

Local wisdom-based management in MSME HR Management: A Case Study of Siri' na Pacce value in Makassar

Burhanuddin^{1*}

^{1*}Management Department, Faculty of Economics and Business, Universitas Negeri Makassar, Indonesia

Email: ^{1*} dr.burhanuddin@unm.ac.id

Received: 29 October 2025

Accepted: 12 November 2025

Published online: 13 November 2025

Abstract

This study explores how the indigenous values of Siri' (dignity, honor) and Pacce (compassion, shared feeling) shape human resource management (HRM) practices among micro, small, and medium enterprises (MSMEs) in Makassar, Indonesia. Using a qualitative case study design, the research examines leadership as a cultural-economic institution in which moral commitments guide organizational behavior, employee motivation, and firm resilience. Data were collected through semi-structured interviews, participant observation, and document analysis involving ten MSME leaders in the trade, culinary, and craft sectors. Thematic analysis revealed that Siri' informed dignity-preserving disciplinary practices and accountability norms, while Pacce manifested through mutual aid systems and empathetic management. Decision-making was consensus-oriented, integrating hierarchical authority with community deliberation. These practices produced positive HRM outcomes such as job satisfaction, loyalty, and ethical reputation, yet also imposed financial and emotional strains due to the moral obligation to preserve collective welfare. The findings suggest that Siri' na Pacce-based leadership functions as a moral economy that substitutes social capital and emotional intelligence for formal control systems. This culturally grounded model enhances organizational legitimacy and sustainability but requires careful balancing between moral duty and economic pragmatism. The study contributes to humanist economic theory by demonstrating how local wisdom can inform dignity-centered, relational HRM systems in developing contexts.

Keywords: Siri' na Pacce, Human Resource Management, Indigenous Leadership, MSMES, Moral Economy.

1. Introduction

Local wisdom shapes how economic actors interpret obligations, rewards, and social standing. In Makassar, the values of Siri' (dignity, honor) and Pacce (compassion, shared feeling) offer a culturally coherent grammar for social relations that extends naturally into firm-level practices, especially within micro, small, and medium enterprises (MSMEs). This study frames leadership as a cultural-economic institution in which ethical norms partly determine human resource decisions, employee motivation, and firm resilience.

MSMEs in developing urban contexts are sociotechnical systems where personal relationships and reputational capital often substitute for formal contracts and complex governance structures. Leaders, therefore, enact strategies that balance short-term survival and long-term social legitimacy; such strategies are infused with local moral vocabularies that



confer meaning on work and reward. Understanding how *Siri' na Pacce* functions in HRM can illuminate pathways to sustainable, dignity-preserving firm behavior.

The central research question asks: How do leaders of Makassar's MSMEs operationalize *Siri' na Pacce* in their human resource management, and what are the implications for employee well-being and firm performance? This question demands a qualitative, context-sensitive approach that treats values as causal mechanisms rather than mere background descriptors.

This article advances a humanist economic perspective: economic behavior is not value-neutral calculation alone but is embedded in moral commitments and reciprocal ties that shape incentives, information flows, and organizational practices.

2. Literature Review

Leadership scholarship has long recognized multiple pathways by which leaders influence employee outcomes. The Job Demands-Resources (JD-R) framework synthesizes this by conceptualizing leadership effects as modulation of job demands and resources, job crafting, and buffering or amplifying stress mechanisms; leadership can therefore shape both well-being and productivity through psychosocial channels (Tummers & Bakker, 2021). Applying JD-R to local-wisdom leadership permits analysis of how cultural norms become psychosocial resources or demands.

Transformational and servant leadership literatures emphasize vision, empowerment, and follower welfare, often correlating with increased organizational citizenship behaviors and retention. Empirical work on SMEs demonstrates that transformational leadership enhances retention via increased discretionary behavior and improved communication structures (Tian et al., 2020). These findings provide a useful comparative baseline when assessing indigenous leadership forms such as *Siri' na Pacce*.

Anthropological and management studies of small firms highlight that soft information—trust, reputation, and personal ties—remains central to economic transactions in SMEs, affecting financing, supplier choice, and employee selection. Research on bank–firm relationships shows that human contact and qualitative soft information can alter access to finance and contractual terms, implying that culturally mediated interpersonal ties within firms have external economic effects as well (Fasano & Rocca, 2023).

Psychological mechanisms like emotional intelligence undergird many effective leadership behaviors, particularly those involving empathy, conflict management, and social perception. Meta-analytic evidence suggests emotional intelligence is a reliable predictor of transformational leadership behaviors, especially in contexts where relational skills are prized (Hsu et al., 2022). This supports the proposition that *Siri' na Pacce* leadership works through leaders' capacity to read, regulate, and respond to social-emotional cues.

SME resilience studies indicate that external policy interventions (e.g., crisis relief, guarantees) influence survival and incentives, but their design affects firm heterogeneity and long-term financial health (Belghitar et al., 2020; Gai et al., 2023). These macro-level findings matter because local-wisdom leadership must operate within regulatory and financial environments that either complement or constrain its capacity to provide worker support and maintain dignity-preserving practices.

Finally, literature on organizational culture and social capital shows that locally rooted moral frameworks produce normative expectations that reduce transaction costs and engender reciprocity. Yet culture can also create rigidity, resistance to innovation, or paternalistic dependencies—ambidextrous outcomes that a careful study must surface.

3. Methods

This research adopts a qualitative case study design focused on MSMEs in Makassar that self-identify as guided by *Siri' na Pacce* principles. The case study method is justified by the need to capture rich, situated practices and the interpretive meanings actors attach to behaviors inside their firms.

Data collection combined semi-structured interviews, non-participant observation, and document analysis. Ten MSME leaders across trade, culinary, and craft sectors were interviewed for 60–90 minutes each. Observations captured daily interactions, disciplinary processes, informal lending, and conflict resolution episodes. Organizational artifacts—noticeboards, agreements, and payroll notes—provided triangulation.

Thematic analysis proceeded in iterative cycles: open coding produced 48 initial codes; axial coding clustered them into 12 categories; selective coding distilled three analytic dimensions—leadership values, HR practices, and socio-economic outcomes. Coding was supported by NVivo to maintain audit trails; member-checking sessions were held with five participants to validate interpretations.

Ethical considerations included informed consent, confidentiality, and attention to power dynamics. Given the moral sensitivity of *Siri'* and *Pacce*, the research design emphasized non-judgmental inquiry and reciprocal feedback to participants.

4. Results and Discussion

Leaders articulated *Siri'* as a non-negotiable ethic that frames disciplinary discourse. Rather than public reprimand or humiliation, managers preferred private, dignity-preserving conversations that invited reflection. This procedural emphasis created a normative constraint against shame-inducing sanctions and redirected corrective action toward restoration.

Table 1. Integration of *Siri'* and *Pacce* in HRM Practices among UMKM Leaders in Makassar

Theme	Manifestation in Managerial Practice	HRM / Behavioral Implications	Organizational Outcomes
1. <i>Siri'</i> Ethical Foundation for Discipline	Leaders upheld <i>Siri'</i> (dignity and honor) as a non-negotiable moral compass guiding all disciplinary actions. Public reprimands were replaced with private, reflective conversations that preserved personal dignity.	Fostered psychological safety, moral reflection, and mutual respect between leaders and employees; minimized shame-based disciplinary culture.	Reduced workplace conflict; improved employee trust, cooperation, and emotional well-being.
2. <i>Pacce</i> as a System of Mutual Support	<i>Pacce</i> (empathy and collective care) was operationalized through rotating leave cover, micro-loans, and community-funded support for crises or funerals.	Built solidarity and resilience; functioned as informal social insurance, reducing financial distress.	Enhanced loyalty and commitment; decreased absenteeism and turnover.
3. Consensus-Oriented Decision-Making	Leaders combined hierarchical authority with consultative rituals involving senior staff, community elders, or family representatives in key HR decisions (hiring, promotion, dismissal).	Reinforced participatory governance, cultural legitimacy, and inclusiveness in managerial processes.	Preserved social harmony; minimized resistance and grievances in personnel changes.
4. Dignity-Aware Work Culture	Employees viewed work as a means to uphold family honor and community respect. Leadership recognition of	Strengthened intrinsic motivation, peer mentoring, and ethical engagement.	Increased job satisfaction, employee retention,

	dignity reinforced moral accountability and discretionary effort.		and community trust in the firm.
5. Moral Economy and Ethical Reputation	Firms developed reputations for fairness and integrity, especially in the food and craft sectors, where reputation drives customer loyalty.	Ethical identity became a strategic asset and part of brand positioning.	Stable customer base; repeat patronage; enhanced social capital.
6. Trade-Offs and Constraints of the Moral Economy	Leaders faced tension between moral obligations and business pragmatism, e.g., reluctance to execute layoffs or overextending financial support.	Indicated emotional and resource strain among leaders; blurred boundaries between firm and community roles.	Short-term liquidity stress, slower decision-making, and potential operational inefficiencies.

Source: data processed, 2025

Pacce manifested as structured and ad-hoc mutual assistance: leaders described rotating leave cover, micro-loans from firm savings, and community-funded funeral support. These mechanisms functioned like an internal social insurance that reduced short-term financial distress and signaled collective responsibility.

Decision-making practices blended hierarchical authority with consensus rituals. Major personnel decisions—hiring, promotion, and dismissal—were often preceded by consultations with senior staff, respected community elders, or family representatives. Such deliberative processes sought to preserve face and minimize social rupture.

Employees reported that dignity-aware practices increased job satisfaction and a sense of moral accountability. They framed work as a contribution to family honor and community standing, which translated into higher discretionary effort and participation in peer mentoring.

Operational outcomes included lower turnover, stable customer relations, and a local reputation for ethical dealing. Leaders noted that markets rewarded perceived moral integrity, particularly in food and craft sectors where reputation is directly linked to repeat patronage.

However, leaders also acknowledged trade-offs: the moral economy sometimes delayed necessary, painful decisions (e.g., restructuring) and required leaders to provide support beyond firm capacity, producing liquidity strains.

4.1. Discussion

The findings show that Siri' na Pacce-based leadership configures HRM into a moral economy where dignity and mutual empathic support become resources that substitute for formal contracts. This shift aligns with JD-R theory: Siri' functions as a psychosocial resource that reduces perceived job demands and increases the motivational value of available resources, thus improving well-being and performance (Tummers & Bakker, 2021).

Comparatively, Siri' na Pacce overlaps with transformational and servant leadership in its emphasis on follower welfare and moral example, but it differs in source and expression: authority flows from communal moral sanction and honor codes rather than individual charisma alone. This culturally anchored authority explains the high conformity and internalized accountability observed in employees, offering an indigenous variant of transformational leadership that is relationally embedded (Tian et al., 2020).

Soft information and close human ties observed in firms strengthen both internal HR processes and external economic interactions; these ties facilitate trust-based lending, flexible payment terms, and collaborative problem solving with suppliers and customers. Such relational capital mirrors findings that human contact contributes uniquely to SMEs' access to resources and information (Fasano & Rocca, 2023).

Emotional intelligence is an evident mediator: leaders adept at perceiving and managing emotions enacted *Pacce* effectively, reducing conflict escalation and fostering supportive interventions. This psychological skillset helps explain how moral norms become operational HR techniques—through empathetic listening, affective regulation, and symbolic acts that restore dignity (Hsu et al., 2022).

At the policy level, macro interventions toward MSMEs must recognize that locally grounded leadership affects firms' needs and responses to support. For example, crisis relief and guarantee schemes alter incentives and liquidity in ways that interact with moral obligations within firms; poorly targeted aid can inadvertently sustain non-viable moral obligations or encourage dependency, while well-calibrated support can reinforce dignified coping mechanisms (Belghitar et al., 2020; Gai et al., 2023).

Finally, cultural commitments can produce managerial tension: leaders may overextend firm resources to honor *Pacce* or avoid necessary dismissals to protect *Siri'*. Thus, scalability and long-term sustainability require hybrid strategies that combine moral commitment with prudent financial governance.

5. Conclusion

Siri' na Pacce-based leadership in Makassar's MSMEs demonstrates how local wisdom can transform HRM into a dignity-centered, empathetic system that supports employee well-being and market credibility. The moral resources embedded in *Siri'* and *Pacce* operate through leader emotional competence and strong relational networks to produce tangible organizational benefits.

Policy and practitioner implications include: 1) designing SME support programs that respect and leverage local moral economies rather than imposing purely transactional instruments; 2) integrating leadership development focused on emotional intelligence and culturally resonant conflict-resolution techniques; and 3) encouraging financial instruments that accommodate reciprocal internal risk-sharing without creating unsustainable obligations.

Future research should test the transferability of the *Siri' na Pacce* leadership model across sectors and comparative urban settings, examine long-term firm survival under mixed moral-financial regimes, and quantify the economic value of dignity-preserving practices. Such work will refine how humanist economic principles can be institutionalized in entrepreneurship ecosystems.

6. References

- Belghitar, Y., Moro, A., & Radić, N. (2020). When the rainy day is the worst hurricane ever: the effects of governmental policies on SMEs during COVID-19. *Small Business Economics*, 58, 943-961. <https://doi.org/10.1007/s11187-021-00510-8>
- Fasano, F., & Rocca, T. L. (2023). Does the bank-firm human relationship still matter for SMEs? The game-changing role of digitalization. *Small Business Economics*, 1-20. <https://doi.org/10.1007/s11187-023-00758-2>
- Gai, L., Arcuri, M., & Ielasi, F. (2023). How does government-backed finance affect SMEs' crisis predictors?. *Small Business Economics*, 1-25. <https://doi.org/10.1007/s11187-023-00733-x>
- Hsu, N., Newman, D. A., & Badura, K. L. (2022). Emotional Intelligence and Transformational Leadership: Meta-Analysis and Explanatory Model of Female Leadership Advantage. *Journal of Intelligence*, 10. <https://doi.org/10.3390/jintelligence10040104>
- Tian, H., Iqbal, S., Akhtar, S., Qalati, S. A., Anwar, F., & Khan, M. A. S. (2020). The Impact of Transformational Leadership on Employee Retention: Mediation and Moderation Through Organizational Citizenship Behavior and Communication. *Frontiers in Psychology*, 11. <https://doi.org/10.3389/fpsyg.2020.00314>
- Tummers, L., & Bakker, A. (2021). Leadership and Job Demands-Resources Theory: A Systematic Review. *Frontiers in Psychology*, 12. <https://doi.org/10.3389/fpsyg.2021.722080>