

## Challenges and Opportunities in Performance Management for MSMEs Keluar Kemana

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**Abstract:** This research aims to analyze the challenges and opportunities in the implementation of performance management at MSMEs Keluar Kemana in Tanjungpinang, Riau Islands. The focus of the research includes operational management, service quality, financial management, and human resource development to improve competitiveness and business sustainability. This research uses a qualitative method with a case study approach. Data collection techniques include interviews with business owners, direct observation at the location, and analysis of documentation such as financial reports and operational records. The type of sample used in the study was purposive sampling with the informant of the owner of the UMKM Keluar Kemana, Fazira Rahmadani. The data was analyzed descriptively qualitatively, where information was classified and interpreted to get a comprehensive picture. The research results of this study are that the challenges faced are such as consistency in product quality, financial management, fierce competition and employee motivation, but great opportunities are seen through digitization of promotions, business expansion, HR development, service improvement, and technology-based financial management for growth.

**Keywords:** challenges, opportunities, performance management.

### 1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a significant role in Indonesia's economy. According to data from the Central Bureau of Statistics (BPS), the MSME sector contributes more than 60% to Indonesia's Gross Domestic Product (GDP) and absorbs the majority of the workforce in the country. MSMEs not only act as drivers of the local economy but also play a strategic role in reducing social inequality and creating extensive employment opportunities. However, despite their substantial contributions, the development of MSMEs in Indonesia does not proceed smoothly.

Performance management, which includes evaluating operational performance, product quality, financial management, and human resource development, is a key aspect that MSMEs need to implement to survive and grow. A study conducted by Vitaharsa (2024) shows that effective performance management practices can enhance operational efficiency and productivity in MSMEs. Unfortunately, many MSME actors have yet to implement proper performance management systems. This is due to limitations in knowledge, skills, and adequate human resources. Most MSMEs still rely on traditional methods in running their businesses and tend to underutilize more efficient systems. Therefore, a proper approach is needed to

educate MSME owners and managers about the importance of structured and systematic performance management.

In recent years, the development of digital technology has presented a great opportunity for MSMEs to increase their competitiveness. Digital technology, such as financial recording applications, e-commerce platforms, and social media, provides convenience for business operators in managing their businesses and expanding their markets. A study by Wardana (2024) reveals that MSMEs leveraging digital technology can adapt more quickly to market changes and improve their operational efficiency. However, despite the significant potential of technology, many MSMEs have not fully embraced digitalization due to limited knowledge and human resource capacity. This highlights a gap in MSMEs' readiness to face the digital era, which must be addressed through training and further assistance.

The culinary sector in Tanjungpinang, in particular, shows rapid growth, with many MSMEs operating with creative and innovative concepts. MSMEs in the culinary field often have strong appeal as they target a broad local market. However, they also face significant challenges in terms of product quality, financial management, and efficient operational management. A study by Fajri *et al*, (2024) revealed that many culinary MSME operators struggle to maintain the consistency of their product quality and services, which in turn affects customer loyalty. Additionally, increasing competition with similar businesses in the area threatens their competitiveness. Therefore, it is crucial to explore the challenges and opportunities in MSME performance management, particularly in the culinary sector, so they can improve their quality, efficiency, and competitiveness.

Keluar Kemana, an MSME operating in the culinary sector, particularly in providing coffee and snacks, operates amid rapid development in Tanjungpinang. On one hand, this business has great potential for growth, given consumer trends favoring unique and affordable culinary experiences. On the other hand, it also faces various challenges that hinder its growth, including increasingly fierce competition with similar culinary businesses around its location. A previous study by Nuratri & Sofiati (2024) showed that one of the main factors influencing MSMEs' competitiveness in the culinary sector is their ability to innovate in offering unique and appealing products to consumers. In this context, Keluar Kemana must continue to innovate both in terms of products and customer experiences to remain relevant in a highly competitive market. This requires effective performance management, involving efficient operational management, service quality improvement, and better financial control.

Based on the background and phenomena described, the main objective of this study is to address the challenges and opportunities faced by Keluar Kemana in performance management. This research is expected to provide theoretical benefits by contributing to the development of performance management theory, particularly in the context of MSMEs in the food and beverage sector. The study also aims to provide new insights into the challenges and opportunities in performance management faced by MSMEs, especially those operating in highly competitive areas. Practically, this research will offer solutions for the owners and managers of Keluar Kemana in managing and improving their business performance, as well as designing strategies to enhance their competitiveness. Additionally, the findings of this study can serve as a reference for other MSMEs facing similar challenges and assist policymakers in designing more effective support programs for MSMEs in the F&B (Food and Beverage) sector.

## **2. LITERATURE REVIEW**

### **Micro, Small, and Medium Enterprises (MSMEs)**

According to the Government Regulation of the Republic of Indonesia No. 17 of 2013, MSMEs are businesses categorized based on specific criteria, namely micro, small, and medium enterprises, determined by annual income and the number of employees (Zanny & Mita, 2024). These MSMEs represent a highly diverse category of businesses encompassing various sectors, including both product-oriented and service-oriented activities.

According to Tambunan (2021) MSMEs are businesses operated by individuals or families on a relatively small scale, both in terms of turnover and the number of employees. These MSMEs utilize limited capital and operate within a local or regional scope. Mubyarto emphasizes that MSMEs play a significant role in providing employment at the local level and contribute substantially to regional economic growth.

Anwar & Suhadarliyah (2023) describe MSMEs as types of businesses conducted by individuals or groups aiming for profit, measured based on criteria such as annual turnover and owned assets. Toharudin states that MSMEs have characteristics such as limited access to capital, technology, and broader markets, requiring support from the government and related sectors to enhance their competitiveness.

According to the Ministerial Regulation of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia No. 12/2019, MSMEs in Indonesia are divided into three categories based on specific criteria (Munthe *et al.*, 2023):

- **Micro Enterprises**  
Annual turnover not exceeding IDR 300 million and assets not exceeding IDR 50 million, typically operated by the owner alone or involving family members.
- **Small Enterprises**  
Annual turnover ranging from IDR 300 million to IDR 2.5 billion and business assets between IDR 50 million and IDR 500 million, generally involving several employees.
- **Medium Enterprises**  
Annual turnover between IDR 2.5 billion and IDR 50 billion and business assets between IDR 500 million and IDR 10 billion, employing more workers and often oriented towards larger markets.

## **Management**

Henri Fayol, in his book *General and Industrial Management*, defines management as activities that include planning, organizing, directing, and controlling to achieve predetermined goals (Dwiwijaya *et al.*, 2024). Fayol highlights the importance of proper organization in the management process to ensure that company objectives are efficiently achieved.

James A.F. Stoner (1996), in his book *Management*, defines management as the process of planning, organizing, directing, and controlling human resources and other resources to achieve established goals (Dewianawati *et al.*, 2023). Stoner underscores the critical role of control in ensuring that all processes run according to plan.

George R. Terry, as cited by Yohanis (2024) describes management as the art and science of achieving goals through others. Terry emphasizes the importance of leadership in management, where managers must direct and motivate others to achieve organizational goals efficiently and effectively.

Herry F. Nayol, as cited by Farina (2024) outlines several key benefits of effective management:

### 1) Better Resource Management

Effective management helps organizations optimize the use of their resources, including human, financial, material, and technological assets, in an efficient and organized manner. This ensures that all available resources are maximized to achieve the organization's objectives.

## 2) Increased Operational Efficiency

Good management organizes work processes in such a way that minimizes time and cost waste. Operational processes become more structured and controlled, ultimately improving efficiency and reducing errors in task execution.

## 3) Achievement of Organizational Goals

Management provides clear direction within the organization, assisting in setting short-term and long-term goals, and planning the necessary steps to achieve them. With well-planned management, the organization can progress toward its predetermined objectives in a more focused and measurable manner.

## 4) Enhanced Performance and Productivity

Good management plays a critical role in motivating and guiding teams to work optimally. This leads to improved individual and group performance, which ultimately increases the organization's overall productivity.

## 5) More Accurate Decision-Making

Structured management assists organizational leaders in making more accurate and effective decisions. Well-conducted data collection, thorough analysis, and proper evaluation provide a strong foundation for decision-making, fostering organizational growth and development.

### **Performance Management**

According to Robinson & Judge, as cited by Mardianty (2024) performance management is a process used to ensure that organizations and individuals work effectively to achieve established goals. Performance management encompasses planning, measuring, and evaluating goal achievement and desired outcomes, both at the individual and organizational levels.

Armstrong, as cited by Moko *et al.*, (2021) defines performance management as a structured approach to enhancing individual, team, and organizational performance. It involves continuous planning, monitoring, and assessment of goal achievement, aimed at improving organizational effectiveness and efficiency.

Mathis & Jackson, as cited by Mastohati (2022) describe performance management as a process beginning with goal setting, followed by performance monitoring and evaluation, to ensure that these goals are effectively and efficiently achieved. This includes problem identification, feedback, and employee competency development to achieve company objectives more effectively.

The goals of performance management, according to Armstrong (Moko *et al.*, 2021), include:

1) Expanding Employee Capacity to Meet and Exceed Expectations

This goal aims to enhance employee capabilities to not only meet expectations but also surpass them, enabling individuals to grow and contribute more significantly to organizational objectives.

2) Fully Unleashing Employee Potential

Performance management seeks to explore and develop the potential of each individual within the organization, allowing them to contribute more effectively to organizational goals.

3) Providing a Foundation for Employee Self-Development

This goal emphasizes creating a strong basis for employee self-development, including skill enhancement, knowledge acquisition, and competency improvement.

4) Ensuring Guidance and Support for Employees

Performance management aims to provide necessary support for employees in the form of guidance, constructive feedback, and resources to help them perform well and grow in their roles.

In summary, the objective of performance management, according to Armstrong, is to create a system that enables individuals and teams to continuously develop and adapt to organizational needs, focusing on sustainable performance improvement.

### 3. METHODS

This study employs a qualitative research method with a case study approach to analyze the challenges and opportunities of performance management at *Keluar Kemana*, a small and medium-sized enterprise (SME) located on Hang Tuah Street, Tanjungpinang City, Riau Islands. The selection of this location is based on the rapid growth of the culinary sector in Tanjungpinang and the relevance of this SME in leveraging market trends that favor unique culinary experiences at affordable prices. The study aims to explore in depth how *Keluar Kemana* manages operational performance, overcomes challenges, and seizes opportunities to enhance its competitiveness and business sustainability.

Data were collected through interviews, observations, and documentation, which were analyzed using a qualitative descriptive analysis approach. This approach was employed to provide a detailed depiction of the challenges and opportunities faced by *Keluar Kemana* in implementing performance management. Data from interviews with the business owner, on-

site observations, and document analysis, such as financial reports and operational records, were processed to obtain a comprehensive understanding of operational processes, service quality, financial management, and human resource management.

The results of this analysis provide an overview of the business conditions, performance achievements, and identification of factors influencing the success and challenges faced by the SME in managing its performance.

#### **4. RESULTS AND DISCUSSION**

##### **Challenges in Performance Management**

Based on the collected data, several key challenges in performance management at *Keluar Kemana* were identified:

- Consistency in Product and Service Quality

During peak hours, typically between 8:00 PM and 10:00 PM, the business struggles due to having only five employees, sometimes requiring the owner to assist. This leads to a decline in the quality of products such as coffee and snacks, exacerbated by the limited number of staff and the lack of formal training for new employees, who are often treated as trainees.

- Financial Management

Although a digital financial recording system is in place, budget management remains challenging due to unexpected expenses, such as frequent coffee machine repairs, and shortages of essential supplies like coffee, sugar, instant noodles, soft drink stock, and other additional ingredients. These issues are compounded by fluctuations in the prices of raw materials.

- Business Competition

Training for employees is necessary to ensure they are prepared to handle the high influx of customers during peak hours, particularly from 8:00 PM to 10:00 PM. New employees should also receive the same level of training to maintain consistent service quality across the team.

- Employee Motivation and Management

Providing rewards to employees who demonstrate excellent performance is essential. Consistent encouragement and support can help foster a motivated workforce, driving productivity and maintaining high morale among the staff.

### 1. Inconsistent Product Quality

One of the main challenges faced by MSMEs is maintaining consistent product quality. A decline in product quality often occurs due to a lack of standardization in production processes or minimal quality control. This can negatively impact customer satisfaction, as dissatisfied customers may turn to competitors, reducing consumer loyalty and harming the business's reputation.

### 2. Fluctuating Operational Costs in Financial Management

In financial aspects, MSMEs frequently encounter unpredictable fluctuations in operational costs, such as rising raw material prices or transportation expenses. Failure to manage these fluctuations can lead to financial instability, disrupting the business's cash flow and making it difficult for MSMEs to consistently meet operational needs.

### 3. Pressure from Increasingly Intense Competition

The emergence of new competitors in the market poses a significant challenge for MSMEs. This competition can lead to a decline in market share if MSMEs fail to adapt to consumer needs or offer added value compared to rivals. As a result, the potential drop in sales becomes a real threat that can affect overall business growth.

### 4. Unmotivated and Untrained Human Resources (HR)

In the HR aspect, a lack of training and low employee motivation present substantial challenges. Neglecting the development of employee skills can lead to decreased productivity, ultimately impacting the operational efficiency of the business. Unmotivated employees are also less likely to be innovative and struggle to adapt to changes.

Overall, these challenges are interconnected and require serious attention from MSME management. By identifying the root causes and taking strategic steps to address them, MSMEs can enhance their competitiveness, strengthen their market position, and achieve long-term business sustainability.

## **Opportunities in Performance Management**

The data indicates several potential opportunities that MSME Keluar Kemana can leverage to improve business performance:

- Increased Market Demand

The growing consumer need for comfortable hangout spots in Tanjungpinang creates a significant opportunity to expand the market.



- Utilizing Social Media

While this MSME has already utilized Instagram for promotion, the potential of other platforms like TikTok has not been fully maximized.

- Product and Service Expansion

Introducing new menu items, such as heavier meals, could broaden the customer base and attract a more diverse segment.

- Enhancing Human Resources

Regular training and providing performance-based incentives can improve employee motivation and productivity.

The findings of this study are consistent with performance management theory, which states that service quality, financial management, product innovation, and human resource management are key pillars in determining the success of an MSME (Vitaharsa, 2024). For example, this study supports previous findings by Wardana (2024) which state that the implementation of digital technology can significantly enhance the competitiveness of MSMEs. However, the results also reveal that technology implementation alone is not enough. The readiness of human resources and the sustainability of training programs are crucial factors for success, which are often overlooked by small MSMEs.

1. Improving Human Resource Competence through Regular Training

The company can organize regular and intensive training for employees to enhance their skills. These training programs will cover technical competencies, communication, and customer service. With a structured training approach, it is expected that the quality of service provided to customers will significantly improve, contributing positively to customer satisfaction and team productivity.

2. Digitalizing Financial Processes

Adopting advanced accounting software to simplify and improve the accuracy of the company's financial management. This digitalization not only saves time but also allows for better monitoring of the company's financial condition. With more stable and organized management, the company can make more strategic financial decisions and respond more effectively to market changes.

3. Product Innovation to Attract Customers

The company can introduce new menus or innovative services, supported by digital promotions to reach more consumers. This innovation allows the company to meet the ever-evolving market demands while building customer loyalty. Customers who are

satisfied with the product variety will likely recommend the company to others, ultimately increasing market share.

#### 4. Promotional Strategy through Social Media

Utilizing social media platforms like TikTok, Instagram Ads, and Facebook Marketplace groups is an effective way to enhance brand awareness. With the right digital marketing strategy, the company can reach a wider audience and engage directly with potential customers. These promotional activities not only strengthen the brand image but also improve customer interactions more efficiently.

Through the implementation of these strategies, the company is expected to face competition, improve operational performance, and achieve business goals more effectively. The success of these strategies heavily depends on the consistency and commitment of management in monitoring their outcomes.

### 5. CONCLUSION

Based on the research findings and discussions on performance management at UMKM Keluar Kemana, it can be concluded that the business faces several challenges that need to be addressed to achieve optimal performance improvement. The main challenges include ensuring the consistency of product and service quality, more efficient financial management, and better discipline and motivation in human resource management. To address these challenges, improvements in operational and managerial management are necessary, such as implementing more detailed standard operating procedures, adopting more advanced financial systems, and developing incentive and reward systems for employees. Furthermore, more innovative marketing strategies through the utilization of technology and social media should be strengthened to expand market reach and increase customer loyalty.

### LIMITATION

The main limitation of this study lies in the reliance on a single informant, which may affect the comprehensiveness and diversity of the data collected. Depending on one person as the sole source of information inherently limits the perspectives and experiences that can be explored. This restriction might result in potential biases due to personal interpretations or selective memory recall.

Additionally, the informant's limited availability due to personal and professional commitments posed another challenge. Scheduling interviews and follow-up discussions had to be adjusted according to the informant's busy schedule, which sometimes delayed the data collection process.

To mitigate these constraints, efforts were made to maximize the depth of information obtained during each session by using well-structured questions and allowing flexibility for in-depth discussions. However, future research could benefit from involving multiple informants from diverse backgrounds to ensure a broader and more balanced perspective on the subject under study.

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