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HUMAN RESOURCE MANAGEMENT TRANSFORMATION IN THE DIGITAL ERA: INNOVATIONS AND CHALLENGES IN STARTUPS

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Abstract

The Indonesian coffee industry continues to grow rapidly, increasing competition among businesses. Bahagia Kopi faces challenges in slowing sales growth and stagnant asset expansion, requiring a strategic approach to sustain long-term growth. This study evaluates Improvement and Scaling as the most suitable growth strategies, using a mixed-method approach that integrates semi-structured interviews and quantitative analysis through the Analytic Hierarchy Process (AHP) and financial assessment. In the short term, operational efficiency and service quality improvements are the main priorities, requiring investment in training and performance-based incentives. In the long term, branch expansion in Bandung is identified as the key growth initiative, with funding as the primary challenge since Bahagia Kopi still depends on internal capital. Financial analysis of 2023 reports shows increased profitability, but a 32% funding shortfall remains for expansion. To address this, Mixed Financing is the most balanced approach, maintaining a healthy solvency ratio while minimizing financial risk. With a cautious yet strategic approach, Bahagia Kopi can achieve sustainable expansion without overleveraging debt, ensuring long-term stability and maintaining business growth.

Keywords: Business Growth, Food and Beverage Industry, Four Ways To Grow

1. INTRODUCTION

Micro, small, and medium industries (MSMEs) in Indonesia, especially the food and beverage (F&B) sector, play an important role in the country's economy. According to data from the Central Bureau of Statistics (BPS) of Indonesia, the MSME sector contributes around 61% to Indonesia's Gross Domestic Product (GDP) and absorbs almost 97% of the national workforce (KADIN Indonesia, 2024). In the city of Bandung, the F&B sector, especially the coffee industry, has shown rapid development with the emergence of various coffee shops offering various concepts. One of the main players that has managed to survive and thrive amidst tight competition is Bahagia Kopi. Despite experiencing significant growth, Bahagia Kopi faces challenges in maintaining and increasing its growth, especially related to its operational capacity which has almost reached its maximum limit and the concentration of its branches which are still limited in the city center.

The main problems faced by Bahagia Kopi are Slowing sales growth and stagnant asset growth which limits the potential for further growth. Therefore, it is important for companies to initiate and implement the appropriate growth strategy to maintain business continuity. This study aims to analyze the strategies that Bahagia Kopi can implement based on the "Four Ways to Grow" approach developed by Hess, E. D. (2012), with a focus on improvement, innovation, scaling, and strategic acquisitions. In addition, this study will also analyze the financial condition of Bahagia Kopi to ensure that the chosen strategy is in accordance with the company's financial capacity. Business growth is not only influenced by internal strategies but also by various external and industry factors. Based on prior research, particularly study conducted by OECD,there are several parameters that shall be considered in determining SMEs scaling-up success factors. The aspects cover financial, innovation, human capital and workforce composition, productivity, global market, and age of the company (Irsyada & Dhewanto, 2024).

The literature review shows that the development of MSMEs, especially in the F&B industry, requires careful planning to achieve sustainable growth. According to Sagala et al. (2024), effective business planning and development not only focus on short-term operations, but also on strategic planning that supports long-term growth. Therefore, choosing the appropriate growth strategy is very important to ensure the direction of development that is in accordance with the company's capabilities and market conditions. In this context, financial ratio analysis is also essential to understand the company's financial performance and adjust the strategy to be taken.

This study will analyze three main aspects: first, what growth strategies can be applied to optimize Bahagia Kopi's business growth; second, which growth strategies are the most prioritized to support the company's growth; third, how Bahagia Kopi's financial condition affects the company's capacity to support the chosen growth strategy, which distinguishes the potential for further growth. Therefore, it is important for companies to initiate and implement the appropriate growth strategy to maintain business continuity.

2. RESEARCH METHOD

This study uses a mixed methodology design, which is a combination of quantitative and qualitative methods in data collection and analysis. The mixed method was chosen because it allows researchers to obtain a more comprehensive picture of the problem under study by providing numerical data and in-depth insights. This design aims to evaluate Bahagia Kopi's business growth strategy, assess the company's financial capacity, and provide recommendations for the most appropriate strategy for its future growth.

The main tools for data collection in this study were semi-structured interviews and internal company documents. Semi-structured interviews were designed to encourage open-ended responses that could reveal the owners' views on Bahagia Kopi's growth strategy.

Internal company documents, such as financial statements and company profiles, were also used to complement the data obtained from the interviews. These materials are essential to understanding the company's financial position and operational context.

The data analysis process consists of several steps. First, thematic analysis was used to identify emerging patterns and themes in the interview data. This analysis helped categorize the business growth strategies discussed by the owners. This thematic analysis is based on the "Four Ways to Grow" theory, which categorizes growth strategies into four approaches: improvement, innovation, scaling, and strategic acquisitions.

After thematic analysis, the Analytic Hierarchy Process (AHP) method was used to determine strategic priorities. AHP is a decision-making tool that helps break down complex problems into smaller components and assigns weight to each factor based on its importance. The AHP method was implemented using an online AHP calculator (Klaus D. Goepel, 2024), which helps assess and rank strategies based on their relevance to Bahagia Kopi's business objectives.

Finally, a financial ratio analysis was conducted to assess Bahagia Kopi's financial condition. This analysis includes evaluating profitability, liquidity, and leverage ratios to determine the company's ability to support the chosen growth strategy. By using these financial indicators, the study ensures that the recommended strategies are not only feasible but also in line with the company's financial capacity.

3. RESULTS AND DISCUSSION

Strategic Growth Strategies for Bahagia Kopi Based on the "Four Ways to Grow" Approach

Bahagia Kopi has experienced rapid growth in the food and beverage (F&B) industry, especially in the coffee segment, with a business model that focuses on product quality, customer experience, and service innovation. To ensure sustainable and optimal growth, the appropriate business strategy is needed. Based on the results of interviews with two Bahagia Kopi owners, a thematic analysis was conducted using the Four Ways to Grow framework developed by Hess, E. D. (2012). This framework groups business growth strategies into four main categories: Improvement, Innovation, Scaling, and Strategic Acquisitions. The results of the analysis from interviews with three owners were used to determine the most relevant growth strategy for Bahagia Kopi.

Summary of Thematic Analysis Comparison

Based on the results of the comparison of thematic coding with the Four Ways to Grow theory from Hess, E. D. (2012), the most appropriate strategy for Bahagia Kopi is an Improvement and scaling. Each business owner emphasized the importance of business expansion through scaling, either by expanding branch locations or by diversifying the products offered. However, they also agreed that successful scaling must be supported by mature improvements in terms of operations and product quality management.

In terms of scaling, Bahagia Kopi has an ambitious expansion plan, especially to expand market reach both in Bandung and outside the city such as Jakarta and Yogyakarta. The total mention of scaling from the three owners reached 27, indicating the importance of this expansion strategy in the direction of business growth. Although focused on expansion, the owners agreed that scaling should not be done in a hurry, but rather must be done carefully and adjusted to the company's financial and operational readiness. Determining the appropriate location and understanding local market needs are the keys to ensuring sustainable business expansion.

Meanwhile, for improvement, Bahagia Kopi needs to continue to focus on operational efficiency and quality control. The business owners emphasized the importance of improving and perfecting internal systems. The total mentions for improvement reached 28, indicating that internal improvement is a major concern. Continuous system improvement is expected to increase productivity and ensure that the products offered remain in accordance with the desired standards even though the business continues to grow.

In terms of Innovation, which received a total of 23 mentions, the owners of Bahagia Kopi showed the importance of product and service innovation to remain competitive in a dynamic market, especially in the coffee industry which is influenced by culinary trends. Product innovations such as Bento Cake which became a new flagship product during the pandemic are a real example of Bahagia Kopi's efforts to adapt to changing market needs. Innovation also includes changing the menu according to consumer demand and market trends, as well as utilizing social media technology to introduce new products and maintain relationships with customers.

As for Strategic Acquisitions, although no mentions were found in interviews with the three owners, this shows that Bahagia Kopi focuses more on organic growth through branch expansion and product innovation rather than making acquisitions to accelerate expansion. Most owners prefer to develop internal capacity and expand their customer base through innovative products and services, rather than acquiring other businesses. This shows that Bahagia Kopi is more careful in business development and chooses to grow organically, maintaining full control over the operations and quality of the products offered.

After determining that a combination of scaling and improvement is the most appropriate strategy, the next step is to identify operational aspects that need to be improved and parts of the business that are ready for scaling. Based on the results of the thematic analysis, it can be concluded that the Improvement strategy is Bahagia Kopi's top priority in the short term. This can be seen from the high frequency of improvement themes mentioned by the three owners, who emphasized the importance of improving operational efficiency, product quality management, and internal systems to support smooth business operations.

Before going further in expansion, Bahagia Kopi must ensure that operational processes and product quality can run stably and efficiently.

Meanwhile, Scaling is a more appropriate strategy for the long term, because it allows Bahagia Kopi to expand its market reach and increase operational capacity gradually. Although expansion is the main goal, the owners agree that this must be done carefully and in accordance with the company's operational and financial readiness. Therefore, a wise step for Bahagia Kopi is to focus on Improvement first to ensure that the internal foundation of the business is strong enough before implementing large-scale scaling.

Thus, Bahagia Kopi should prioritize Improvement in the short term, strengthening internal systems, before focusing on broader Scaling in the long term. This approach will ensure that the company is ready to face growth challenges and can adapt to the market more effectively.

Improvement Categories

Based on the results of interviews with the owners of Bahagia Kopi, a number of problems faced by the company have been identified, which have the potential to hinder sustainable growth. Some categories of improvements that need to be made include: operational efficiency, quality and service standards, inventory management, financial management, human resources, competitive strategy, and customer relationship management (CRM). Each category of improvement identified has been further analyzed, and resulted in improvement strategies that can be implemented to improve Bahagia Kopi's operational performance.

Scaling Categories

Based on the results of interviews with the owners, there are four main categories in the expansion strategy that have been identified, namely Production Capacity, Selling Channels, Seating Capacity, New Store/ Market Expansion. Further analysis has been done for each scaling category identified, and resulting in scaling strategies that can be implemented to improve growth through scaling.

Prioritized Growth Strategies

Improvement Strategies

After identifying relevant improvement categories based on interviews with the three Bahagia Kopi owners and determining the appropriate improvement strategies for each category, the next step is to determine the priority of the improvement categories and the most appropriate strategies to implement. Analytic Hierarchy Process (AHP) is used to weigh and determine the priority of improvement categories and strategies that need to be considered in order to achieve sustainable growth. In Table 3.1 are the results of calculating the priorities of the 7 improvement categories using the AHP calculator.

Table 3.1 Improvement Strategies Priority

Improvement	Priority	Rank
Quality & Service Standards	39.50%	1
Operational Efficiency	28.90%	2
Financial Management	14.00%	3
Customer Relationship Management (CRM)	5.10%	4
Inventory Management	4.30%	5
Human Resources	4.10%	6
Competitive Strategy	4.10%	7

Based on the results of the AHP calculation for the Improvement Priorities category, Bahagia Kopi must provide primary focus on Quality & Service Standards, indicating that maintaining consistent product quality and service in each branch is an important priority. Also the Operational Efficiency to maintain the internal operation process.

Scaling Strategies

After identifying key scaling categories through interview results and determining suitable strategies for each scaling category, the next step is to prioritize these categories and select the most appropriate strategies to implement. AHP also used to determine the priority of scaling categories and strategies that were considered to be affecting scaling efforts from Bahagia Kopi.

Table 3.2 Scaling Strategies Priority

Improvement	Priority	Rank
New Store/ Market Expansion	58.30%	1
Selling Channels	29.00%	2
Seating Capacity	8.50%	3
Production Capacity	4.20%	4

As shown in Table 3.2, the highest priority for scaling Bahagia Kopi's business is through New Store/ Market Expansion. This reflects their long-term strategy to expand its presence while maintaining financial and operational stability. These findings indicate that Bahagia Kopi should focus on Market Expansion and expanding their Selling Channels, ensuring that operational improvements are aligned with their long-term scaling strategy.

Financial Performance Analysis

To ensure that Bahagia Kopi's growth strategy can run optimally and sustainably, a comprehensive evaluation of the company's financial capabilities is required. Prioritized growth strategies, both in the form of improvements strategies to increase operational efficiency and improve quality or scaling strategies in the form of market expansion, require strong financial support so that they can be implemented without disrupting the company's financial stability.

Balance Sheet Analysis

Bahagia Kopi experienced significant asset growth, increasing from IDR 3.87 billion (2021) to IDR 6.44 billion (2023), with the largest spike in 2022 due to the expansion to the Braga branch. This increase can be seen from the increase in current assets, where cash increased from IDR 253.7 million to IDR 1.88 billion, as well as increased accounts receivable and inventory to support the operations of the new branch. Fixed assets also increased, especially in the value of buildings which increased to IDR 2.4 billion and investment in operational equipment which reached IDR 1.2 billion. This expansion caused an increase in short-term debt in 2022, but in 2023, Bahagia Kopi managed to reduce long-term debt from IDR 3.77 billion to IDR 2.34 billion, indicating an improvement in financial management. On the equity side, owner investment increased drastically from IDR 200 million (2021) to IDR 900 million (2022) to support expansion, while retained earnings rose from a deficit of IDR 212.9 million to IDR 1.19 billion, reflecting stable profitability.

Income Statement Analysis

Based on Bahagia Kopi's 2021-2023 income statement, the company recorded significant revenue growth, especially in 2022 with an increase of 120.38%, driven by expansion of the Braga branch. Although revenue growth slowed to 43.04% in 2023, this trend still reflects healthy business conditions. Gross Profit Margin was stable at around 58%. In terms of operational efficiency, Total Operating Costs decreased from 50.45% (2021) to 37.47% (2023), which was mainly due to a decrease in the proportion of employee salaries from 26.54% to 16.75% and efficiency in building rental costs. This efficiency contributed to the increase in Operating Profit from 8.65% (2021) to 20.02% (2023), reflecting the company's success in managing growth without a significant spike in costs. Nevertheless, Net Profit Margin still experienced a significant increase from 1.42% (2021) to 14.88% (2023), indicating strong profitability growth despite challenges on the cost side.

Financial Ratio Analysis

Bahagia Kopi showed strong financial performance based on the 2021-2023 financial ratio analysis. Profitability increased significantly, with Operating Profit Margin increasing from 8.65% (2021) to 20.82% (2023) and Net Profit Margin increasing from 1.42% to 14.88%, indicating operational efficiency and increased profitability. Return on Assets (ROA) jumped from 1.13% to 22.50%, indicating increasingly optimal asset utilization, while Return on Equity (ROE) improved from negative -339.73% to 46.51%, reflecting improvements in equity management. In terms of liquidity, the Current Ratio is stable at 3.66 and the Quick Ratio at 3.52 (2023), indicating that the company has sufficient current assets to meet short-term liabilities. In terms of solvency, the Debt-Assets Ratio fell from 1.00 (2021) to 0.52 (2023), indicating that Bahagia Kopi is increasingly reducing its dependence on debt.

Financing Improvement Growth Strategy

Bahagia Kopi's financial condition indicates a strong capacity to support employee training programs and performance-based incentives without compromising stability. Profitability has significantly improved, liquidity remains strong, with cash balances growing to IDR 1.88 billion in 2023 and a healthy Current Ratio (3.66) and Quick Ratio (3.52), ensuring financial flexibility for workforce development. Additionally, operational efficiency improvements have led to a decrease in total expenses, suggesting room for increased investment in workforce training and incentives. Strengthening employee compensation and skill development is crucial to enhancing productivity, reducing turnover, and maintaining service quality, especially with expansion efforts in progress.

Financing Scaling Growth Strategy

To support Bahagia Kopi’s expansion strategy, careful financial planning is required to ensure new branch investments do not disrupt financial stability. The company’s total assets increased significantly following the Braga branch expansion in 2022, highlighting the need for IDR 1.7 billion in capital for further expansion, including renovation, equipment, and operational costs. Liquidity remains strong, with IDR 1.8 billion in cash as of 2023, but after allocating funds for Net Working Capital (NWC) and operational reserves, only IDR 1.041 billion remains available for expansion. This results in a funding shortfall of IDR 559 million (32% of total investment), requiring an appropriate financing strategy. To bridge this gap, Bahagia Kopi must explore funding options that allow for growth without compromising financial stability, ensuring sustainable business expansion.

Funding Options

To bridge the IDR 559 million funding shortfall, Bahagia Kopi has three financing options: Full Equity (FE), Full Debt (FD), and Mixed Financing. FE requires owners to inject additional capital, ensuring no debt but potentially limiting financial flexibility. FD involves securing a bank loan using non-liquid assets as collateral, allowing expansion without reducing cash reserves but increasing Debt-to-Equity Ratio (DER) to 1.61, which could add financial strain. Mixed Financing offers a more balanced approach, requiring a smaller collateral commitment while keeping DER at 1.25, maintaining financial solvency. Given Bahagia Kopi's cautious growth approach, Mixed Financing is the most viable option, leveraging debt benefits while ensuring expansion remains financially sustainable.

4. CONCLUSION

Bahagia Kopi should implement a growth strategy that focuses on improvement and scaling to maintain business growth. In the short term, improving service quality standards and operational efficiency are top priorities, requiring investment in employee training programs and performance-based incentives. In the long term, the company has set scaling market expansion as its main strategy, with the initial stage focused on Bandung City. The top priority in this scaling strategy is secure funding, because Bahagia Kopi still relies on their internal funding. Financial analysis shows that the company has stable profitability and growing liquidity, allowing funds to be allocated for HR development to improve service quality and operational efficiency, but there is still a financing gap in market expansion. To cover this shortfall, the funding option that can be chosen is Mixed Financing, which is a more balanced alternative, where the owner only needs to pledge assets of IDR 559 million x 120%, thus maintaining DER at 1.25 which is still healthy in terms of solvency. With a careful and not too aggressive approach, Bahagia Kopi can utilize debt optimally without increasing its dependence, thus ensuring that expansion remains safe and sustainable.

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