodo as President) has realized the importance of MSMEs for the nation (Alam, 2017). During the Covid-19 pandemic, MSMEs became the main pillar of Indonesia's development, especially in creating jobs and sources of foreign exchange (Coordinating Ministry for the Economy, 2021). Even though MSMEs only have a 59.36% share of Indonesia's Gross Domestic Product (GDP), MSMEs provide 99.6% of employment in Indonesia (Munizu et al, 2021). Kemenko Bidang Perekonomian Indonesia (2021) argue that the importance of MSMEs in Indonesia is recognized especially in terms of job creation and provision of basic needs for low-income groups of people. SMEs provide jobs not only for staff that have become redundant due to major company closures or corporate restructuring, but also as new workforce and within new companies.

As is the case with most countries in the world, in Indonesia, MSMEs have historically been major players in domestic economic activity (Minizu et al., 2021), especially as major job providers, and therefore as primary or secondary sources of income for many. household. When Indonesia faced the 1997/1998 Asian financial crisis and the 2008/2009 global crisis, SMEs acted as the main engines of Indonesia's economic growth by providing jobs (Saleh et al., 2019) either for employees who were laid off from large companies or as opportunities for jobs. new.

Even though the contribution of MSMEs is very large in the economy, MSMEs face many challenges such as ongoing changes in the business environment (Kraus et al., 2017; Juergensen et al., 2020), lack of financial support (World Bank 2020) and inadequate support from the government (Tambunan 2008; Ardic, Mylenko et al. 2011). Sustainable optimal contribution to alleviating poverty and to increase equity of access to economic resources by SMEs, requires SMEs to overcome and adapt to turbulence because the business environment changes continuously from time to time (Agyapong et al., 2016; Abel, 2020; Ali et al., 2020; Adel et al., 2020; Djalic et al., 2021). In such a business environment, SMEs need to have methods that will help them find ways to cope with and adapt to changes and ongoing threats to their survival.

It is said that the main obstacle for Indonesian MSMEs to participate optimally in the Indonesian economy may be the relatively low quality of human resources (World Bank, 2021). This obstacle seems to be in line with the low skills of Indonesian human resources (Zaman et al, 2021), because the Human Development Index states that the quality of Indonesian human resources is low and consequently low productivity, unemployment and poverty exist in Indonesia.

At present, the operating conditions and competitive environment make companies that want to survive and develop not only focus on achieving profits and increasing market share but also taking actions following the assumptions of sustainable entrepreneurship, requiring flexible and good human resource management.

Previous studies have shown that the practice of Human Resource Management (HRM) results in good organizational performance (Guest, 2017). However, most of these studies were carried out in large companies so that, although based on the same theory, they differ in their implementation (Khan and Khan, 2012; Saridakis, Muñoz-Torres and Johnston, 2013; Bai, Yuan and Pan, 2017). There is a gap in understanding HRM practices between large companies and MSMEs (Chang, Hughes and Hotho, 2011; Djalic et al, 2021).

The results of MSDM research in the context of MSMEs are also lacking (Ates et al, 2013; Bay, Yua and Pan, 2017). In addition, research results related to resources in SMEs have not found similarities (Khan and Khan, 2012; Garengo and Sharma, 2014; Putrid and Yasa, 2018). Indicators of HRM practice, absorptive capacity and MSME performance also vary widely (Khan and Khan, 2012; Saridakis, Muñoz-Torres and Johnston, 2013; Bai, Yuan and Pan, 2017; Faisal and Naushad, 2020). Therefore, the researcher chose the title "Analysis of the effect of HR practice flexibility on the performance of MSMEs in the city of Makassar - the role of mediating absorptive capacity"

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2. THEORETICAL BASIS

2.1. Theories in relation to HRM practices and organizational performance

There are a number of theories related to HRM practices and organizational performance. These theories try to explain the existence of good HRM practices with the achievements of corporate organizations. The following describes briefly the theories or approaches that discuss the relationship between HRM practices and organizational performance.

2.1.1. Universalistic theory

In his book, Competitive advantage through people: unleashing the power of the work force, Jeffrey Pfeffer (1996) claims that there is a universal relationship between HRM practices and organizational performance. Several common HR practices drive improved organizational performance in all circumstances. Pfeffer (1996) stated that HRM practices such as selective hiring, self-managed teams and decentralized decision-making, high contingency pay, extensive training, reducing status differences and barriers, and extensive sharing of information will have a positive influence on organizational performance.

2.1.2. Contingency theory

In the article Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions published in the Academy of Management Journal, 39(4) p. 802-835, Delery and Doty (1996) state that the relationship between the independent variables of HRM practices that are relevant to the dependent variable of organizational performance will vary in various circumstances and organizational strategies that are implemented. Organizational business strategy is perhaps considered as the most important contingent factor in the HRM performance literature. The various HR activities an organization undertakes must align with the organization's business strategy, or other contingencies, to have an effective impact on performance according to this view. section contains theories about the sciences under study.

2.1.3. Human Capital Theory

Human Capital Theory: This theory suggests that employees are valuable assets to an organization, and their skills, knowledge, and abilities contribute to the organization's overall success. This theory emphasizes the importance of investing in employees' development and training to increase their productivity and effectiveness. Human capital theory is an economic and sociological concept that explains how the knowledge, skills, and abilities of individuals can be seen as a form of capital that can contribute to economic growth and development. The theory suggests that investing in human capital, such as through education and training, can lead to greater productivity and higher wages for individuals, as well as increased economic competitiveness for nations.

According to human capital theory, education and training can increase an individual's productivity and earning potential by improving their knowledge and skills. This in turn can lead to higher economic growth and development for the society as a whole. Therefore, investing in education and training is seen as a long-term investment in the economy and in individuals themselves.

The concept of human capital theory has been used to support policies that promote education and training, as well as to explain the relationship between education, economic growth, and income inequality. However, the theory has also been criticized for oversimplifying the complex factors that influence economic growth and development, and for neglecting the role of social and cultural factors in shaping the distribution of human capital.

2.1.4. Resource Based View

This theory suggests that a firm's resources, including its employees, are a source of competitive advantage. HRM practices, such as recruiting, training, and retaining employees, can contribute to creating a valuable and unique resource that is difficult for competitors to imitate. Resource-based view (RBV) is a strategic management theory that suggests that a firm's resources and capabilities are key sources of its competitive advantage. According to RBV, a company's resources, such as physical, human, and organizational assets, can create sustainable competitive advantages if they are valuable, rare, inimitable, and non-substitutable.

RBV suggests that a firm's competitive advantage is not solely dependent on external factors such as market conditions, but also on the firm's internal resources and capabilities. The theory suggests that firms should focus on building and leveraging their unique resources and capabilities to create value for their customers and sustain a competitive advantage over time.

RBV also emphasizes the importance of continuous innovation and learning within the organization to develop new resources and capabilities that can create a sustainable competitive advantage. Additionally, the theory suggests that firms should constantly monitor their resources and capabilities to ensure that they remain relevant and valuable in a dynamic market environment.

Overall, RBV provides a framework for firms to identify and leverage their unique resources and capabilities to create sustainable competitive advantages and achieve long-term success.

2.1.5. Agency Theory

This theory suggests that employees and employers have different goals and interests and that HRM practices should be designed to align these interests. This theory emphasizes the importance of performance-based compensation, incentive programs, and employee monitoring to ensure that employees are motivated to act in the organization's best interest.

Agency theory is a concept in economics and management that explains the relationship between principals and agents in an organization. It suggests that when one party (the principal) hires another party (the agent) to act on its behalf, there is a potential for conflicts of interest between the two parties, which can lead to agency problems.

According to agency theory, agents may have different goals and incentives than the principals they represent. For example, managers of a company may have their own personal goals and motivations that may not align with the interests of the shareholders. Similarly, employees may have different goals and incentives than their managers.

To mitigate agency problems, principals may use different mechanisms to align the interests of the agents with their own interests. These mechanisms may include contracts, incentives, monitoring, and governance structures such as board of directors. For example, executives may be compensated with stock options, which aligns their interests with those of the shareholders, who also benefit from an increase in the company's stock price.

Agency theory helps organizations understand the potential conflicts of interest that can arise in their operations and provides a framework for designing governance mechanisms to mitigate these conflicts. It is commonly applied in corporate governance, where it is used to design incentives for managers and executives that align their interests with those of the shareholders.

2.1.6. Expectancy Theory

This theory suggests that employees' motivation and performance are influenced by their expectations of the outcomes of their actions. HRM practices, such as performance appraisals, feedback, and goal-setting, can help to shape employees' expectations and motivate them to perform at a higher level.

Expectancy theory is a motivational theory that explains how individuals make decisions about their behavior based on the expected outcomes of those behaviors. According to the theory, individuals are motivated to behave in a certain way if they believe that their behavior will lead to a desirable outcome.

The theory suggests that individuals make decisions based on three key factors: expectancy, instrumentality, and valence. Expectancy refers to an individual's belief that their efforts will lead to a desired level of performance. Instrumentality refers to an individual's belief that their performance will be rewarded. Valence refers to the value or attractiveness of the reward.

In order for an individual to be motivated to behave in a certain way, all three factors must be present. For example, if an employee believes that putting in extra effort (expectancy) will lead to a positive performance review (instrumentality) and a bonus (valence), then they will be motivated to put in the extra effort.

Expectancy theory can be applied in various settings, such as in the workplace, where it can be used to design incentive systems that align individual behavior with organizational goals. By ensuring that employees believe that their efforts will be rewarded and that the rewards are attractive, organizations can increase employee motivation and performance.

Overall, these theories highlight the importance of strategic HRM practices that are designed to attract, develop, and retain the best employees, align their interests with those of the organization, and create a competitive advantage that contributes to the organization's overall success.

2.2. Human Resource Practices

Human resources management (HRM) practices are critical to the success of any organization. Here are some best practices for HRM:

1. Recruitment and Selection: Hiring the right people is critical for the success of any organization. Best practices in recruitment and selection include creating clear job descriptions, using a variety of recruitment methods, using valid and reliable selection tools, and ensuring that the selection process is fair and transparent.
2. Employee Development: Providing opportunities for employee development can improve employee engagement and retention. Best practices in employee development include providing training and development programs that are aligned with the organization's strategic goals, providing mentoring and coaching, and offering opportunities for career development.
3. Performance Management: Effective performance management is critical for ensuring that employees are motivated and engaged in their work. Best practices in performance management include setting clear and measurable goals, providing regular feedback, and linking performance to rewards and recognition.
4. Compensation and Benefits: Offering competitive compensation and benefits can help to attract and retain top talent. Best practices in compensation and benefits include conducting regular salary surveys, offering a range of benefits that meet the needs of employees, and ensuring that compensation is fair and equitable.
5. Employee Engagement: Engaged employees are more productive and committed to the organization's goals. Best practices in employee engagement include creating a positive work environment, recognizing and rewarding employee contributions, and promoting work-life balance.
6. Diversity and Inclusion: A diverse and inclusive workforce can bring new perspectives and ideas to the organization and improve overall performance. Best practices in diversity and inclusion include creating a diverse candidate pool, providing diversity training, and ensuring that policies and practices are inclusive and free from bias.

Overall, these best practices emphasize the importance of strategic HRM practices that are designed to attract, develop, and retain the best employees, promote employee engagement, and create a culture of continuous improvement. By implementing these practices, organizations can improve their overall performance and achieve their strategic goals.

Human resource management (HRM) is just as important for small businesses as it is for larger organizations. However, small businesses may not have the same resources as larger companies, so they may need to be more creative and strategic in their HRM practices. Here are some tips for small businesses to effectively manage their human resources:

1. Create a clear job description: Clearly define the roles and responsibilities of each position to ensure that employees understand what is expected of them.
2. Hire for fit: Look for employees who fit in with your company culture and share your values. Small businesses rely heavily on teamwork and collaboration, so it's important to hire employees who can work well with others.
3. Provide training and development: Small businesses may not have the same resources as larger companies, but investing in employee training and development can pay off in the long run. Training can help employees improve their skills and knowledge, and it can also improve job satisfaction and retention.
4. Offer competitive compensation and benefits: Small businesses may not be able to offer the same level of compensation and benefits as larger companies, but it's important to offer competitive packages to attract and retain top talent.
5. Use technology to streamline HR processes: Small businesses can leverage technology to automate and streamline HR processes, such as payroll, timekeeping, and benefits administration. This can help save time and reduce administrative burdens.
6. Promote a positive work environment: Small businesses can foster a positive work environment by recognizing and rewarding employee contributions, promoting work-life balance, and creating a culture of open communication and transparency.
7. Stay compliant with employment laws: Small businesses must comply with federal and state employment laws, such as those related to minimum wage, overtime, and anti-discrimination. Staying up-to-date on these laws can help prevent legal issues down the road.

By implementing these HRM best practices, small businesses can effectively manage their human resources and create a competitive advantage in the marketplace.

2.3. SME Performance

Company performance is related to factors such as market conditions, developments in management theory, technological developments, organizational change and restructuring, and government policies (von Bonsdorff et al, 2018; Tian et al, 2021). Market conditions have become more competitive than in the previous decade (Aagard and Anderson, 2014). As a result of globalization, the success of companies requires higher levels of performance in the quality of goods and services produced, costs and speed of innovation (Ball and de Lange, 2014).

Ahmed Asfahani (2021) states that the best practice approach from HRM can be applied in every type of organization with a different culture or institutional setting, to achieve predetermined goals. In addition, Asfahani (2021) urges a company to design policies to achieve competitive advantage through its employees.

Performance measurement or appraisal is the foundation for organizations (Jiang et al, 2012; Bajdor et al, 2021). Furthermore, Chamberlain, Newton and LePine stated that performance measurement is often the only source that employees have to learn about the value of their contributions and areas where they need to focus more of their efforts. Performance measurement also provides managers with the opportunity to shape employee work behavior through training and coaching to build greater capabilities and encourage higher performance (Farmania and Alfredo, 2020).

An increasingly broad spectrum of non-financial performance measures is now being implemented within firms, which can be categorized under the terms “hard” and “soft” (Tracey, 2012). The "hard" spectrum includes measurements such as financial performance (profits, sales), lead-time and on-time delivery, which can be easily measured and require objective input. On the other hand, "soft" issues such as customer satisfaction and other stakeholder satisfaction are more difficult to measure as a consequence of subjective perceptions of performance (De Lestra et al, 2014). To have a "true" reflection of company performance, both "hard" and "soft" measures should be used (Tracey, 2012).

HRM activities are assumed to lead to HRM outcomes such as employee satisfaction, employee motivation, employee presence, good social climate between employees and employees, employees with leaders and favorable cultural relations between employees and employers (Kasich et al, 2020). HRM results are also assumed to lead to performance and growth. Performance and growth in this study will be measured by sales and sales increase, profit and profit increase, product and service quality, customer satisfaction, and employee turnover.

3. RESEARCH METHODS

3.1. Types of research

This research uses descriptive research with quantitative methods. Sugiyono (2017: 8) claimed that quantitative research is a research method based on the philosophy of positivism, which is used to research a specified population or sample, collect data using research instruments, analyze data that is quantitative/statistical in nature, which aims to test hypotheses that have been determined. This study uses two variables, namely one independent variable (X) and one dependent variable (Y). There are also variables to be examined, namely:

1. Independent variable (X): HRM Practices
2. The Dependent Variable (Y): Organizational performance

3.2 Population and Sample

The following is an explanation of the population used in this study and the determination of the sample used as respondents in this study, namely as follows:

3.2.1 Population

Sugiyono (2018) states that the population is a generalization area which includes objects/subjects that have a certain number and character that is determined and studied by researchers to draw conclusions. The population in this study is the Millennial Generation in Makassar City who have shopped at Shopee.

3.2.2 Sample

Sugiyono (2018) states that the sample is part of the population which has the same characteristics as the population. The sampling method used is non-probability sampling with purposive sampling technique. The purposive sampling technique is a sampling technique with certain considerations (Sugiyono, 2018: 85).

3.3. Variable Measurement

3.3.1. HRM Practices

HRM Practices were measured by twelve indicators namely:

1. Written guidelines in recruitment process
2. Written contracts with employees
3. Written job analysis for every job
4. Written job description for every employee
5. Employment of independent personnel in employee recruitment and selection
6. Existence of informal input from relatives in selecting new employee.
7. Existence of written procedures in performance appraisal.
8. Participation of employers in employee performance appraisal.
9. Individual performance as basis of payment.
10. Salary/wage used as motivation tool
11. Existence of written career development plan.
12. Formality in termination process

3.3.2. Organizational Performance

Organizational performances were measured using eight indicators namely:

1. Sales increases in the last two years.
2. Profit increased in the last two years
3. Product quality increased in the last two years
4. Customers/consumers' satisfaction on enterprise product perception
5. Costumers/consumers satisfaction expressed
6. Advisor satisfaction on enterprise performance
7. Owner satisfaction for enterprise contribution on family welfare

3.4. Validity and Reliability Test

3.4.1. Validity test

Validity test is used to test whether a questionnaire is valid or not. According to Ghozali (2018: 51), the validity test is used to measure the validity of the questionnaire, if the tools or questions on the questionnaire can reveal the content to be measured by the questionnaire then the tool or questionnaire is said to be valid.

This is done by correlating the score obtained on each item with the total score of each attribute. To find out whether each question item is valid or invalid, that is, if the question item has r count> on r table (with a significance of 0.05)

3.4.2. Reliability Test

Reliability test is a measuring tool that is used as a questionnaire measurement tool which is an indicator of a variable or construct. The purpose of the Reliability Test is to test the consistency of a person's answers in a questionnaire, if the respondents' answers to the questions from start to finish are the same or consistent then it can be said that the questionnaire is reliable or can be trusted. A variable can be said to be reliable if the result (cronbach alpha) > 0.60 is reliability (Ghozali 2016).

3.5. Data analysis

Data analysis carried out in this study is Descriptive Analysis and Simple Linear Regression Analysis, because the dependent variables in this study are only two, namely HRM Practices as independent variable and organizational performance as dependent variable.

3.5.1. Descriptive Analysis

According to Ghozali (2018: 19) Descriptive Analysis is to provide an overview of a data seen from the Average (mean), Mode, Median, Standard Deviation, Minimum, and Maximum values.

3.5.2. Classic assumption test

The classical assumption test is a data analysis conducted to assess whether there are problems with the classical assumptions in the linear regression research model. The Classical Assumption Test includes Normality test and linearity test.

The Normality Test has the objective of knowing whether the research data obtained is normally distributed or not. If the research data is normal, the researcher can use the parametric statistical test and if the data is not normal, then the non-parametric test can be used. In this study using the Kolomogrov Smirnnov Test, that is, it can be said that the distribution is normal if the probability value is > 0.05 and vice versa.

Linearity Test, according to Sugiyono and Susanto (2015: 323) it can be used to determine whether the Independent Variable and Dependent Variable have a significant linear relationship. In short, the Linearity Test is used to determine whether the relationship between each research variable is linear or not. The Linearity Test can be used through the Test of Linearity. If the significant value is <0.05, it is stated that there is a linear relationship between each research variable.

3.6. Factor Analysis

Factor analysis is an analytical technique used to understand a symptom. The main objective of this technique is to convert the information contained in a large number of variables into a group of smaller factors. The main aim of this technique is to determine the linear combination of variables that will assist in the investigation. In other words, it is used to identify the variables or factors that explain the pattern of relationships in a set of variables.

This technique is useful for reducing the amount of data in order to identify a small number of factors that can explain the variance being studied more clearly in a group of variables that are larger in number. The main use of factor analysis is to reduce data or in other words summarize a number of variables into smaller in number.

Reduction is done by examining at the interdependence of several variables that can be combined into one called a factor so that dominant or important variables or factors are found for further analysis.

4. RESULT AND DISCUSSION

This section will be presented into four main sections namely respondents background, descriptive statistics, factor analysis and regression analysis.

4.1.1. Description of Respondents' Characteristics by Age

Based on the questionnaire that was distributed to 36 respondents, the analysis data obtained by age is as follows:

Table 1
Respondents age

Age	Frequency	Percentage
Les than 25	4	0,11
25 – 34	8	0,22
35 – 44	6	0,17
45 – 54	11	0,31
45 and more	7	0,19
Total	36	1

Source: Data collected for this study

As can be seen from table 4.1. 45-54 age group was the highest age group with 11 or 31% of the respondents followed by 25 to 34 age group with 22%.

4.1.4 Respondents' Gender

Based on the questionnaire that has been distributed to 36 respondents, the data obtained by gender is as follows:

Table 2
Gender

Gender	Frequency	Percentage
Male	28	0,78
Female	8	0,22

Source: Data collected for this study

In Table 4.2, it can be concluded that the respondent's description is based on gender male by 78% and female respondents by 22%.

4.2. Descriptive Statistics
4.2.1. HRM practices

HRM practices were measured by 12 indicators and the result is presented on table 3 below.

Table 3
Descriptive Finding

No.	Description	Mean	Std. Dev.
1	Written guidelines in recruitment process	3.06	0.919
2	Written contracts with employees	3.04	0.984
3	Written job analysis for every job	3.78	0.883
4	Written job description for every employee	4.02	0.765
5	Employment of independent personnel in employee recruitment and selection	3.96	0.803
6	Existence of informal input from relatives in selecting new employee.	3.43	1.075
7	Existence of written procedures in performance appraisal.	3.86	0.711
8	Participation of employers in employee performance appraisal.	3.31	0.929
9	Individual performance as basis of payment.	3.55	0.903
10	Salary/wage used as motivation tool	3.96	0.684
11	Existence of written career development plan.	3.94	0.763
12	Formality in termination process	3.75	0.809

Source: Data collected for the study

Table 4.3 shows that mean for HRM practices are between 3.06 to 4.02 in five point scale and standard deviation between 0.684 and 1.075.

4.2.2. Organizational Performance

Organizational performance were measured by seven indicators. The results are presented on table 4 below.

Table 4
Organizational Performance Finding

No.	Description	Mean	Std. Dev.
1	Sales increases in the last two years	3.97	0.717
2	Profit increased in the last two years	3.74	0.848
3	Product quality increased in the last two years	3.99	0.659
4	Customers/consumers' satisfaction on enterprise product perception	4.03	0.717
5	Costumers/consumers satisfaction expressed	4.09	0.780
6	Advisor satisfaction on enterprise performance	3.99	0.759
7	Owner satisfaction for enterprise contribution on family welfare	4.08	0.720

Source: Data analysis

Table 4 shows that mean for organizational performance are between 3.74 to 4.09 in five point scale and standard deviation between 0.659 and 0.848.

4.3. Factor Analysis
4.3.1. HRM Practices

Twelve observe variables were used to measure general HRM practices. Because of lack of reliability, question 6 (respect on family and relation input in selecting employee) and item 12 (employees termination basis), the 2 variables were not included in the system. Both Kaiser-Meyer-Olkin measure sampling adequacy score (0.664) and Bartlett's test of sphericity of χ^2 = 355.739; df = 45; significant at 0.000) show that HRM general practices data set is suitable for factor analysis.

Further analysis reveals that there were 3 components with eigenvalue greater than 1 which can explained 55.4% of the variance in the set of HRM general practices items. These components will be used as variables in regression analysis.

4.3.2. Organizational Performance

Seven observe variables were used to measure SEs performance. Kaiser-Meyer-Olkin measure sampling adequacy score (0.735) and Bartlett's test of sphericity of χ^2 = 582.016; df = 21; significant at 0.000) show that SE performance data set suitable for factor analysis.

There were 2 components with eigenvalues greater than 1 which can explained 63.9% of the variance in the set of HRM general practices items. These components will be use as variables in regression analysis.

4.4. Regression Analysis

Simple Linear Regression Analysis is used to measure the influence of HRM practices on organizational performance. The results of data processing using SPSS are as follows:

Table 5
Regression Analysis

Independent Variable	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	***Std.Error***	**Beta**		
Contant	1.866	0.343		5.448	0.000
HRM Practices	0.593	0.093	0.543	6.394	0.000
Dependent Variable: Organizational Performance					

Source: Data analysis

The value of regression coefficient is 0.593, means HRM practices have positive correlation significant on organizational performance.

5. CONCLUSION

This research was intended to examine existence of HRM practice on SE in an Indonesian cultural environment. The research findings show that HRM practices in SEs surveyed, were generally applied informally, which was demonstrated by "weak" support for the existence of written documents of variables associated with HRM practices.

Research on HRM practices in Indonesia has been very limited. Some aspects of management have attracted the attention of Indonesian scholars to a greater extent than HRM. However, to enable Indonesian enterprises to compete in global markets, decision-makers, both business enterprise and government, will be required to pay more attention on HRM because previous researchers (in developed nations) have found that appropriate HRM practices lead to better performance and growth.

Partial test or *t* test is used to test the effect of each of the independent variables (HRM Practices) and the dependent variable (Organizational performance). If the Sig. value <0.05, then a variable is said to have a significant effect on the variable other or have a positive influence on other variables. Based on table 4.4, it is concluded that the sig. value is 0.000 which is less than 0.05, it can be concluded that there is a significant effect of organizational performance.

Based on the research finding, it is suggested that SMEs owner or manager should apply best practices of HRM in order to improve their performance.

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