

MICRO, SMALL AND MEDIUM ENTERPRISES SUCCESS FACTORS IN THE LEAN MANUFACTURING PERSPECTIVE : A THEORETICAL REVIEW

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ABSTRACT

The fact of the success of a corporation becomes a believable challenge when a business unit is determined to move forward. Multi-national scale companies or TNCs like Toyota Corporation see success factors from a philosophical perspective on lean manufacturing. Identification of unnecessary processes or waste in the production process. This paper theoretically wants to explore the possibility of applying lean manufacturing principles in the MSME industry. This becomes a quite interesting problem when MSMEs become an idol for a business model that is imagined immune to various uncertainties.

With the literature review approach this paper will elaborate on various previous studies conducted by experts. The analysis will be presented descriptively according to a predetermined logic. The analysis shows that (a) Application of lean manufacturing principles is only an option for MSME managers or owners. (b) The principles of lean manufacturing cannot be applied as a whole to a MSME, but rather selected parts of those principles that are compatible with MSME conditions in Indonesia. (c) One of the success factors of an MSME is also determined by the implementation of lean manufacturing principles, in other words the lean principle can increase the likelihood of being a success factor in the MSME.

Keywords : Lean System, Success Factor, Micro, Small, Medium, Enterprise

INTRODUCTION

The thinking construction of businessmen on a large and medium scale in general has applied philosophical guidelines so that there is stoic value and degree of efficiency and quality improvement of a corporation with a lean system [1]. But various empirical realities show that MSMEs have implemented lean systems even with slow adoption and differing interpretations between actors [2]. This is made clear for example by the opinion of Asltonen and Ikavalko who see that middle and senior level executives from various companies have understood this principle and are in contrast to MSMEs who are foreign to the lean system. If anyone knows, they are confused about the implementation [3].

It is believed that the building of the global economy of micro, small and medium enterprise (MSME) is a figure in strategic coordinates. He is an important and influential part [4]. If observed, there is actually no single definition but there are some characteristics such as small market segments, individual ownership, local area, and ownership of capital as well as individuals / several people [5]. This paper will look at how the deciding factors for the success of MSMEs, one of which is the implementation of lean systems. This paper is built with a

theoretical study in which the success factor of MSME business is related to the implementation of lean systems. The critical success factors that are theoretically mentioned include leadership, management, finance, organizational culture, and Achanga's skills and expertise will be discussed further [6]. The study confirms that the successful implementation of lean practices in SMEs can increase if CSF exists as a building block that refers to organizational characteristics that must be prevalent to ensure operational success [7].

On the other side of the currency, even though lean manufacturing practices are considered to have a positive influence on the operational efficiency of a corporation, it turns out that only a small portion examines how the application of lean systems in the MSME industry. There is a literature that offers a fairly in-depth study of it. As Hu said, there are several aspects of how a lean system is implemented by MSMEs [8]. The point is the type or scope of compatible lean systems, technical and methodical infrastructures and their impacts. four main categories of previous literature. So in this paper the important point is how the opportunity to implement lean systems in MSMEs shows their contribution to the productivity and efficiency of a MSME business unit.

THEORETICAL FRAMEWORK

In various literatures it is said that strong leaders (in this context MSME leaders / managers) are visionaries; strongly oriented toward goals, and formulate strategies that drive organizational dynamics. The elementary foundation for the existence of effective leadership is a strong commitment to corporate values [9]. Effective managers understand how important company assets are to employees and are willing to look at them as investments as needed. In this case, the indicator that appears is that the company manages its employees / human resources in other formal and informal approaches. They provide training to improve their skills, knowledge and attitudes. In addition to formal training, effective leaders understand the importance of workplace training to ensure collaboration and dialogue between leaders and employees. In addition, they understand the importance of partnerships between leaders and employees to increase the organization's acceptance of the use of this lean system method.

In relation to the lean system in MSMEs, effective management gives employees the opportunity to function independently under their strategic vision, in systemic integration, allowing lean practices to be more easily implemented [10]. Furthermore, leaders with effective characters will understand that business processes are not static. Managers will encourage a continuous improvement cycle and understand that organizational structures can develop when business processes are adapted and modified.

In practice, the scope of production facilities is strategically an effort to increase productivity, quality, and responsiveness to markets / other challenges. Perfectly managing the production flow is also important in lean manufacturing. In a just-in-time processing system, for example, it will depend on the movement of material through the facility based on principles which are "as needed".

Continuous improvement focuses on initiatives that optimize the process and make it stronger [12]. Organizations that foster a mentality of continuous improvement are not satisfied with the status quo. Instead, they foster enthusiasm among employees who focus on

improvement. Anand, Ward, Tatikonda, and Schilling [13] define continuous improvement as the use of "tasks aimed at creating transformations of value-added inputs - materials and information - to achieve desired results". Continuous improvement helps organizations develop towards optimal production processes. The aim is to review the improved process to ensure proper implementation of the change, to overcome any variation, and to look for additional ways to improve the process. Cross-functional work teams consist of individuals who have different functional expertise and domain knowledge.

Because of their diverse composition, they can collaboratively create effective work processes and overcome various challenges that arise. Cross-functional teams help organizations improve the skills and abilities of all members while achieving company goals. Cross-functional teams also facilitate organizational learning improvement. Organizational learning can be defined as "a three-state process - knowledge acquisition, knowledge sharing, and knowledge utilization." [14] Cross-functional work teams focus on stages two and three of the learning process, which is used into the organization.

RESEARCH METHODS

The research method used in this research is descriptive research method. Descriptive research is this research aimed at describing the phenomena that exist, both natural phenomena and man-made phenomena. Phenomena here can be in the form of activities, characteristics, changes, relationships, similarities, and differences between one phenomenon and another.

DISCUSSION

Success Factors Important in SME Leadership and Management. The main factor in the success of this company is the leadership and management team. The leadership team shows a strong sense of commitment to employees by making themselves visible and accessible. According to Mann [15], executives who are seen on the shop floor and involved with employees to discuss lean processes, projects, and practices show confidence in the organization's commitment to lean business. The management style of corporate leaders emphasizes the importance of teamwork, adaptability, and process optimization. Fostering employee innovation and growth is the top priority of the management team. Cross-employee training in diverse functional areas is one way the management team shows commitment to employees.

All employees have expertise in at least three functional areas in the organization, and two receive training in all aspects of operations. Even though the organization does not have a formal training matrix displayed, all employees know the capabilities of their other team members. Leadership team commitment greatly influences the sense of ownership shown by employees. They treat employees with kindness and respect, as if they were members of a large family. They also demonstrate employee trust through empowerment that results in operational efficiency optimization. For example, during the effort to redesign the facility, all employees were eager to suggest ways their individual functions could be improved to improve operational performance, knowing their advice would be shared by the management team. The management team focuses on the strategic components of operations and enables employees to work on the tactical aspects

of the business. When employees apply changes to suboptimal business processes, they will communicate those changes to the management team as respect, but in the end they know that they are empowered to make modifications.

Finance. The second critical success factor of the organization is the success of the owner's long-term approach regarding financial and investment decisions. The owner discussed his journey to success honestly with the research team. He revealed the steps and obstacles he took to move from making home brewing equipment in his garage, to more than \$ 5 million in sales in just 10 years. In one example, it was necessary to partake of components from foreign suppliers because of the price difference between imported suppliers and the U.S. To ensure fair prices, the owner examines and collaborates with negotiators who speak the language of the importer. The mediator's primary responsibility is to negotiate a fair market price for sourced materials. Even though the owner pays the fees to the mediator, he understands that short-term investments will pay dividends in the end. The owner also shows financial awareness by implementing practices to protect intellectual property (IP). When selecting supply chain partners to create subassemblies on behalf of these SMEs, the owner does his work in stages. The second tier supplier will make basic components. Then, the second level supplier will send component parts to the first level supplier to be included in the subassembly. This minimizes supplier knowledge and is protected against design piracy.

According to Mann [16], "lean culture arises when leaders change mindsets to hide problems and bury their causes". Leadership team members continue to monitor existing business processes to identify potential inefficiencies. Although the aim is to institutionalize an ongoing process for managing employee work, employees understand that the work process must be constantly re-evaluated and, therefore, improvements are welcomed and encouraged. Researchers repeatedly watched the management team inspire employee input and feedback. In addition, management asked the research team to meet with all line employees to solicit their responses during the redesign effort. Management states the opinions and input of their employees is an important component of organizational success. The research team observed that employees were willing to adapt when business practices and technological changes occurred. The adoption of a new order management system drives change, which is easily accepted by employees. Furthermore, as the organization advances to greater facilities because of growth, employee suggestions facilitate a smooth transition. The new facility layout is a collective effort of all employees with the main focus of eliminating all aspects of waste. Specifically, employee input ensures work cells are properly designed to increase productivity.

Employee input is determined where the inventory will be placed, simplifying the flow due to its proximity to the work cell. Placement of raw materials, work in process, finished goods, and packaging removes waste. There is no time for researchers to observe employees who resist redesign efforts. Instead, employees act as the main architects of change. Decisions ensure overall positive systemic effects and mitigate negative consequences. For example, two specific work cells need access to a heavy duty stapling device. When the first of two employees who need access to the device provides input, he recommends positioning the device between his cell and his coworkers. Both work cells need access and place the device between two work cells maximizing productivity and minimizing transportation and wasting motion for both parties. The employee is concerned about overall productivity rather than just his own productivity. These

actions demonstrate the culture of SMEs which emphasizes the importance of efficiency, adaptability, and flexibility to achieve the greatest collective good for the organization.

Ability and expertise. Employees who work at UKM are highly motivated to carry out their work tasks efficiently and effectively. Employees realize that their knowledge of work in an overall systemic is a key aspect of their long-term stability with SMEs. Thinking about reworking is the only deterrent needed. Employees pride themselves on optimization and are interested in developing and perfecting their skills and enhancing their knowledge and abilities - the hallmark of lean [17]. Although brewing at home is not a new phenomenon, organizational differentiation strategies - superior technique, quality, and performance - distinguish them from their competitors [18] (Blichmann Engineering, 2013). The owner shared that before entering the market he was told that his higher priced product would not produce adequate consumer demand. He ignored the warning and successfully entered the market with premium quality and premium-priced products.

To maintain their reputation as a premium provider, organizations continue to design, engineer, and release new concepts to the market. Evidence of Lean Enterprise in SMEs Four CSFs were identified by Achanga et al. [19] —Leadership and management, finance, organizational culture, and skills and expertise prove to be very important in the SMEs being investigated. The four basic building blocks provide a sustainable platform on which SMEs build lean practices. The research team observed many attributes and applications of lean production facilities in the SME of interest that were in line with those outlined by Shah and Ward [20].

CONCLUSION

The successful implementation of the Lean concept is very much dependent on identifying or mapping which production lines have no added value so that activities are categorized as wasteful. Therefore, the Value Stream Mapping (VSM) method is considered appropriate for mapping the production lines of a product which includes material and information from each work station.

Leadership and management commitment, employee skills and expertise, organizational culture, and financial awareness are the four keys to success that are identified as vital to the successful adaptation of lean practices in MSMEs. A lean transformation journey takes place for organizations that have this success factor at a faster rate than organizations that do not have this ability. Observations made by the research team, related to this case study, show the successful implementation of lean practices in SMEs can depend on the prevalence of success factors in MSMEs. For while implementing lean practices is the main goal, the environmental factors of SMEs are equally important. There is no doubt that raising awareness of these important components may be beneficial and result in accelerated lean implementation. Although it makes sense, this monumental task must not be underestimated. There is not much research outlining the success factors that are fundamental to the application of lean practices in MSMEs.

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