Japan International Cooperation Agency (JICA) Ministry of Industry, Republic of Indonesia

Follow-Up Study on Human Resource Development for SMEs Focused on Manufacturing Industries in Republic of Indonesia

Final Report

September 2005

UNICO International Corporation

Preface

In response to a request from the Government of Republic of Indonesia, the Government of Japan decided to implement "The Follow-up Study on Human Resource Development for SMEs Focused on Manufacturing Industries in Republic of Indonesia" and entrusted the study to Japan International Cooperation Agency (JICA).

JICA dispatched a study team led by Mr. YAMAUCHI Hirofumi of UNICO International Corporation, 3 times during the period from January 2005 to August 2005.

The team held a series of discussions on the study with the officials concerned of the Government of Indonesia and conducted related field surveys. After returning to Japan, the team conducted further studies and compiled the final results in this report.

I hope this report will contribute to the further promotion of the human resource development policy for SMEs in Indonesia and to the enhancement of friendly relations between our two countries.

I wish to express my sincere appreciation to officials concerned of the Government of Indonesia for their close cooperation throughout the study.

September 2005 IZAWA Tadashi Vice-President Japan International Cooperation Agency Mr. Tadashi Izawa Vice-President Japan International Cooperation Agency Tokyo, Japan

Letter of Transmission

I am pleased to report to you completion of the Follow-up Study on Human Resource Development for SMEs in Republic of Indonesia and I would like to hereby submit the final report.

Between September 2003 and September 2004, the study team conducted a full-scale study on the development of human resources, focusing on those of the small- and medium-sized manufacturers. It has led to the establishment of the HR Development Committee (the Committee Specialized in HR Development for SMEs) and the proposal of action plans that are to be implemented by the committee. The follow-up study commenced in January 2005, with a primary purpose of assisting the HR Development Committee in implementing the action plans proposed in the full-scale study. During the study period, the TOT program was conducted twice and successfully trained 46 SME consultants. Questionnaire surveys were conducted for small- and medium-sized manufacturers other than those in supporting industries to identify and analyze the training needs. Through these activities, efforts were made to improve effectiveness of the SME HR development program in the country, including the provision of TOT course materials and implementation manuals and the formulation of plans to reinforce the action plans from the viewpoint of deploying the TOT program throughout the country and of modifying the TOT program in terms of level of training. Also, proposals were made on the SME database and the expansion of SME networks, which would form the foundation of SME promotion policy making.

Human resource development for SMEs is recognized as the key to the country's economic development and is listed as a major policy agenda at the Japan-Indonesia Government/Private Sector Joint Forum.

To achieve the objective of developing productive human resources for SMEs in the country, key success factors are the effective implementation of the action plans that have been proposed and accepted and committed efforts to accomplish the goals set in the plans. In this connection, we are pleased to see that the HR Development Committee has been reorganized,

the HR Development Clinic has started up, and other efforts to carry out HR development programs are on the rapid rise.

We would like to express our gratitude to valuable guidance and support provided by your agency, the Ministry of Foreign Affairs, the Ministry of Economy, Trade and Industry, and the Japanese embassy in Indonesia. We would also like to express our appreciation to cooperation and support extended by the Indonesian counterpart, especially a number of officials and staffs of the Directorate General of SME under the MOI, PUSDIKLAT-INDAG and other public and private HR development organizations during the study.

Hirofumi YAMAUCHI

UNICO International Corporation Team Leader, Follow-Up Study on Human Resource Development for SMEs Focused on Manufacturing Industries in Republic of Indonesia

ABBREVIATIONS

| ADB | Asian Development Bank |
|---------------|--|
| APEC-IBIZ | Institute of Small Business Counselors |
| BAPPENAS | The National Agency of Development and Planning (BADAN PERENCANAAN PEMBANGUNAN NASIONAL) |
| BDS | Business Development Service |
| BLK | Job Training House (Balai Latihan Kerja) |
| BNSP | National Agency for Professional Certification (Badan Nasional Sertifikasi Profesi) |
| BPPT | Business Technology Center |
| BPS | Badan Pusat Statistik: Statistic Bureau |
| CEVEST | Center for Vocational and Employment Service Training |
| DG | Directorate General |
| DINAS | Industry and Trade Office of Provincial Government |
| EO | Extension Officer |
| НАССР | Hazard Analysis Critical Control Point |
| HRD Committee | Human Resources Development Committee |
| IDKM | Directorate General of Small and Medium Industry and Trade |
| IKM | Directorate General of Small and Medium Industry |
| INKINDO | Association for Private Consultant |
| IPT | Indicator for Performing Technology |
| JABOTABEK | Jakarta Metropolitan Area: Jakarta, Bogor, Tangerang, Bekasi |
| KADIN | Indonesian Chamber of Commerce and Industry (Kamar Dagang dan Industri Indonesia) |
| LPT/LDP | The most Solid Management Agency (Lembaga Pembinaan Terpadu) |
| LPTC | Labor Productivity Training Center |
| LSP | The Agency of the Profession of Certificate (Lembaga Sertifikat Profesi) |
| MIDC | Metal Industries Development Center |
| MOIT | Ministry of Industry and Trade |
| OEM | Original Equipment Manufacturing |
| Off-JT | Off Job Training |
| TLO | On the Job Training |
| POLMAN | Manufacturing Orient Polytechnic |
| PROPENAS | Five-Year National Development Program |
| PUSDIKLAT | The Centre of Education and the Training |
| QCD | Quality, Cost and Delivery |
| RENSTRA | Strategic Plan (Rencana Strategi) |
| SMEs | Small and Medium Enterprises |
| TA | Technical Assistance |
| TOT | Trainer's Training |
| UNIDO | United Nations Industrial Development Organization |
| UPT | Common Service Facility |
| YDBA | Dharma Bhakti ASTRA Foundation (YAYASAN DHARMA BHAKTI ASTRA) |
| YPMG | Matsushita GOBEL Education Foundation (YAYASAN PENDIDIKAN MATSUSHITA GOBEL) |

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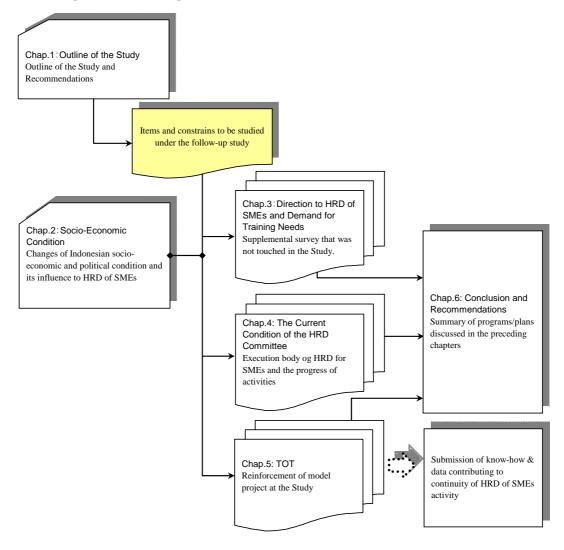
Forward

[Purpose and Composition of the Follow-up Study Report]

Follow-up study was commenced for the purpose of urging sustainability and efficiency of action plans relating to the SME promotion of HRDs recommended in the Study report submitted in September 2004.

This report carries down how the result was and what was the critical point for the follow-up study.

The composition of this report is as follows.



Chapter 1 Outline of the Study

Chapter 1 Outline of the Study

1.1 Outline of the Project

(1) Background of the Project

The Study (Human Resource Development for SMEs Focused on Manufacturing Industries in Republic of Indonesia) was conducted on the basis of the Minutes of Meeting signed on May 29, 2003 by the Directorate General of Small and Medium Industry and Trade (DGSMIT) of the Ministry of Industry and Trade (MOIT), Indonesia and JICA. And this study, the follow-up study (the F/U Study hereinafter) for the Study, was entrusted again to UNICO in order to complement and set forth the results of the recommendations made under the Study.

The background of the Study, the report "Policy Recommendation for SME Promotion in the Republic of Indonesia 2000, JICA" emphasized the importance of human resource development as one of the key policies that will effect on the national economic development. Based on this recognition, the Study "Study on Human Resource Development for SMEs Focused on Manufacturing Industries in Republic of Indonesia" was commenced in September 2003 and lasted nearly for one year.

The objective of the Study was to support the Ministry of Industry and Trade in its efforts to formulate a HRD plan for SMEs together with action plans that focused on the manufacturing industry in Indonesia with a view to improving managerial and technical capabilities of SMEs, by 1) supply of necessary information, 2) policy advices, and 3) assistance through implementing the Model SMEs HRD training programs.

Based on the proposed recommendations in the Study, the Indonesian Government recognized the urgent need for the development of human resources of small and medium sized enterprises, within the framework of promoting them, by focusing primarily on training relating to management and technological capabilities, and requested the Japanese Government to conduct the F/U Study in order to formulate a comprehensive plan for human resource development, with the Ministry of Industry and Trade being at the core element of the initiative.

In Indonesia, the Government promote human resources of small and medium scale industries in higher priority. The Study team recommended the Government to take necessary action for improving environment of SMEs. The Study team prepared action plans to developing both management capability and technology up-grading of SMEs.

Recommendations submitted to MOIT to reinforce human resource developing programs are shown below and Fig. 1-1 and 1-2 indicate "Target to support human resource development of small and medium scale manufacturers" and "action plans" respectively.

(Recommendations relating to the improvement of program content)

- Launching of a training program for basic management and production control technologies suitable for manufacturing SMEs.
- 2) Reinforcement of a support system for upgrading of plastics molding, metal press and die/mold technologies.

(Recommendations relating to the program implementation organization)

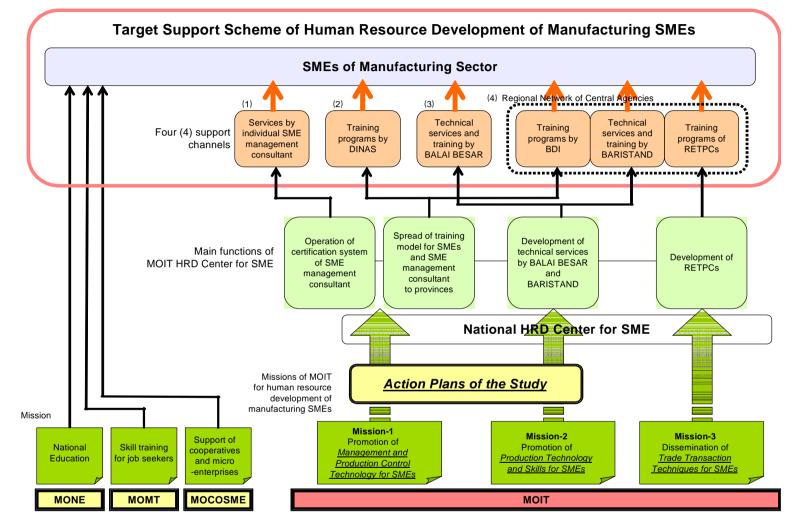
- Establishment of a department in charge of human resource development for SMEs within the IDKM
- 4) Establishment of a department specialized in training for manufacturing SMEs within the PUSDIKLAT-INDAG
- 5) Establishment of a human resource development committee led by the IDKM's new department and considering of representatives of the MIDC and the PUSDIKLAT-INDAG's department in charge of training for manufacturing SMEs.

(Rationale for Recommendations)

• Start of a training program for basic management and production control technologies which are applicable to manufacturing SMEs.

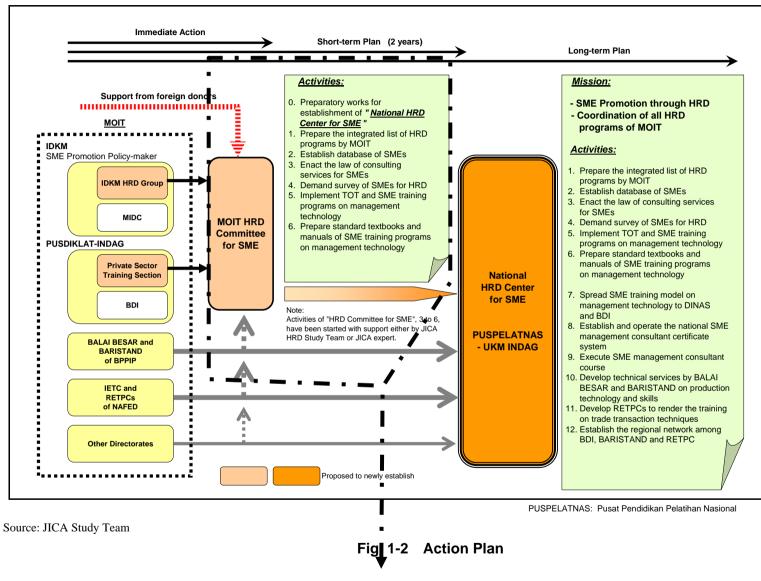
Remark:

Just before the beginning of the F/U, "Ministry of Industry and Trade (MOIT)" was separated into both Ministry of Industry (MOI) and Ministry of Trade (MOT) because of the reorganization of ministries and department due to the changes of power. This report uses the old name and the new name properly.



Source: JICA Study Team

Fig. 1-1 Target Support Scheme of Human Resource Development of Manufacturing SMEs (Action Plans of the Study)



To figure 1-5

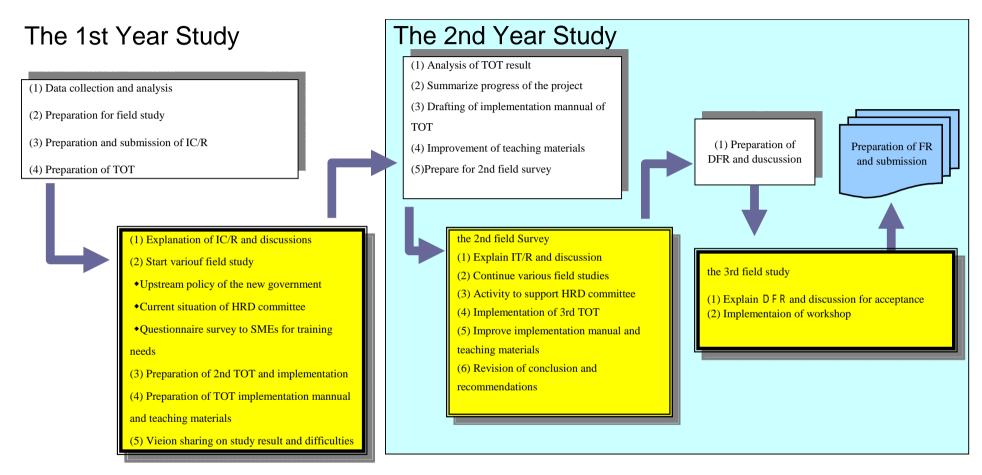
HRD Committee shown in both Fig. 1-1 and 1-2 is established to decide upon any practical measures for human resource development of SMEs.

1.2 Outline of the Study

The F/U Study has been implemented on the basis of the result of the Study and to compensate it so as to put in the stating gear for achieving target goal.

The flow of the F/U Study is summarized next (See Fig. 1-3 Flow Chart of the F/U Study).

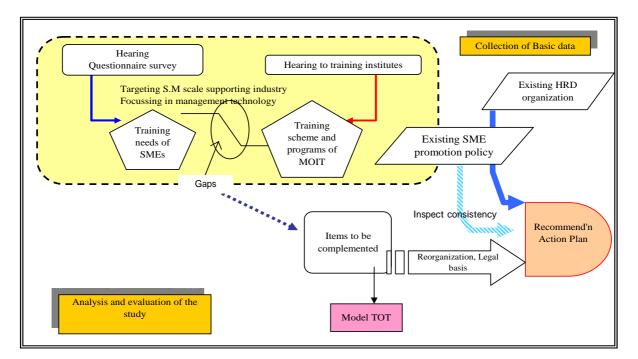
- (1) Explanation of the Interim Report
- (2) Continue various Studies(such as detailed analysis of demand survey for training needs, contents on SME promotion and HRD policy of the new government)
- (3) Strengthening of HRD committee's activity
- (4) Implement the second and the third TOT and preparation of standard teaching materials
- (5) Preparation of TOT implementation manual
- (6) Reexamination of recommendation and conclusion for the Project







In addition to the above flowchart for the whole project, the following chart indicates the concept of the field Study (Fig. 1-4 Concept of the Field Study).



Remark: Contents within the undulating line show the activities in the preceding study and rest of the contents show the on going activities in the F/U Study.

Fig. 1-4 Concept of the Field Study

The F/U Study will compensate the preceding study to assist HRD committee. In particular, the study team is requested to give HRD committee a substantial assist to implement action plan to be tackled by them and to provide necessary materials and know-how to implement TOT continuously. So as to carry the assistance services forward, it is necessary to give due consideration on the changes of project circumstances. Take an instance, MOIT was separated into two ministries as MOI (Ministry of Industry) and MOT (Ministry of Trade). And the changes will affect significantly on the activity of HRD committee. Since a half of members of HRD committee are belong to MOT and the committee belongs to MOI now.

Given this situation, the mission of the F/U Study team is requested to reconsider the possibility to prepare a realistic/effective recommendation corresponding with the changes of project circumstances.

In addition, the F/U Study team has to bring-in any meaningful result of analysis into TOT curriculum after the questionnaire survey to manufacturing SMEs.

As for the TOT, it is serious to correspond not only to curriculum development but also to consider sustainable implementation.

Although especially the purpose, a target, etc. of small-and-medium-sized-enterprises promotion and human resource development are not necessarily changing, the necessity for reexamination has arisen for the purpose which carries out TOT. That is, can't TOT be used for retraining of EO (extension officer) said for about 3000 persons to exist nation-wide? Moreover, in order to prove TOT's effectiveness to small-and-medium-sized-enterprises promotion and human resource development, it is necessary to expand TOT attendance to a private sector from only to official.

1.3 Objectives of the F/U Study

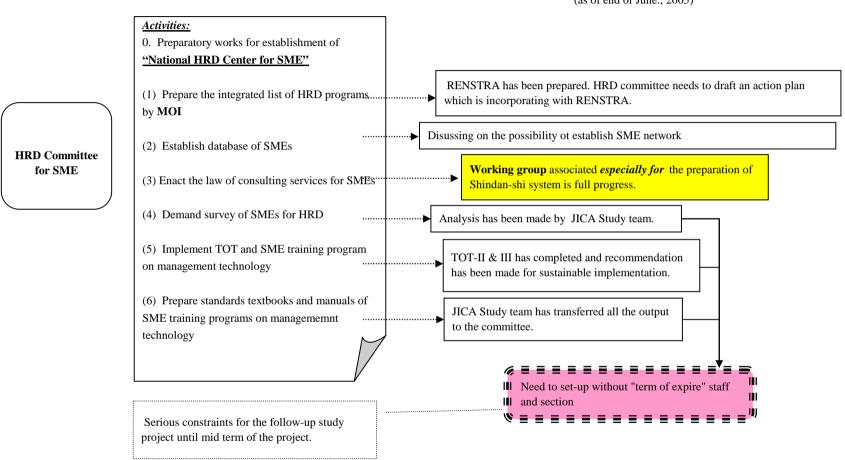
Two measure objectives as below are given to the F/U Study.

- (1) To assist HRD committee of their sustainable activities to promote human resources of small and medium scale manufacturing enterprises.
- (2) To implement TOT and transfer the operating know-how. And, submit teaching materials such as standard textbooks, case study samples and implementation manuals that are indispensable to open TOT and SME-training program continuously.

However, about "the supporting services to the HRD committee", concreteness is missing in how it supports. Therefore, about these contents of consulting services, support is how far possible or which item is arranged for every activity theme of the HRD committee.

Fig. 1-2 indicates responsibility range and position of HRD committee that specializes in human resource development of SMEs and was recommended by the Study Team in the preceding Study. Work content or terms of conditions assigned to the F/U Study team is shown within the bolded undulating line at Fig. 1-5.

Again, content of activities shown in the Fig. 1-5 is one of the major missions assigned to the F/U Study team.



Target activities for HRD committee

Condition at the end of the follow-up project (as of end of June., 2005)

Source: JICAT Study Team



1.4 Schedule of the Project

Fig. 1-1 shows the schedule of the Project.

| month | | 1 | | | 2 | | | | 3 | | 4 | | ļ | 5 | | | 6 | | | 7 | | | 8 | | | 9 | |
|--|---------|------|-----------|---|------|---|---|---|---|-----------|---------|-------------------------|---|---|---|-------|---------|----------|--------------|---|------|--|-----|----|---|---|------------------|
| Work schedule home office | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| work at site | | | _ | | | | | | | | | | | | | | | | | | | | ➡ [| | | | |
| submission of report to JICA | | | | | | | | | | | | | | | | | | | | | 4 | | | | | | |
| | | IC/R | | | | | | | | IT | (R | | | | | | | | | | DF/R | | | F/ | R | | |
| (1) Preparatory work at home office | | | | | | | | | | | | | | | | | | | | | | | | | | | 4 |
| - collection of relating data | | | _ | | | | | | | | | | | | | | | | | | | | | | | | \square |
| - preparation of study at site | | | | | | | | | | | | | | | | | | | | | | | | | | | \perp |
| - communication w/counterpart for preparation | | | _ | | | | | | | | | | | | | | | | | | | | | | | | \square |
| preparation of inception report | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| review teaching materials prepared in the preveous study | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (2) The first field work | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - explanation on IC/R | | | • | | | | | | | | | | | | | | | | | | | | | | | | |
| - kick-off working group meeting | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - activity to support HRD committee | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| demand survey by the local consultant | $-\top$ | | | | uunn | ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | | | ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | | | $\downarrow \downarrow$ | | | | | | | | | | | | | | | $+ \overline{+}$ |
| - sort out datas for IT/R | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| preparation of the model TOT(logistics, teaching materials) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| arrangement of factory visit, pre-meeting | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| with local instructors Implementation of model TOT | | | _ | | | | | | | | | | | | | | _ | | | | | | | | | | + |
| Preparation of draft operation manual | | | | | | | | | | | | | | | _ | | | | | | | | | | | | ++ |
| (3) The first home-office work | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Review collecting data and prepare IT/R | | | | | | | | | | 1 | | | | | | | | | | | | | | | | | ++- |
| | | | | | | | | | |] | | | | | | | | | | | | | | | | | |
| (4) The second field work | | | | | | | | | | | | | | | | | | | | | | | | | | | 44 |
| - explanation on IT/R and exchange opinions | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - continue field survey | | | | | | | + | _ | | | | + | | | | | | | \downarrow | | | | | | | | ++ |
| - activity to support HRD committee | | | + | | | | | _ | | | | \downarrow | _ | | | | | | | | | | | | | | ++ |
| Implementation of model 2nd TOT | | | | | | | | | | | | \downarrow | | | | | | | \downarrow | | _ | | | | | | + |
| Preparation of draft operation manual, teaching materials | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (5) The second home-office work | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| - Review collecting data and prepare DF/R | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Editing training manual, teaching materials, | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| textbooks | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (5) The third field work | | | | | | | | | | | | | | | | | | | | | | | | | | | + |
| 3.2 explanation on DF/R and exchange opinions | | | \square | | | | | | | | | + | | | | | _ | | | | _ | | | | | | + |
| (6) The third home-office work | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3.3 Preparation of F/R and submission | | | | | | | | | | | | | | | | | | | | | | | (| 0 | | | |
| home-office work | | fiel | ld wor | k | | | | | activ | vities by | indones | ian side | | | | Openi | ng of m | eeting/v | vorkshop | | | | | | | | |

IC/R: Inception Report, IT/R: Interim Report, DF/R: Draft Final Report, F/R: Final Report

Table 1-1 Project Schedule

1.5 Members and Assignment

Members and their assignments are listed in Fig. 1-6 and Table 1-2 respectively

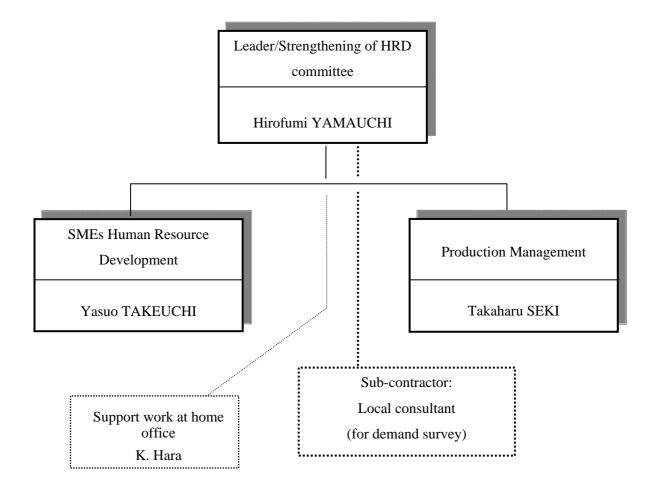


Fig. 1-6 Member List

| | Name | Responsibility | Content of work |
|---|-----------------------------|--|--|
| 1 | Hirofumi Yamauchi | Leader | Planning and operation of the Study Discussion and coordination with related organizations of the Japanese and Indonesian sides Survey on function and rights of both Ministries: Ministry of Industry, Ministry of Trade Survey on the changes of industrial policy, SMEs policy and Human Resources Development policy Management of all the survey Management of post evaluation, implementation and planning of model training Opening and management of workshop Management of the report preparation Management of demand survey and sub-contractors, analysis of the demand survey result |
| 2 | Yasuo <i>Takeuchi</i> | Development of human resources for small- and medium-sized enterprises | anarysis of the demand survey result Preparation of curriculum and syllabus Logistic work to implement model training Preparation of implementation plan of the model training Preparation of model training teaching materials Preparation of model training implementation manual Give lecture at model training Analysis and evaluation of the result of the model training |
| 3 | Takaharu Seki | Production Management | Preparation of curriculum and syllabus Logistic work to implement model training Preparation of implementation plan of the model training Preparation of model training teaching materials Preparation of model training implementation manual Give lecture at model training Analysis and evaluation of the result of the model training |

 Table 1-2
 Work Responsibility Schedule