

Performance Improvement Of Food Cluster Small Medium Enterprises (SMEs) In Magelang City

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Abstract: During the pandemic, the turnover of the food cluster UKM, which is the mainstay of the Magelang City economy, has decreased. This study aims to describe the problems and performance of SMEs and determine the model for improving the performance of SMEs. This study uses qualitative research using The House Model. The research sample consisted of 17 UKM owners and 53 UKM employees. This research was conducted in three stages. The first stage is to identify the main problems faced by food cluster SMEs by using the fishbone chart. The second stage is to analyze the Importance-Performance aspect. The third stage is to design a model for improving SME performance with The House Model. The results of the study show that the main problem for SMEs is the low performance of SMEs in the food cluster. This low performance comes from 14 aspects originating from machines, methods, people, environment, and materials. The roof of the Pilot House is the vision of SMEs to become SMEs that are sustainable and competitive at the national level in five years.

Keywords: House Model; SME's Performance; Fishbone; Importance-Performance Analysis.

Abstrak: Di masa pandemi, omzet UKM klaster pangan yang menjadi andalan perekonomian Kota Magelang mengalami penurunan. Penelitian ini bertujuan untuk mendeskripsikan permasalahan dan kinerja UKM serta menentukan model peningkatan kinerja UKM. Penelitian ini menggunakan penelitian kualitatif dengan menggunakan The House Model. Sampel penelitian terdiri dari 17 pemilik UKM dan 53 karyawan UKM. Penelitian ini dilakukan dalam tiga tahap. Tahap pertama adalah mengidentifikasi permasalahan utama yang dihadapi oleh UKM klaster pangan dengan menggunakan diagram Ishikawa (fishbone chart). Tahap kedua adalah menganalisis aspek Importance-Performance. Tahap ketiga adalah merancang model peningkatan kinerja UKM dengan The House Model. Hasil kajian menunjukkan bahwa permasalahan utama UKM adalah rendahnya kinerja UKM di klaster pangan. Rendahnya kinerja ini berasal dari 14 aspek yang berasal dari mesin, metode, manusia, lingkungan, dan material. Atap Rumah Percontohan merupakan visi UKM untuk menjadi UKM yang berkelanjutan dan berdaya saing di tingkat nasional dalam lima tahun.

Kata Kunci: House Model; Kinerja UKM; Fishbone; Analisis Kepentingan-Kinerja.

INTRODUCTION

Small and Medium Enterprises (SMEs) are the most resilient business groups during the economic crisis. The development of the number of small and medium business units that continues to increase, this will certainly open up great job opportunities so that the number of unemployed will decrease. SMEs have a very large role in economic development in Indonesia, small and medium enterprises have a fairly large role in national economic development, this can be seen from their contribution to Indonesia's Gross Domestic Product (GDP) which is increasing every year. The increasing number of small and medium business units has a very important role for SME entrepreneurs. Small and medium enterprises (SMEs) have provided tangible evidence in the form of a positive contribution to efforts in tackling problems that occur in the social and economic fields significantly in Indonesia. Small Business is defined as an industry or company with a workforce of 5 to 19 people, while Medium Business is defined as an industry or company with a workforce of 20 to 99 people (Tambunan, 2017).

SMEs play an important role in providing job opportunities for the community. The role of SMEs also applies to SMEs in Magelang City. The development of SMEs in Indonesia seen from the number of units can be seen in Figure 1.

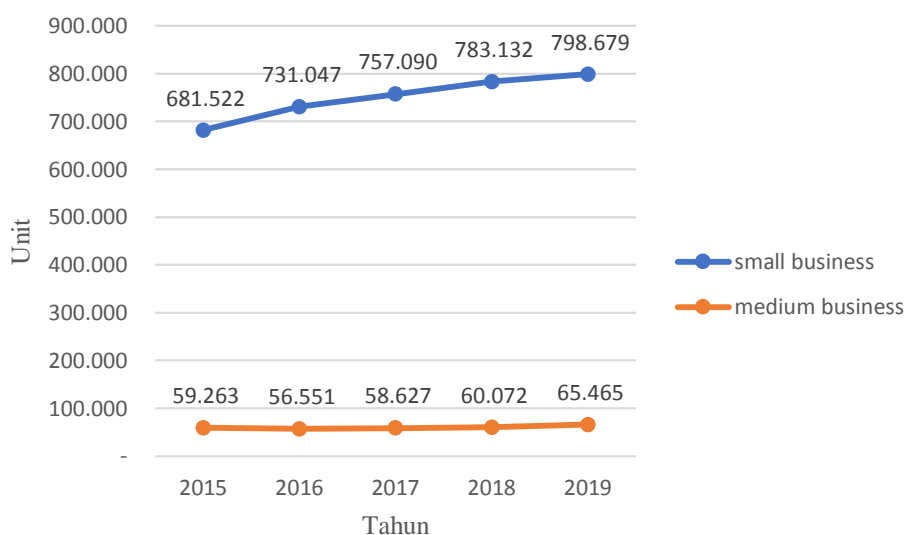


Figure 1. The development of SME units 2015-2019

source: kemenkopukm.go.id

From the statistical data of Magelang City, it shows that the population of Magelang City in 2019 reached 122,111 people. The development of SMEs in Indonesia seen from the number of workers absorbed into it can be seen in Figure 2. Of this number, including the workforce, it reached 62,829 people. Sector C (Processing Industry) is the second sector with the largest number of workers, which is 10,258 people (17.08 percent). The number of workers working in formal small and medium industries managed to absorb a workforce of 2,631 people from the previous year's 5,260 people. There was a very large

decrease in the absorption of labor by small and medium industries, namely by 50.01 percent. There has been a considerable decline in employment generated by small and medium-sized industries.

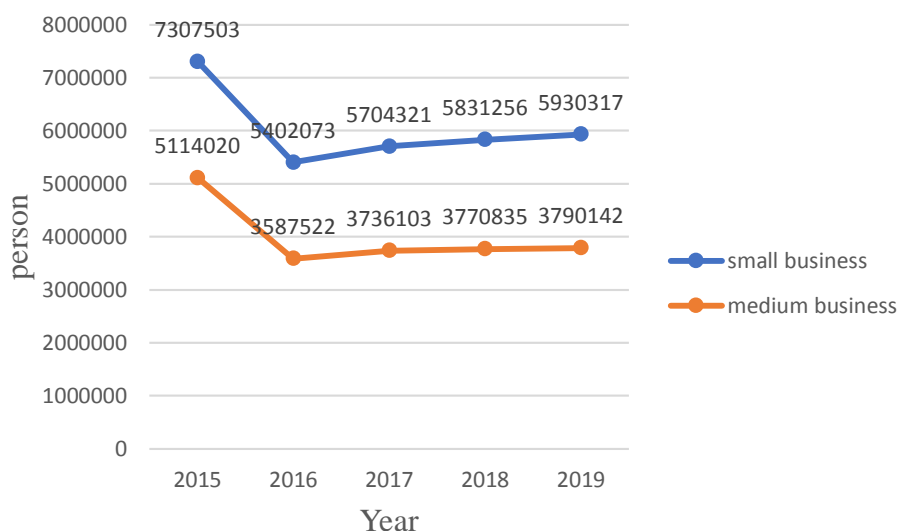


Figure 2. Development of the number of SME employees 2015-2019
source: kemenkopukm.go.id

The Magelang City Government has made a grand design for SMEs throughout the city of Magelang, namely regarding the development of small and medium enterprises. SMEs have a major contribution to the economy of Magelang. In 2019, small and medium industries managed to contribute Rp 934.87 billion from Rp. 6.74 trillion Gross Regional Domestic Revenue (GRDP) of Magelang City or 13.8percent. One of the clusters that is focused on being developed is the food cluster. The food cluster is a cluster that is focused on being developed by the Magelang city government through the Magelang City Industry and Trade Office. Disperindag provides training as an effort to strengthen the ability of SMEs. The Magelang City Department of Industry and Trade focuses on developing food cluster SMEs by providing various trainings including product diversification training, food additives and product labeling (Disperindag, 2020). There are 32 food cluster SMEs assisted by the Ministry of Industry and Trade in designing their products. This food cluster SME is encouraged by DISPERINDAG of Magelang City in order to develop its business.

During the Covid-19 pandemic, food cluster SMEs experienced difficulties in developing their businesses. This difficulty causes a reduction in sales turnover during the pandemic. The problems faced by SMEs engaged in food in Magelang City make the performance of SMEs less than optimal. In general, the problems faced by SMEs are related to the problem of management ability or unprofessional management. This is because the knowledge possessed is very limited. These management problems include, problems of capital structure, personnel, and marketing. The less than optimal performance of SMEs can reduce the income generated by SMEs.

The performance of SMEs is a benchmark for SMEs in trying with maximum efforts to generate business profits. The performance of SMEs is considered crucial because SMEs inevitably have to try to be able to create an effective and efficient business. Business challenges that are increasingly open with globalization, business disruption coupled with uncertain external business conditions such as: pandemics of disease, war, natural disasters, etc. can increase pressure on SME performance and reduce business results. Therefore, it is necessary to formulate a model or strategy in an effort to improve the performance of SMEs to fight the rate of decline in performance faced by SMEs.

Improving the performance of SMEs is an important issue that is developing in the era of the COVID-19 pandemic. Because the impact caused by the Covid-19 pandemic has so far destroyed various aspects of human life and business or business. The massive and rapid spread of the corona virus prompted WHO on March 11, 2020 to declare it a global pandemic (Wiyadi et al., 2021). Small and Medium Enterprises (SMEs) in the culinary cluster are business entities that are very dependent on the expertise of the available workforce to produce products, so it is necessary to develop their human resources to improve the performance of SMEs.

Culinary cluster SMEs need to carry out performance improvement strategies in order to be sustainable. The performance improvement needed by SMEs requires the implementation of the right strategy. In the midst of changing conditions Efforts to respond to uncertain conditions, SMEs need to formulate the right strategy. The inability of SMEs to increase competitiveness is due to SMEs having various limitations, such as lack of ability to adapt to the environment, lack of agility in business opportunities, lack of creativity and innovation in anticipating various environmental challenges. When SMEs are able to apply entrepreneurial orientation and innovation, they must be able to formulate business strategies so that they can be used as tools to face competition. The right strategy is very much needed for SME entrepreneurs, considering that to develop their business they need the ability to identify business opportunities and threats that exist in their business environment.

Determining the type of strategy formulation that can increase the likelihood of achieving successful results is important for strategy theorists and practitioners, as is understanding the determinants of firm performance (Harrison et al., 2017) . Formulating and implementing strategies is considered to be able to improve company performance compared to not having any strategy (de Sousa Batista et al., 2016; Grant, 2016). There is a lot of empirical evidence about the positive relationship between the formulation of models or strategies on firm performance (Aboramadan and Borgonovi, 2016; Kylaheiko et al., 2016). Organization and competition are important determinants of the effectiveness of a particular strategic system. To be effective, strategy formulation must be coherent with the organizational and competitive context (Beyene et al., 2016; Kew and Stredwick, 2017; Kylaheiko et al., 2016; Rigtering et al., 2017).

Firm performance can be improved or vice versa depending on the match or mismatch between a particular strategic approach and its environment (Casagrande and Machado, 2017). Implementing a strategy formulation process is positively related to company performance and that a rational/analytical approach is more effective in improving company performance. It is important to map the SME performance strategy in

order to find the formulation of the strategy as suggested above. It is important to map the SME performance strategy in order to find the formulation of the strategy as suggested above. Based on the description above, this study aims to map problems, map performance and determine a model for improving the performance of food cluster SMEs in Magelang City. After this stage is completed, implications will be obtained that can be input for interested stakeholders.

THEORITICAL REVIEW

Human resources and MSME performance. The rapid development of the number of MSMEs requires MSME actors to be able to survive and be ready to compete with other MSME actors. SMEs must pay attention to their business performance in order to survive and excel in the competition. MSME performance is the result of work both in quality and quantity achieved by MSMEs in carrying out their business in accordance with predetermined goals, while individual performance is the result of a person as a whole during a certain period in carrying out tasks such as work standards, targets or targets or criteria set. have been determined in advance and have been mutually agreed upon (Suindari and Juniariani, 2020). Small and medium enterprises (MSMEs) must be able to ensure that their operations must have many supporting factors.

(Khair, 2019) states that the factors that support business implementation are the availability of competent, qualified and adequate human resources. Organizations will also not be separated from financial capital support as an important condition for running business operations. The development of MSMEs must be accompanied by the development of human resources in various aspects. (Wahyudiati and Isroah, 2018), stated in their research that the competence of human resources is a factor that affects the performance of MSMEs, where human resources are the main capital to make MSMEs more professional. Human resource competence has a positive effect on the performance of MSMEs, the better the competence of human resources, the higher the performance of the MSMEs (Fibriyani and Mufidah, 2018).

MSME Operations and Performance. The operating process describes the level of service quality provided by a business to consumers (Mawuntu and Aotama, 2022). Operational performance problems need to be addressed so that MSMEs can continue their business and achieve optimal Operational Performance. Tools that can help going concern companies are Total Quality Management (TQM) and Supply Chain Management (SCM) (Lestari and Sutrisna, 2021). Total Quality Management (TQM) is a method in contemporary management that is used to maximize the competitiveness of organizations (companies) by making continuous improvements to products, services, workforce, processes, and the environment (Juharni, 2017). Supply Chain Management describes the coordination of all activities in the supply chain, starting with raw materials and ending with satisfied customers (Lestari and Sutrisna, 2021). The relationship between operating strategy and performance outcomes depends on the particular strategy and the results chosen. Product benchmarking has a stronger relationship with quality than employee skill enhancement.

MSME Marketing and Performance. Understanding the strategic orientation of SMEs is very important because the strategic orientation adopted by SMEs determines the level of SME demand and competitor analysis, and they acquire and exploit knowledge of market opportunities and engage in product market innovations that lead to growth (Altinay et al., 2016). Marketing strategy is an important factor for business success today (Elwisam and Lestari, 2019). Market orientation is a strategic orientation characterized by a set of behaviors and activities associated with a strong customer focus of MSMEs, coordinated marketing across the organization, and profitability (Pérez- Luño et al., 2016). (Tsai and Wang, 2017), stated that the ability of market orientation can significantly improve company performance. According to (Arini, 2017), marketing performance indicators include the number of sales, the number of customers, profits. Marketing area coverage (sales growth), business development.

The application of a market orientation strategy brings benefits to MSMEs (Ikramuddin et al., 2021). Market orientation is a marketing strategy that integrates customer orientation, coordination between business functions and competitor orientation (Ali, Hilman, and Gorondutse, 2020). According to (Shaher and Ali, 2020) Market orientation is a company strategy to get customer recognition and understand customer desires. Marketing orientation can significantly affect marketing performance (Kuncoro, et al., 2021; Harjadi et al., 2020). Market orientation is a strategy to increase commitment from a customer perspective in creating business excellence (Fitriani et al., 2020).

Marketing performance is an important factor in assessing the performance of SMEs. The increase in MSME marketing performance is influenced by a lot of operating profit growth, sales levels per period, and market share growth (Yasa, et al., 2020). Marketing performance is generated from marketing activities (Gupta, et al., 2021). Marketing performance, measured by indicators of company profitability, customer satisfaction, product quality, sales volume, and customer growth (Astuti and Handayani, 2021). The development of the Internet of Things is a new opportunity for MSMEs (Redjeki and Affandi, 2021). The use of digital marketing has helped companies including in the MSME industry to increase customer preferences and increase sales (Esqueda-Walle et al., 2020).

MSME Finance and Performance. In global competition, MSMEs are expected to be able to provide more added value to the goods/services offered either in quality (better) or efficiently (more efficient) than competitors. This is specifically difficult for MSMEs to do, due to the lack of management skills and limited working capital management (Aribawa, 2016). The importance of increasing knowledge carried out will make MSME entrepreneurs familiar with formal financial access such as banking. As stated by (Herdjiono et al., 2016) that financial knowledge theory has a close relationship with financial literacy because it can be taught and understood through financial education. The high number of MSME actors who do not yet have banking financial services is due to low MSME financing, high micro-credit interest rates, bank monopoly in the micro sector, and limited distribution channels for financial services that make financial literacy a supporter of skills development and financial products for MSME entrepreneurs in accordance with their needs (Septiani and Wuryani, 2020). (Aribawa, 2016) which states that financial literacy has a significant effect on the performance and sustainability of MSMEs.

Contextual factors in formulating strategy. SMEs need to understand what the driving factors are, what the process is and what challenges must be faced in their digital transformation journey. Internal factors in the form of human resources, owners and managers, efficiency, readiness and ability of the company and business practices. While external factors are social media, e-commerce, competitive competition, customers, government and external parties, globalization and urbanization, data and information, technological advances and digitalization, the COVID-19 pandemic, as well as natural resources, climate and demographics (Rasid and Rizal, 2021). Empirical evidence shows that strategy formulation can be effective in improving company performance (Aboramadan and Borgonovi, 2016; Kylaheiko et al., 2016). Approaches to strategy formulation can differ depending on what industry the company operates in, type of business and country (Kew and Stredwick, 2017). Institutional theory explains how environmental influences determine strategic decisions (Nazarian et al., 2017). Institutional theory users assume that organizations that apply sanctions will provide social pressure so that it affects employee perceptions, and will ultimately influence their strategic decisions (Casagrande and Machado, 2017).

Perceiving that a stable environment has a lower risk associated with enabling exploratory strategies and innovation will provide long-term benefits. Such an exploratory strategy will be more effective in a psychologically safe environment. A safe environment can encourage innovative thinking, that encourages open discussion, that commends bottom-up initiatives, and that values each employee's input. Dynamic environments require strategic flexibility to adapt to change by applying explicit knowledge (Kopmann et al., 2017). Exploitative strategies are aimed at achieving short and medium term goals and are often associated with dynamic, uncertain and risky environments. The sense of urgency associated with this environment usually requires or prioritizes top-down direction that ensures effectiveness.

METHODS

This research has four stages that must be passed. The four stages are as follows: the first stage is to identify the problem of food cluster SMEs using the Ishikawa diagram (fishbone chart). In the first stage, it gives results in the form of factors. These factors are used to compare using the Importance-Performance Analysis (IPA) analysis tool as the second stage. In the third stage, the input from the results in the first and second stages is used as the design of The House Model, namely a model for improving the performance of SMEs. In Figure 3 can be seen the research framework.

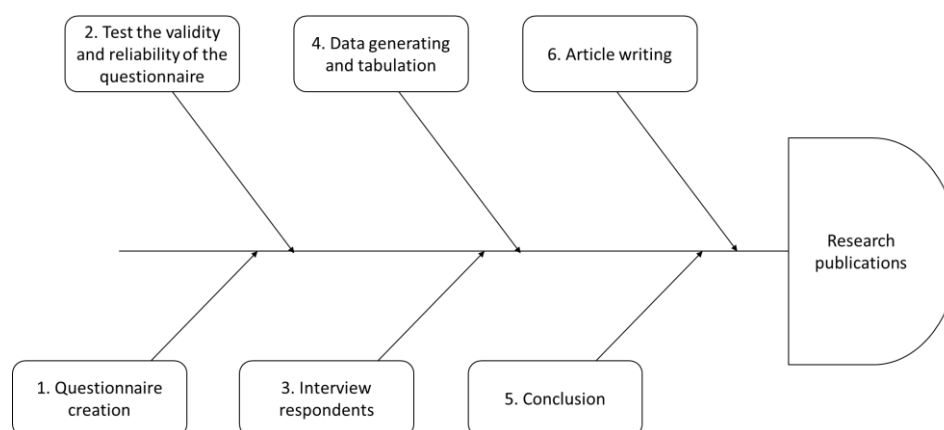


Figure 3. Research framework

Sampling Method. This research was conducted in food cluster SMEs in Magelang City under the guidance of DISPERINDAG Magelang City. The total population of Food SMEs assisted by DISPERINDAG Magelang City is 32 SMEs. (Sugiyono, 2018) states that convenience sampling is a technique in determining samples with consideration of accessibility, convenience and proximity to researchers. This study uses a convenience sampling technique with a sample of 17 SMEs as research respondents. Information on the selected sample was obtained from the Department of Industry and Trade of Magelang City. Respondents from this study were divided into two categories, namely 17 SME owners and 53 SME employees.

Ishikawa Diagram Analysis. Ishikawa diagrams are also known as fishbone charts. Fishbone diagrams aim to break down the problem to reveal the causal elements that have an impact. Grouping "cause" means finding some element of the cause of the problem, where the root cause is caused by one or two of these "causes" (Razoqey et al., 2019). Ishikawa diagrams depict people, methods, machines, materials, and environments. Materials are all materials needed to carry out a process in the organization. The environment is the conditions around the workplace. Measurement is the cause associated with the way data is taken from the process used to determine the quality of the process. The results of the Ishikawa diagram analysis are the main cause of the SME problems stemming from the HR factor. The main causes of this factor will be designed to correct it by incorporating this factor into the main pillar of The House Model. According to (Ghaithi et al., 2017) fishbone analysis or what is often called cause effect diagram is a method used to help solve existing problems by analyzing the causes and effects of a situation in a diagram that looks like a fishbone. According to (Widyahening, 2018) fishbone analysis can identify the possible causes of a specific problem and then separate the root causes, it is also possible to identify solutions that can help solve the problem (can be more than one problem)

Importance Performance Analysis (IPA). Importance-Performance Analysis (IPA) has 2 components, namely: gap analysis and quadrant analysis. Importance Performance

Analysis (IPA) is a multi-attribute model, the application of this technique begins with identifying the attributes that are relevant to an observed choice (Winarno and Absor, 2017). IPA is a descriptive statistical analysis technique used to identify important performance factors. This analysis consists of quadrant analysis and gap analysis.

The House Model. The House Model is a concept built to describe an organization's efforts to make dreams come true (Muhammad and Novi, 2018). The House Model is a concept built to describe an organization's efforts to turn dreams into action. The concept of the house model to determine strategies to increase the competitiveness of SMEs, was built to describe the organization's efforts to turn goals into action and is divided into three components, namely the roof as the vision, the pillars as the main key to achieving the vision, and the foundation in the form of supporting behavior (Fidhiani, 2021). Stated that the house model is a method used to describe a dream in an organization or company into an action. the house model consists of a roof, pillars (pillars) and base (foundation). According to (Novia et al., 2020) the house model is a concept built to describe an organization's efforts to turn dreams into action. The main thing that most organizations need is an inspiring vision of the future of the organization, namely a dream with a deadline. This time-bound dream requires pillars that can drive its existence and accomplishment.

RESULTS

The problems of food cluster SMEs in Magelang City are explained using the Ishikawa Diagram (fishbone chart). The fish spikes from the diagram illustrate the categories of causes of the problems faced by SMEs. The problem faced by SMEs in the food cluster in Magelang City is the "low performance of SMEs". The problem that occurs becomes the fish head in the diagram. This problem is depicted in Figure 4.

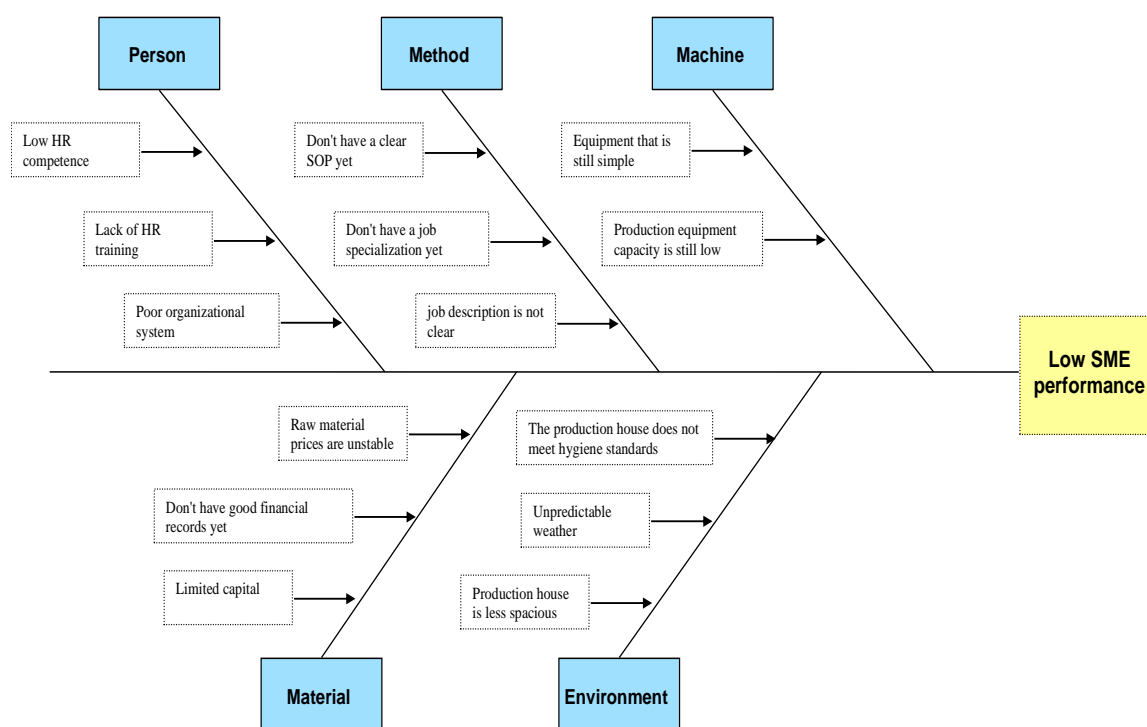


Figure 4. Ishikawa diagram of the performance of the Food Cluster SMEs

The first group of causes is human resources (person). Human resources in this case are all parties involved in an organization. The first cause was identified as a lack of managerial competence for SME owners. Another cause of the HR factor is the lack of trained employees and an organization that has not been well-systematic.

The second group of causes is the method. Method is a way in a production process. The method can be in the form of procedures, instructions and regulations. The primary cause of this category is that SMEs do not yet have a clear standard operating procedure (SOP). Food cluster SMEs in Magelang City do not yet have job specialization for employees or clear job descriptions.

Material itself is the material used and needed for all processes in the organization. Material is the third category of causes. Materials have the following main causes: unstable raw material prices, poor financial planning and limited capital.

The fourth group of causes is the environment. The environment has a big role in causing the low performance of Magelang SMEs. The environment is the conditions around the workplace. The fundamental causes of this category are that the production house does not meet the hygienic standards, the production house is not spacious enough and the erratic weather affects the drying of the product.

The fifth group of causes is machine. This group deals with production equipment that determines the quality of the process. The main cause of this group is equipment that is still simple and low production capacity.

Importance-Performance Analysis consists of quadrant analysis and gap analysis. Quadrant analysis has a function to describe the relationship between the assessment of the level of importance with the performance that has been achieved by SMEs. Then the variables are translated into a Cartesian diagram based on the assessment of the performance of SMEs and the importance of the owners of SMEs. These variables can be seen in Table 1.

Table 1. Average score of importance and performance of SMEs

	Variable	Performance (X)	Interest (Y)
1	Financial statements	2.480	3.760
2	Daily financial records	2.480	3.570
3	Infrastructure	3.760	4.290
4	Production implementation standards	3.860	4.100
5	Quality standard	4.240	4.480
6	Quality control system	3.950	4.290
7	Product innovation	3.710	4.240
8	Production engineering innovation	3.670	4.140
9	Target market	3.810	4.240
10	Promotion product	3.480	3.860
11	Distribution network	3.570	3.900
12	HR Administration	2.900	3.290
13	HR Training	2.620	3.190
14	Compensation system	3.480	3.810
15	Short-term plan	4.050	4.240
16	Medium term plan	3.950	4.290
17	Long-term plan	3.950	4.330
18	Documented business vision	2.430	3.570
19	Documented business mission	2.330	3.480
20	Business goals	3.900	4.240
21	Organizational culture	3.140	3.520
22	Formal organizational structure	2.380	3.050
	Amount	74.140	85.860
	Average	3.370	3.900

The values that can be seen in the table describe the coordinates of each variable in the Cartesian diagram. Variable 1 is located at the point (2.48; 3.76), variable 2 is located (2.48; 3.57), and so on. The average of the average performance score (\bar{X}) is 3.37, while the average of the average importance (\bar{Y}) is 3.90. This figure will be used as a limiter for the analysis quadrant which can be seen in Figure 5.



Figure 5. Performance-interest analysis of food cluster SMEs

All of the variables will then be spread to each quadrant in the Kartsius diagram as shown in Figure 3. The distribution of the research variables is further explained as follows:

Quadrant I (Top priority). Quadrant I describes the variables that have a performance level below the average with a high level of importance. There are no variables in this quadrant..

Quadrant II (Maintain performance). Quadrant II describes variables that have a high level of importance accompanied by above average performance. The variables contained in this quadrant are 3,4,5,7,8,9,11,15,16,17 and 20.

Quadrant III (Low priority). The variables located in this quadrant are described as having a below average level of importance with below average performance. The variables are variables: 1,2,12,13,18,19,21 and 22. Variables in this quadrant will be prioritized because there are no variables in this quadrant.

Quadrant IV (Excessive performance). The variables contained in this quadrant have a level of importance below the average but the performance is above the average. The focus of human resources in this quadrant can be shifted to other variables. The variables included in this quadrant are variables 10 and 14. Variables 10 and 14 are product promotion and compensation systems. The majority of SMEs that become respondents have been established for more than 5 years so they are quite independent and have built

product promotions and have established a good compensation system. Therefore, this variable has low importance for SME owners.

Gap analysis is used to see how big the difference in the performance of each variable is compared to the average performance. Performance gaps can be used to determine what variables need serious attention by SMEs to improve their performance. The results of these calculations can be seen in Table 2.

Table 2. Gap analysis

Variabel	Performance (X)	Average performance (X)	GAP	Quadrant
3	3.760	3.370	0.390	Quadrant II
4	3.860	3.370	0.490	
5	4.240	3.370	0.870	
6	3.950	3.370	0.580	
7	3.710	3.370	0.340	
8	3.670	3.370	0.300	
9	3.810	3.370	0.440	
11	3.570	3.370	0.200	
15	4.050	3.370	0.680	
16	3.950	3.370	0.580	
17	3.950	3.370	0.580	
20	3.900	3.370	0.530	
1	2.480	3.370	-0.890	
2	2.480	3.370	-0.890	
12	2.900	3.370	-0.470	
13	2.620	3.370	-0.750	
18	2.430	3.370	-0.940	
19	2.330	3.370	-1.040	
21	3.140	3.370	-0.230	
22	2.380	3.370	-0.990	
10	3.480	3.370	0.110	Quadrant IV
14	3.480	3.370	0.110	

Table 2 shows the variables that have performance below the average of all variables are variables that are in quadrant three. These variables include: Financial statements (Variable 1); Daily financial records (Variable 2); HR Administration (Variable 12); HR Training (Variable 13); Documented business vision (Variable 18); Documented business mission (Variable 19); Organizational culture (Variable 21); Formal organizational structure (Variable 22).

Quadrant Three has a high gap value, meaning that the level of performance of the variables in this quadrant is below the average. The low performance of these eight variables is a priority for improvement that must be carried out by SMEs to improve the performance of SMEs. Food cluster SMEs in Magelang City have received training in preparing financial reports and have experience in making financial reports. It's just that

the preparation of financial reports is not good and complete. Financial reports made by SMEs have also not been carried out periodically and consistently. Therefore, the financial statements of SMEs have poor performance.

SMEs understand that daily financial records are crucial for business continuity. It's just that in daily practice in carrying out financial records it is difficult to implement. This is because there are no special human resources delegated to do financial records. Limited human resources make SME owners concurrently carrying out production activities. SMEs consider HR administration less important. SMEs are more focused on the production and marketing processes. So that in the short term SMEs can still provide profits and survive.

HR training received a below average performance rating. SME owners want employees to have good skills. However, to provide training to employees will require no small amount of funds. SMEs will prefer to put their finances on production and marketing activities rather than investing in HR training. The vision and mission of SMEs is very essential in the formation of SMEs. Food cluster SMEs in Magelang City have a clear business vision and mission. It's just that not all SMEs want to document it clearly. There are even SMEs that do not convey their business vision and mission to employees.

Like the vision and mission, organizational culture is also an important element in a business. It's just that SMEs are still not aware of the importance of organizational culture in running a business. Apart from that, SMEs only run businesses with a culture that was not intentionally formed. But formed naturally. A formal and structured organizational structure makes it easier for businesses to run a business. The existence of a map of duties and responsibilities as well as a clear line of coordination will make it easier for employees to carry out their duties. Food cluster SMEs in Magelang City have not considered this an urgent problem so that they do not establish a formal organizational structure which in the end results in low performance.

Performance Improvement Model using The House Model. The Magelang City Handicraft UKM performance improvement model is designed using The House Model. This model can be seen in Figure 6.

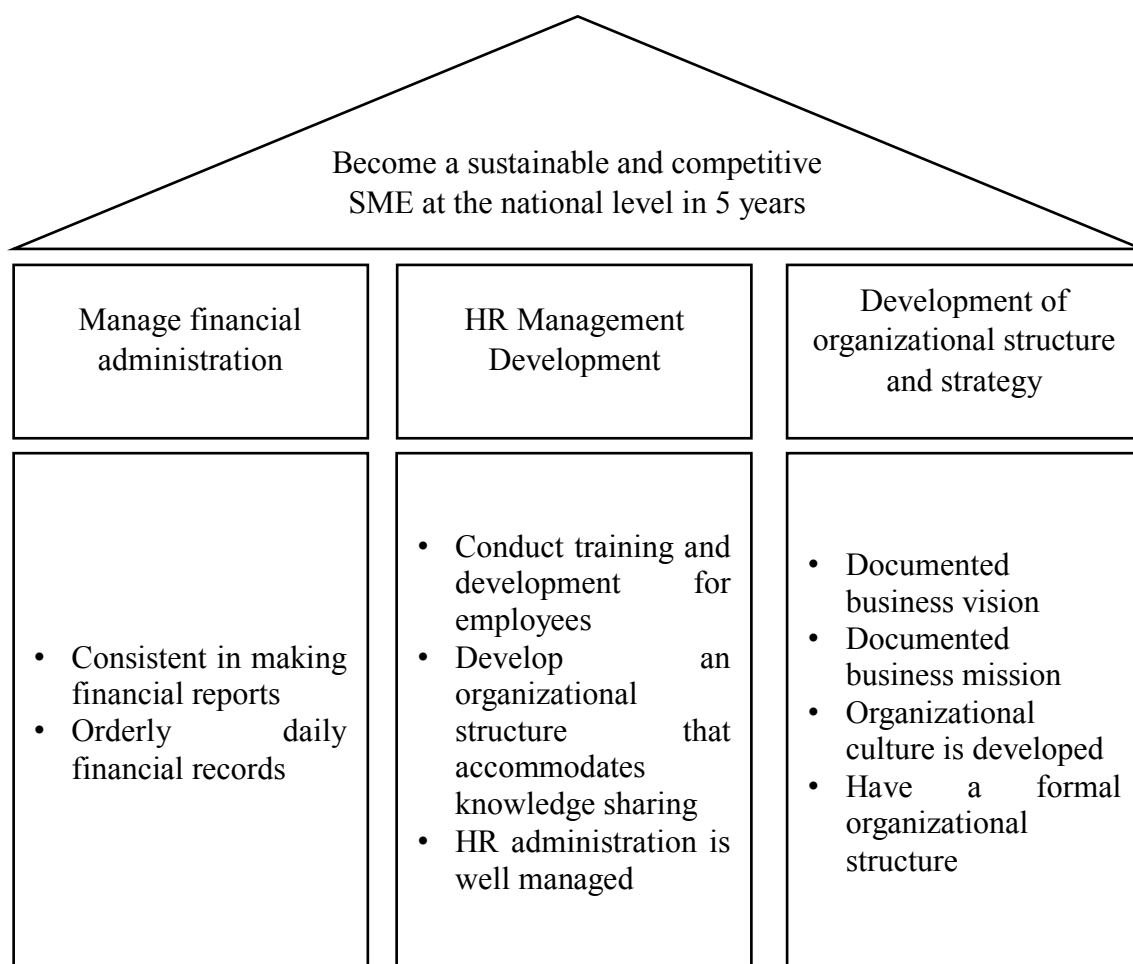


Figure 6. The house model of the performance of SMEs in the food cluster

The majority of food cluster SME owners in Magelang City have a vision of developing a business in order to be able to open up wide employment opportunities to empower the surrounding community so that they will have a decent income. SME owners have hope that their SMEs will survive and grow to fulfill this vision. The vision of the SME owners combined with their expectations translates “To become a sustainable and competitive SME at the national level in 5 years”. In the performance improvement model using The House Model, Vision is used as the roof of the house model.

DISCUSSION

The role of SMEs in becoming the backbone of the national economy has not been able to provide optimal results. The dreams and efforts of SMEs, as described through The House Model, have internal and external barriers. However, SMEs also have driving factors that can be used to develop and perform better. The House Model can be applied in internal improvement efforts, however, these improvements need to involve parties

outside SMEs. The pillars that support the “roof” of The House Model come from the development process of the Ishikawa Diagram analysis and Importance-Performance Analysis (IPA). These pillars are formed from Quadrant 3 variables as a result of IPA analysis. The pillars of the Magelang City food cluster SME performance improvement model are financial governance and administration, human resource development and organizational structure and strategy development. Under these pillars are the actions taken by SMEs to realize the main ways that are made as pillars.

Financial governance and administration are the first pillars in an effort to improve the performance of SMEs. Financial management is one of the important aspects for the progress of the company (Sasongko et al., 2019) SMEs are difficult to develop because their finances are not detected properly. These problems can be solved by orderly financial statements. The preparation of simple financial reports allows the clear recording of data or reports in detail, this will make it easier for SMEs to carry out their operations. This convenience provides efficiency in operating, so that SMEs can analyze their weaknesses and strengths in order to develop and advance SMEs themselves (Sasongko et al., 2019). Consistent in making financial reports and orderly daily financial records for SMEs requires intensive learning and training, given the lack of SMEs who understand and understand the preparation of financial reports and orderly daily financial records. Through financial reports that are made consistently, data on the progress of SMEs can be obtained from time to time in time series. Making SMEs more responsive to changes in their income.

Human resource management development is used as the second pillar in an effort to improve the performance of SMEs. Skill improvement training will encourage human resources to increase production productivity so that optimal results are obtained. Competent human resources can boost productivity by improving skills in the production process as well as improving managerial skills. According to (Latief et al., 2019) knowledge management improves HR performance. Knowledge management allows all employees to exchange knowledge. Exchanging knowledge increases skills so that the productivity of SMEs increases. HR training and development in every aspect needed in MSME activities will have an impact on sustainable development and the ability of SMEs to adapt to changing conditions in accordance with science based on training and development carried out.

In addition to training and development for employees, SMEs need to develop an organizational structure that accommodates the dissemination of knowledge. The organizational structure plays a role in the division of authority and duties of each employee on duty in SMEs, starting from the human resources who occupy the top of the organizational structure and the bottom line of the organizational structure. The last focus in HR development is the management of HR administration. Good HR administration makes it easier for SMEs to trace their employees. Each employee administration will provide data on the ability of each employee, employee performance achievements, employee attendance, and employee career development in the future. Employee administration activities can provide information on the readiness of employees if SMEs will carry out business development and sustainability.

Development and organizational structure are used as the third pillar in an effort to improve the performance of SMEs. Long-term vision has a very close relationship with the sustainability of a business because it can encourage the involvement of more stakeholders, more formal and operational business management, and keep the business from volunteering. Strategy has the task of providing direction for the company to a strategic position in accordance with the goals that have been set. The determination of the vision and mission will be the main background why a strategic step is chosen by the company. Based on the explanation, the vision and mission must be documented so that all employees understand the common goals. SMEs must establish a formal organizational structure so that the business runs smoothly. There are standards that have been applied by SMEs that every employee must follow. This makes it easier for everyone to define tasks according to standards.

CONCLUSION

Improving the performance of food cluster SMEs in Magelang City is done by mapping the performance strategy of SMEs. The main problem for SMEs is the low performance of food cluster SMEs. This low performance comes from 14 causes of problems from machine, method, person, environment and material factors. The root of the problem of HR, namely: low competence of HR, lack of trained employees and an organization that has not been well-systematic. The root of the problem of HR, namely: having a clear standard operating procedure (SOP), job specialization and job descriptions are not clear.

Variables that have below the overall average performance are: financial reports, daily financial records, HR administration, documented business vision, documented business mission, organizational culture and formal organizational structure. The roof of The House Model is the vision of SMEs to become sustainable and competitive SMEs at the national level in 5 years. The pillars that support the roof of the house model are: managing financial administration, developing human resource management and developing organizational structures and strategies.

SMEs must be consistent in making financial reports and orderly daily financial records. Orderly financial reports will make it easier for SMEs to manage finances, evaluate and set strategies. SMEs that have good financial records often get better success than those that have not. In addition, SMEs that have good financial records are often SMEs whose businesses are developing sustainably.

Human resource management development for SMEs is rarely the main focus of business development. SMEs that focus on developing human resources will increase productivity. Training is the easiest way for SMEs to do because many SMEs are facilitated by the government. SMEs should actively seek free training provided by the government. Finally, in an effort to develop HR management, it is by orderly administration of employees.

SMEs with a good business structure and strategy are easier to develop. A clear structure makes it easier for employees to coordinate. The vision, mission and organizational culture contribute to the achievement of the business. The vision, mission

and organizational culture are common goals that all employees work together to achieve. This shows that the vision and mission must be well documented so that employees always remember the goals of SMEs. Important to ensure that SMEs carry out financial administration activities in an orderly manner to ensure appropriate records to determine the financial condition of the related SMEs. Then the development of human resource management needs to be developed in line with the development that occurs in SMEs in order to create human resources who are capable and understand their duties and responsibilities. Lastly is the development of the SME organizational structure and strategy in accordance with the situation and conditions of each SME

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