

A STUDY OF MICRO AND SMALL ENTERPRISES IN MANADO

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ABSTRACT

Small and Medium Enterprises (SMEs) is the backbone and fundamental base to build and sustain the economy of Indonesia. Small and Medium Enterprises have so many benefits and play a major role but in the other side, micro and small enterprises in Indonesia are facing many problems and challenges related to the characteristic of SMEs. To develop the economic welfare of a city, finding out the challenges and problems also to identify success factor are very important. This research was held in Manado as a developing city in Indonesia with 9 Micro and Small Enterprises that have excellent products and services as the samples. Qualitative research is deployed and using exploratory research to define the nature of Micro and Small Enterprises in Manado and using Descriptive-Study Case approach. Data and process triangulation are used to check the validity. The results of this research shows marketing & promotion, human resources & structure of the firm, technology & capital, product & services, financial resources, external environment and entrepreneurial readiness are the success factors while limited resources, mastery of Information & Technology, marketing, business license & legality, and labors become the challenges and problems of Micro and Small Enterprises in Manado.

Keywords: *micro and small enterprises, success factors, problems and challenges*

INTRODUCTION

Research Background

Small and medium enterprise is one of the fundamental factors and gives a lot of valuable contributions to support the development of economic in Indonesia as a developing country. The role of SMEs to a country's economy from the Macroeconomics indicators are giving contribution to GDP, minimize unemployment rate, improving employment. Further, it is widely recognized that SMEs is a backbone of economy in Indonesia because the contribution in improving standard of life, increasing welfare, reducing poverty, strengthen creativity of entrepreneurs. Since the existence in Indonesia, there are so many public policies have decided by the government to stimulate the people in Indonesia especially young generation to open new businesses and become entrepreneurs. Government also has many programs to enhance the development of micro, small and medium enterprises by providing the capital to young entrepreneurs as start-up business owners through collaboration with financial institution and banks, giving small loans or the term in Indonesia: *Kredit Usaha Rakyat*, provide entrepreneurship trainings and others initiatives.

One of the ways to boost the domestic consumption is through the awareness to use Indonesian local products or SMEs products. It is also about to increase the quality of SMEs products in food, apparel, furniture and other daily needs industries made by local community in Indonesia. This effort really needs a good and integrated collaboration among business doers, government and society. Liberalization and free market in economic sector all over the world is a challenge that could not be avoided by micro, small and medium enterprises. Resilience, competitiveness, qualification of Indonesian products and services must be superior among other countries in facing Asian Free Trade Area (AFTA) and World Free Trade Area (WFTA). Are each city or each province in Indonesia ready enough to export and compete in Asian even in world level is a must question need to be answered by every people in Indonesia.

There is urgent need for micro, small, and medium enterprise to increase the productivity, quality, the availability and mastery of technology, also in terms of distribution and promotion, the ease of accessing information like social media related to the products or service and how is the resilience of small medium enterprise to compete in this free trade area especially in Manado, North Sulawesi, describing what extend the level of success of Micro and Small Enterprises, identifying the factors of success and describing challenges and problems also solution to overcome are very needed.

Research Objective

The objective of this research is to identify the factors of success of Micro and Small Enterprises in Manado and to identify the problems and challenges that Micro and Small Enterprises in Manado are facing.

THEORETICAL FRAMEWORK

Theories

Business

The term "business" is simply used everywhere in many aspect of human life to describe a set activities that people usually do in their daily lives. Boone and Kurtz (2011:5) stated that business consists of all-profit seeking activities and enterprises that provide goods and services necessary to an economic system. Furthermore, Business drives the economic pulse of a nation and provides the means through which its citizens' standard of living improves. Hicks, et al. (1979:6) explained that business is a gainful activities through which various elements of society conduct exchanges of desirable things. Modern system of Business is a complex system of production, distribution, services, consumption, and regulation. Micro, small and medium enterprises do business activities mostly to fulfill financial needs of the business's owner. Further, Micro, small and medium enterprises do business activities by seeing the opportunity to produce or sell the products and services in a certain place or market also to empower community around. For medium enterprise, running a business could have a wider perspective to open job fields.

Marketing

Boone and Kurtz (2011:353) explained that marketing is an organizational function and a set of processes for creating communicating, and delivering value up customers and for managing customer relationships in ways that benefit the business and its stakeholders. Marketing efforts is a serious attempt done by a firm or business in setting the process of creating, communicating, and delivering value up customers and for managing customer relationships in ways that benefit the business and its stakeholders.

Promotion

Promotion is the function of informing, persuading, and influencing a purchase decision. The relationship between promotion and differentiation could be in terms of promotion also can be used to differentiate a firm's offerings from the competition. Applying a concept called positioning where marketers attempt to establish their products in the minds of customers. The idea is to communicate to buyers meaningful distinctions about the attributes, price, quality, or use of a good or service". (Boone and Kurtz, 2011:248, 431)

Differentiation Strategy

Firms using differentiation strategy compete on the basis of providing unique or different products, typically on the basis of quality, service, timeliness, or some other dimension that is important to customers. (Barringer and Ireland, 213:218). A differentiation in a business is very important to its customers, because if a business' products and services are not different with its competitors, the consumers will not try for it.

Product Development

Kotler, et al. (2005:40) stated that product development is a strategy for company growth by offering modified or new products to current market segments. Product development is very important to a Micro and Small Enterprise (MSEs) because there are so many MSEs everywhere and customers need to find new modifications from products available in the market to win the competition. Also, more various and new products could attract customers in a certain business.

Productivity

Productivity is the relationship between the number of units produced and the number of human and other production inputs necessary to produce them (Boone and Kurtz, 2011:86). Productivity of Small and Medium Enterprise could present the performance of the business and related to the machinery technology available, labor and resources available.

Entrepreneurship

Hicks et al. (2011:9) explained that Entrepreneurship is the willingness to take risks to create and operate a business. Entrepreneur is someone who sees a potentially profitable opportunity and then devises a plan to achieve success in the marketplace and earn those profits. Bygrave and Zackarakis (2008:12-13) explained that the entrepreneurial framework includes factors such as availability of finance, government policies and programs designed to support startups, Research & Development transfer, physical and human infrastructure, education in general, education and training for entrepreneurship, social and cultural norms, and internal market openness.

Taking risks is related with how to create a new business especially in this research, a micro and small enterprise that really need persistence of the entrepreneur and a serious big willingness to start from the very first years with its complicated concept-designing, choosing appropriate material, hiring new staff and others. As time goes by, a micro and small enterprise will face many problems and challenges related to characteristic of micro and small enterprise itself. The next step is in the existence of the business in terms of capital resources and productivity.

Defining the Concept of Micro, Small and Medium Enterprises

Micro and Small Enterprises exist everywhere in every country and region of the world. Micro and Small Enterprises have been known as the fundamental and vital factor to build the sustainable economy but until now there is no consensus among the countries in the world that explain the same definition, characteristic or principal to be agreed globally. Each country has its own regulation or law to regulate the concept of their SMEs. Mostly the categories are based on number of employees and value of assets.

Definition of Micro, Small and Medium Enterprise in Indonesia

Micro, Small and Medium sized enterprise is a type of business who grows increasingly every year but in fact, until now it has so many various definitions that are usually used by Indonesian institution. In this research, Indonesian's Law No. 20 of 2008 is used as legal basis. Micro Enterprises are productive activities that stand alone, managed by an individual or business entity that meet the criteria of Micro Enterprise as regulated in Indonesian's Law No. 20 of 2008. Small Enterprises are economically productive activities that stand alone, managed by an individual or business entity that is not a subsidiary or branch of a company; and is not owned, controlled, or a part of - either directly or indirectly - Medium or Large Business Enterprises with certain net asset or annual sales as regulated in this regulation. Medium Enterprises are economically productive activities that stand alone, managed by an individual or business entity that is not a subsidiary or branch of a company; and is not owned, controlled, or a part of - either directly or indirectly - Small or Large Business Enterprises with certain net asset or annual sales as regulated in this regulation. (Indonesian's Law No. 20 of 2008 verse 1, 2, 3).

Criteria and Condition of Micro, Small and Medium Enterprises in Indonesia

Micro enterprises/businesses are defined as: a. Enterprises with net assets less than equal to Rp. 50 Million (land and building excluded) or; b. Enterprises which have less than equal to Rp. 300 Million total annual sales. While small enterprises/businesses are defined as: a. Enterprises with net assets more than Rp. 50 Million – Rp. 500 Million (land and building excluded) or; b. Enterprises with total annual sales more than Rp. 300 Million – Rp 2.5 Billion. Medium enterprises/businesses are defined as: a. Enterprises with net assets more than Rp. 500 Million – Rp.10 Billion (land and building excluded) or; b. Enterprises with total annual sales more than Rp. 2.5 Billion – Rp. 50 billion. (Indonesian's Law No. 20/2008 concerning Micro, Small, and Medium Enterprises)

In Indonesia, SMEs development conducted by Ministry of Cooperatives and Small Medium Enterprise (*Kementrian Koperasi dan Usaha Kecil Menengah*), Ministry of Industry and Trade (*Kementrian Industri dan Perdagangan*), Ministry of Finance (*Kementrian Keuangan*) and Bank of Indonesia. Indonesian government uses business center and cluster to foster SMEs. Business center is activity center at certain location, where there are SMEs that are used similar raw material or facility, produce similar product and have prospect to develop as a cluster (SK Meneg KUKM no.32/Kep/M.KUKM/IV/2002). Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions in a particular field that compete but also cooperate (Porter, 2000 in Hamdani and Wirawan (2012:3).

As quoted from the publication of Bellefleur, et al. (2013), Micro, Small and Medium Enterprises in Indonesia have these characteristics: Account for over 99 percent of all firms in Indonesia, employing over 99 million people (over 97 percent of total employment), account for approximately 57 percent of the Indonesian GDP, only accounts for .24 percent of the population, majority are self-employed enterprises without formally hired paid employees.

Success Factors of Small and Medium Enterprises

Al-Mahrouq (2010) examined the success factors of SMEs in Jordan. These factors in their order of importance are as follows: Technical procedures and technology, Structure of the Firm, Financial Structure, Marketing & Productivity, and Human Resources Structure. Other research of Success factors of Indonesian SMEs by Indarti, & Langenberg (2004) are capital access, marketing and technology, while legality was a burden to business success. Education and source of capital were related significantly to business success. Chittithaworn, et al. (2011) examined that the most significant factors affecting business success of SMEs in Thailand were SMEs characteristics, customer and market, the way of doing business, resources and finance, and external environment. Another study by Philip (2010) shows that the most significant factors affecting business success of SMEs in underdeveloped country like Bangladesh were products and services, the way of doing business, management know-how and, external environment.

Problems and Challenges faced by Micro, Small and Medium Enterprises

Typical characteristic of SMEs are limited resources (Welsh & White 1981), flexibility (Aragon-Sanchez & Sanchez-Marin 2005), informal management style (Kotey, 1999; Kotey & Slade, 2005; Wilkinson, 1999), and dependence on single decision makers (Feltham, et al. 2005). Those attributes influence how SMEs are managed and run. SMEs in ASEAN in general are facing two main problems, namely low productivity and inferior quality of their products. This is no surprise, since the majority of SMEs in ASEAN are micro and small enterprises which are traditional enterprises using manual production techniques with a low degree of mechanization and the production of simple consumption goods for local or domestic markets. (Tambunan, 2008: 77)

SMEs usually have limited options in their business, and must focus on their core business and expertise. Resources poverty leads to more constraints for SMEs in their operations. Limited financial resources mean that SMEs must be careful with their investment and spending. In terms of capital spending, most investment is aimed at supporting core business functionalities. (Berry, et al. 2001; Sandee & Rietveld, 2001) Sarosa, 2010). Limited financial resources also affect the human resources. Limited financial resources lead to limited capabilities to recruit, train, and retain employees. Human resources practice within SMEs is usually informal (Kotey & Slade, 2005), meaning that staff are recruited not according to prescribed theory with formal procedures and standardized recruitment as in bigger companies. With a limited number of staff, it is not unusual for SME staff to perform multiple functions that require different skills and knowledge, yet limited financial resources mean that the skills and knowledge have to be acquired using the cheapest means. It often means they must learn by themselves or wait for external assistance such as government and educational institutions to provide training and education (Utomo & Dodgson, 2001). However, a study involving SMEs in the European Union by Dutta and Evrard (1999) showed that most government assistance did not meet its original intention. It was too generic and did not meet the individual SME's needs.

Limited funds for training and education lead to limited knowledge and skills possessed by SMEs. Small and Medium enterprise must choose which knowledge and skills are most relevant to their business. This usually means skills related to production, marketing, finance and accounting. IT skills and knowledge, as long as they are necessary to carry out their normal business, are deemed important. However, more sophisticated and complex IT functions are either outsourced or ignored. (Sarosa, 2010). The informality and flexibility of SMEs may be attributed to the fact that many SMEs are started as family businesses (Berry, et al. 2001; Feltham, et al. 2005; Sandee & Rietveld, 2001). As a family business, the relationship between manager and staff is like in a family. The consequence of this is that SMEs usually depend on a single decision maker, the manager (Feltham, et al. 2005), who is often also the owner of the SME.

Previous Research

Al Mahrouq (2010) examined the main factors that mostly used to reflect the success of small and medium-sized enterprises in Jordan. The results indicate a set of five factors separately identifiable factors that have positive and significant impact on the success of the sample firms. These factors, when ranked in their order of importance are as follows: Technical procedures and technology, Structure of the firm, Financial structure, Marketing and productivity and Human resources structure. Chittithaworn, et al. (2011) investigate factors that are affecting business success of small and medium enterprises (SMEs) in Thailand. The regression analysis result shown that the most significant factors affecting business success of SMEs in Thailand were SMEs characteristics, customer and market, the way of doing business, resources and finance, and external environment.

Philip (2010) identified determinants of small and medium enterprises (SMEs) business success in an underdeveloped country like Bangladesh. The study examined six factors that influence the SMEs business success. These factors are: characteristic of SMEs, management and know-how, products and services, the way of doing business and cooperation, resources and finance, and external environment. Indarti and Langenberg (2004) examine factors affecting business success among SMEs in Indonesia. The result of this research shows that marketing, technology and capital access affect the business success in a positive way significantly, while legality does it in a negative direction

RESEARCH METHOD

Type of Research

In conducting this research, the researcher used qualitative method to explore the nature of Small-Medium sized Enterprises in Manado. In general, the reasons in using qualitative data are because of the problems that are not clear, need to be identified holistically, the subjects are complex, dynamic, full of meaning so that it is quite hard to use quantitative research method (Sugiyono, 2007:488). Besides, the researcher intends to understand the social situation in depth and to find pattern. Further, the researcher used Descriptive-Study case to present the result and discussion in this research.

Time and Place of Research

This research was conducted in Manado while the interviews were conducted in separate places according to the location of every informant which is still in Manado. This research was conducted from July to October 2013.

Population and Sample

Population of this research is Micro, Small and Medium Enterprises in Manado. The sample of the study is 9 micro and small enterprises especially enterprises in manufacturing and service business.

Data Collection Method

This research is qualitative research and used in-depth interview and observation to obtain the data. In this research, semi-structured interview was deployed with the objective, first to explore the nature of Micro and Small Enterprises in Manado, to identify the success factors, to gain general description and framework of the research that will be conducted then the next step is to find the problems more openly where the informants are being asked about their opinions and ideas. In this research, the interviews were held face-to-face. In this research, non-participant observation was used. The secondary data in this research were collected from

articles, journals, books regarding to the study of this research, from Department of Cooperative and Small Medium Enterprise of Manado (*Dinas Koperasi dan UKM Kota Manado*) and Department of Industry and Commerce of Manado (*Dinas Perindustrian dan Perdagangan Kota Manado*).

Data Validity Method

Sekaran and Bougie (2010:384) explained that there are two methods that had been developed in enhancing validity of qualitative research: Generalizations by number of events occurring. It can help in addressing concern about the qualitative data reporting and ensuring that every case is represented and inclusion of contradicted cases. There are several ways in maximizing data reliability and validity in qualitative research. Triangulation is one of the common ones. In this research, method triangulation and data triangulation were employed. The data were obtained from in-depth interviews with different informants, observation in different places and observation, and also reviewing different literature from various researchers.

Data Analysis Method

The process of data analysis in this research was done before entering the social situation while analysis process was done during collecting the data and after finishing the collecting data in certain period of time. Doing analysis before entering the social situation used secondary data to decide the tentative limitation of the research. During interview and observation process, analyzing the answers that were given by the informants was done. If the answers or descriptions that were explained by the informants are still unclear, then will continue to ask and find the answer to find credible data. In this research, data analysis was done through data collection, data reduction, data display and conclusion drawing.

RESULT AND DISCUSSION

Result

The findings showed that micro and small enterprises in Manado could be categorized have excellent products (*produk unggulan*) if have at least two indicators: productivity and promotion. Productivity of a Micro and Small Enterprise in Manado could present the performance of the business and related to the machinery technology available, labor and resources available. Every business in the samples showed same characteristics of success factors which are marketing (knowledge and skill), human resources (human capital), machinery technology, networking, capital (technology, tools, information and physical facilities), external environment, structure of the firm, product development, business vision and mission, money capital, product's quality (originality), entrepreneur's creativity, promotion, empowering community around and focus in business. In general, micro and small enterprises in Manado also face same problems and challenges which are limited resources (financial, raw material), mastery of technology (tools and social media), marketing (knowledge, skill), business license and legality (access and obtaining, and labor (in quantity and quality). The appearance of the findings is similar in their answers and reasons. But the researcher found that every single informant with different answer they gave, the reasons behind the answer could be correlated one another.

Discussion

Success Factors of Micro and Small Enterprises in Manado

There are 7 informants from total 9 informants, marketing efforts in promoting the products have good positive results in their sales and recognition of their product and service. Marketing as one of the important factors of Small-Medium Enterprises is also mentioned in the study of Al-Mahrouq (2010:10), while 2 informants who are still lack of marketing efforts showed worse performance than those who implement marketing strategy. The result of research from Lin (1998) in Al-Mahrouq (2010) and from Indarti and Langenberg (2004) shows that to be a successful Small and Medium Enterprise, technology is one of the factors that are needed. There are 5 from total 9 informants who used advanced technology and have good performance of their business.

Related to legality, development of micro and small enterprise in terms of sales and exporting are hung up by the long time needed to register a business license. There are 5 enterprises also face problem with business permission. Through this research, legality and government support are included in external environment as the factors of success. Within this research, the result showed that external environment strongly affects the business success of micro and small enterprises in Manado. Indarti and Langenberg (2004) have examined that marketing, technology and capital access affect the business success in a positive way significantly, while legality does it in a negative direction.

Human Resources and Structure of the Firm are also success factors of Micro and Small Enterprises in Manado. 4 enterprises have a well-structured firm and 3 enterprises have a clear job description even the firm structure is the family itself and show a positive and good results. All the informants and sample taken from this research showed that human resources and structure of the firm is one of the success factors. Al-Mahrouq (2010) examined that Structure of the Firm is one of the success factors of SMEs in Jordanian, while the findings of Chittithaworn, et al. (2011) and Philip (2010) also found that the way of doing business which is related to the management (structure of the firm).

Products and services included product quality, product originality and product development are success factors of every informant's business. Chittithaworn, et al. (2011) and Philip (2010) also examined that product and services are one of the success factors of Small and Medium Enterprises. Financial resources is one of the most popular factor in every business, as it is also very important. The researcher found that financial resources and money capital is one of the success factors of micro and small enterprises in Manado as it is also found from the interview with every informant. Indarti and Langenberg (2004) found that capital access affect the business success. Chittithaworn, et al. (2011) also examined finance as one of the success factors. This finding is also supported with the research of AL-MAHROUQ (2010) that found Financial structure is one of the success factors of SMEs.

Within The entrepreneurial readiness which included entrepreneur's creativity, entrepreneur's innovation, business' vision and mission also focus in running business is one of the success factors of micro and small enterprises in Manado. It was also shown through the interview and observation with every informant. Indarti and Langenberg (2004) has done in-depth interview and collected data from one-day seminar from 25 entrepreneurs then elaborated entrepreneurial readiness as one of the contextual variable and as the finding of that study.

The condition of Micro and Small Enterprises in Manado generally shows the indication and tendency to develop in terms of the product development, differentiation of product, and productivity. It could be seen through the effort in generating the Micro and Small Enterprises with implementing those indicators. The level of success of Micro and Small Enterprises in Manado could not be separated from the general characteristic of Manadonese itself. The perception of success level, values of how people make standard of successful business and the entrepreneurs' objectives, vision, mission and plans they set ahead. The level of success of Micro and Small Enterprises in Manado is in the introduction level to strive in building the businesses. It is examined that still in the introduction level of knowing the business identity and product characteristic since the business doers believe that the market in Manado is still large and still in low competition level compared to Bali or another country in the world.

Problems and Challenges of Micro and Small Enterprises in Manado

Sandee & Rietveld (2001) and Berry et al. (2001) and stated that Limited financial resources mean that SMEs must be careful with their investment and spending. In terms of capital spending, most investment is aimed at supporting core business functionalities. Further, Sarosa (2010) also explained that Small and Medium Enterprises have problems with limited resources compare to big enterprises. When a business has limited financial resources, they also face many problems in having machinery technology needed and productivity in terms of providing big number of raw materials that needs more capital. Two enterprises choose not to depend on the financial resources from the government instead using their own capital as the sources. Two others choose to focus in producing more products rather than focus in their problems. One informant even has a good

initiative to assemble the machines that he uses by himself. One informant chooses to use low budget technology and machine by using the concept of natural product and business.

There are 6 informants in this research also find problems in limited resources which are to find raw material and financial resources to do renovation in her place of production and to invite the mechanic to operate the machine. The other problems that are facing by the Micro and Small Enterprises are labor capital and regeneration of the business. It is quite difficult to find labors which are adequate to work and have big interest to learn the business. Through this research, it is also found that some types of micro and small enterprises in Manado mostly do not attract young people to be involved. While two informants from the samples showed how to deal with labor problem with providing place and home for the labors to live in so it could be easier and more effective. There are five informants teach the business values that are needed in running a business to their children. As the result, their children show a good respond and interest in supporting and helping their parents' businesses. The study of Kotey & Slade (2005) also found that human resources especially about employee is one of the problems that are faced by Small and Medium Enterprise.

The problems and challenges that are faced by Small and Medium Enterprises as stated by the publication of Sarosa (2010) are in limited knowledge and skills which are included Marketing and mastery of technology (Information Technology Skills). One informant has problem with knowledge to master marketing strategy, while the other informant also face problem to use social media in promoting his products and to have adequate knowledge in Marketing. One other informant faces problems to have knowledge in product development and to have skills in operating machine for her business. There are 2 informants need knowledge to promote more about their products beside to enhance the awareness of market to consume their products. One informant said that she still needs training in techniques of production and knowledge in marketing. She stated about less of production and marketing as some of her problems and challenges in running her business. Another informant thinks that to master IT Skill is one of his problems as so he needs to have partnership with other young businessman to overcome this problem.

There are six from total nine informants thinks that mastery of technology and knowledge in Marketing as their problems and challenges. Majority of informants finds quite difficult to master IT Skills like to use social media and also found that most of them really need more knowledge and understanding in marketing skills. A study from Utomo & Dodgson (2001) examined that those problems as mentioned above which are faced by SMEs could be helped by government and education institution to provide training and education for the knowledge and skills needed.

In terms of obtaining business license and legality, 4 informants do not have complete business license. Some of them find that it is quite difficult for the businesses to meet the requirements and some thought that their businesses do not need the license yet. There are 3 informants stated that their business does not have home-industry business license. One informant found that the administration to have a legal basis as a requirement for a product to have permission for export is one of the problems because people needs to register the business outside Manado and take a quite long time. One other informant also needs to register her products to have license in intellectual property rights. She said that the license needs 1 until 2 year to be released and people needs to register and handle the administration outside Manado (in Jakarta). Also, one other informant argued that to register franchising license is quite difficult. One informant also found problem about permission to have business since he is a civil-servant. Indarti and Langenberg (2004) in their research, examined that legality have a negative effect on business success because of the complicated bureaucracy and legal aspects that takes too many resources of the Small and Medium Enterprises to deal with. This finding is also supported with the research from Philip (2010) and Chittithaworn, et al. (2011) that examined external environment which is legality that has forced SMEs to allocate significant amount of financial resources. Legality which is included in external factors has been recognized as factor that plays a very important role to a business success. Through this research, legality was examined as one of the challenges and problems that are faced by micro and small enterprises in Manado.

CONCLUSION AND RECOMMENDATION

Conclusions

The conclusions of this research are:

1. The success factors of Micro and Small Enterprises in Manado are Marketing & Promotion, Human Resources & Structure of the Firm, Machinery Technology & Capital (tools, physical facilities), Product & Services (product's quality, originality and product development), Financial Resources, External Environment (government support, legality, social network) and Entrepreneurial Readiness (entrepreneur's creativity, innovation, business vision and mission, focus in running business)
2. The problems and challenges that are faced by Micro and Small Enterprises in Manado are related to limited resources (financial, raw material), mastery of Information & Technology (knowledge in tools, technology and mastery of social media), marketing (knowledge, skills), business license & legality (accessing and obtaining the license), and labors (quantity and quality). The solution to deals with those problems and challenges must come as the result of initiatives from the entrepreneurs/business owners, manager and staff of the enterprise, financial institution, educational institution and government.

Recommendations

There are some recommendations proposed and found within this research.

1. For the business owners and entrepreneurs, it is very important to design and stabilize the concept of the business. A good business should implement positioning, differentiation and branding of the product and service. It is also a must to pay attention in quality, innovation and creativity in order to compete in the market. Further, build the awareness of community around about how important to support the business and work together with the community.
2. For the government, it is needed to provide the legal mechanism process of products and services in every city of Indonesia. The government should also become a "bridge" to facilitate between Micro and Small Enterprises and financial institution. Furthermore, the government should provide and facilitate qualify training and seminars related to the characteristic of business area in every city or province in Indonesia.
3. For the financial institution, it is suggested to educate the business owners/entrepreneurs how to make collaboration and how to get loans and money capital from the banks. For universities, it is suggested to build initiatives in making some programs for students and lecturers to become business consultant of Micro and Small Enterprises that finally will give good impacts and benefits for the students as well.
4. For the other researchers who want to conduct a research about small and medium enterprises, this research is expected to be a good reference. For the next research, it is also recommended to conduct research in wider areas of population, bigger sample and use more tools to examine about Micro and Small Enterprises in Indonesia especially in facing liberalization in market and trade.

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