

Human Resource Management Strategies to Improve Work Competence and Maintain Product Quality in Swallow's Nest MSME

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Article Info	Abstract
Article history: Received March 10, 2026 Revised April 13, 2026 Accepted June 27, 2026 Available online August 15, 2026 *Corresponding author email: srieka.astutiningsih@gmail.com Keywords: Customer Loyalty, Human Resource Management, Product Quality, Swallow's Nest, Work Competence.	Introduction/Main Objectives: This study examines Human Resource Management (HRM) strategies at Bu Lia's Swallow's Nest MSME in Lamongan to improve employee competence and maintain product quality. Research Methods: A qualitative case study was conducted through interviews, observation, and documentation involving seven informants, including the owner, employees, supplier, customer, and business partners. Finding/Results: HRM practices include character-based recruitment, structured task distribution, family-oriented communication, performance evaluation, on-the-job training, and senior mentoring. Product quality is maintained through three-stage quality control. Employee competence supports product quality, customer satisfaction, and loyalty, forming an integrated sustainable business model. Conclusion: Strengthening written SOPs and expanding employee access to external training can improve quality consistency and business sustainability.
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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in Indonesia's economic structure. According to data from the Indonesian Chamber of Commerce and Industry (KADIN, 2026), more than 59 million MSMEs are operating across various sectors, contributing significantly to employment and regional economic development. Among these, agro-based MSMEs, particularly those producing swallow's nest, have gained increasing strategic value due to their high export potential to international markets, especially China, Hong Kong, and the United States. Despite their economic significance, many MSMEs face persistent challenges in managing their human resources (HR) effectively. Unlike large corporations, MSMEs often lack formal HR systems, written standard operating procedures (SOPs), and structured training programs. This informality creates vulnerability in maintaining consistent product quality, especially for export-oriented products that must meet strict international standards.

Human Resource Management (HRM) is widely recognized as a critical determinant of organizational performance. Effective HRM strategies, including recruitment, training, performance evaluation, and employee development, directly influence employees' work competencies, which in turn affect product quality. However, existing studies on HRM in MSMEs tend to focus on manufacturing or trade sectors in urban settings, leaving a gap in understanding how HRM strategies operate in informal, family-based MSMEs producing specialized agro-products (Harney & Alkhalaf, 2021; Kroon, 2024). In addition to maintaining product quality, MSMEs also need to build long-term customer relationships. Customer loyalty is reflected through repeat purchases, resistance to competitors, and positive word-of-mouth recommendations (Kotler & Keller, 2016). Consistent product quality is one of the most important factors influencing customer satisfaction and loyalty. From a Customer Relationship Management (CRM) perspective, maintaining customer trust through consistent quality can become a sustainable competitive advantage for family-based MSMEs (Buttle & Maklan, 2019).

Value proposition refers to the unique combination of benefits offered to customers that differentiates a product from competitors (Osterwalder & Pigneur, 2010). In the swallow's nest industry, product cleanliness, neatness, consistency, and compliance with export standards may constitute a strong value proposition that supports customer retention. This study addresses that gap by examining HRM strategies implemented at Bu Lia's Swallow's Nest MSME in Lamongan, East Java, a family-based enterprise operating with informal yet effective HR practices. In line with the focus stated in the title, this study aims to: (1) analyze the human resource management strategies implemented by Bu Lia's Swallow's Nest MSME to improve employees' work competence, and (2) analyze the human resource management strategies implemented to maintain product quality, including the underlying HRM process and quality control mechanisms that support both objectives.

Unlike previous studies that focus primarily on employee competence or product quality separately, this study proposes an integrated HRM–Competency–Quality–Customer Loyalty framework within a family-based swallow's nest MSME context (Najam et al., 2020; Storbacka,

Strandvik, & Grönroos, 1994). This study assumes that effective human resource management practices, including character-based recruitment, on-the-job training, and employee mentoring, contribute to the development of employee competence. Improved employee competence supports quality control activities and helps maintain product quality. Consistent product quality is expected to enhance customer satisfaction and encourage long-term customer loyalty. Therefore, this study examines the integrated relationship among HRM practices, employee competence, product quality, and customer loyalty in a swallow's nest MSME.

METHOD

This study employed a qualitative research approach with a case study design, which is appropriate for exploring complex social phenomena within a specific real-life context. The research was conducted at Bu Lia's Swallow's Nest MSME, located in Lamongan, East Java, Indonesia, an enterprise engaged in processing and distribution of swallow's nest products with both domestic and export markets. Data were collected through three primary methods: in-depth interviews with the owner, employees, suppliers, and customers; participant observation to observe daily work, direct processes, and HR practices; and documentation of business records and operational practices. Informants were purposively selected for their direct involvement in HR and production activities.

Data analysis followed the Miles and Huberman interactive model, comprising three stages: data reduction, data display, and conclusion drawing/verification. Data validity was ensured through source triangulation (cross-checking information across multiple informants) and methodological triangulation (cross-checking across different data collection methods).

Table 1. Research Informants

No.	Informant	Position	Length of Involvement
1	Bu Lia	Owner	15 years
2	Mba Dziro	Senior Employee	8 years
3	Mba Ima	New Employee	3 months
4	Ibu Devita	Supplier	10 years
5	Ibu I'in	Customer	10 years
6	Ibu Sumarni	Business Partner	6 years
7	Ibu Astutik	Business Partner	7 years

Source: Data Processed By Researcher/2026

The profile of research informants is presented in Table 1. The informants were purposively selected for their direct involvement in human resource management activities, production processes, supply chains, and customer relationships within Bu Lia's Swallow's Nest MSME.

Table 2. Summary of Research Findings

No.	Research Aspect	Main Findings
1	Recruitment	Character-based recruitment
2	Training	OJT and mentoring
3	Competency Development	Senior employee mentoring
4	Performance Evaluation	Daily monitoring and weekly evaluation
5	Quality Control	Three-stage QC system
6	Product Quality	Cleanliness, neatness, consistency
7	Customer Loyalty	Long-term repeat purchases

Source: Data Processed By Researcher/2026

Table 2 summarizes the main findings obtained from interviews, observations, and documentation. These findings indicate that HRM practices, competency development, quality control, and customer loyalty are closely interconnected in supporting sustainable business performance.

RESULT AND DISCUSSION

To visualize the interconnection among the findings, Figure 1 presents the integrated HRM-Competence-Quality-Loyalty model identified in this study.

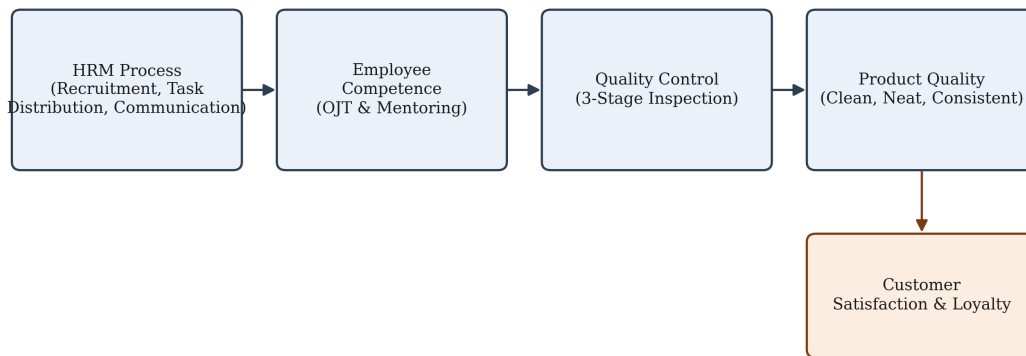


Figure 1. Integrated HRM–Competence–Quality–Customer Loyalty Model at Bu Lia’s Swallow’s Nest MSME

HRM Process at Bu Lia's Swallow's Nest MSME

The HRM process at Bu Lia's Swallow's Nest MSME in Lamongan operates through a simplified yet systematically effective framework adapted to the realities of micro-enterprise management. Drawing directly on the POAC management function model articulated by George R. Terry, Planning, Organizing, Actuating, and Controlling, the owner has established a coherent HRM system across four dimensions: recruitment and selection, task distribution and work systems, interpersonal relationships and communication, and employee loyalty. Recruitment and selection are conducted through social networks, relying primarily on referrals from neighbors and existing employees rather than formal job advertisements. The owner explicitly prioritizes

character over formal educational credentials, selecting candidates based on meticulousness (*ketelitian*), patience (*kesabaran*), honesty (*kejujuran*), and willingness to learn (*kemauan belajar*). This approach reflects a deliberate, competency-based selection strategy grounded in the specific demands of swallow's nest processing, a commodity that is easily damaged if mishandled. As the owner stated: *"I do not emphasize formal education; what matters is meticulousness, patience, honesty, and willingness to learn, because cleaning swallow's nests requires a very high level of precision."* This practice aligns with Dessler's (2015) framework, which positions effective recruitment and selection as the foundation for building a quality workforce capable of achieving organizational performance targets.

Task distribution is structured and clearly delineated despite the absence of formal written job descriptions. Employees are assigned exclusively to the production cleaning process, while procurement, marketing, and administrative functions are managed directly by the owner and her husband. Work hours are set from 08:00 to 16:00 WIB, with overtime provisions during periods of elevated demand. This division of labor reflects the Organizing function within the POAC framework; each employee understands their specific role, enabling more efficient production workflows. The weekly payroll system, praised by employees as reliable and timely, demonstrates an application of Dessler's compensation management principle, wherein consistent and equitable remuneration sustains motivation and reduces turnover risk.

Interpersonal relationships and communication are managed through a family-like (*kekeluargaan*) approach characterized by open dialogue between the owner and employees. Conflict resolution is handled through direct mediation by the owner, while weekly evaluations provide a structured forum for discussing production challenges and work outcomes. As Mba Dziro, the senior employee with eight years of experience, noted: *"The work atmosphere is comfortable and the owner is open and easy to talk to, so employees feel free to share opinions or work problems."* This relational approach yields measurable outcomes in employee retention: low turnover rates and long-term employee commitment, confirming Armstrong & Taylor's (2014) position that employee satisfaction and commitment are key indicators of HRM effectiveness.

HRM Strategies to Improve Employee Work Competence

Work competency development at Bu Lia's MSME is implemented through two primary, interlocking strategies: on-the-job training (OJT) and mentoring by senior employees. These mechanisms represent a contextually appropriate adaptation of formal HRM training principles to the resource and structural constraints of a micro-scale enterprise. In OJT, new employees are immediately integrated into the production environment and learn through direct work practice (*belajar sambil bekerja*). Tasks are introduced progressively, beginning with the basic stages of cleaning and sorting before advancing to more technically demanding processes involving quality inspection. Bu Lia described her approach: *"New employees are guided step by step through a learn-while-working method with direct mentoring, until they are capable of working*

independently. If mistakes occur, I immediately correct them so the employee understands the correct work standard." This finding is consistent with Kolb's Experiential Learning Theory (Kolb, 1984), which states that competence develops through direct experience, reflection, and active experimentation.

The senior employee mentoring system plays a critical role in transferring tacit knowledge within the organization. As Mba Dzиро confirmed: *"As a senior employee, I also help guide new employees so they can adapt to the work more quickly."* New employees receive guidance on proper nest-cleaning techniques, hygiene maintenance, handling fragile materials, and adherence to quality standards, which constitute unwritten institutional practices. Spencer and Spencer (1993) define competence as the underlying characteristics of individuals, including knowledge and skills, that predict effective performance. The mentoring system at Bu Lia's MSME directly develops these characteristics through consistent, contextual, peer-based guidance. Motivation is reinforced by the owner's consistent emphasis on the strategic importance of each employee's contribution to product quality. Bu Lia stated: *"I give greater trust to employees with good performance and high responsibility by assigning them larger tasks."* This incremental delegation of responsibility functions as a non-monetary reward mechanism aligned with Spencer & Spencer's motivational competence component (*motives*), which captures the internal drive to meet or exceed quality performance standards. Higher-performing employees are given expanded roles, creating a natural competency development pathway even in the absence of formal promotion structures.

However, a notable constraint is that external training opportunities, such as government-organized seminars for MSMEs, are accessed exclusively by the owner, whose learning is then transmitted to employees through internal work instructions. Employees have not participated directly in any formal external training program. Flippo (1984) emphasizes that continuous formal training and education are essential for sustained workforce development; this gap represents a strategic limitation that, if addressed, could accelerate competency growth across the entire workforce.

Work Competency Standards and Quality Evaluation

Work competency standards and performance evaluation at Bu Lia's MSME are implemented through a direct, observation-based daily monitoring system aligned with Dessler's (2015) framework of direct performance appraisal. The owner personally inspects work outputs each day, focusing on three core criteria: product cleanliness (*kebersihan*), neatness (*kerapian*), and conformance to established production standards. Non-conforming work is immediately flagged and returned for correction, creating a real-time feedback loop that serves as a substitute for formal written performance appraisal instruments. This evaluation mechanism functions concurrently with the Controlling function in the POAC framework: output control is embedded into daily operational practice, ensuring that performance monitoring is continuous rather than periodic. Weekly group evaluations supplement daily observation, providing a forum for

discussing production constraints, target achievement, and corrective actions. The owner stated: *"Evaluation is done directly at the workplace without special written notes, through daily observation. If there are results that do not meet standards, I immediately give direction or a warning so it can be quickly corrected and not repeated."*

Table 3. Quality Control Process

QC Stage	Inspection Activity
Stage 1	Raw material inspection from suppliers
Stage 2	Monitoring during cleaning and production
Stage 3	Final inspection before packaging and distribution

Source: Data Processed By Researcher/2026

As shown in Table 3, quality control is conducted through three consecutive inspection stages to ensure product conformity and consistency. This multilayered QC system operationalizes Crosby's (1979) quality conformance principle, which defines quality as conformance to requirements across the entire production value chain. Supplier Ibu Devita confirmed: *"Every raw material I send is always checked first before being accepted for production."* The consistency of this process was further validated by the long-term customer Ibu I'in, who stated that she had "never received a disappointing product" over 10 years of purchasing.

A critical structural limitation identified in this study is the absence of written Standard Operating Procedures (SOPs). Production standards are collectively understood through repeated oral instruction and daily practice, a form of tacit knowledge management common in family-based MSMEs. While this informal system has successfully maintained operational continuity at the current scale, it introduces institutional vulnerability during employee transitions.

Senior employee Mba Dzero confirmed: *"There are no formally written SOPs, but there are work rules understood and carried out by all employees."* Wibowo (2016) and Spencer & Spencer (2008) both emphasize that documented procedural knowledge (*knowledge* as a competency component) is foundational to consistent performance, particularly when workforce composition changes. The absence of written SOPs risks inconsistent application of standards during new employee onboarding, an area that requires strategic intervention as the business scales.

Effectiveness of Employee Work Competence on Product Quality

The relationship between employee competence and product quality at Bu Lia's MSME is direct, significant, and consistently confirmed across all seven informants interviewed through triangulated data collection. Triangulation of source perspectives of the owner, senior employee, new employee, supplier, customer, and two business partners produces convergent findings that establish competence as the primary determinant of product quality outcomes. Employees with higher competence levels developed through OJT, mentoring, and cumulative work experience consistently produce swallow's nest outputs that meet the enterprise's quality benchmarks for

cleanliness, structural integrity, and production consistency. The owner articulated this relationship clearly: *"Employees who are already accustomed and skilled usually produce swallow's nests that are cleaner, neater, and more standard-compliant compared to new employees who still need guidance."* Senior employee Mba Dziro reinforced this from her own experience: *"The longer I work and the better I understand the work method, the neater and better the results become."*

This finding is consistent with Spencer and Spencer's (1993) competency theory, which posits that skills and knowledge are characteristics that directly predict effective performance. The contrast between experienced and new employees at Bu Lia's MSME provides an empirically grounded illustration of this theory: Mba Ima, the new employee with only three months of experience, acknowledged making errors in the early stages of production that affected finished product quality, which diminished as her competence developed through daily practice. This progression confirms Iswadi's (2024) research conclusion that higher work competence produces measurably higher productivity and product quality.

Table 4. Comparison of Employee Competence

Indicator	Senior Employee	New Employee
Work Experience	8 years	3 months
Independence	High	Moderate
Error Frequency	Low	Higher
Product Quality Output	Consistent	Still adapting
Need for Supervision	Low	High

Source: Data Processed By Researcher/2026

As shown in Table 4, senior employees demonstrate higher levels of competence, independence, and consistency in their work performance than new employees. This difference supports the argument that competency development through experience, mentoring, and continuous practice contributes significantly to maintaining product quality.

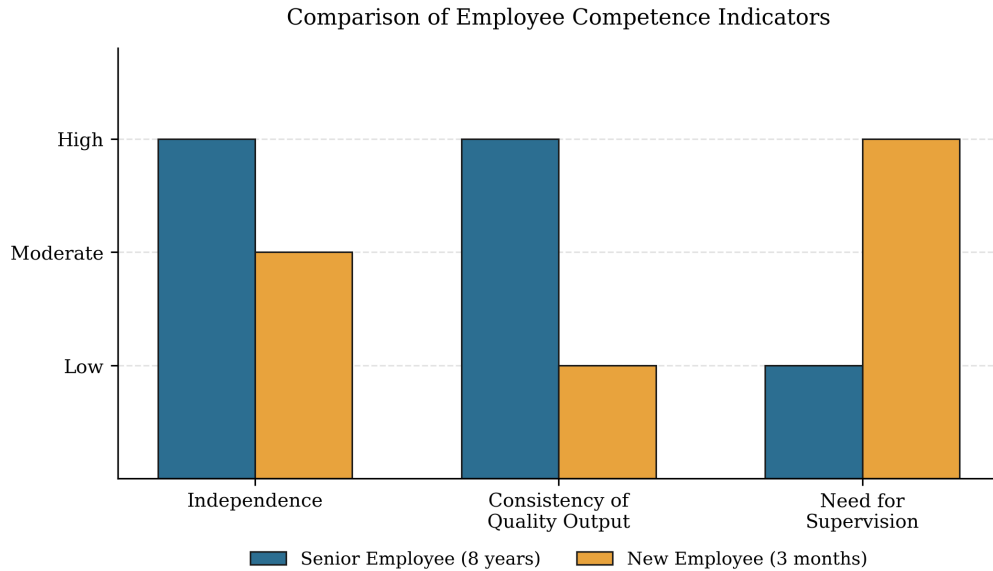


Figure 2. Comparison of Senior and New Employee Competence Indicators (based on Table 4)

Applied to the Kotler and Armstrong (2017) product quality framework, employee competence directly supports two critical quality dimensions: performance quality (the product's ability to deliver its core function, a clean, intact, export-standard swallow's nest) and conformance quality (adherence to specified production standards). The four product quality standards consistently maintained at Bu Lia's MSME cleanliness, neatness, intact form, and production batch consistency correspond precisely to these dimensions and were recognized by all informant groups as the basis of the enterprise's competitive advantage. Employee turnover represents the primary mechanism through which competence gaps temporarily affect product quality. When employees leave, the production process slows, and output quality temporarily declines as new employees work through their adaptation period. Bu Lia described this challenge directly: *"If an employee leaves, work becomes somewhat disrupted, especially when having to find and train new employees from the beginning; the adjustment process takes time."* MBA Dziro confirmed the operational impact: *"When an employee left, the workload was distributed among fewer people; the burden felt heavier, and production was slower than usual."*

This finding underscores the strategic value of investing in systematic competency development as a business continuity measure, not merely a quality assurance tool. As Pramanik and Alfazri (2024) demonstrate, higher workforce competence is positively and significantly associated with higher work quality outcomes, a relationship fully corroborated by this study's findings at Bu Lia's MSME. Customer loyalty data further reinforces the competence-quality-satisfaction chain: Ibu I'in, a customer of ten years standing, stated she had remained loyal to Bu Lia's products even after attempts to switch to alternative suppliers because *"quality consistency is the most important thing as a customer."* This sustained loyalty, grounded in consistent product quality, represents the ultimate validation of Bu Lia's integrated HRM-competency-quality management system and confirms Susetyo, Nurkhasanah, and Jamil's (2023) finding that product

quality has a positive and significant effect on customer satisfaction and long-term purchasing loyalty.

Beyond its effect on product quality, employee competence also contributes indirectly to customer satisfaction and loyalty. Consistent quality encourages repeat purchases and strengthens customer trust, reflecting the CRM principle of maintaining long-term customer relationships (Buttle & Maklan, 2019). In Bu Lia's MSME, the consistency of product cleanliness and quality has become a key value proposition that differentiates the business from competitors and supports long-term customer loyalty.

CONCLUSION

This study examined the HRM strategies implemented at Bu Lia's Swallow's Nest MSME in Lamongan to improve employees' work competence and to maintain product quality. Based on in-depth interviews with seven informants, direct observation, and documentation, analyzed through source and technique triangulation, the findings address the two research objectives as follows. First, regarding strategies to improve employees' work competence, Bu Lia's MSME relies on character-based recruitment (prioritizing meticulousness, patience, honesty, and a willingness to learn), on-the-job training, and senior-employee mentoring, reinforced by the incremental delegation of responsibility as a non-monetary motivational tool. These strategies align with Dessler's (2015) HRM framework, Terry's (2012) POAC model, Kolb's (1984) experiential learning theory, and Spencer and Spencer's (1993) competency theory. A key limitation is that employees' access to external training remains restricted to the owner, which constrains the pace of workforce-wide competency development.

Second, regarding strategies to maintain product quality, Bu Lia's MSME applies daily direct observation of cleanliness, neatness, and conformance to production standards, supplemented by weekly group evaluations and a three-stage quality control system covering raw material inspection, in-process monitoring, and final inspection. This consistently produces the quality outcomes that Kotler and Armstrong (2017) characterize as performance and conformance quality, and is corroborated by ten years of consistent quality reported by a long-standing customer. The main structural vulnerability is the absence of written Standard Operating Procedures (SOPs), which risks inconsistency during employee transitions, as noted by Spencer and Spencer (1993) and Crosby (1979).

Overall, employee work competence has a direct and significant effect on product quality, which in turn sustains customer loyalty, confirming the integrated HRM–Competency–Quality Customer Loyalty relationship proposed in this study (Najam et al., 2020; Pramanik & Alfazri, 2024; Susetyo, Nurkhasanah, & Jamil, 2023). These findings show that a formal HRM system is not a prerequisite for effective competence development and quality maintenance in MSMEs; what matters is the consistent, contextually appropriate application of core HRM practices,

recruitment, training, evaluation, and quality control, adapted to the enterprise's scale and culture, offering a practical reference for other family-based, agro-product MSMEs.

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