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Business Competitiveness of Small Medium Enterprise in Pandemic Era Covid-19 (Case Study on Souvenir Business in the Special Economic Area of Tourism Likupang, North Sulawesi Province, Indonesia)

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ABSTRACT

This study aims to describe the small medium enterprises that grow and exist in "Likupang" Tourism Special Economic Zone, North Sulawesi Province, Indonesia, especially for micro and small businesses in the souvenir business sector, focusing on the factors of utilizing appropriate technology, online/offline marketing and human capital. This research uses qualitative design with case study method by digging up in-depth information and data on business environment during the Covid-19 pandemic since 2020 until now. The results show that there are micro and small businesses that use appropriate technology in making souvenirs, the findings are still limited to technology tools for forming souvenir products, another result showed the innovation in product design is still lacking, employees only imitate common things and did not create products typical to Likupang area. In terms of marketing strategies, it was found that the Covid-19 pandemic hit the tourism industry, including souvenir businesses badly. This made souvenir business owners apply marketing strategies by selling products at sites as well as offering products through social media. Another finding from human capital factor, there are still business owners and employees who do not have entrepreneur mindset, even though in terms of product-making skills, they are classified as skilled craftsmen.

Keywords: Competitiveness, Technology, Marketing, Human Capital

JEL Classification Codes: M20, M21, Z32

INTRODUCTION

During the covid-19 pandemic that hit the world, Indonesia experienced restrictions on both large-scale and micro-scale social restrictions, such as: work from home, territorial restriction and etc. That approach affects the economic, many companies make efficiency by reducing salaries and wages and some even termination of employee. This is resulted an increasing unemployment and poverty rate. In Indonesia during the covid-19 pandemic there was an increase in poverty. The number of poor people in September 2020 are 27.55 million people, increased by 1.13 million people from March 2020 and increased by 2.76 million people from September 2019. (Badan Pusat Statistik, 2021). The percentage of poor people in North Sulawesi, March 2020 are 192.37 thousand people or 7.62 percent. Compared with March 2019, the percentage of poor people fell by 0.04 percentage points or 670 people. Meanwhile, compared to September 2019, the percentage of poor people increased by 0.11 percentage points or 3.770 people. The Covid-19 pandemic that has started to enter Indonesia in March 2020 has affected a number of economic and income activities of the population, resulting in additional new poor people. Similarly In September 2020, the percentage of the poor population of North Sulawesi also increased. The poverty rate of North Sulawesi reaches 7.78 percent or a total of 195.85 people living under the Poverty Line. Compared to March 2020, the percentage of poor people increased by 0.16

percentage points or increased about 3.480 poor people. (Badan Pusat Statistik Propinsi Sulawesi Utara, 2021).

Small medium enterprises (SMEs) in Indonesia play an important role in contributing to the economic welfare to the community. In 2018 Indonesia has 64.1 million small and medium-sized micro, in addition despite of pandemic covid-19 since 2020 the SME still contributes to the absorption of labor by 97% and supports the Indonesian economy by 61.07%. (Kementerian Koperasi Usaha Kecil dan Menengah Republik Indonesia, 2020)

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In the time of the covid-19 pandemic showing companies in Latvia with Profit Margin, which is a proxy competitive advantage, remain at a low level, and the level of operating leverage shows rather high risk of Latvian companies, which may be important in overcoming the triggered crisis by COVID-19. (Bistrova et al., 2021)

This is aligned with research conducted by Agyapong, (2010), small and medium enterprises play a key role in the economic well-being of developing countries. He found SMEs play a key role in society including contributing to work through innovation and creativity and helping human resource development. The short and long-term effect is affecting income levels and contribute to poverty alleviation.

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The competitiveness and sustainability of agricultural cluster areas has a strong relationship with community entrepreneurship (CE). This shows that the competitiveness of agricultural cluster areas based on SMEs will be realized better if it is driven by CE that is effectively managed (Silfia et al., 2021). It is realized that the rapid development of external environment including information technology affects the level of competitiveness of the company as expressed by Yulia (2021) said the main characteristics of modern economic development such as increasing the level and acceleration of globalization, high dynamism and external instability of environment, strengthening competition in individual industries and/or regional markets, continuous development and increasing the importance of information and communication technology that directly impact the level of competitiveness of the company.

Referring to research conducted by Alharthi & Islam, (2021) found how the utilization of mobile phone has affected the performance of micro and small businesses in both monetary and nonmonetary terms. Using survey instruments, the data was collected from 300 micro and small business owners throughout Saudi Arabia and then analyzed using SmartPLS. This study contributes to the literature on technology adoption and economic performance by providing further evidence of the relationship between mobile phones and the performance of micro and small companies. These findings can help micro and small business owners, telecommunications companies, policy makers in relevant authorities (such as the Ministry of Communication and Informatics and the Ministry of Commerce) and academics to make better decisions.

In 2020 during this pandemic, the number of SMEs in Indonesia are 59.2 million company. Based on data from Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) there are 3.79 million micro, small, and medium enterprises have utilized the online platform in marketing their products. March 2021, there are an increasing number of SMEs entering the digital ecosystem about 4.8 million companies.

The Covid-19 pandemic affect almost all sectors of the economy in Indonesia, including small and medium-sized micro enterprises (MSMEs). However, based on central bank of Indonesia there are 12.5% of MSMEs were not affected by the pandemic. Director of Department MSMEs and Consumer Protection Central Bank Indonesia Mr. Bandoe Widiarto said that there are 370 out of 2.970 MSMEs surveyed

by central bank not affected by the Covid-19 pandemic. Those who can survived in this pandemic tend to apply digitization in their business. Furthermore, MSMEs that are not affected have implemented strategies to minimize the impact of pandemics. The type of strategy, namely: online selling, differentiation of product, cost efficiency and other strategies.

Research conducted by Khurana et al., (2021) sees that Sustainable Oriented Innovation (SOI) in MSMEs in India is useful for developing companies, academics, and Government professionals. Even the author believes that the research results will help India in contributing to the sustainable development of MSMEs.

Human capital plays an important role in advancing organizations and businesses, both micro, small and even large businesses. The findings of the study reveal the future of business is oriented and contributed significantly to innovation and ability to build community relationships; influenced by intellectual dexterity. The findings benefit managers and owners of micro and small businesses in their efforts to enhance their company's innovation, which will rely on the intellectual potential of employee agility and the central role of entrepreneurial leadership in the future. (Dabić et al., 2021). Furthermore, in relation to innovation in the use of social media digital in SMEs, then Yacob et al., (2021) can be recommended for the Government, in the context of policymaking in the MSMEs sector, specifically the development of MSMEs in using digital social media to be able to expand the marketing network of MSME sector products and services.

Study conducted by Nursini et al., (2021) that in general the competitiveness of women's micro and small enterprises Businesses (SMEs) living on the coast are still relatively low due to the limited reach of the market and also simple production technology. (2) a system-based model for increasing the competitiveness of women's SMEs is needed. For To increase the competitiveness of micro and small business products for women living on the coast, there must be an effective synergy programs offered by competent institutions such as universities, business, government, finance, and society. Furthermore, in achieving business performance which is influenced by marketing strategies, as research Hartono et al., (2018) that Internet marketing in marketing strategy to enter the US market as online furniture purchase transactions increase significantly business performance in the US. This is a good opportunity for Nasatech to enter the US market. In the use of social media for promotion, the research conducted by Yonathan et al., (2018) shows that the recommended idea from our team is using promotion by social media. We use social media because that is the quickest way to promote it without going to the targeted country.

The use of Information and Communication Technology (ICT) by Small and Medium Enterprises (SMEs) has the potential to enable these businesses to grow through access to new markets and administrative efficiencies. (Qureshil et al., 2009). In line with this research Aldebert et al., (2011) in his paper highlights the intensity of innovation activity in tourism, and provides evidence of the rapidly changing tourism industry and the substantial impact of Information and Communication Technology (ICT) on the tourism industry. Likewise, marketing factors in the era of the covid-19 pandemic really need to innovate so that the products produced can reach consumers. This is reinforced by research from Breesam et al., (2019) the research variables marketing innovation and marketing performance. The most important recommendations were a need to adopt marketing innovation in the management of both hotels in order to improve marketing performance and remain competitive.

Further factors of knowledge and skills in grabbing business opportunities, networking, innovations and competencies that have influenced the competitiveness of micro and small businesses, as research conducted by Man et al., (2008) The results of

hypothesis testing involving a sample of 153 owners/managers of SMEs, provide evidence of direct and indirect contributions from entrepreneurs opportunities, relationships, innovative, human and strategic competencies in affecting the long-term performance of SMEs through the competitive scope and organizational capabilities. Similarly this research, Yuzaria et al., (2021) conducted research that aims to design a strategic innovation in accordance with business constraints, human resources capabilities and innovation opportunities in an effort to improve competitiveness. By using SEM it is proven that human resources play an important role because it greatly affects the success both in overcoming obstacles and implementation of innovations so as to improve business competitiveness. Also, point of view human resources based on study by Sumual T. E. M., et al. (2020) showed that human resources are very supportive of doing business development as seen from the experience business as a fish seller, productive age, and motivation to work and family support as a fisherwoman

RESEARCH METHOD

This research uses qualitative research with case study research method on micro and small businesses in souvenirs business at tourism Special Economic Zone (KEK) coastal tourism Likupang North Minahasa district. For the reliability this research applies triangulation techniques.

RESULTS AND DISCUSSION

The results showed there are micro and small businesses engaged in souvenirs business. In 2018 with the existence of mining companies in Likupang district and villages around the mine enhance the tourism development in KEK area, the company provides assistance in several villages to develop businesses according to the potential in the village for example workshop for crafting woods into souvenirs. Another assistance are from the Government through Manado State University by performing a research and community programs. Based on the programs during pandemic covid-19 2020 there are 2 villages that survive the pandemic with souvenir business. (Source: Mining Company, Tourism Office, North Minahasa Industry and Trade Office, Unima AK and TMS Academics). Business groups in Likupang I and Pulisan Villages have used appropriate technology to manufacture the souvenirs; better agility for produce souvenirs according to the desired design. The research founding still limited to technology for producing the souvenir, in addition product design innovation is still lacking to existed model (from the workshop), the business did not have innovation to construct local product model. (Source: Management and Members of Business Group, Head of East Likupang Subdistrict and Village Head). Because at this time innovation of products with technology holds the main key in business development as research findings from Filipová, V. et al. (2016) Recently, there have been notable changes altering the world economy that force businesses to become ever more competitive and to constantly invest in the development of innovative new products.

In terms of marketing strategies, it was found that the Covid-19 pandemic hit the tourism industry, including souvenir businesses badly. This made souvenir business owners apply marketing strategies by selling products at sites as well as offering products through social media (Facebook, twitter). The business owner does not have other marketing channels except those two. (Source: researcher as a key source).

Finally, from the human capital factor there still business owners and employees who do not have entrepreneur mindset, even though in terms of product-making skills, they are classified as skilled craftsmen.

CONCLUSIONS

The pandemic era covid-19 affect almost all sector including tourism. Micro small and medium enterprise in souvenir business must make a big change to survive. There are several factors that can enhance the survival rate of SMEs in this pandemic such as: technology factors, marketing strategies and human capital with innovations.

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