HUMAN RESOURCES SYSTEM AND INTERNAL BUSINESS PROCESS PERSPECTIVE ON ADMINISTRATIVE EXPERT: STUDI OF SMALL AND MEDIUM ENTERPRISES IN BALI INDONESIA

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ABSTRACT

The role of HR is not only to adjust its activities to business demands, namely just carrying out daily operational tasks, but also to be able to build the formulation and implementation of HR competitive strategies within a company. The purpose of this study was to determine the effect of the HR system on the competitive advantage of employees at SMEs in Bali, by including the internal business process perspective as a mediating variable. The sample in this study used SMEs employees in 9 (nine) regencies in Bali, totaling 270 employees. The analytical tool used in this study is PLS-SEM. The results showed that the HR system had a positive and significant effect on the internal business process perspective and administrative expert. The internal business process perspective is able to mediate the influence of the HR System on expert administrative on SMEs in Bali.

Keywords: HR System, Internal Business Process Perspective, Administrative Expert, Small and Medium Enterprises

INTRODUCTION

HR management is an equal partner in the company's strategic planning process. The role of HR is not only to adjust its activities to business demands, namely just carrying out daily operational tasks, but also to be able to build the formulation and implementation of HR competitive strategies within a company. In a company, Ulrich (1997) divides the role of employees in creating competitive advantage, one of which is an administrative expert. Employees are said to have a competitive advantage as administrative experts, when they are able to play a role in the design and implementation of HR systems, including processes and practices. An employee of competitive advantage can be achieved through an increase in performance (Lin et al., 2014). Anderson & Clancy (2011) define performance measurement as feedback to management that provides information about how well the actions represent the plans; it also identifies where managers may need to make corrections or adjustments in future planning and controlling activities.

The measurement of an employee's performance based on Key Performance Indicators (KPI) is very important, because in the KPI there are measurable steps taken by the company or organization in measuring the performance of employees or the company as a whole from time to time. Human resources scorecard (HR scorecard) is a more comprehensive KPI and uses an integrated performance measurement system, which is also a Balanced Scorecard (BSC) with an

HR approach. One type of HR scorecard measurement is the internal business process perspective (Becker et al., 2001). This perspective identifies internal processes that determine customer needs so that organizational goals are achieved. The customers referred to are internal and external customers of the company (Becker et al., 2001). Research conducted by Jassim (2014); Albrecht et al., (2015); Kuipers & Giurge (2016); internal business process perspective has a positive and significant effect on administrative expert. On the other hand, the results of research by Qehaja & Kutllovci (2015); Ranjhan & Mallick (2018); stated that there was no effect.

Rusu & Avasilcai (2016) explained that various methods of measuring employee performance can be built through strategic HR management with a human resources system approach. The HR system is how HR strategic practices are aligned with policies related to HR. These policies serve as guidelines and guidelines for the HR department in HR practices.

The HR system has a positive and significant impact on the internal business process perspective (Cato & Gordon, 2014; Gile, 2013; Mahmood & Rehman, 2015). On the other hand, the HR system has not effect the internal business process perspective (Reddy, 2013; Tabouli et al., 2016).

LITERATURE REVIEW AND HYPOTHESIS

In the concept of Resource Based View theory (RBV theory) to achieve competitive advantage of a resource that exists in the company, including administrative experts, starting from identification, development, protecting key human resources and analyzing employee performance.

HR System

Becker, et al., (2001) suggests that the HR system is the main element that influences strategic HR. The HR system provides policies that can be used in HR practices. The HR system is a model for creating value for human resources through strategic practices that are in line with policies, so as to produce high performance. This model is referred to as a High Performance Work System (HPWS) or a High Performance Work System. In HPWS every element of the HR system is designed to maximize the entire quality of human capital through the organization. To build and maintain a quality human capital supply, HPWS does the following which constitute the HR system: (1) Determine the HR system that is in line with the company's vision and mission, (2) Develop a human capital-oriented corporate culture (human capital oriented), (3) Develop HR regulations that regulate recruitment, selection, training, compensation and other employment practices to support HR functions.

There are several indicators in measuring the HR system from Becker et al., (2001) namely: (1) the company's vision and mission; is a strategic, tactical, and systematic guide that explains the direction and goals to be achieved by a company. (2) Corporate culture; are shared beliefs, values, beliefs, and norms that characterize the company and are followed by members of the company. (3) HR Regulations; is a regulation that is designed, formulated, compiled or made regarding employment/HR that supports the company to achieve its goals.

Internal Business Process Perspective

This perspective identifies internal processes that determine customer needs so that organizational goals can be achieved (Becker et al., 2001). In this perspective, it is done by aligning HR strategy with business strategy. In the perspective of internal business processes, the strategic objectives to be achieved are (1) increased sense of belonging, (2) increased employee participation, (3) increased employee commitment.

Administrative Expert

This perspective identifies internal processes that determine customer needs so that organizational goals can be achieved (Becker et al., 2001). In this perspective, it is done by aligning HR strategy with business strategy. In the perspective of internal business processes, the strategic objectives to be achieved are (1) increased sense of belonging, (2) increased employee participation, (3) increased employee commitment.

Based on the theory and results of previous studies, the hypotheses e s in this study are:

H_1: *HR system has a positive and significant effect on internal business process perspective.*
H_2: *HR system has a positive and significant effect on administrative expert.*
H_3: *Internal business process perspective as a mediating of HR system on administrative expert.*

RESEARCH METHODS

This research was conducted on small and medium enterprises in Bali. There are 27 SMEs from 9 (nine) Regencies in Bali, where from each regencies 3 (three) SMEs are taken which have the largest assets. The sample in this study was 10 employees in each SMEs, bringing the total sample to 270 employees. This research was conducted in 2019 using primary data through questionnaires and interviews to obtain respondents' perceptions. In making the questionnaire used a Likert scaling technique to measure attitudes, income, and perceptions of people or groups of people about social phenomena that occur. The answer to each statement given will be given a score ranging from the largest of 5 to 1.

Identification of Research Variables

The variables in this analysis can be identified broadly as follows:

1) Exogenous latent variables are variables that are not influenced by other latent variables (Hair, 2014: 137). The exogenous latent variable is the HR system.
2) Endogenous latent variables are variables that are influenced by other latent variables in a model (Hair, 2014: 137). The endogenous latent variable is the administrative expert. The variable identified as the mediating endogenous variable which is between the exogenous and endogenous variables is the internal business process perspective.

HR System (X)

The HR system is the provision of policies that can be used in HR practices, so as to produce high performance. Some indicators to measure these variables are:

1. Company Vision and Mission (X1)

A strategic, tactical, and systematic guide that explains the direction and goals to be achieved by SMEs in Bali. The statement items on the questionnaire: (1) The company's vision and mission contain the need for improving the quality of HR, (2) The company's vision and mission as work guidelines for employees in aligning company goals, (3) The company's vision and mission can be used as decision making in the HR field.

2. Corporate Culture (X2)

Shared beliefs, values, beliefs, and norms that characterize the company and are followed by employees at SMEs in Bali. Statements on the questionnaire: (1) Corporate culture as a guide for identifying company values that must be understood by employees, (2) Corporate culture positioning employees as part of the company, (3) Corporate culture as a form of corporate image that always provides a sense of comfort for every employee in it.

3. HR Regulation (X3)

A regulation that is designed, formulated, drafted or made regarding employment that oversees the status or position of employees at SMEs in Bali. The statement points on the questionnaire: (1) HR regulations as a guide for employees in the field of personality, (2) SOPs establish standardization in completing work; (3) SOPs create operational flows to minimize work errors made by employees.

Internal Business Process Perspective (M)

The company's internal activity process that prioritizes employee involvement in every operational activity because employees are a very important part of the company. Becker et al. (2001) proposed several indicators to measure this variable, namely:

1. Increased Sense of Belonging (M1)

Statements in the questionnaire: (1) Always view the company as a place to serve in the long term, (2) Always protect the assets owned by the company.

2. Increased Participation (M2)

Statement points on the questionnaire: (1) Always participate in maintaining the good name of the company; (2) Always try to be maximally involved in company activities.

3. Increased Commitment (M3)

The statement items in the questionnaire: (1) Always try to be maximally involved in company activities, (2) Always do the assigned tasks with full responsibility.

Administrative Expert (Y)

SMEs employees in Bali are required to be able to play a role in the design and implementation of HR systems, including processes and practices. Ulrich (1997) proposed several indicators to measure this variable, namely:

1. The role of HR in the efficiency and effectiveness of the company (Y1).

The statements in the questionnaire: (1) Assist the company in improving company efficiency, (2) Effectiveness in running HR programs

2. The role of HR in company programs and policies (Y2).

Statements on the questionnaire: (1) Take an active role in planning HR programs, (2) Participate in the delivery of company HR policies.

3. The role of HR in management and administrative processes (Y3).

Point statement on the questionnaire: (1) Assist the company's human resources management, (2) Control of employee administrative processes

RESULTS AND DISCUSSION

The results of the data analysis (direct and indirect effects) with the Smart-PLS 3.0 program are summarized in Table 1.

Table 1
SUMMARY OF DATA ANALYSIS RESULTS

Variable relationship	Path coefficient	ρ Value	Hypotheses
Direct Effect:			
HR System -> Internal Business Process Perspective	0.426	0,000	Accepted
HR System -> Administrative Expert	0.372	0.015	Accepted
Indirect Effect:			
HR System -> Internal Business Process Perspective -> Administrative Expert	0.294	0.020	Accepted

Source: SEM-PLS processing results.
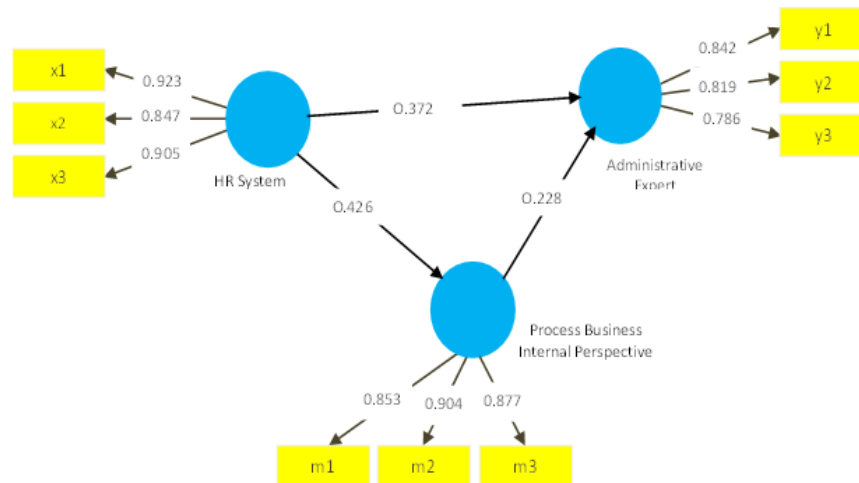
FIGURE 1
ESTIMATE RESULT PATH DIAGRAM

Effect of HR System on Process Business Internal Perspective

Based on Table 1, the path coefficient is 0.426 with a value of 0.000< (0.05), meaning that the HR system has a positive and significant effect on the internal business process perspective. Thus, the first Hypothesis (H₁) which states that the HR system has a positive and significant effect on the internal business process perspective "accepted".

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These results are in line with the results of the research of Cato & Gordon (2014); Gile (2013); Mahmood & Rehman (2015); that HR system with its various indicators has a positive and significant effect on process business internal perspective.

Effect of HR System on Process Business Internal Perspective

Based on Table 1, the path coefficient is 0.372 with a value of 0.015<(0.05), meaning that the HR system has a positive and significant effect on administrative expert. Thus, the second Hypotheses (H_2) which states that the HR system has a positive and significant effect on the administrative expert "accepted".

These results are in line with the results of the research of Jassim (2014), Albrecht et al., (2015); Kuipers & Giurge (2016); that HR system with its various indicators has a positive and significant effect on administrative expert.

Internal Business Process Perspective as a Mediating of HR System on Administrative Expert

Based on Table 1, the path coefficient is 0.294 with a value of 0.020<(0.05), meaning that the internal business process perspective as a mediating of HR system on administrative expert. Thus, the third hypotheses (H3) states that the internal business process perspective as a mediating of HR system on administrative expert is "accepted".

The direct or indirect influence of the HR system variable has a positive and significant effect on the administrative expert. The presence of the internal business process perspective variable is able to be a partial mediation of HR system effect on administrative expert.

CONCLUSION

Based on the results and discussion, it was found that the HR system has a positive and significant effect on the internal business process perspective. This means that a good HR system for SMEs in Bali will improve employee performance as measured by the internal business process perspective. HR system has a positive and significant effect on administrative expert. This means that a good HR system for SMEs in Bali will increase the competitive advantage of employees as measured by their role as administrative experts. Internal business process perspective as a mediating of HR system on administrative expert. This means that the internal business process perspective is able to mediate the effect of the HR system on expert administrative on SMEs in Bali.

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