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NEW PRODUCTIVITY CONCEPT BASED ON LOCAL WISDOM: LESSONS FROM *RUMAH MAKAN PADANG* MANAGEMENT IN INDONESIA

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ABSTRACT

This research aims to establish a new concept of productivity based on local wisdom found in *Rumah Makan Padang (RMP)* in Jakarta. This research uses ethnography method in digging the culture surrounding the *RMP*'s management. This research shows that there is a shift in conventional productivity concept, which is focus on profit as much as possible, and the output-input measurement to be a broader concept. The findings on this new productivity concept is comprehensive, illustrated as a circle containing 4 (four) layers-strating off with material element as the outer layer, down to *mato* based on profit sharing, customer satisfaction, and finally its final, core layer that is *spirit* element. Material element is the conventional productivity measurement-input-output ratio-while the *spirit* element has spirit and values as its factors: every IDR 1 for all stakeholders, proportional togetherness, win-win benefit, openness, spiritual leadership, brave and willing to take risks, brave and willing to sacrifice, and struggle or hard work to achieve results.

Type of Paper: Empirical

Keywords: productivity; culture; customer satisfaction, ethnography; togetherness; hard work; income per *mato*: proportional togetherness, win-win benefit, openness,

1. Introduction

The research on Micro, Small and Medium Enterprise (MSMEs) productivity is imperative in Indonesia. This is because while MSMEs is the core of economic affairs, its productivity is falling behind compared to other states in South East Asia (Anas *et al*, 2015:1).

During the economic crisis of 1998, MSMEs are the ones who saved the economy from being completely squashed. In that period of time, MSMEs seemed to be having a firm standing despite the economic crisis and did not face any substantial obstacle (Hanif, 2016).

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One of the many sectors that survived was *Rumah Makan Padang* (Hanif et al., 2015; Hanif, 2015). Culinary business falls under the service industry, which direly needs productivity management. Ironically, studies and researches on this topic is still very scarce. This perfectly projects the reason why researching on this productivity is of paramount importance.

Above-mentioned aside, the measurement of productivity of a service company is more difficult compared to that of manufacturing company. (Becker et al., 2012; Rutkauskas et al., 2005). Reid (2005) stated that the measurement of productivity of a service company does not only rely on input-output, but also involves qualitative analysis and the correlation of certain factors (Gummesson, 1992). According to Gharote and Das (2012), the measurement of productivity of a service company also uses qualitative measurement towards the output (which is the customers' perception towards the quality of the dishes served and services received) aside from using only operating factors. Service quality for service companies includes facilities, hygiene, health, queue waiting time, delivery, and availability. Especially for restaurants, culture is suspected to have affected the management, including productivity. Gustafsson *et al* (2006) and Riley (1994) have put forth that restaurant is an important discussion, socially and culturally. According to such, there is no fixed concept on productivity, which is why this research is imperative to be done promptly.

This research is done in *Rumah Makan Padang* (RMP) in Jakarta, Indonesia. RMP is a term commonly used to refer to restaurants selling food from West Sumatra Province. "Rumah" means home and people at large refer to these home-made dishes as "Makanan Padang". "Padang" here is the capital city of West Sumatra, hence, for both practicality and convenience, people have long referred the food that comes from the aforementioned place as such.

The reason why it is important to build a new concept of productivity based on local wisdom is that, within the context of RMP in Indonesia, there exists a linkage between local wisdom and management (Hanif et al, 2015; Hanif 2015). According to an Indonesia anthropologist, Koentjaraningrat, in many countries that do not adopt the European-American culture, which has a higher rural population than that of the urban, the economy is highly affected by the mindset, point of view, and the way of living of the rural society (Koentjaraningrat 1985:37) - and Indonesia is one of them. This is why it is highly important that the management of RMP is full of local wisdom values brought by the actors of RMP who came from the rural areas of Indonesia.

2. Literature Review

The understanding of conventional productivity is rather highlighted on output-input ratio. According to Heizer dan Render (2017), productivity is how big the ratio of output-of goods or services-towards the input or the resources used in its production. Increase of productivity can be achieved by either reducing the input while keeping the output steady, or increasing output while keeping the input steady. Rutkauskas and Paulaviciene (2005) and Sahay (2005) stated that, productivity for manufacturing company can be measured by using quantitative method and by using the ratio of output and input, while productivity for service company can be measured from customer's perspective and the increase of the quality of the service. The characteristics of a service company includes intangible product, simultaneous between production and consumption, something that is not the same kind or varied in such a way that determining the productivity of a service company is very complex (Lasshof, 2006). Even so, there have been debates on service quality in the point of view of the consumer: that is, there is a difference of opinion between expectations and service performance received by the consumer.

The measurement of restaurant productivity according to Reynolds (2003), Reynlods (1998), and Kohli and Jaworski's (1990), is to use holistic matrix analysis from the productivity

that includes a number of variables: financial (earnings, profit, food costs, manpower cost, and capital ratio), constraints of the restaurant (the number of seats available, the area of each unit of the restaurant), as well as customer and worker satisfaction. The measurement of productivity according to Ball, Johnson, dan Slattery (1986) dan Reynolds and Thomson (2002) suggests a multi-factor productivity analysis that covers three variables: finance, physical, and management.

Restaurant productivity based on output can be done by taking into consideration earnings as the benchmark as opposed to the input used (Pilling, Donthu, dan Henson, 1999). What is most important for the management of a restaurant is perhaps profit, which is often counted as the control of earnings against profit before the overhead cost is allocated and is an important element to measure per-unit productivity (Grifel-Tatie and Lovell, 1999).

The measurement of restaurant productivity based on customer satisfaction is a long-term success indicator and, in line with the statement made by Lee-Ross (1994) and Witt dan Witt (1989), service quality and customer satisfaction is the development of productivity measurement in the service sector. The measurement of output from customer satisfaction can be done by how often does a customer revisit and repeat their order the restaurant (Brady, Cronin, and Brand, 2002). The results obtain by Mohr dan Bitner (2000) stated that the service given to a customer has a strong positive impact on his/her satisfaction in buying certain products. Empirical evidence that supports the claim that customer satisfaction serves as a significant and strong evidence as an output variable in measuring productivity is the research conducted by Lothgren and Tambour (1999), Parasuraman, Zeithaml, and Bery (1994); Rust, Zethaml, and Lemon (2000); and Blattberg, Getz, and Thomas (2001).

The measurement of restaurant productivity based on input can be done by measuring financial situation, including manpower cost ((Burritt, 1967; Yoo, Donthu and Pilling, 1997), cost of goods sold (Brown and Hoover, 1990; Burritt, 1967); controlling fixed costs (Sarkis, 2000), and variable cost. Physical input also affects the measurement of restaurant productivity, such as serving capacity (i.e. the number of seats, tables, stools, available) as well as how big the restaurant is (Doutt, 1984), the area (whether the location is near public transportation, how is the other competitor in the area, and so on). (Golman, 1992; Ortiz-Buonafina, 1992). Empirical evidence that supports the measurement of restaurant productivity can have worker satisfaction as a variable that affects the earnings and profit of the restaurant is the research conducted by Koys's (2003), Rucci, Kim and Quinn (1998), Spinelli and Cavanos (2000) and Kennedy, Lask, and Goolsby (2002)

3. Research Methodology

This research uses interpretive paradigm to find new means of productivity especially in the management of RMP. The method used is ethnography to dig the cultural meaning of productivity that is attached to RMP. The research is conducted in a number of RMP in Jakarta. The RMP(s) is divided into three categories: (1) middle scale (RMP *Sederhana*, which has over than 40 branches in Indonesia); (2) small scale (RMP Kebumen community, which has 25 branches), and micro scale (i.e. RMP *Pak Jono*). However, in this research, the participative observation is focused on one branch of each level of RMP. The research uses ethnography approach by via participative observation. The data is gathered by using ethnographic note, interviews with selected informants, and from relevant documents. The research processes include by using video and audio recording, and pictures. The three data sources complete each other to formulize a new concept of productivity found within the management of RMP. Data gathering and analysis use development research approach (Spradley (1997) which is developed into extended-development research method (Hanif et al, 2015:31-37). The procedure involves taking the cultural meaning found from the informants and integrating them with the ethnographic notes made by the Researcher and artefacts in the form of documents. The process of Development Research Method (Spradley, 1997) is as follows: (1) determining

the informants; (2) interviewing the informants; (3) creating an ethnographic note; (4) submitting a descriptive question; (5) conducting interview analysis; (6) creating domain analysis; (7) submitting structural question; (8) creating taxonomic analysis; (9) submitting contrast questions; (10) creating component analysis; (11) searching for materials on the cultural meaning of productivity and entrepreneurship accounting; (12) the writing on cultural meaning of productivity and entrepreneurship accounting

4. Results

The old concept of productivity emphasizes more on the output, which is compared to input. The higher the productivity ratio score, the more productive the organization, and vice versa. This research takes such concept and attempts to perfect it. The new concept of productivity in RMP(s) in Jakarta, Indonesia is not only pictured by output-input ratio, but more by cultural values brought in by actors of the RMP-owner(s), management, and workers/employees. This creates an even broader concept of productivity that consists of four layers: one core later, two inner layers, and one outer layer. These layers are the elements that generate productivity; the deeper the layer the more substantial the role of the layer in constructing a productivity concept. This new concept of productivity is illustrated below in figure 1.

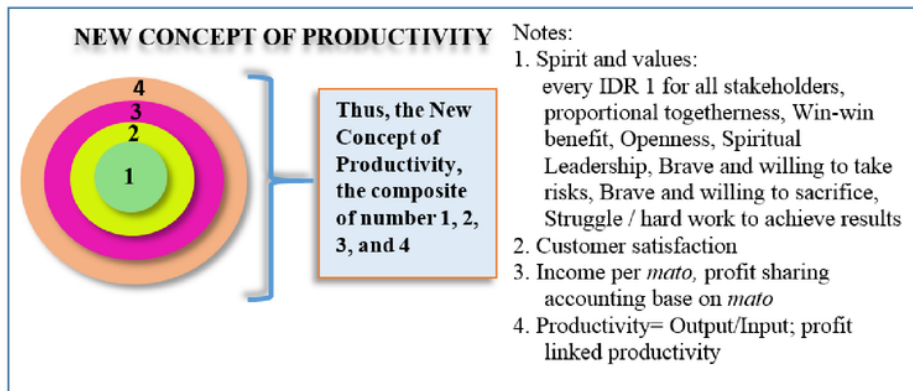


Figure 1. New Concept Of Praductivity Based On Local Wisdom In RMP Jakarta-Indonesia

Hence, the new definition of productivity that is obtained from RMP business is a broader productivity concept and is indeed a comprehensive one. This definition does not only point to mere material measurements, but also the spirit that lies within. With that being said, the new concept of productivity is a mix of the four elements mentioned, which are productivity in material context, measured by output-input ratio and productivity towards profit (the outer layers-numbered 3 and 4) alongside the spirit and values that encourage the creation and maintenance of productivity (inner layers-numbered 1 and 2). The next sessions of this research will try to define and explain the four elements in detail.

4.1. Spirit and Values

The very core and foundation of the new concept of productivity is the inner-most part of the circle. *First*, spirit to struggle/hard work to achieve results is the experience of the ups-and-downs felt by the founder and/or owner of RMP. This is the main core that generates continuous company productivity. The founder(s) and/or owner(s) personally experienced hardships from one episode to another, which eventually leads to the creation of values and virtues. Rather

than living a content life, these people have the mindset that days to come shall be better than the previous ones. *Second*, bravery and willingness to take risks. The will and bravery to take on risks and to sacrifice are formed by the life events and hardships experienced by the founder and/or owners. When the business is falling out and the owners faced bankruptcy, they did not give in and started the business over. This mentality is shared by the founders and/or owners to strengthen the company's values. *Third*, prioritizing the employees. This trait is linked to the willingness to sacrifice trait of the business owners. During the early stages of RMP, should the result is not satisfactory or the company is still in the survival period, then the earnings of RMP is prioritized for the needs of the employees, even though that means the shareholders or the owners will not receive even one penny of profit. *Lastly*, the turbulent life experiences of the founders and/or owners shape a strong leadership mentality with strong foundations, which eventually takes shape as spiritual leadership. Treating everyone working at the restaurant well humanizes the people – the investors, management, and the employees/workers. The spirit of hard work, motivation and the willingness to work selflessly are the foundation of productivity concept.

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4.2. Customer Satisfaction

The customer satisfaction layer is closely related to the third layer, which is accounting profit sharing based on *mato* and Income per *Mato* (IpM). The profit sharing system in RMP is based on the profit achieved, with a 50:50 ratio between the owner and the employees. The main goal of a business entity is to seek for profit. The profit sharing portion of the employees is the amount of profit allocated for the employees (50%), and is divided by the total amount of *mato* of all employees. This is what it means by IpM (Hanif et al, 2015:181-182). Therefore, there is no monthly salary. The earnings of the employees comes from the IpM divided by the total amount of *mato*. This system encourages more thoughts and care to customer satisfaction. *Mato* profit sharing system gives enough psychological pressure to the management and employees of the restaurant because there is uncertainty on the earnings that they will receive, as it all depends on the customer. Every stakeholder will then try their best to earn expected results through customer satisfaction. Satisfied customer will show loyalty towards the restaurant, and raises the earnings of the restaurant. Which, in turn, will also raise the IpM. This is the reason why customer satisfaction is a very important element of productivity.

4.3. Mato Based on Profit Sharing Accounting and Income per Mato

As explained in point 4.2, the business of RMP does not recognize monthly salary, but uses *mato* system in distributing the profit achieved to all stakeholders in every 100 days or three months' time. *Mato* system is an accounting engineering, especially management accounting, in RMP. The IpM will ease the company in increasing productivity and such IpM the very core productivity measurement in RMP. The most productive RMP outlet is the one with the highest IpM. *Mato based on profit sharing accounting and the IpM* are working well in the RMP. *Mato based on profit sharing accounting and IpM* are inseparable parts of productivity with all the values in it, which are: openness, every penny for all stakeholders, proportional togetherness, win win benefit. This means, *Mato based on profit sharing accounting and IpM* cannot be enforced without the presence of such values.

4.4. Conventional Productivity: Input-Process-Output

The measurement of productivity from output:input ratio is still relevant and is part of the new productivity concept. In this new concept, this measurement is placed at the outer layer of the productivity concept. In RMP, it is common to have certain measurement standards that lead to output-input ratio. Furthermore, the output-input ratio is already standardized in the

consciousness of the management and the employees. For example, for 7 ons cut poultry is formulated to produce four pieces of fried chicken. This applies the same for other input or resources that it standardized. This ratio will then be the controlling tool to see efficiency and productivity in the use of materials. Aside from that, profit linked productivity measurement is part of the new concept of productivity and as measuring tool of total productivity. However, in RMP as explained in point 4.2 and 4.3, the profit calculation is done with a different way, which is IpM.

5. Discussion

If the concept of productivity is not developed into the spirit that created such productivity, then the productivity concept is only realized on the outer part of the spectrum, which is the productivity concept based on mere material that is reflected by output-input ratio. If this keeps up and the owners of the company uses it with a very narrow understanding, it will be a trap to focus on to achieve productivity financially. This is short-lived and focused on material so that it ignores the long-term productivity dimension. For the sake of short-term productivity, the management ignores and neglects the long-term interest.

With the new productivity concept which the combination of spiritual aspect (inner core) with local wisdom and customer satisfaction (middle layers) and added with material aspect (outer layer). If this new concept is applied by the management, it is hoped for that, within the company, equilibrium between the short-term and long-term interest can be achieved. With that, the long-term continuation of the organization can be maintained.

6. Conclusion

The cultural meaning of productivity found under this research is defined in a four-layered circle. *First*, the inner layer-the core and substance of productivity. The spirit and values brought by life values of the actors of the organization that determines the work of the organization (founder and owner of RMP Jakarta, Indonesia). *Second*, business continuation depends heavily on the earnings of the restaurant. There is no productivity if there is a failure in marketing. One of the important keys in restaurant earnings is customer satisfaction in every aspect: delicacy of the dishes served, hygiene, speed of the service, quality and friendliness of the service, and of course, affordable price.

Third, the middle layer of the productivity circle is *mato* based on profit sharing accounting and IpM which is a unique accounting created by the RMP community that follows the ryhtm of the RMP business process using profit sharing system. This is element is the context of RMP is very important. Even though this element is in the middle layer of the productivity concept, this element is highly related to the core element, which is spirit and values. *Lastly*, output-input. This element is the outer layer of productivity, and is inseparable from the two middle layers and is connected in the form of output-per-input measurement. IpM will be at its maximum in RMP if this outer layer is also the attention of the management in order to create efficiency in the operation of RMP. Hence, if the old productivity concept refer more to the outer layer of the productivity concept, then the new concept can be said as an improvement of the old concept by creating a more comprehensive definition which is the combination of all four layers mentioned above

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