

THE INFLUENCE OF INNOVATION CAPABILITY AND HUMAN CAPITAL TO THE BUSINESS PERFORMANCE OF LEILEM FURNITURE SME'S UNITS*PENGARUH KEMAMPUAN INOVASI DAN MODAL KAPITAL MANUSIA TERHADAP KINERJA BISNIS UNIT-UNIT UMKM FURNITURE DESA LEILEM*

By:

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Abstract: Business Performance is one important characteristic that really exhibit the toughness from all business players in the market, especially from business units under SMEs system. Innovation Capability and Human Capital are two essential factors for establishing, maintaining and increasing Business Performance from any company or business unit. This study aims to figure out the influence of Innovation Capability and Human Capital toward the Business Performance of Leilem Furniture SME's Units. Overall population in this research is Leilem Furniture SME's Units City and the chosen sample is 30 respondents. Data analysis uses multiple linear regressions analysis method. This research result proves that Innovation Capability and Human Capital simultaneously and partially influence the Business Performance of Leilem Furniture SME's Units. Owners and management from each one Leilem Furniture SME's Units have to preserve and boost Innovation Capability and Human Capital in every business unit and deliberate other factors that influence the Business Performance of Leilem Furniture SME's Units.

Keywords: innovation capability, human capital, business performance

Abstrak: Kinerja Bisnis adalah salah satu karakteristik penting yang benar-benar menunjukkan ketangguhan semua pelaku bisnis di pasar, khususnya dari unit-unit bisnis di bawah system UMKM. Kemampuan Inovasi dan Modal Kapital Manusia adalah dua faktor penting untuk membentuk, mempertahankan dan meningkatkan kinerja bisnis dari setiap perusahaan atau unit bisnis. Penelitian ini bertujuan untuk mengetahui pengaruh Kemampuan Inovasi dan Modal Kapital Manusia dari unit-unit UMKM furniture Desa Leilem. Keseluruhan populasi dalam penelitian ini adalah unit-unit UMKM furniture di Desa Leilem dan sampel yang dipilih adalah 30 responden. Analisis data menggunakan metode analisis regresi linear berganda. Penelitian ini membuktikan bahwa Kemampuan Inovasi dan Modal Kapital Manusia secara umum dan parsial mempengaruhi Kinerja Bisnis unit-unit UMKM Furniture Desa Leilem. Para pemilik dan staf manajemen dari setiap unit UMKM Furniture Desa Leilem harus menjaga dan meningkatkan Kemampuan Inovasi dan Modal Kapital Manusia di setiap unit bisnis dan mempertimbangkan faktor-faktor lainnya yang mempengaruhi Kinerja Bisnis unit-unit UMKM Furniture Desa Leilem.

Kata Kunci: kemampuan inovasi, modal kapital manusia, kinerja bisnis

INTRODUCTION

Research Background

Attributable to the brilliant innovation and the development of human knowledge, the concept of ideal business performance is becoming wider and can be evaluated for every operated business unit or company, globally or nationally. Thus, it cannot be stated that all active business entities will accurately use the standardized business performance in producing products or service. Given that SME firms constitute the majority of

enterprises in a country, studying the performance of SMEs is important. Moreover, SME firms are also the backbone of the economic development of a country through their contributions to GDP, to reducing unemployment, and to export value. Furthermore, SME firms form a sector wherein the basics of entrepreneurship are practiced in producing entrepreneurs who can catalyze the economy to become, allowing the country to face a competitive. The speckled apprehension from business practitioners and managers and SME's owners and management team is hypothetically accompanying with the real concept and trailed application of innovation capability and human capital that can be indeed implemented by each one of them when operating the existed business unit or company.

One dynamic challenge that is continually needed to be overcome by any owner of business unit in the form of SMEs and/or company is the presence of any possible innovation that is required to be used in the most effective way for achieving the maximum production capability. Innovation capability will become one aspect that determine the direction from any business entity that compete each other in Indonesia, regarding with the necessity to use system and tools that is based on modernized electronic arrangement. One given middle-based or corporate-based company that cannot totally adopt with the changing in the matter any beneficial-based management will not really contend in the fair way with other similar competitors, after considering the factual condition in Indonesia's general business development.

The other component that become one main contemplation for any owners and management team from many business units in the SMEs model and more proper companies are human capital. It is perceived and shared that more skilled and capable employees will turn out to be a great asset in maintaining the positive and continuous business performance from each of those business entities and elevating any SMEs unit or company that is declared in the bottom level at general business competition in Indonesia. The uncertainty in the business climate in this country can be particularly related with the wide-spread diversity in the skill and knowledge that can be have be hired employees in any SMEs and/or company and can be linked with the actual business performance in fulfilling community needs and wants.

Units of SMEs business model in North Sulawesi Province, or is also known as "Usaha Mikro, Kecil dan Menengah", is long recognizing as one business segmentation that give conducive contribution in the economic development in any strategic location this given province. Each one of this unit can at least give working opportunity for 3 until 5 persons and accommodate the basic and secondary needs from the common people with the affordable price and homogeneous quality. The continuous business operation from those particular business unit can be evaluated in the different way, because of the business scale of each business unit and the real management procedure that can be applied by the owner of any SMEs business unit in here. Partly, innovation capability and human capital from the established business performance for SMEs units that is operation and competing in every location in North Sulawesi Province cannot be fully applied and improved when the owning capital and hired human resources forces are not sufficient for the maximum business capacity.

Leilem Village in one location in North Sulawesi Province with the fact that some of its' people is owning and/or working in active SMEs units that focus in the producing and selling furniture applicants for home and office usage. The centralization of the human resources force in this region makes the innovation capability and human capital that is allocated nearby Leilem Village is fixated on the effective and efficient way in making, distributing and selling the most qualified furniture applicants for home and office usage for local, domestic and international buyers. Of course, it is true that the business performance from all of those business units can be good but for each one of them can be varied, regarding with the optimum way every unit optimize allocated capital, raw materials and hired employees.

Hence, it can be avoided that the business competition will be one thing that is needed to be reduced or even be vanished by owners of all SMEs in Leilem Village in sector of furniture applicants for home and office usage and give impact to the observed business performance, either in the accumulate or separate evaluation. Any business unit here that is not well-prepared for the tight business competition can be at least become the least productive SMEs unit in this given village. The possible and constant changing in the business model and 10 implementation is also become a consideration from owners of those business units. Based on previous explained paragraphs, this current study is titled: "The Influence of Innovation Capability and Human Capital to The Business Performance of Leilem Furniture SME's Units".

Research Objectives

Based on the explanation in two previous parts, there are three main purposes in this research, which are:

1. To determine positive influence of Innovation Capability and Human Capital to Business Performance of Leilem Furniture SME's Units.

2. To determine positive influence of Innovation Capability to Business Performance of Leilem Furniture SME's Units.
3. To determine positive influence of Human Capital to Business Performance of Leilem Furniture SME's Units.

THEORETICAL FRAMEWORK

Small and Medium Enterprises

Olabisi, Olagbemi, and Atere (2011) state that 'There is no single criterion for classifying business enterprises as smaller medium scale globally.' The term SME's universally stands for small and medium- sized enterprises but there is no consensus on the definition of SMEs (OECD, 2010). However, evidence from literature shows that in defining small-scale business, reference is usually made to some quantifiable measures such as: number of people employed by the enterprises, investment outlay, the annual turnover (sales) and the asset value of the enterprise or a combination of these measures (OECD, 2004).

Business Performance

Definition of performance explained by Wheelen et al. (2015) as: "Performance is the end result of activity. Select measures to assess performance based on the organizational unit to be appraised and the objectives to be achieved. The objectives that were established earlier in the strategy formulation part of the strategic management process (dealing with profitability, market share and cost reduction, among others) should certainly be used to measure corporate performance once the strategies have been implemented". There is a linkage between strategy and performance in the opinion of David (2013) where there is a quantitative criterion commonly used to evaluate the ratio of financial strategy. According to Robbins (2006), performance is a result achieved by employees/employees in their work according to certain criteria that apply. Indicators for individual employee performance are six indicators, according to Robbins (2006), namely: quality of work; quantity; timeline; effectiveness; independent; and work commitment

Innovation Capability

Innovation is defined as the new ideas that could be changed into some tangible products or services provided by the company to its consumers (Löfqvist, 2014). Improving the existing product as per consumers' requirements defines product innovation (Afuah, 2003). Implementation of new ideas to manufacture the goods for the customers is known as a product innovation (Kaiser, 2001). Product innovation also defined as the set of operations that are carried out within the industry to manufacture the products with the perception that it will help the organization to improve its market position is called product innovation (Dahan and Hauser, 2002). Further product innovation is also defined as the implementation of ideas, concepts, and methods to develop a new good or service for the consumers (Ballot et al., 2015). The following input indicators are mainly used to measure the innovation capability: Research and development expenditures; Number of ideas submitted by employees in a year (Muller, Valikangas and Merlyn, 2005); Number of R&D workers of an organization (Kuczarski, 2000); Level of Internal learning (Hamel, 2006); Level of training for new Designs and processes (Bohn, 1994); and Level of time spent on innovation projects.

Human Capital

Human capital" can be defined as knowledge, skills, attitudes, aptitudes, and other acquired traits contributing to production (Goode (1959)). Skills represent individual capacities contributing to production as an argument in the production function (Bowles, Gintis, and Osborne (2001)). According to Blundell, Dearden, Meghir, and Sianesi (1999), there are two main components of human capital with strong complementarity: early ability (whether acquired or innate) and skills acquired through formal education or training on the job. Human capital differs from other assets because it yields market returns only in proportion to the worker's supply of labor (Hall and Johnson (1980)). Following points are important indicators that influence the changing of human capital aspect, which are: Potential; Acquired; Availability; and Effectiveness.

Previous Research

Amaliyah and David (2021) determined the impact of the Covid-19 pandemic on MSMEs in DKI Jakarta, identify and classify MSMEs during the Covid-19 pandemic and provide alternative solutions and strategies for MSME actors in dealing with the economic crisis due to the Covid-19 pandemic. The study was

conducted on MSMEs in DKI Jakarta with a total sample of 1,511 respondents. The research was conducted through qualitative and quantitative approaches with descriptive statistical data analysis techniques and SWOT analysis. The results showed as many as 83% of MSMEs experienced a decrease in business circulation, with the classification of a decrease in business circulation of up to 50% by 48%, and the remaining 35% experiencing a decrease in business circulation of more than 50%. As many as 83% of MSMEs experienced a decline in business circulation, which was dominated by micro-businesses in the trade, hotel, and restaurant sectors, with an average age of 0-5 years.

Untari, Fajariana and Ridwan (2019) aimed to preparing the Asean Economic Community (MEA) with the development strategy of small and medium enterprises (UMKM) to get business credit in Kelurahan Cibaduyut Bandung. From the results of interviews and preliminary observations that the development of Small and Medium Enterprises is essentially a shared responsibility between the government and society. In order to support the empowerment and development of Micro, Small and Medium Enterprises, especially in encouraging the distribution of credit to Micro, Small and Medium Enterprises in Cibaduyut Urban Village, for the development of Micro, Small and Medium Enterprises in Cibaduyut Village, Bandung, the strategies included in the first Bank Partner Financial Consultants in fostering and mentoring Micro Small Enterprises and Medium prospects who apply for business loans; second, socializing profit sharing or venture capital financing; third Increasing the participation of credit guarantee institutions for Micro, Small and Medium Enterprises and prospects who are faced with collateral requirements. It is expected that with the implementation of the above strategies, Micro, Small and Medium Enterprises will no longer experience difficulties in the submission of business capital loans from Credit Distribution Agencies. From each solution above, it is building and mentoring Micro and Small and Medium Enterprises, prospects who will apply for business loans. The results of the study showed that the community in the Cibaduyut Village with the optimization of the role of the Bank Partner Financial Consultant (KKMB), the requirements and procedures established by the credit channeling institutions, were no longer an obstacle for Micro and Small Businesses in obtaining business capital loans. The success of this approach will be seen from the increasing number of bankable Micro, Small and Medium Enterprises and obtaining business capital loans, and having a Bank Partner Financial Consultant (KKMB) operating on a business (mutually beneficial) basis so that it can finance itself.

Faisol, Astuti and Winarko (2021) examined technology in mediating human capital, customer capital, and organizational capital on SMEs' performance during Covid-19. To test the hypothesis, the PLS-SEM method was applied. Data collection was conducted by sharing questionnaires to 150 owners of small industrial clusters in East Java, Indonesia. The empirical results show that human capital and technology usage directly affect significantly on SMEs' performance. Furthermore, technology usage has a significant influence in mediating human capital on firms' performance.

Conceptual Framework

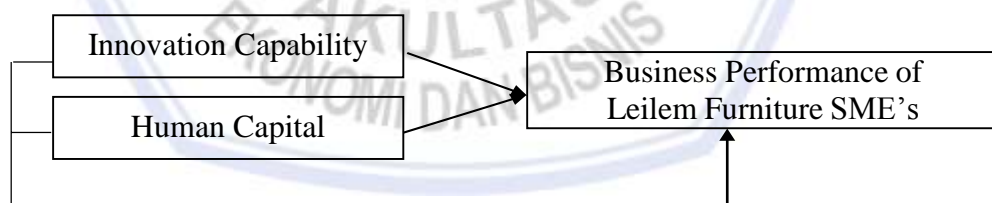


Figure 1. Conceptual Framework

Source: Literature Review

Research Hypothesis

- H1: Innovation Capability has a positive and significant effect on Business Performance of Leilem Furniture SME's Units partially.
- H2: Human Capital has a positive and significant effect on Business Performance of Leilem Furniture SME's Units partially.
- H3: Innovation Capability and Human Capital have a positive and significant effect on Business Performance of Leilem Furniture SME's Units simultaneously.

Research Approach

Type of research that are going to be used by the researcher in this research is quantitative research. This is a quantitative research method. Quantitative research seeks to quantify the data. It seeks conclusive evidence based on large, representative samples and typically involving some form of statistical analysis (Malhotra, 2009:180).

Population, Sample, Sampling Technique

In research, the population is defined as the area to be studied, where this area consists of subjects or objects that have certain criteria and characteristics that are in accordance with those set by the researcher (Sugiyono, 2019). The population is the entire group of people, events, or something that the researcher wants to investigate. The target population set in this study is 100 active Furniture SME's Units in the Leilem Region. The sample is part of the population that has the same criteria and characteristics as the population, so samples taken from the population must be able to represent the population (Sugiyono, 2019). Because the sample is part of the population, the sample must be taken with certain ways and considerations. As for in this study, the analyzed sample is 30 active Furniture SME's Units in the Leilem Region. In this study, sampling was carried out using the non-probability sampling method, which is a sampling technique that does not provide equal opportunities for each element or member of the population to be selected as a sample (Sugiyono, 2019). The non-probability sampling method used in this study is incidental sampling.

Data Collection Technique

In this study, primary data was collected by distributing questionnaires to predetermined respondents, namely all listed and competing UMKM units in the Manado City. The distribution of questionnaires is carried out using Google Forms to make it easier, save time and costs and to reach a wider range of respondents. Secondary data in this study was obtained through literature study of each research variable to collect data, information, and theories related to this research. The literature study used in the form of company data, journals, books, and previous research related to variables and research objects. The use of library research aims to understand the variables and research objects of previous experts and researchers.

Validity and Reliability

Validity shows the extent to which a measuring instrument can measure what will be measured. To find out the level of item validity, the value of r is greater than 0.3. Thus the questions that have been compiled to collect data are considered to have construct validity or validity. According to Sugiyono (2019), Reliability is an instrument which, if used several times to measure the same object, will produce the same data. The basis for taking is if the Cronbach Alpha value > 0.60 then the questionnaire is declared reliable and vice versa if the Cronbach Alpha value.

Multiple Regression Analysis

According Santoso (2012:221), multiple regression analysis is used to predict the size of the dependent variable (dependent variable) using data from two or more independent variables (known as independent variables) of known magnitude. For regressions whose independent variables consist of two or more regressions, they are also called multiple regression. Because the independent variable in this study has more than two variables, the regression is called multiple regression. The general equation of multiple regression according to Sugiyono (2019) is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu$$

Hypothesis Testing

According to Ghazali (2011), F-test shows that all independent variables in the model are intended to have the simultaneous effect on the dependent variable. The T-Test is used to determine whether each of individual independent variable is significant. According to Andreson (2014), a separate t-test conducted for each of the independent variable in the model.

RESULT AND DISCUSSION

Result

Validity and Reliability Tests

All indicator statement items from the Innovation Capability (X1) and Human Capital (X2), and the Business Performance of Leilem Furniture SME’s Units (Y) variables have a pearson correlation value greater than r table, namely 0.1966 (level sig 5%). It means the entire item statement of the research variable is valid. Innovation Capability (X1) and Human Capital (X2), and the Business Performance of Leilem Furniture SME’s Units (Y) variables have a Cronbach’s Alpha value greater than 0.6. This means that the measuring instrument is reliable.

Classical Assumption Tests

Normality Test

According to Ghozali (2011), the regression model is said to be normally distributed if the plotting data (dots) that describe the actual data follows the diagonal line.

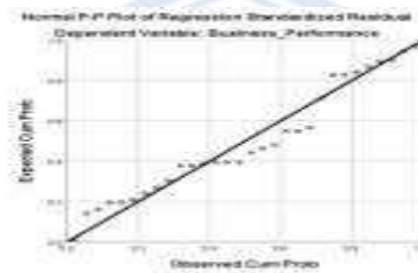


Figure 2. Normality Test

Source: The research data were processed using SPSS 26, (2023)

Figure 2 shows that the plotting data (points) spread out around the diagonal line, and the spread follows the diagonal line. This shows that the regression model fulfills the normality assumption.

Heteroscedasticity Test

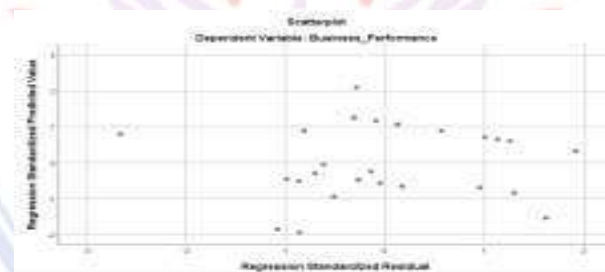


Figure 3. Heteroscedasticity Test

Source: The research data were processed using SPSS 26, (2023)

Based on the results of the image output, it shows that the parameter coefficient for all independent variables used in the study does not occur heteroscedasticity as seen from the scatterplot that spreads and does not from a certain pattern.

Multicollinearity Test

Table 1. Multicollinearity Test

Model	Standardized Coefficients		Collinearity Statistics	
	Beta	Tolerance	VIF	
(Constant)				
1 Innovation	.253	.915	1.093	
Capability	.823	.915	1.093	

a. Dependent Variable: Business_Performance

Source: The research data were processed using SPSS 26, (2023)

On table 1, it can be seen that the tolerance value of Innovation Capability and Human Capital is 0.915 (more than 0.100) and the following VIF value is 1.093 (below 10.00), it means there is no multicollinearity, so that multicollinearity does not occur.

Multiple Linear Regression Analysis

Table 2. Multi Linear Regression Analysis

Model		Coefficients ^a			T	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	.009	.385		.024	.981
	Innovation_Capability	.318	.094	.253	3.384	.002
	Human_Capital	.821	.074	.823	11.022	.000

a. Dependent Variable: Business_Performance

Source: The research data were processed using SPSS 26, (2023)

From Table 2, a multiple regression equation can be drawn up as follows

$$Y = 0.009 + 0.318 X_1 + 0.821 X_2 + e$$

From the multiple linear regression equation above, it can be interpreted as follows:

1. The constant value is 0.009 which states that if the variable Innovation Capability (X₁) and Human Capital (X₂) is equal to 0, then the Business Performance of Leilem Furniture SME's Units (Y) is 0.009.
2. The regression coefficient value for Innovation Capability (X₁) is 0.318 and it is positive, it means that if variable Innovation Capability (X₁) changes with the assumption that if the variable Human Capital (X₂) is constant, the Business Performance of Leilem Furniture SME's Units (Y) will increase by 0.318.
3. The regression coefficient value for Human Capital (X₂) is 0.821 and it is positive, it means that if variable Human Capital (X₂) changes with the assumption that if the variable Innovation Capability (X₁) is constant, the Business Performance of Leilem Furniture SME's Units (Y) will increase by 0.821.

Coefficient of Determination (R²)

Table 3. Coefficient of Determination (R²)

Model	R	R Square	Adjusted R Square	Std Error of the Estimate
1	.929a	.862	.852	9065

Source: The research data were processed using SPSS 26, (2023)

From the results of the calculation of the multiple linear regression analysis that has been done, it shows the model's ability to explain the influence of the independent variable on the dependent variable. Can be seen in the value of Adj. R Square (R²) is equal to 0.852. Thus, it means that the regression model used is able to explain the influence of Innovation Capability and Human Capital variables on the Business Performance of Leilem Furniture SME's Units by 85.2%, while the remaining 14.8% is explained by other variables not included in this research.

Hypothesis Test T-Test

Table 4. T-Test

Model		Coefficients ^a			T	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	.009	.385		.024	.981
	Innovation_Capability	.318	.094	.253	3.384	.002
	Human_Capital	.821	.074	.823	11.022	.000

a. Dependent Variable: Business_Performance

Source: The research data were processed using SPSS 26, (2023)

According to Ghozali (2011:101), if the value of Sig. <0.05 , it means that the independent variable (X) partially affects the dependent variable (Y). So by referring to his opinion we can conclude that:

1. The Sig. value of the Innovation Capability (X1) is 0.002 and it is smaller than Alpha (0.05). Thus, it can be concluded that the Innovation Capability (X1) variable has a significant positive effect on the Business Performance of Leilem Furniture SME's Units. Thus, we reject the null hypothesis and support H1, suggesting that "Innovation Capability has a significant and positive influence on the Business Performance of Leilem Furniture SME's Units".
2. The Sig. value of the Human Capital (X2) is 0.000 and it is smaller than Alpha (0.05). Thus, it can be concluded that the Human Capital (X2) variable has a significant positive effect on the Business Performance of Leilem Furniture SME's Units. Thus, we reject the null hypothesis and support H2, suggesting that "Human Capital has a significant and positive influence on the Business Performance of Leilem Furniture SME's Units".

F-Test

Table 4. F-Test

	Model	Sum of Square	Df	Mean Square	F	Sig.
1	Regression	14.274	2	7.137	84.484	.000a
	Residual	2.281	27	.084		
	Total	16.555	29			

Source: The research data were processed using SPSS 26, (2022)

To test the effect of independent variables on the dependent variable jointly or simultaneously, the F- Test is used. The table shows the calculated F value of 84.484 with a significant level of 0.000, because the significance level is less than 0.05 ($0.000 < 0.05$), it can be stated that the variable Innovation Capability (X1) and Human Capital (X2) have an influence on the Business Performance of Leilem Furniture SME's Units Simultaneously. Thus, we reject the null hypothesis and support H3, suggesting that "Innovation Capability and Human Capital have an influence on the Business Performance of Leilem Furniture SME's Units Simultaneously".

Discussion

One particular model of business that is common for people in Indonesia is "Usaha Mikro, Kecil dan Menengah" or is also known as Small and Medium Enterprises (SMEs). This business concept utilizes all possible products and service and is run by two persons or more and its operational scope is less than the general company does. The background and educational differentiation from SMEs owners and management team in every region in this country makes there is solid concept about the Business Performance that can be detected from a collective business achievement from business units in Small and Medium Enterprises (SMEs). Hence, the ideal implementation of the Innovation Capability and Human Capital from each one of them can be at least quite diverged, considering the variation of business application in every location in Indonesia. Principally, the continuity from any Small and Medium Enterprises (SMEs) unit in every strategic location in Indonesia is imperative for the general population development in the social and economic aspect. Leilem Village is one developing village in Indonesia and its exact location is at North Sulawesi Province. Because of the personal discrepancy of its' owners and the different model in handling the business unit, it is true that Business Performance evaluation from Small and Medium Enterprises (SMEs) units in Leilem Village cannot be generalized and is surely observed from the concern of Innovation Capability and Human Capital in the production and selling processes of furniture products.

Innovation Capability, Human Capital And Business Performance of Leilem Furniture SME's Units

The direct and constructive impact from innovation and the vital contribution from human resources forces for the production effectiveness and efficiency become reasons why both independent variables in this study give positive and significant impact for the changing of the Business Performance of Leilem Furniture SME's Units and lead to the tendency of the positive degree in evaluating Business Performance from those business unit owners. This study' research is similar with the research from Linda et al. (2022) that there is a positive and significant influence between SCMP and the business performance of Snack MSMEs in Padang City. There is also a positive and significant influence between innovations on business performance in MSMEs. Thus, research findings show that in order to achieve good business performance, MSMEs need to integrate the ability

Innovation Capability and the Business Performance of Leilem Furniture SME's Units

The emerged positive motivation from workers from every Leilem Furniture SME's Units when using innovated tools and facilities makes Innovation Capability gives the positive and significant influence to Business Performance of Leilem Furniture SME's Units. This study' research is similar with the research from Ullah and Arshad (2021) that has stated research results reveal that both dimensions of internal innovation are positively related to firm performance. While the impact of process innovation on firm performance is more significant as compared to product innovation. Therefore, firm performance is highly affected by process innovation as there is a smaller impact of product innovation on firm performance. The significant impact of product innovation on firm innovation reveals that, for organizations to sustain in the competitive environment, the organization needs to focus on innovating their products. An organization with excessive innovative capability is more likely to get the competitive edge in the market and could perform better as compared to the one which is not capable of innovating products.

Human Capital and the Business Performance of Leilem Furniture SME's Units

The generalized thought about the higher commercial achievement when hiring the most skilled employees in the working environment become the reason that make Human Capital gives the positive and significant influence to the Business Performance of Leilem Furniture SME's Units. This study' research is similar with the research from Fernando et al. (2018) that specific human capital practices impact on organizational Performance.

CONCLUSION AND RECOMMENDATION

Conclusion

Based there are three main conclusions in this research, which are:

1. Innovation Capability positively and significantly influences the Business Performance of Leilem Furniture SME's Units.
2. Human Capital positively and significantly influences the Business Performance of Leilem Furniture SME's Units.
3. Innovation Capability and Human Capital positively and significantly influence the Business Performance of Leilem Furniture SME's Units.

Recommendation

1. Owners and management teams of all Leilem Furniture SME's Units must preserve and boost the proper innovation capability and human capital from employees and internal resources here, related with the good degree of the Business Performance of Leilem Furniture SME's Units.
2. Owner and management teams of all Leilem Furniture SME's Units have to also learn about other essential aspects that is impactable for the changing of the Business Performance of Leilem Furniture SME's Units in the future.

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