EMPLOYER BRANDING OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN INDONESIA: AN EXPLORATION RESEARCH

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ABSTRACT

This study attempts to narrow the gaps that exist in the literature about branding in the context of micro, small and medium enterprises (MSMEs). The research method used is a qualitative approach through in-depth interviews with Owners, Managing Directors, and Human Resource Managers in MSMEs. The results of this study indicate that the UMKM employer branding is still limited to intention. It can be seen from the absence of programs or activities that support employer branding programs that are felt directly by their employees. This is induced by the focus of MSME businessmen who are still on fundamental issues such as financial constraints and the absence of loyal consumers. The results of this study can be used by educators or stakeholders in Indonesian MSMEs as a reference for formulating employer branding approaches and strategies that are in line with the characteristics of MSMEs in Indonesia.

Keywords: Employer branding, Human resources management, Micro, small and medium enterprises

Penelitian ini mencoba untuk mengisi kesenjangan yang ada dalam literatur mengenai branding dalam konteks usaha mikro, kecil dan menengah (UMKM), terutama negara-negara berkembang seperti Indonesia. Metode penelitian yang digunakan adalah pendekatan kualitatif melalui wawancara mendalam dengan Pemilik, Direktur Pelaksana, dan Manajer SDM di UMKM. Hasil penelitian ini menunjukkan bahwa branding UMKM masih terbatas pada niat. Hal itu dapat dilihat dari tidak adanya program atau kegiatan yang mendukung program branding yang dirasakan langsung oleh karyawan mereka. Hal ini disebabkan oleh fokus pengusaha UMKM yang masih pada masalah mendasar seperti kendala keuangan dan tidak adanya konsumen yang loyal. Hasil penelitian ini dapat digunakan oleh pendidik atau pemangku kepentingan di UMKM Indonesia sebagai referensi untuk merumuskan pendekatan dan strategi branding pemberi kerja yang sesuai dengan karakteristik UMKM di Indonesia.


1. Introduction

In the era of the ASEAN Economic Community, labor competition will become increasingly tight and foreign workers will easily enter and work in Indonesia according to their qualifications and competencies. In labor market competition, the challenge for industry is how to distinguish themselves in order to succeed in attracting and retaining quality employees. Based on estimates from the Boston Consulting Group (Tong & Waltermann, 2013), companies in Indonesia face the problem of quantity and quality of talented employees at all levels in the organization. In 2020, there will be a gap between supply and talent demand of 6% for Senior Management Levels, 56% for Middle Management Levels, and 17% for Initial Management Levels. This gap has increased compared to the demand and supply conditions in 2011.

Based on the data presented, companies in Indonesia have been in a state of intense competition to fight for and retain talent. This competition will be even tighter in the coming years. On the other hand, the contribution of micro, small and medium enterprises (MSMEs) to the Indonesian economy is very significant. Minister of Finance Sri Mulyati said that MSMEs are the backbone of the Indonesian economy (WIFE, 2016). From the total companies in Indonesia, 99 percent are MSMEs. The MSME sector creates employment for 107.6 million workers or more than 90% of the workforce, and contributes 60.6% of Indonesia’s Gross Domestic Product. The problems faced by the MSME Sector in Indonesia are very diverse, starting from access to finance, limited markets, to Human Resources (Glienmourinsie, 2016). In terms of Human Resources (HR), the MSME sector needs to improve not only the quantity but the quality of the talent it has (Sabirin & Atem, 2016; Indarti & Anton, 2014; Nuraini, Maharani, & Andrianto, 2016; and the Ministry of Cooperatives and MSMEs, 2015). Therefore, the difficulty in achieving and maintaining quality human resources is not only faced by large businesses, but also MSMEs. In obtaining and retaining talent, various efforts can be made by the company. For example, offering higher remuneration than competition, offering a more attractive career path, offering broader training and development opportunities, and so on. However, there are no strategies and tactics that are fully accurate (Dessler, 2015).

At present, there is one way for companies to maintain and achieve quality HR called employer branding. Ideas about how companies implement their branding to potential employees and employees who have worked in these companies have been widely discussed in the marketing literature (Knox & Freeman, 2006). This concept is a mix of brand management concepts with human resource management (HRM). Brand academics and HRM say that there are differences in strategies and practices between large-scale companies with MSMEs (Berthon et al., 2008; Behrends, 2007; Dessler, 2015; Canteno, Hart & Dinnie, 2013). In addition, the understanding gained from various studies has not been fully comprehensive.

Based on the literature review, the research that examines employer branding in MSMEs has only been implemented in the context of developed countries and the Information Technology industry (Komulainen, 2015). Therefore, this study is aimed at narrowing the gap in the literature regarding the study of employer branding in MSMEs. More specifically, this research is to explain: (1) what are the challenges faced by MSMEs in employer branding?; and (2) what efforts have been carried out by MSMEs in employer branding?

2. Literature review

Employer Branding

Brands are often used to differentiate products and companies in order to build economic value for consumers and companies (Sokro, 2012). Brand is the company’s most valuable intangible asset. Although companies usually focus on branding efforts to develop their products and companies, branding can also be used in the field of HRM (Sokro, 2012). Internal Branding Factors and the role of employees attract potential employees in this case students towards the company’s brand are needed for companies to be able to develop effective marketing strategies (Hur, 2014).

Employer branding is defined as a package of functional, economic and psychological benefits provided by the company and identified with the work provided by the company (Ambler & Barrow, 1996). Ambler and Barrow (1996), first applied the brand concept to the field of HR management, saw the company as a brand and employees as customers. Some practitioners from the Chartered Institute of Personnel and Development (2008) suggested that employer branding
can play a role in building engagement by convincing employees to provide discretionary effort during work, exceeding the minimum requirements for completing work (Chartered Institute of Personnel and Development, 2008). The best employees can be distinguished from competitors with high levels of employee engagement (Hewitt, 2011).

**Effect of Employer Branding on the Work Environment**

The use of the principles of branding in HRM is currently called “employer branding”. Increased use of employer branding by companies to attract attention and ensure that all employees participate in the company’s culture and strategy (Sullivan, 2004). According to Xia and Yang (2010), there is a relationship between employer branding and employee performance. Employer branding has many benefits for employee performance through many ways such as organizational exchange and organizational identification and how employer branding has an effect on employee performance discussed in their research.

The results of a study conducted by Hewitt Associates confirmed that the best employees are the same as the best staff and the best performance. Ambler and Barrow (1996) also support the use of Employer Branding with its findings through semi structured in-depth interviews with 27 companies about the relevance of branding to HRM. They concluded that branding has relevance to the staffing context. Then according to Tett and Meyer in Chang (2008), a turnover intention is the awareness of employees to have the desire to find alternative jobs in other organizations. If a company fails to deliver the promise of their employer brand to new employees and newly recruited employees to ensure their decision, then the performance of post-employment employees may have a negative effect.

Increasing the company’s use of employer branding is to attract and ensure that new employees are involved in the corporate culture. The closest concept and related to employer branding is the idea of “employer attractiveness”, defined as the dream of benefits sought by employees who have the potential to work for specific organizations. The more attractive the company is perceived by potential employees, the stronger the employer brand equity of a particular company (Berthon et al., 2005). A company benefits from a strong employer brand because of the increasing degree of organizational commitment when employees identify it through the values contained in the organization’s brand (Ind, 2003). A strong brand employer helps create a positive image, identity or reputation, and helps employees identify the organization. A good brand employee will motivate company employees to work harder as a payment to the company. Therefore, well-managed employer branding will increase employee engagement, authority and productivity efficiency (Xia & Yang, 2010). The financial benefits of branding are applied to employer branding. Employer branding strengthens a brand of an organization with customers, consequently employees and employer branding increase profit and market share (Martin & Beaumont, 2003). The positive correlation between the level of employee commitment and positive financial performance shows a strong correlation between employee commitment to the organization and a good change in the operational margin as well as the net profit margin (L. Barber, Hayday, & Bevan, 1999).

**Effects of Employer Branding on the Brand Image of a Company**

Aspects of image employer brands among potential recruitment companies and candidates to be recruited during the recruitment process were measured in research by Knox & Freeman (2006). The results of his research show that there is a correlation between the company’s brand image and the possibility of employees applying for a job, so the attractiveness of a potential company is very important to get talented employees for the company (Knox & Freeman, 2006). In addition, employees who have the potential to state that they are interested in conducting industry selection where recruitment agents represent it. Employees have the potential to prepare and be willing to search for information provided by the employer brand and this is likely caused by significant
decisions to choose a career future (Wilden et al., 2010). The main list of job attributes is concluded from previous studies are the type of work (fun or challenging), job security, salary, quality of coworkers, location, social responsibility and type of company (Iacovou, Shirland, & Thompson, 2011).

An employer brand must build an emotional connection between the company and its employees. W. Ruch from consulting firm Versant Works designed a construction for “Working Experience.” He stated that an employer brand is the sum of all special characteristics and differences where prospective and employee candidates view the experience of working for the organization (Barrow & Mosley, 2005). Experience working as the basis of the employer’s brand includes real things like salary and rewards and benefits. It is also developed towards non-tangible things such as corporate culture, values, leadership styles and opportunities for employee learning, development and recognition (Xia & Yang, 2010). A person’s decision to choose a company to work for is of course inseparable from the influence of several factors. This is also based on previous research conducted by Zhu and Wang (2014) who found five factors where applicants are important to consider when they apply for a job in a company which includes compensation and benefits, self-actualization, opportunity to develop, work effectiveness and personal life and organizational impression.

**Micro, Small and Medium Scale Enterprise (MSME)**

The following is the definition of MSMEs based on Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises:

1. **Micro Business Category:** Having a net worth of more than Rp. 50 million up to a maximum of Rp. 500 million excluding land and building of business premises; or Have annual sales of at most Rp. 300 million.

2. **Small Business Category:** Having a net worth of more than Rp. 50 million up to a maximum of Rp. 500 million excluding land and building of business premises; or Have annual sales of more than Rp 300 million to a maximum of Rp 2.5 billion.

3. **Medium Business Category:** Having a net worth of more than Rp. 500 million up to a maximum of Rp. 10 billion excluding land and building for business premises; or Have annual sales of more than Rp. 2.5 billion up to a maximum of Rp. 50 billion.

**3. Methods**

**Procedures**

Based on Malhotra et. al (2008) research design that refers to the initial stage of research in the form of concept exploration is exploratory research, the research on employer branding for MSMEs in Indonesia is exploratory research with qualitative methods. The research object is a micro, small and medium scale enterprise (MSME) where the research participants were selected using a non-random sampling method in the form of judgment sampling with the location of MSMEs in Indonesia around the Jabodetabek megapolitan area, namely Jakarta, Bogor, Depok, Tangerang, and Bekasi.

**Data Collection**

Data collection techniques are adjusted to explorative research design, namely through in-depth interviews (semi structure in-depth interviews). This semi-structured interview was conducted with 12 MSMEs where the research team conducted interviews with two people in the MSME consisting of a Managing Director and or Director or Manager or Supervisor of the HR (Human Resources) Section. Semi structure interview is used because it is a flexible method where the research team can follow the schedule of the Director or Manager of the company. Variables that will be explored in this research data collection include: (1) challenges faced by the company in
maintaining and obtaining talented employees, (2) the five dimensions of Employer Branding, namely: Compensation and Benefits, Recognition or Awards, Opportunities to develop, Effectiveness of life balance and work-life, and organizational impressions (Zhu & Wang, 2014); and (3) how to practice Employer Branding carried out in the company.

Data Validation
Researchers use triangulation strategies as a way to ensure there is no bias in exploratory research, because of the large amount of interview data, and the need to validate data that can be analyzed or confirmed with other data sources. According to Denzin (1978; 2018) and Patton (1999) there are four types of triangulation: (1) triangulation of methods, (2) triangulation between researchers, (3) triangulation of data sources, and (4) triangulation of theories. For this study researchers used triangulation methods by comparing information or data using interviews, observation, and surveys to check the truth. In addition, researchers also use triangulation of data sources by collecting written documents such as MSMEs financial reporting records to determine the scale of the company, employee data, MSMEs’ business plans, and information related to owners and companies.

Data Analysis
Data analysis of this study is based on the Krueger method (1998), which states that the stages of qualitative data analysis (Focus Group Discussion or Interview) are (1) processing raw data; (2) description analysis; (3) interpretation; and recommendations. At the stage of processing raw data, interviews will be recorded and formal transcripts will be made. This transcript will help the research team in extracting and processing data analysis. In organizing the response or answer to the informant, the researcher will create a column related to the question in the In-depth Interview Guide. The next stage is description analysis where the results of interview transcripts are then mapped into the respondents’ comments organization summary using table features with Microsoft Excel software. According to Krueger (1998) there are three methods of interpretation, namely analysis based on memory, analysis based on records, analysis based on records, and analysis based on transcripts. The stages of analysis of this study choose an interpretation method based on transcripts because the results are very rigid even though it takes a long time. Finally, the analysis is carried out based on an analysis of recordings and transcripts, and combining them with the concept of employer branding, the findings and initial recommendations of employer branding will be presented in the context of MSMEs in Indonesia.

4. Results and discussion
Getting and Maintaining Employees
HR are very important for MSMEs, given that the business carried out will not run optimally without the people running it (Ambler & Barrow, 1996). This is because the MSMEs are not so well known that they cannot rely on reputable capital. Even though for the most part, the role of human resources can be replaced by machines or programming languages but still the role of employees cannot be ruled out. As said by the owner of one of the MSMEs engaged in the technology business:

"Although technology companies produce products in the form of software and apps, the most important input is not emphasized on the machine or technology but on human capital that is owned." (Bukapintu)

MSMEs with all their limitations, especially HR, require businesses to do it themselves. However, in line with the development of the company, MSME business people must start delegating some of their tasks to others who are considered to have competence. The importance of delegating this task is to provide space for MSME business people to develop their businesses while still maintaining business operations. The limited mobility faced by MSME businessmen is often a barrier for MSME businesses to develop. The obstacle that is often faced is that MSME businesses
often run their own companies to reduce the costs that arise. However, this situation has caused MSME business people to be trapped into operational jobs with relatively little added value. In addition, there is a lack of interest among MSME business people in recruiting employees because it is difficult to find established standards and frequently move places (Harninda, 1999). As expressed by the owner of one of the MSMEs:

"... Employees are people who help run business processes. In terms of getting, employees who can join the company must comply with the standards set. At present it is very difficult to get the right people and at the same time maintain them (Are & Be Bar Resto)."

Another challenge faced by MSMEs is the difficulty of retaining employees (Hewitt, 2011). For business people, employee turnover is a significant problem because time, effort, and costs are also wasted. Bearing in mind providing training so that employees are in accordance with the expected capacity requires time and costs to be incurred. The limitation of MSMEs in providing a system that retains employees has not yet become the focus of MSMEs:

"... To get new employees is not difficult because there are many resources available but the difficult thing is to retain existing employees because when employees have long worked then other companies will provide attractive offers for employees, especially in marketing due to experience and the network they have" (Vanco Mas Sejahtera)

"... It's important to keep permanent employees, because they don't need to be taught anymore, because the transfer of knowledge to new employees is difficult and wastes a lot of time." (Waxies)

Compliance with Competency Standards
Another problem faced by MSMEs is the difficulty of finding employees who meet the specified competency standards. On the demand side, MSMEs also have to compete with large-scale businesses. Employees will naturally look for jobs that can provide financial value, salary and other financial incentives provided, as well as non-financial, such as company reputation, organizational sustainability, and increased value (Wilden et al., 2010). It is on this basis that MSMEs will find it harder to get employees with the expected capacity.

"To get employees, we cannot just recruit them. ... employees are required to have mental support for the organization and not everyone has it... I can say that talented employees are quite numerous, but only a few want to sacrifice and become part of a business that is being pioneered. "(Bukapintu)

"... Challenge occurs when the client wants uniformity of competencies and criteria that are fixed and must be met. In fact, this is very difficult to get people who have all of these criteria simultaneously. ... the existing ratio sometimes exceeds 1 compared to 10. Therefore, the standard of education and experience is one of the important factors that can be an indication of the compatibility of the criteria of the person. "(Dhasnarindo Karya Utama)

As a result of the gap between the incentives provided and the availability of labor often make it difficult for MSMEs to develop. Employees with higher skills will expect higher rewards than employees who do not have expertise. MSMEs with low levels of income are very difficult to meet the demands of employees with high expertise. The same is true for beginner MSMEs. But another challenge faced by beginner MSMEs is corporate sustainability which is also a major consideration for employees.

Reward System
The rewarding system is considered to be a solution to the challenges of HR faced by MSMEs. The power that MSMEs should be able to emerge is not only on the financial scale it has but on the personal touch side that is in line with the research conducted by Xia and Yang (2010). The financial magnitude of the challenges faced becomes inappropriate when used to retain talented employees.
because of the difficulty of competing with other companies that have greater financial capacity and are able to provide greater income for employees.

“I believe in two systems, namely the financial system and personal touch. Its use must be balanced because if it is only seen financial benefits tend to be temporary. ... in my opinion, personal touch can be a bond for employees to the company.” (Karyawaja Ekamulia)

In addition to financial strength and personal touch, some MSMEs also provide incentives with the development of skills to employees that are in line with Iacovou, et al. (2011). As stated by Gary Evano Daniel, a Brand Manager:

“... Meet the remuneration in accordance with the age of HR and provide training that can improve their expertise and can be used to increase their income.” (Puyo Indonesia Kreasi).

The program is considered appropriate for certain generations who prioritize actualization and self-development compared to financial income.

**Employer Branding of MSMEs**

Employer branding is one of the important things to attract prospective employees and retain employees as stated by Berthon et al. (2005). The challenges of MSMEs require businesses to differentiate their employees compared to other businesses on a larger scale. Small sizes provide opportunities for MSMEs to provide breakthroughs in managing their human resources. Family relationships and frequent interactions with business owners are the things most often done by MSME business actors to obtain optimal resources. On the other hand, it is not easy to get talented employees making the dependence of MSMEs on employees even greater. However, the poor treatment of employees has the potential to make employees move to other organizations.

“Family, but still responsible for the work.” (Waxies)...“Companies that are seen as having a sense of family.” (Roasting Eggs Quail)... "Awareness and impressions are comfortable.” (Are & Be Bar Resto)

The next impression desired by MSME business actors is a good place for employees to develop. With the limited resources possessed by MSMEs, the existing employees are the foundation for MSMEs. Therefore, the skills and expertise of employees are forced to develop because of the insistence of the situation. The trust given by business owners to their business operations will hone their skills in their fields of interest. This concern is recognized by MSME actors as expressed by them:

“... Companies that want to develop.” (Puyo Indonesia Kreasi)
“... A good place to learn and find something. A good place to make mistakes. As a place for people to forge themselves to have ideas and keep doing experiments.”(Bukapintu)

**Efforts to Achieve Employer Branding of MSMEs**

In line with Knox and Freeman (2006), the implementation of employer branding which is currently run by MSME businessmen is still constrained, the limitations include limited financial incentives compared to programs that create the expected brand image. As expressed by several MSMEs:

“... Giving salaries and THR (Religious holiday allowances).” (Dhasnarindo Karya Utama & Waxies)
“... Giving salaries, food allowances and benefits.” (Clean Inc & Are & Be Bar Resto)

Moreover, for some MSMEs, although the hopes of their brand image are good, however from the interviews that the researchers did, there were no programs or activities to achieve the image they wanted. Some use other approaches such as encouraging share ownership to fit the company’s goals. But there are also more focused bonus programs in the form of holidays and spiritual journeys (Iacovou et al., 2011). Nevertheless, expectations and implementations are felt to have
gaps because they do not have a relationship between the expectations of the business image of its employees, as explained by two of the MSMEs:

"... Next is the salary and attention scale, including remuneration packages or attention in the form of outside salaries. There are gifts like unexpected bonuses such as sending Umrah (islamic religious trip)." (Dhasnarindo Karya Utama)

"... For full-time employees get basic salary and share ownership. Whereas apprentice employees get basic salary and other forms of attention." (Bukapintu).

5. Limitation and further study
In this study there are still some limitations, namely the lack of reasons why the employer branding program is not in accordance with the goals of the expected employer branding. Therefore, the study can be carried out in the next study. In addition, because of its exploratory nature it opens up the possibility for subsequent research to discuss or confirm the employer's branding activities to workers on the MSME scale.

5. Conclusion
The challenge faced by MSME entrepreneurs is to get the resources that are expected. This is intended so that the company's operational business can run smoothly according to the expectations of business owners. However, the limitations of the acquisition of resources in the financial and non-financial fields are felt in the MSME-scale business. Therefore that competition in obtaining and maintaining human resources is felt in this scale business. A low bargaining position makes resources prefer companies that are more promising in financial or non-financial terms.

The implementation of the creation of employer branding in MSMEs still has a gap. The data states that among the expectations of the desired employer branding, they still have little relevance to the efforts that will be made by MSMEs. Many activities carried out by MSMEs have no relation to the expectations desired by employees. For some MSME business owners, they don’t even have any programs for employers to branding according to the wishes of their employees. This situation is an activity that must be underlined by the business owner so that the planned goals and programs can go hand in hand. At the very least, at the time of making a plan in order to maintain human resources, it has close proximity to the desires expected by employees.

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