

Cultural Relationship and HRM Practices in Indonesian SMEs

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Abstract— Culture is a critical aspect in the relationships between individuals in an organization especially in SMEs (Small and Medium Enterprises). A relatively small number of employees and a tendency for decision making to be focused on the owner lead to culture influences being imposed on HRM practices. This study therefore was aimed at investigating cultural relationships and HRM practices in Indonesian SMEs.

Data was collected in two stages. In January 2018, a preliminary survey of small service firms in South Sulawesi was conducted to find out what aspects of HRM practices were used in managing employees and whether cultural aspects had any relationship to the practices. The first stage result revealed that HRM practices were applied in managing firm activities and that cultural aspects did influence the HRM practices. From March to April 2018, the study then proceeded with a further survey and interviews of SME's managers or their owners. The areas of activity that were covered were service, manufacturing and trading firms. One hundred and twenty questionnaires were hand-delivered and 87 were completed and returned. Following this, 15 SMEs managers/owners were interviewed. The collected interview data was then compiled and analysed to produce a descriptive record of the interviews.

The findings revealed that cultural relationships between managers/owners and employees lead to informal HRM practices. Moral obligation and family relationship were the dominant bases for HRM decision making. The study supported the findings from previous studies that HRM practices in SMEs tend to be informal and based on a mutual understanding between employees and managers/owner.

The study offers empirical support for using a cultural background when using HRM practices. In addition, cultural values need to be considered in order to create good working relationship in SMEs and aspects of effective HRM practices based on Western culture may not be suitable for Indonesian enterprises especially in the case of SMEs

The study represents the application of HRM practices in South Sulawesi cultural background at specific time. Future research could include longitudinal, cross-cultural studies and wider geographical coverage.

Keywords— culture, cultural relationship, HRM, SMEs

I. INTRODUCTION

Since the economic crises in the mid of 1997, the government of Indonesia has realized the importance of SMEs to the nation (Putri, 2001). During the economic crises, SMEs became the main source of Indonesian development especially by generating employment and sources of foreign exchange (Tambunan, 2000; Nasution, 2000, Mustaqim,

2016). Although SMEs only have a 59.36% share of Indonesian Gross Domestic Product (GDP), SMEs provide 99.6% of Indonesian employment (Qustolani, 2017). Tambunan (2000) argues that the importance of SMEs in Indonesia was recognized mainly in terms of employment creation and provision of basic needs for low-income groups of the population. SMEs provide employment not only for staff who became redundant due to the closing of large enterprises or the restructuring of companies, but also for new work forces and within new enterprises.

It has been argued that the main constraint on Indonesian SMEs participating optimally in the Indonesian economy, might be a relatively low HR quality (Habir and Larasati, 1999). This constraint appears to be in line with low Indonesian HR skills (Barthos, 2010)), since based on a Human Development Index, the quality of Indonesian HR management is low and consequently low productivity, unemployment and poverty exist in Indonesia. Hartanto, (2011) claimed that even though Indonesia has a large population, Indonesia has faced a shortage of skilled labor.

According to Drummond & Stone, (2007) because of the relatively low Indonesian HR quality, the application of appropriate HRM techniques could enrich business performance. This proposition is in line with other previous studies that found that human performance is very important in all businesses, including SMEs (Bardasi, Sabarwal and Terrell, 2011). Appropriate HRM practice is very important when there are continuous changes in operating environments (Hodgetts & Kuratko, 2001), is a vital factor for business survival (Quazi & Padibjo, 1997) and is a key factor in business development (Drummond & Stone, 2007; Tjiptoherijanto, 1999).

Hofstede (1993) stated that Indonesian work is characterised by moral relationships between employers and employees, a mutual obligation for protection by employers and loyalty towards employers by the employees. Cultures vary from country to country (Papalexandris & Panayotopoulou, 2004) and it is expected that the cultural impact on SMEs in Indonesia would vary from cultural impact on SMEs in developed nations as HRM is influenced by relationships between employers and employees or between managers and workers (Savolainen, 2000). Thus, HRM practices in small business that are based on the Western culture, should be adapted to the Indonesian culture with its specific characteristics and cannot be directly applied to

Indonesian SMEs. Research into HRM practices in Indonesia with particular reference to Indonesian culture, is therefore urgently required.

Previous researchers have established theories that explain how cultural relationships may influence HRM practices (Appelbaum & Gandel, 2003; Hofstede, 2001; Ogunyomi and Bruning, 2016; Fahim, 2018). Some research has also examined relationships between HRM practices and cultures in developed countries (Anh, and Kleiner, 2005; Hasan, 2007; Yeganeh & Suh, 2008; Colley, McCourt, and Waterhouse, 2012, Hasan et al., 2019). However, little has been known about HRM practices in developing countries (Bardasi, Sabarwal, and Terrell, 2011, Wu, Yao, and Muhammad, 2017, Abubakar, Chauhan and Kura, 2015), especially in Indonesia (Hafir & Larasaty, 1999; Barthos, 2010). Therefore, the problem that this research addresses is the examination of the influence of cultural relationships on the HRM practices of Indonesian SMEs.

II. LITERATURE REVIEW

2.1. SMEs

There are two main approaches to defining SMEs. These are both quantitative and qualitative. Quantitative definitions use numbers as tools for measurement such as the number of employees, level of sales, level of assets employed in business activities or some combination of these. Qualitative definitions see small enterprises as enterprises in which a small group of people make all critical management decisions, independent of external control, relatively small in terms of counterparts, operating in a local area and seeking profit and growth.

Some experts present a comprehensive definition, which includes all aspects related to small enterprise characteristics. For example, Kaman, et al., (2000) defined small firms are typically owner operated, independent of external control, with a small number of people making all managerial decisions and surviving from a small share of the relevant market."

One definition which clearly differentiates between the terms "small business" and "entrepreneurial venture" is the definition by Hodgett and Kuratko (2001, p.5-6) namely that: "Small businesses are businesses that are independently owned and operated, are not dominant in their field, and usually do not engage in many new or innovative practices while entrepreneurial ventures are those which the entrepreneurs principal objectives are profitability and continued growth."

In conclusion, although experts in small business management may have rather different definitions of small business/small enterprise, they agree on some points - owners make all management decisions, are independent from external control and the operations are relatively small in their industry sector.

The Indonesian Central Bureau of Statistics (CBS/BPS) defines a small enterprises as an enterprise with the number of employees between five and nineteen (BPS, 2018). Using the

number of employees as a measurement was also employed by Widiyanto and Choesni (1999). In their research on the impact of the economic crisis on industry performance, Widiyanto and Choesni (1999) defined small enterprises as an enterprise with up to 150 employees. In other research on sidewalk vendors, Wihalminus Sombolayuk (2002), categorized small business/enterprises as businesses with up to 50 employees.

2.2. Culture and cultural relationships in SMEs

Basically, culture is the way human beings solve problems and transfer knowledge (Jackson, 2002). The fundamental elements of culture are the ability of human beings to construct and to build, and the ability to use language (Sabiu, et al.,2019). In this research, culture is defined as specific ways of "finding problem solutions" in relationships between SE owners and employees.

Cultural relationships are patterns of thinking, feeling, and acting between employers and employees in operating a business and in daily life (Hofstede, 2001). Employers and employees express what they think, feel, and act as part of business activity (Rodriques & Gomez. 2009). Indonesian people believe in 'being together' in life (McGrath-Champ and Carter, 2001). In this research, a cultural relationship is the pattern of interaction between owner-managers and employees.

According to Hofstede, (1993), the Indonesian culture is collectivistic. This perception of Indonesian culture is supported by Debrah, McGovern, Budhwar, (2000) who found that Indonesian individuals tend to identify themselves as part of a specific group and an important distinction is made between 'insiders' and 'outsiders' . In Indonesian, a common perception is that personal relationships in business deals, lead to mutual favours . Furthermore, Qustolani, (2017) asserted that close personal relationships also act as mechanisms for creating ties and loyalty between employees and top managers and that great emphasis is placed on reaching a consensus within any working group and not causing anyone to "lose face". A loss of face may lead to a break-down of personal relationships, which in turn may harm the internal management processes (Mustaqim, 2016). The Indonesian communication style is indirect, as individuals try to minimize the "loss of face" and preserve harmonious relationships (Hofstede, 1993).

2.3. HRM and Cultural Relationships

HRM is a part of management that mainly deals with planning, organizing, actuating and controlling individuals in an organization. It embraces the whole range of recruiting, selecting, appraising, developing, educating, communicating, rewarding, motivating, and retaining employees together with such issues as incentives, quality of output and working life, work-restructuring, equal opportunities, health and safety, skill formation, team-working, flexibility, shaping the corporate culture and managing change (Jackson, 2002 Greenwood, 2013). Although the above description is meant

to cover the total functions of HRM, many scholars debate what should be the main scope of HRM and how HRM should be applied in business organizations. This debate leads to a number of theories about HRM.

Within work organizations across cultures, people are “valued” differently as human beings (Jackson, 2002). Consequently, HRM practices within an organization cannot be separated from social culture (Cuéllar-Molina, et al., 2019). Culture acts as a framework for relationships between individuals in organizations regardless of their position in the organization (Sabiú, Mei, and Joarder, 2016). HRM decides how business relationships are formed and maintained during organizational life. In addition, Rodriguez and Gomez, (2009). has asserted that HRM practices are likely to be especially sensitive to diverse cultural environments.

Values are defined as the core set of beliefs and principles deemed to be desirable by groups of individuals (Kalemci et al., 2019). Values are derived from membership of a community or group (Groesch and Doherty, 2000). Coupled with attitudes, beliefs, and behaviours, values combine to form a continuous spiral of community culture (Prowse and Prowse, 2016). According to Ko and Smith-Walter, (2013) management’s preferences, values and outlook may well be the more pertinent starting point in understanding the antecedents of HRM practice. Furthermore, Haider et al., (2015) asserted that organizational analysis of its environment is influenced by organizational culture.

Employees are unique, each with his or her own values, attitudes, interests, physical makeup, and emotional set (Othman, AND Poon, 2000). Staff behavior at work is shaped by a combination of physiological makeup, work experience, goals, and the influence of cultural background such as family, peers, race and education (Pickle & Abrahamson, 1990).

Papalexandris and Panayotopoulou, (2004) claimed that HRM practices are part of the social culture within an organization. HRM practices are especially sensitive to cultural environments and might have an impact on personnel relationships in an organization. Consequently, cultural relationships are expected to have a certain pattern of relationships to HRM outcomes. Based on the cultural concepts, HRM practices in SMEs are generally informal. SMEs do HR recruitment, development, motivation, compensation and termination informally without clear structures and written guidelines. Absence of written job descriptions and employer-employee working contracts are generally found as daily business practices (Anis, 2002).

2.4. HRM in Indonesia

There is still very limited literature about HRM practices in Indonesia. Historically, HRM has not been great attention by either Indonesian scholars or employers (Habir & Larasati, 1999; Qustolani, 2017)). Crisis situations have meant that scholars and business practitioners have changed their

opinions about the role of HRM in enterprise performance and for Indonesian development. HRM practices are now positioned as the first priority for business program development. Logically, if an enterprise has suitably qualified/skilled employees, it should be able to solve many difficult problems and to achieve a competitive advantage in the marketplace.

HR practices as a set of internally consistent policies and services, designed and implemented to ensure that a company’s human capital contributes to the achievement of its business objectives (Simões, et al., 2019.).

HRM practices in large enterprises in Indonesia are generally similar to HRM practices in USA or UK. Functions such as recruiting, developing, motivating, rewarding and terminating are quite similar to HRM practices elsewhere. However, the functions are applied in an informal way by Indonesian SMEs (Habir & Larasti, 1999). Family culture is still dominant in decision making in applying HRM functions and management is unstructured and informal (Dang, et al., 2018).

In recruiting, for example, SMEs generally use family members and relations to find new employees (JDen Hartog, et al., 2013). The new employee starts work without any written contract and an employer-employee relationship is formed based on family relationships and trust (Mustakin, 2016). It is assumed new employees will behave “fairly” and employees also trust that the employer will behave “fairly”. In addition, owner-managers treat their employees as “family members” and respect their ages and positions in the family (Prawirosentono, 1994). It is argued that specific culture adopted in enterprises, has an important impact on HRM decision-making (Giauque, Anderfuhren-Biget and Varone 2013).

Prawirosentono (1994) argued that Indonesian HRM cultural relationships are based on respect of hierarchy, commitment to working together as a team, and moral relationships between employers and employees. The HRM cultural relationship is used as a guideline for all stakeholders in SME businesses (Mustakin, 2016). HRM in SMEs tend to be informal and the application of a HRM function mainly depends on ability of the owner-manager (Osterman, 1994). Kaman, et.al. (2000) argue that SEs are known for their informal communication and flexibility, informal cultures and close involvement of owner/manager. Furthermore, Hassan, (2007) claim effective HRM depends on the skills, attitudes and experience of owner-managers of SMEs.

Culture has a major impact on employer-employees relationships (Nafukho and Muyia, 2014). Indonesian culture emphasizes family relationships and great respect for older people (Prawirosentono, 1994). The phenomena can be seen in action in the daily work situations in an enterprise. A number of studies have found that attitudes, values, perception of risk, continuous learning, managerial and marketing skills, availability of resources (including financial resources),

adjustment of organisational structure, and the availability and effective use of information, are significant internal factors influenced by culture and affect the success of SMEs (Tambunan, 2000). Prawirosentono (1994) argued that Indonesian HRM cultural relationships are based on respect of hierarchy, commitment to working together as a team, and moral relationships between employers and employees. The HRM cultural relationship is used as a guideline for all stakeholders in SME businesses (Tanoto, 1992).

South Sulawesi based culture puts a great focus on family relationships and traditional personal roles of society hierarchy (Sampe, 2012). Of great concern in family relationships is the extended family, with obligations for successful families to help and support their extended family, not only by providing food and shelter, but also by helping their family members to find permanent jobs. One of the main reasons for establishing an enterprise in South Sulawesi is to provide jobs for family members. Loyalty to the family serves to shape its members' motivation. It is argued that trust between owner-manager and employees, loyalty of employees to owner-managers, responsibility of owner-managers to employees, wealth and sensitivity of all organization members to not 'losing face', influence decisions on HRM practices in South Sulawesi partly as a consequence of the organization of enterprises as extended families, to achieve status and 'face' in society.

2.5. Measurement Issues

2.5.1. Measurement of cultural relationships

Hofstede (2001) suggests the use of power distance, uncertainty avoidance, individuality versus collectivism, and feminism versus masculinism to assess the nature of cultural relationships. Power distance leads to formality in communication processes including formal meetings, employees respect and loyalty, perception of employees and owner managers as part of "family", and degree of employee's participation in decision-making.

Kotey and Sheridan (2001) measure cultural relationships via: discussion of business issues with employees; formal meetings with employees; participation of employees in decision making; informal relationships, and the recognition of employees as colleagues/friends.

A Wiesner and McDonald (2002) measurement of cultural type included: existence of formal agreements with employees; formal agreements with unions; informal agreements with employees/unions, existence of individual contract; regular formal meetings with employees; informal meetings with union delegate; and establishment of joint consultative committee to assess employment relation practices. In addition, Kaman (2000) saw formal meetings, employees feedback, formal communication as important as measures.

Because of the range of aspects that have been suggested as comprising cultural type, a multi-item measure of cultural

type will be employed in this research. The nature of cultural relationships will be assessed using 12 questions relating to: employer-employees formal agreements; regular formal meetings; employees involvement in decision making; employees respect for employer; employees loyalty to enterprise; formality in responsibility delegation; formality in communications; employer's support on employees social activities; employer presence in employees' "family problems"; enterprise seen as part of employees' life; and employer seen as part of employees' family.

2.5.2. HRM Measurement

Kotey and Sheridan (2001) in their research on gender and measurement in terms of HRM practice in a small business on the Sunshine Coast in Australia, based their measurement of HRM activities: word of mouth recommended recruitment by friends and relatives; an informal approach to recruitment; generally no job descriptions; no duties or responsibilities statements; no existence of formal documented human resource policies or employment termination procedures.

Kaman et al (2000) in their study of HRM practices in Guam and Puerto Rico found SMEs HRM practices could be measured by the existence of job descriptions; formal orientation programs; formal performance evaluations; progressive disciplinary procedures; structured selection processes; the existence of employee handbooks and written policies and procedures as measures of general practices of HRM in SMEs.

Beh, and Loo, (2013) in his research on an international group of study teams from 11 nations, found that measures of HRM practices could include the existence of written plans, the existence of opportunities to work independently and opportunities for advancement within the enterprise.

Wu, Bacon and Hoque (2014) found that HRM measurement could use the existence of referrals by employees; referrals from other sources and walk-ins as a measure of recruitment practices; existence of written job analysis, written job descriptions; informal/formal selection procedures; informal input from family/relatives in selection; as a means of measuring appraisal within performance evaluation of HRM.

HRM principles that will be investigated in this research are existence of formal written recruitment processes, employer-employees written contracts, written job analyses, written job descriptions, existence of independent personnel for recruitment and selection, sources of input in decision making, formality in performance appraisal, appraisal assessment, basis of compensation appraisal, basis for motivation, written career development, and formality in termination process – all part of general HRM practices

III. RESEARCH METHOD

Data was collected in two stages. In January 2008, a preliminary survey of small service firms in South Sulawesi was conducted to find out whether there are aspects of HRM practices used when managing employees and whether cultural aspects had any relationship to the practices. The first stage result revealed that HRM practices applied in managing firm activities and that cultural aspects influence HRM practices. From March to April 2018, the study then proceeded with further survey and interview with SMEs managers or owners of service, manufacturing and trading firms. As many as 120 questionnaires were hand-delivered and 87 were completed and returned. Then, 15 SMEs managers/owners were interviewed. The collected data then analysed and compiled with the result of interview descriptively. To reveal cultural relationships and HRM practices, factor and correlation analysis were applied.

IV. RESULT AND DISCUSSION

4.1. Cultural Relationships

The table 1 below shows the descriptive result of cultural relationships. In general, the respondents tend to choose lower score for formal relationships and higher score for informal ones.

Table 1 : descriptive finding of cultural relationships

No	Item	Mean	Std. Dev
1	all decision-making is made through a rational process	3.72	2.96
2	considers the impact of decisions on employee morale	5.00	1.98
3	creates systems to measure gaps between current and expected performance	4.83	2.45
4	all organizational members share a common sense of mission that most think is worth striving to achieve	8.75	1.31
5	co-operation amongst departments is important	8.10	1.79
6	innovation is the most important goal	3.73	2.83
7	is open to receiving new ideas from organizational customers	4.40	2.68
8	the structure supports its strategic direction	7.00	2.07
9	the organizational culture is innovative	6.22	1.98
10	the organizational structure allows employees to work effectively	7.93	1.91
11	the organization has built a culture of trust amongst employees	8/59	1.71
12	the organization has developed operational procedures to help employees to work efficiently	7.62	1.91

Source: Survey 2018

CR1 – existence of with written contract with every employee. The mean from the Likert type scale for all responses was 3.7 indicating that on a 9 point scale, there was only weak support for having written contracts with every

employee. These relatively low responses were similar to responses to other formal relationships between owner-managers and employees such as formal staff meetings, writing new job descriptions for employees and formal communication with employees, each with mean scores of 5.000, 3.7356, and 4.3908 respectively. These findings indicate that SMEs owner-managers generally did not have formal meetings or formal communication with their employees.

On the other hand, a very high mean (8.758) for employees' respect indicated that owner-managers believe that their employees respect them. This high mean score was in line with assessment of loyalty to enterprise organization and assumptions that employees were part of the owner-manager "family" – each with mean scores of 8.1034 and 8.5862 respectively.

Participation of owner-managers to solve employee family problems and participation in employee social activities – have relatively high mean scores. These scores indicate the traditional role of managers as "parents" to their employees. The other two questions on cultural relationships about the enterprise as part of employee life (mean score 7.9310) and owner-managers as an important employee family member (mean value 7.6204) suggest this tendency.

4.2. HRM Practices

In this research, twelve items were used to assess HRM general practices. The summary of descriptive finding is presented in table 2. A 9 point Likert scale was the basis for reporting respondent opinions/results.

Table 2 : descriptive finding of HRM Practices

No	Item	Mean	Std. Dev
1	Written guidelines in recruitment process	3.72	2.96
2	Written contracts with employees	5.00	1.98
3	Written job analysis for every job	4.83	2.45
4	Written job description for every employee	8.75	1.31
5	Employment of independent personnel in employee recruitment and selection	8.10	1.79
6	Existence of informal input from relatives in selecting new employee.	3.73	2.83
7	Existence of written procedures in performance appraisal.	4.40	2.68
8	Participation of employers in employee performance appraisal.	7.00	2.07
9	Individual performance as basis of payment	6.22	1.98
10	Salary/wage used as motivation tool	7.93	1.91
11	Existence of written career development plan.	8/59	1.71
12	Formality in termination process	7.62	1.91

Source: Survey 2018

HRM1: written guidelines in recruitment processes. This question was used to assess whether there existed formal

decision making procedures in recruiting new employees as indicated by presence of written guidelines. The results show that generally, respondents do have written guidelines when recruiting new employees. The mean for this question was 5.9425, which indicates that only about half of respondents had written guidelines for recruitment processes. Although the general tendency shows that respondents generally had written guidelines, the standard deviation score (2.9676) and variance (8.807) of the distribution are relatively high, indicating that the distribution of respondent perceptions was spread widely in the scale.

HRM2: written contracts prior to attending work. This question was used to assess whether SEs owner-managers had written contracts with their employees prior to new employee appointments. Most of the respondents did not have written contracts with their employees before the new employee commenced work. The mean from the Likert scale for all responses was 3.6092 indicating that on a 9 point scale, there was weak support for having written contracts as a part of recruitment.

HRM3: written job analysis for every job. Respondents reported a mixed policy, with written job analysis if a job was considered **very important** and vital for business performance, however, they did not have a written job analysis for others job. The mean from the Likert scale for all responses was 5.4598 indicating that on a 9 point scale, there was weak support for documented job analysis.

HRM4: job descriptions. This question was used to assess whether employees had clear job descriptions. Most of SMEs had written job descriptions for their employees. The mean from the Likert scale for all responses was 7.8506 indicating that on a 9 point scale, there was strong support for keeping written job description for employees. This strong support was in line with the assessment of 'informal' input for employee selection and subjective assessment of employee performance. Participation of family and relations in selecting new employee was respected. Most of the respondents stated that they had input from their family for new employee selection.

HRM5: independent personnel in assisting recruitment process. Most respondents did not use independent personnel to assist them in recruitment processes. The mean from the Likert scale for all responses was 2.8276 indicating that on a 9 point scale, there was weak support for formal input in recruitment processes. This weak support was also in line with HRM11 (written career development plans). The mean from the Likert scale for all responses was 4.1264 indicating that on a 9 point scale, there was weak support for having written career development plan.

4.3. Correlation Analysis

Based on factor analysis result, both cultural relationship and HRM practices have four variables with eigenvalue more than one. So, both cultural relationship and HRM practices are

represented by four variables. The correlation coefficient correlations are presented on the table 3 below.

Table 3 Correlation analysis cultural relationships – HRM practices

Variable Code	HRM 1	HRM2	HRM 3	HRM 4
Cul 1	0.101	0.129	0.171	0.045
Sig	0.35	0.232	0.114	0.667
Cul 2	0.263	0.145	0.141	0.041
Sig	0.014	0.180	0.135	0.704
Cul 3	-0.103	0.216*	-0.173	-0.080
Sig	0.340	0.045	0.515	0.459
Cul 4	0.186	-0.079	0.020	0.281**
Sig	0.082	0.469	0.852	0.008

** Correlation is significant at the 0.01 level (2-tailed).

Source: Analysis of data collected for this study

As can be seen on table 3, correlation between family and career is significant at 0.01 that indicated positive significant relationship between perception of family relation and future career of an employee. Correlation between communication and formal appraisal and between importance of SMEs as part of employees' daily living and participation are also significant at 0.05 level.

4.4. Discussion

The analysis of cultural relationships indicated that cultural relationships were 'strong' in a sense of supporting employee respect, employee loyalty, employee as part of enterprise, and employees as part of owner-managers family. Other cultural relationships were not strongly supported – work contracts, regular formal meetings, employee participation in "strategic" decision making, writing down new tasks, and formal communication between owner-managers and employees.

The research result reveals that HRM practices in SMEs are generally informal. SMEs do HR recruitment, development, motivation, compensation and termination informally without clear structures and written guidelines. Absence of written job descriptions and employer-employee working contracts are generally found as daily business practices. HRM practices in Indonesian SMEs, tend to be informal and owner-managers have a very major role in HR decisions.

The findings confirm informal relationships between employers and employees (Habir and Larasti, 2009; Flasmawi, 2000;). Respondents surveyed generally provided a high response to "extremely yes" or "agree strongly" to question on informal relationships and "not at all" or "strongly disagree" to questions that suggested formal relationships. In summary, the research finding support the tendency of previous research that relationship between employers and employees in Indonesia tend to be "family relationships" rather than business relationships. Furthermore, the result confirm Hofstede (1993) statement that relationships in business organizations are always personal and are guided by moral rather than by calculated considerations.

V. CONCLUSION

- a. Cultural relationships has influence on HRM practices because HRM relates to employees who have values and are attached to a society that adopts specific ways in interacting with each member. The influence of culture becomes especially important in SMEs as owner-managers and employees have a close relationship and interact in value frames which are assumed to be positive for enterprises and society.
- b. The findings confirm informal relationships between employers and employees. Respondents surveyed generally provided a high response to “extremely yes” or “agree strongly” to question on informal relationships and “not at all” or “strongly disagree” to questions that suggested formal relationships. In summary, the research finding support the tendency of previous research that relationship between employers and employees in Indonesia tend to be “family relationships” rather than business relationships.

VI. RESEARCH LIMITATIONS AND SUGGESTION FOR THE FUTURE RESEARCH

- a. This study was conducted in South Sulawesi Province of Indonesia and the outcomes may not reflect the perception of owner-managers in other provinces. Consequently, careful consideration needs to be given to using the findings of this research and further research is encouraged for verification in specific regions.
- b. Data for this study was restricted to HRM practices. It may be not possible, therefore, to generalise from the conclusions of this study and apply the conclusions to other areas of enterprise activities.

This study has provided several avenues for further research:

- a. This study was limited to 87 owner-managers of SMEs. This suggests that future research might involve more owner-managers or managers and human resource managers of large enterprise. Extending this research to “big” enterprise in Indonesian organizations would be very useful. Lack of literature on HRM practices in the Indonesian culture suggests additional research is needed to give a better understanding of HRM in Indonesia.
- b. The study represents the application of HRM practices in South Sulawesi cultural background at specific time. Future research could include longitudinal, cross-cultural studies and wider geographical coverage.

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