

**HUMAN CAPITAL IMPACT TOWARD IMPROVEMENT OF FOOD AND BEVERAGE
SMALL MEDIUM ENTERPRISES IN MANADO***DAMPAK MODAL MANUSIA TERHADAP PERKEMBANGAN USAHA KECIL MENENGAH
MAKANAN DAN MINUMAN DI MANADO*

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Abstract: Small medium enterprises has become a type of business that become a trend and increases year by year, in Indonesia SMEs have a stable position at the national level in economic development, its contribution to the Gross Domestic Product (GDP) of Indonesia reached 60.34% and employment at 97%. Central Bureau of Statistics (2018), the growth of SMEs in Manado is significant, which remains a concern of how's the SMEs improvement in Manado. This research aims to analyze the impact of human capital toward SMEs improvement in Manado. This research used qualitative method with depth interview to collect the data. The samples in this research are 15 owner of SMEs from food and beverages sector in Manado. The research finds that human capital have significant influence toward SMEs Improvement in Manado. Knowledge, Personal network, Experience, Innovation have positive result toward SMEs improvement, while Professional skill have no effect in SMEs improvement. From the result, it is recommended for the government to create more training, seminar for the entrepreneur, also those entrepreneur should pay more attention on what skill and where can they obtain it before start a SMEs.

Keywords: *SMEs, human capital, knowledge, personal network, experience, innovation, professional skill*

Abstrak: Usaha kecil menengah telah menjadi tipe bisnis yang digemari dan meningkat dari tahun ke tahun, di Indonesia UKM memiliki tempat yang stabil di level nasional dalam perkembangan ekonomi, kontribusinya terhadap produk domestik bruto (PDB) Indonesia mencapai 60.34% dan memperkerjakan sampai 97%. Badan Pusat Statistik (2018), pertumbuhan dari UKM di Manado cukup signifikan, yang meységahkan keprihatinan akan bagaimana perkembangan UKM di Manado. Penelitian ini bertujuan untuk menganalisa dampak dari modal manusia terhadap perkembangan UKM di Manado. Penelitian ini menggunakan metode kualitatif dengan wawancara mendalam untuk pengumpulan data. Sampel dalam penelitian ini adalah 15 pemilik dari UKM sektor makanan dan minuman. Penelitian ini menemukan bahwa modal manusia memiliki pengaruh yang signifikan terhadap perkembangan UKM di Manado. Pengetahuan, jaringan individu, pengalaman, inovasi memiliki hasil yang positif terhadap perkembangan UKM, sedangkan kemampuan profesional tidak memiliki dampak terhadap perkembangan UKM. Berdasarkan hasil penelitian, direkomendasikan untuk pemerintah agar membuat tambahan pelatihan, seminar untuk wirausaha, dan juga para wirausaha harus memberikan perhatian lebih pada kemampuan dan dimana mereka bisa memperolehnya sebelum memulai suatu usaha.

Kata kunci: *UKM, pengetahuan, jaringan individu, pengalaman, inovasi, kemampuan profesional*

INTRODUCTION

Research Background

Nowadays, many type of business popping up to cover the demands of the customer. Small medium enterprises has become a type of business that become a trend and increases year by year. In the current era, small medium enterprises are growing mushrooming in almost every country, the role of SMEs in providing stable employment opportunities and supporting the country's economy is a strong reason for a country to empower SME. SMEs also have a considerable position at the national level in economic development, its contribution to the Gross Domestic Product of Indonesia reached 60.34% and employment at 97% (Simorangkir, 2018) at Liputan6.com.

On Central Bureau of Statistics Indonesia, the number of SMEs from year 2000-2017 keeps increasing year by year. The number of SMEs in 2000 is around 39 million and on 2017 approximately around 59 million, this fact show that SMEs now keep increasing and act as one of the most favorable type of business that people want to create. With the kind of development and needs that keep increasing, it can be assure that the number of SMEs will keep on increasing in years to come. In the city of Manado itself many SMEs have started and are growing because there are many young people who initially relied on becoming civil servants who began to turn into entrepreneurs (Manado Post Online, 2018), and absorb workforce of 173,350 people.

With efficiency and profit trends, it makes people wants to make more businesses based on SMEs, especially with the support of local governments who wants to develop SMEs to advance the local economy, but a study in Nigeria revealed that the majority of SMEs died in the first five years of their existence, a smaller percentage going into extinction, which is three years and later (Onugu, 2005 as cited by Ojokuku and Sajuyigbe, 2017). Thus, only about five to ten percent of young SMEs survive, grow to adulthood.

Observations were made as an effort to improve the growth and performance of SMEs and most of these efforts have been largely targeted at financing and infrastructure provision. However, it is very important that other factors must be considered to produce workable solutions to the challenges of growth and survival faced by SMEs. In Manado, there is so many obstacles for a SMEs to survive and improve, for an example at Brownice MDC 1992, there is lack of discipline by the employee which can affect the improvement of the SMEs, the owner and the researcher witness it by himself when the employee late but the owner seems to always giving a forgiven, there is also a situation at Bakso Tenda Biru, where the employee and the owner can't communicate with foreign customer, language barrier, and it's definitely effect the improvement of the SMEs. With this background, this study aims to examine the effect of Human Capital on the improvement of SMEs in Manado, North Sulawesi.

Research Objective

To find out how human capital affect the improvement of SMEs.

THEORETICAL REVIEW

Human Capital

Goldin (2014), human capital is the stock of productive skills, talents, health and expertise of the labor force, just as physical capital is the stock of plant, equipment, machines, and tools. Within each type of capital the performance, vintage and efficiency can vary. The stocks of human and physical capital are produced through a set of investment decisions, where the investment is costly in terms of direct costs and, for human capital investment, in terms of the opportunity cost of the individual's time.

Small and Medium Enterprises

World Trade Organization, in the majority of countries, small and medium-sized enterprises are defined as firms employing between 10 and 250 people. Firms with up to 10 employees are usually referred to as micro firms. There is, however, no commonly agreed definition of what micro firms and SMEs are. They are mixed by nature, ranging from producers of non-tradable services to born global suppliers of digital products, high quality artisanal goods or sophisticated instruments.

Small and Medium Enterprises Performance

Ardiana, Brahmayanti and Subaedi (2010) argued that the company's performance is the result of many individual decisions which are made constantly by management. The performance of SMEs is affected by HR competence as well as influenced by the quality of working life.

Previous Research

Muda and Rahman (2015) the study indicated that the vital role of human capital in directly and indirectly improving SMEs' performance is undeniable. The limitation in physical resources such as lands and machineries becomes challenges for SMEs in competing with their larger counterparts.

Rivas, Cano, and Austria (2013) this work shows the importance for companies and their directors and realizes the little research that has been done regarding the effect of prepared managers in the growth and survival of SMEs. To the extent that there are more companies that address the need to train and develop their human capital, and provide information about it will be in ability to generate quantitative data including reports of non-financial nature, by identifying the benefits generated training and development human capital to the organization where he works.

Ojokuku and Sajuyigbe (2015) the result of this study is that human capital development activities that can enhance the human capital (i.e knowledge, skills and competencies) of SME operators have positive impact on SMEs' performance.

Conceptual Framework

The relationship between the variables in this research is explained in this conceptual framework



Figure 1. Conceptual Framework

Source: Data Processed, 2019

This study aims to analyze the impact of human capital toward the improvement of food and beverage SMEs in Manado.

RESEARCH METHOD

Research Approach

The study using qualitative approach with descriptive research design that describe about how human capital affect food and beverages SMEs improvement in Manado. Descriptive study is often designed to collect data that describe the characteristic of persons, events, or situations. Qualitative research method usually uses descriptive procedures to generate meaning and understanding of phenomenon being studied. Creswell (2003), "qualitative research is largely inductive, with the inquirer generating meaning from the data collected in the field" Inductive means that a process where we observe specific phenomena and on this basis arrive at general conclusions.

Social Situation, Sample, and Sampling Technique

The social situations in this research is food and beverages SMEs in Manado with the limitation that the business has existed for 3 years. Sample in this research are 15 owner of food and beverages SMEs in Manado. The type of sampling used in this research is purposive sampling.

Data Collection Method

The data collection method collected by two types. First is primary data, it was collected through deep interview. Second is secondary data, it was taken from books, articles, and internet.

Operational Definition of Research Variables**Table 1. Variable Definition**

Variable	Definition	Indicators
Human Capital	Human capital is the stock of skills that everyone should possess in any kind of work they have.	<ul style="list-style-type: none"> - Knowledge - Professional skills - Personal networks - Experience - Innovation
Improvement	SMEs improvement is the condition when the performance of SMEs improving year by year.	SMEs performance by Income per year

Source: Author's Note, 2019

RESULT AND DISCUSSION

Result

Informant 1

Informant 1 Zefanya Mokodongan. Brownice MDC 1992. Formal education is not so important for Zefanya, but necessary on improving her business, and so non-formal education, for her it's not necessary for SMEs to possess it, because Zefanya is an autodidact. Working experience is important for Zefanya, from there she got skill on how to do a business. It's very important for Zefanya about the relation between owner, employee, and the customer. Innovation is the benchmark on how active Brownice in the business, so it's very important for Zefanya and Brownice. Brownice income was increasing from the graphic that she was make.

Informant 2

Informant 2 Iin Febrianti Usman. Food Fighter. Iin was state that educational background is important, because education prepare the student to be ready in the future, but non formal education is not necessary because they obtain their skill by self-taught. Interaction was necessary because trust came from interaction so that's why she said interaction is important. For Iin, if she wants to open a business it's better if she have experience before opening a business, that is why working experience is important to improve or making a new one. Iin also stated their target market are the millennial and millennial is famous on get bored so fast, that's why innovation is important to improve their business.

Informant 3

Informant 3 Imelda Kowaas. Goody Foody. Educational background for Imelda was important, she stated that to open a business we must have the foundation that is why it's important. Imelda was an autodidact so non-formal education was unnecessary, but she said that still not enough so to cover it, she hire a more professional employee to cover it. At Goody Foody they use the term partner instead of owner and employee, and for them interaction is really important to create such partner to achieve a target, it also applicable for another SMEs and customer. For her, working experience is depends, she state that it's the job for the owner and senior employee to help and polish the newcomer skills. Goody foody right now stick up at Innovation center, so innovation is important. Their income was up and down but it's stable again in 2019.

Informant 4

Informant 4 Cliff Oroh. Pinwei Fc. For Cliff, it's important to have educational background for SMEs but not non-formal education, he stated that it was not really necessary for SMEs. Interaction inside his business was really important. Innovation was really important, but they need evaluation first before do innovation. The income of Pinwei was increasing year to year.

Informant 5

Informant 5 Agil. Blend.co. Educational background was important for improving blend.co but, non-formal education was not really necessary for blen.co. Interaction was important for blen.co to gain trust.

Innovation, also helps blend.co to prevent customer get bored. Blend.co income was increasing year to year, 2018 was their top selling year.

Informant 6

Informant 6 Yanuaris A. S. P. Swastamita Coffee. Educational background was not absolute, Yanuaris stated, but, courses is necessary because in brewer coffee he needs to be serious. Interaction between SMEs, employee and customer was important for Swastamita coffee. Working experience was important, because he said from there he learns about people character. The income of Swastamita coffee was up and down these past 2 years but then its start to increasing this year, 2019.

Informant 7

Informant 7 Praisly (Snowblast). Educational background was important for Praisly, there is an impact from her bachelor degree but, non-formal education was not necessary, she stated that because it's her hobby so she doesn't need it. Interaction was important, she stated because her employee is her asset, it's the same with her customer she said, it's the era where "customer is a friend" that's why interaction is important. Working experience is not necessary for SMEs. Innovation is important because there is a lot competitor out there. The income was up and down first year after that they have stable customer and income.

Informant 8

Informant 8 Yonathan R. Kanter. Bar and bar ramen. Yonathan stated that it's not necessary, even though it helps, for bar and bar ramen courses is needed because he doesn't have cooking background. Interaction was important for the business, working experience is important because will obtain something that can't get in school. Yonathan stated, innovation is important because they must have the uniqueness or special characteristic. First year they are struggle to get income, second year and third year was increasing.

Informant 9

Informant 9 Gaby Siagian. Fruity Lovely. Education background was not important to start business, but important to improve business, non-formal education was not necessary, because she can get the information from internet. Interaction is important, because she need to take her customer heart. Working experience was not necessary, for her brave enough is enough. Innovation is important because competitor is increasing. First open was increasing, then decreasing, but in 2019 it's stable.

Informant 10

Informant 10 Yuli (M-two café). Educational background was not necessary, intention is enough. Mrs. Yuli also stated extra course only for specific job, but in M-two café it's not necessary, since Mrs. Yuli is an autodidact. Interaction between the employee, customer and another owner of SMEs was important. Working experience was important because to work in that industries need knowledge and skill. Innovation was important in order to survive. The income was following the season, it was up and down.

Informant 11

Informant 11 Jeanette Rawung. Bang Pollo. Education was important for this business, non-formal education was not needed because they got the skill from the internet. Interaction is important, because if they have good social interaction will attract more customer, Mrs. Jeanette stated. Working experience was necessary because they got the skill to manage time and money. Innovation for Bang pollo was important, it can be seen from their menu that so creative. First year take loss, then its increase and become stable.

Informant 12

Informant 12 Aldo. Bakso tenda biru. Mr. Aldo stated that educational background is depends on how someone start their business. Extra courses was necessary, because they need the skill. Interaction was important for bakso tenda biru, they treated their employee the same and treated all the customer the same. Working experience is important, to got a skill. Bakso tenda biru rarely do innovation, they said they focus on the food taste. Their income was crawl then it's stable, takes years and many effort until it stable

Informant 13

Informant 13 Jessica Michelle. Something Sweet. Education background was not necessary for SMEs, Michele said, and so about extra courses she said it's not necessary either, because she learn it from the internet. Interaction with her customer, employee, and another SMEs owner was important for her. Michele stated that, working experience was not necessary, she said spontaneity and be brave is enough. Innovation was important. The income of something sweet was first year crawl, but then its start to improving year by year.

Informant 14

Informant 14 Andreas D. Pongoh. Homemade Klappertart. Education background was necessary to improve Andreas's business, but, he did not need courses since it's a family recipe. Interaction was important for Andreas and his employee and his customer. For Andreas working experience also not necessary. Andreas's business does not need innovation on his recipe, their innovation was more on their marketing or sachet. The income was high first year, second year was decreasing but still gain profit, third year was stable until 2019.

Informant 15

Informant 15 David Mengko. D'Cendol 77. Educational background was important for David, but David also an autodidact, he learn it from the internet, so courses was not necessary. Interaction was necessary, because he need other SMEs to improve his. Working experience was not necessary for David. Innovation was important for him, because he said anyone has fighting on doing innovation. The income was really low on 2014, and now David already open several branch so, his income increases for 100%.

Discussion**Human Capital**

From fifteen informant, their answer was random, but everyone was agree that innovation is important for a SMEs to do, even though Mr. Aldo the owner of Bakso Tenda Biru have his own opinion that they focus on the taste of their food and rarely do an innovation, Mr. Andreas, owner of homemade klappertart, still do innovation even though in other way. For the question about extra courses, only three informant have different opinion, the other twelve informant have the same opinion, which is an extra courses was not necessary to open an SMEs but all the informant have their own reason why it's not necessary and who should do an extra courses and where to implement it. For question about experience the answer was eight informant was agree experience was necessary to start or improve a business, while six informant was agree on it's not necessary and one informant answer it's depends, Zefanya, owner of Brownice, stated it's important because she got the skills on her last working experience, while Agil, owner of Blen.co, stated it's not necessary because it comes from ourselves. On question about knowledge, twelve informant was agree educational was necessary to improve a business, and the rest informant, three informant, agree that educational background was unnecessary to improve a SMEs, Imelda, owner of Goody foody, stated that formal education was important because it's become the guidance to survive. Only on question about personal network, about interaction with their customer, worker, or another SMEs owner, all the informant was agree that it's important to do at business. For more details, will be explain below.

Knowledge

Knowledge here can be define as formal education from primary school until college. The finding on knowledge section are twelve informant agree that knowledge or educational background is important to improve a SMEs, the informant are from brownice, food fighters, blen.co, goody foody, pinwei fc, bakso tenda biru, bar and bar ramen, bang pollo, homemade klapertart, fruity lovely, snowblast, and D'cendol 77. The reason were different on why it's necessary, Iin, owner of food fighters, stated that it's important because educational background prepare us, to become an entrepreneur, in line with Iin, Imelda, the owner of Goody Foody, stated that formal education is became her guidance to survive and to compete. Research by Sembiring (2016), knowledge and skills of human resources have a partial significant influence on the performance of SMEs, it's the same with the finding with those informant but, it's opposite with the other four informant, the informant are swastamita coffee, m-two café, and something sweet. On the same article by Sembiring (2016), found that Human Resource skills factor has greater impact on the performance of SMEs as compared to human resource knowledge factor, that's could be the reason they stated it unnecessary. The final result in this findings can be define that, educational background is necessary as much as eleven informant stated it, which in line with the findings on the research by Shika (2017), that knowledge competencies have significant positive impact on the performance of SMEs in Zaria local government area of Kaduna state also the research by Radipere and Dhliwayo (2014) which

the results show that there is a significant difference in performance, among the different educational levels. Those with higher levels of education, such as diplomas and degrees should be encouraged to take up entrepreneurship as career options since the businesses they would run, the previous study's findings stated that, it will perform better and this would be good for the economy.

Professional Skill

Professional skill here is described as a non-formal education, example, chef courses, barista courses, etc. The result on non-formal education or a courses are three informant have stated that it's necessary, they are bakso tenda biru, bar and bar ramen, and swastamita coffee, while the other twelve informant, which is brownice, food fighters, goody foody, pinwei fc, blen.co, snowblast, fruity lovely, m-two café, bang pollo, something sweet, homemade klappertart, and d'cendol 77. Those who are agree it necessary have a similarity on their reason, the similarity why they need to take a course because there are step in making their dishes that need to learn deeper, for example for making ramen at bar and bar ramen, the owner need to take an extra dishes because ramen is an exclusive food from Japan. The other who agreed it unnecessary for open business also have similarity reason, there is an autodidact, hereditary skills, and learning from internet such as YouTube. The informant/owner achieve their soft skill from self-learning or autodidact, they learn it from internet and for them it's enough to fulfill their needs to obtain a hard skill. Praisy, Snowbalst owner, Gaby, Fruity lovely owner, Jean, the owner of Bang pollo, Michelle, the owner of Something Sweet, and David, the owner of D'cendol 77, Google and YouTube was the place where they learn and obtain their hard skill. So here the conclusions can be drawn that skill is important, but expert skill is unnecessary for a SMEs.

Personal Network

Personal network here is described as maintain or build relationship with customer, employee, and another SMEs owner. The result of this indicator section is all the informant agree that maintain or build relationship with customer, employee, and another SMEs owner is important to improve their business. It's supported by the research by Lopa and Bose (2014), the findings of their study show that opportunity, organizing, relationship, and strategic competencies have significant impact on the performance of the firms, it's also supported by Bird, (1995) as cited by Shika (2017) in developing the business, entrepreneurs also need to have the ability to build relationships both internally and externally, to communicate effectively and persuasively, and more, from research by Tehseen and Ramayah (2015), the stronger the relationships of SMEs with their customers and suppliers enable them to access the information regarding latest customer choices and tastes, technologies and new methods of innovations.

Experience

Experience here can be defined as the informant work experience, could be anywhere before start their business. The result is eight informant agree working experience is necessary, they are Brownice, Food fighters, Pinwei fc, Swastamita cofee, Bar and bar ramen, M-two café, Bang pollo, and Bakso tenda biru. While Goody foody informant stated it depends. The rest, Blen.co, Snowblast, Fruity lovely, Something sweet, Homemade klappertart, and D'cendol 77, have stated that working experience in unnecessary to open or improve their business. So, the conclusions can be drawn that working experience is pretty important, this result supported by a research by Bengesi and Le Roux. (2014), their study confirm positive influence of three dimensions of networking capability which is; internal communication, partner knowledge and relational skills in SME performance

Innovation

Innovation here can be defined as new menu or product that the SMEs can provide. From fifteen informant, all of them do innovation, even rarely like informant from Bakso tenda biru or different way of innovation from informant of Homemade Klappertart. So, all the informant agreed that innovation is necessary in a business. Yuli, from M-two café, even state that, if they don't do innovation, they will not survive this business. Suharto (2010) as cited by Sembiring (2016), lack of innovation is one of the causes that weakening working life, weakening working life which means weakening business or SMEs performance, so innovation is necessary in order to keep SMEs performance in shape. This result supported by a research by Rexhepi (2014), the result of the findings is innovation is correlated with the growth and performance of SMEs, they also suggest to do more innovation

SMEs Performance

Performance here can be defined as the SMEs performance based on the SMEs income for three years. Brownice income is increasing year by year, which means their performance is growing year by year and never low. Food fighter income was low first year and then increasing year by year, which means their performance keep growing year by year. Goody Foody income was low at first year then, second year increases, unstable third year, stable again until now, which means their performance was bad, then good, was up and down, and then growing. Pinwei FC income was low first year, second year increases, third year it's become stable till now, which means their performance keep growing year by year. Blen.co income was low, 2017 increase, 2018 top selling, which means their performance keep growing year by year. Swastamita Coffee income was up and down and then it's increasing this past year, which means their performance was up and down and then growing up. Snowblast income when first open was high, start to decrease, manage to increase again and it's become stable until now, which means their performance was good and then low, and then start to growing up. Bar and Bar Ramen income when First open was high, then it decrease a lot, been struggle for almost a year. 2017 second semester was increases, now it stable, which means their performance was good and then low and then start to growing up. Fruity Lovely income was high first year, decrease, and then increase to stable which means their performance was good and then low and then start to growing up. M-Two Café income was up and down which means their performance was not stable. Bang pollo income first open they take some loss, increases in the second year and then stable till now, which means their performance was bad and then growing up until now. Bakso Tenda Biru income first it's crawl then it's stable, takes years and many effort until it stable, which means their performance was bad and then growing up until now. Something Sweet income when first time open the income was stuck at the bottom, only enough to pay the worker and to reach the BEP, but for this past years the income start to increase and become stable, which means their performance was bad and then growing up until now. Homemade Klapertart income when first year open was high, second year decrease a little, third year stable until now, which means their performance was good and then decrease, and growing until now. D'Cendol 77 income when First year, 2014, low income, 2015 increasing 100%, it increases until now, which means their performance was bad and then growing up until now.

CONCLUSION AND RECOMMENDATION

Conclusion

This research is conducted to find out how human capital affect the improvement of SMEs. After the result and the discussion on previous chapter it can be concluded that human capital affect SMEs improvement in many aspect, however professional skill have no impact toward SMEs improvement in Manado. The result can defined as positive significant since all the SMEs object performance were increasing year by year, even if there's a low performance at first year but, eventually their performance increasing and survive for the last 3 years, there's even already more than 3 years.

Recommendation

SMEs has become a popular business in Manado, new SMEs are born and gone, the government should be more pro-active in maintain and giving more space for those new SMEs, since SMEs has become one of important asset for the government, reckon SMEs role in providing stable employment opportunities and supporting the country's economy. The SMEs also need to be more pay attention on what skill should they possess before start a business and where can they obtain it, based on the research, the average of SMEs owner obtaining their skills from the internet such as YouTube, so their basic skills are not dependable, in this problem the government should step in and provide a training for the new entrepreneur.

The researcher hope, this research will be using only to review about human capital impact toward SMEs in Manado, and recommended the next researcher to have more informant or conduct the research in wide area such as North Sulawesi.

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