

Characteristics Mapping and Evaluation of SMEs in Medan City

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Abstract

Amid Competitive claims are increasingly stringent, particularly with the emergence of a franchise company in Indonesia, SMEs should be able to see the strategic position they have and take strategic steps to be able to survive and thrive, so as to compete with the many emerging franchise as a competitor who could not hindered existence. It required mapping and evaluation of the characteristics of SMEs to be able to produce strategy recommendations that must be done by the SMEs in the city of Medan.

Keywords: Mapping Characteristics of SMEs, SMEs Evaluation.

1. Introduction

Small businesses are an integral part of the business world in general in Indonesia, have accrued, potential, and a very important role in realizing the strategic objectives and national development in general and economic development in particular. The Central Bureau of Statistics (BPS) and the Ministry of Cooperatives and SMEs in 2005 shows the number of SMEs in Indonesia reached 43.22 million units. The SME sector in Indonesia has proven to absorb the 79.6 million workers, have contributed to the export value of 19.94% and 55.67% of GDP (Indarti, 2007). According Kotey and Meredith (1997), SMEs play a role in providing employment, income generation through business opportunities, rural development, balancing development among regions and to increase investment and develop the entrepreneurial spirit.

The development of small and medium business sector up to now the number has increased so large even match the number of those employed in the formal sector more. In many poor countries and growing, the contribution that can be given by small businesses to reach 30%-60% of the urban population. (Sriyana, 2010). Three main reasons of the importance of SMEs are: (a) ability in employment, (b) their contribution to the Gross Domestic Product (GDP), as well as the speed in making changes and innovations.

Small and Medium Enterprises is a community economic activities Indonesia the third largest after agriculture and fishing communities. If small and medium enterprises can grow, can indirectly empower communities by generating employment wider, empowering local products and provide increased economic growth. However, small and middle business is very difficult to grow and do not grow evenly due to various factors necessitating the application of the integrated system and the empowerment of the appropriate government, as the main problem today is how to extend and empower Small and Medium Enterprises Indonesia is likely still apply traditional management, weak on access to capital, technology tend to be conventional, poor innovation and networks, may be able to jointly grow with mainly large corporations as well as world-class global vision.

In general, the problems faced by small business issues related to the management or management capabilities that are less professional. Capital structure, personnel, service and marketing. The problem of capital, in general, micro enterprises having an extremely limited capital. Most small traders never received help in the form of aid banking institutions due to the requirements are not met. It could be said almost all the small traders do not have a financial statement, which is required to be able to get business loans to banking institutions. Financial administration problems for SMEs, is considered an obstacle that hampers business management. Barriers that occur mostly is, 1) a lack of confidence in the existing workforce, 2) there is no start time recorded correctly every transaction that occurs, and 3) The absence of a clear division of tasks. (Earn Money, 2009)

Lack of knowledge and insight that small entrepreneurs to develop their business, causing no effort to improve service to the buyer, even though the service is the key to success in marketing products to consumers. The distance between the store a small business with a minimarket, within a single range of services will be very influential on people's preferences determine where to shop, it is likely that people shop at the minimarket. Attendance has demanded store minimarket small businesses to improve services and facilities at the store fix to provide the best service to consumers. Differences services to small merchants with business services franchises would have been much different. Kiosks or stalls as a small business in serving customers with a simple service plus a narrow stall conditions, often not well ordered, dark, dusty and far from a comfortable place. Minimarket equipped with facilities that support shopping convenience, air conditioning, refrigerator, store cleanliness is maintained, there grouping items according to its kind and hospitality services. Besides small traders who have stalls side by side with the franchise that has mushroomed, standing among the settlements as well as the existence of small traders. The absence of rules on the establishment of the franchise led to stalls and stalls of small businesses become wedged. The farther the small business stores of minimarket, effect that will be smaller and closer to small businesses with minimarket shop, then a huge influence occurred in the number of customers who come every day.

Need to be businesses that provide benefit to enhancing small businesses in the face of competition and the policy of the local government to provide protection for micro businesses with a set of rules the establishment of the franchise as well as the mini order not to harm small business owners, providing solutions partnership between small traders with a franchise in terms of pricing and marketing of goods and entrepreneurship training add to the skills entrepreneurs to develop their business.

2. Literature Review

Innovation may be the key to the success of the organization, but the workforce has a high skill is an important factor for innovation (Baldwin, 2009). The training program is the main method used to improve workforce skills. The survey conducted by Baldwin et al., (2009) to the small and medium scale enterprises are emerging showing that skill labor is the most important contributor to the growth of the company. It is based on research findings, that approximately 52% of small and medium scale companies surveyed implement training programs to improve their human resources, 36% of them use a formal training program.

Innovation will appear in case of intensive interaction and communication between the company and its environment (Slappendel, 1996). Interaction and communication with the external environment is a form of interaction and communication with the company's customers, suppliers, competitors, institutions and external R & D Industry Association (Romijn et. Al., 2001).

Interaction with consumers will contribute to innovation by raising demand (Slappendel, 1996). Customer contributions to innovation will depend on their experience and may differ between industries (Crocombe et al., 1991) and inter-State (Parkinson, 1984). Suppliers can be an important resource for innovation by providing knowledge on new ideas (Utterback, 1982) and provide support for the successful implementation.

The role of technology is so important in a company implies the need to develop a technology strategy in the company. Burgelman, et al., (2006) stated that technology is a critical resource in the organization that need to be managed well, because the technology is a fundamental business function. The technology will help the company to gain competence differentiator (distinctive competence) that allows companies to produce better products than its competitors (Tidd, et al., 2007), whereas modern technology that will bring improvements in product quality, new product development, productivity, and efficiency (Chowdhury, 2010).

Innovation of products or services will not mean much if it did not achieve commercial success (Byrd, 2007). Companies must develop the ability to market a product or service that is new. Baldwin and Johnson (2009) in his study in Canada found that small and medium scale enterprises would be more innovative if it provides a greater emphasis on the development of marketing capabilities, financial, production and human resources. Marketing capability in this study refers to the ability of the company to develop the various aspects related to the marketing of products, including: a network of distribution and promotion.

In addition, some previous studies found that the variable firm size significantly influence the innovation occurring in the enterprise. Baldwin et al., (1999), in his research found that the larger company is more innovative than the smaller company, because it has more ease in access to financing, can spread the fixed costs inovsi in sales volumes larger, the benefits derived from economies of scale and complementarities between Research and Development activities with others in the company.

There is strong evidence that states that it launched a new product to market are very important to create a competitive advantage. To achieve the success of new products, the company should always give a response to the changing needs of consumers and the movement of its competitors. Chase et al., (2006) stated, because an increasing number of new products and technologies prose is new, while the life cycle of the product and the product model increasingly shorter, then the company should improve new product development projects larger than before, and the use of resources more power efficient on each project.

Dimensions of growth known as the most important measure of performance, especially in smaller companies (Tsai et al., 2006; Wiklund, 2009) and a test of a good performance amidst the economic recession and intense competition (Swamidass and Newell 1987). The sales growth is an indicator of performance is very common and has become the consensus as the best measure of growth. Growth in sales and market share growth is a measure of growth. Growth in market share can be used to measure the effectiveness of the market. Profit growth is also an important indicator of growth and can reflect the company's financial performance. Dimensions profitability to determine the company's ability to generate profits or how much the company can be managed effectively.

3. Research Methodology

This research was conducted in the city of Medan by taking a sample of 31 SMEs in 8 districts. The data were taken using a questionnaire by the Focus Group Discussion. Data collected and analyzed so that the resulting mapping of SMEs in the city of Medan for further evaluated in order to take measures and recommendations development of SMEs by developing specific models. Data were analyzed using descriptive statistics.

4. Finding and Discussion

Area of research done on the 8th District in the city of Medan : Kecamatan Medan Timur, Medan Barat, Medan Perjuangan, Medan Denai, Medan Tembung, Medan Petisah, Medan Sunggal dan Medan Amplas as many as 31 SMEs. Results of mapping the condition of SMEs can be seen in the following table:

Table 1. Description of SMEs

No.	Description	Answer	f	%
A	Condition in terms of capital, Human Resources, Facilities and Services.			
1	Years of MSMs	>3-11 years	21	78%
2	Capital	< 10 million 10-50 million	11 13	41% 48%
3	Funding Injection	100 million	5	18%
4	Permanent employees	Employment	9	33%
5	Employee education	High School	22	81%
6	The facilities and services	Facility	6	22%
B	The ability of the Micro Enterprise Development and Business Competition			
7	Stalls stood before the franchise was established		20	70%
8	The decline in sales turnover	10%-50% 50%	17 2	62% 0,7%
9	Revenue micro enterprises	1-5 million	15	56%
10	Turnover of Enterprises Monthly Sales	4-50 million	21	78%
C	The ability of Micro Enterprises in the Development and Competition			
11	Opening hours	13-16 hours	22	81%
12	Business profits	Modal	20	74%
13	Price on micro-	Cheaper	17	59%
14	Products	Not available	19	63%
15	Responses to Loans Without Collateral	Very agree Agree Not agree	8 8 13	26% 26% 42%
16	Financial Report	Financial report no available	17	55%
17	Willingness meet the requirements to get financing micro enterprises	Available	9	29%
18	Entrepreneurship training	Never	31	100%

Based on the above table it can be seen that for as much as 89% capital business operators just coined capital of less than £ 50 million, but to be able to compete more capital is required in order to fulfill and complete the necessary goods buyers and customers. Lack of capital resulting in the ability to compete is becoming less and adversely affects the development of micro-enterprises themselves, this can be seen from the low increase in asset or assets of a business carried on. Only 5 SMEs or 18% of 31 micro-businesses that have an increase in assets of 100 million, meaning that there are 82% of micro businesses are not able to increase their assets. In addition to service facilities provided, only a small proportion of micro businesses that provide facilities to the buyers and customers which is 22% in the form of providing facilities between the purchased goods to the customer's home, so the slow service impact on satisfaction and disgruntled buyers.

On the ability of micro-enterprises in business development and business competition can be seen in the table above, most of the stalls had been standing for a long time but did not show a significant increase, the growth of the franchise decrease the sales turnover of micro, can be seen in a decrease in turnover of 10-30% experienced by 55% of micro enterprises, there is even a decrease until it reaches 50% and the sales turnover mainly micro only 4- to 50 million per month. This condition affects low income, as much as 56% of micro businesses only income of 1-5 million per month. With the number of existing income, likely to be set aside as additional capital was difficult.

The ability of micro-enterprises and the development of competition in the business, that micro-enterprises to conduct business mainly micro (81%) the opening hours of effort just for 13-16 hours and 19% of its business opening hours 10-12 hours, it certainly affects the amount merchandise sales.

But at the price of micro-businesses compared with the franchise shows that, most or 41%, the price offered microenterprise cheaper than the franchise and a 59% price set varied there are cheaper and some are worth more expensive. For completeness of products in general micro-enterprises do not have the number of products that a lot of its kind to be offered to consumers or buyers are coming, such as those offered by the franchise. This condition is of course very detrimental to the micro. Typing buyer let alone customers come to look for items that are needed, but not available, it means losing the opportunity to make a profit. As many as 63% when buyers come

to buy, the goods are not available and as much as 37% often do not find the goods to be bought in the shop or kiosk.

Then in the administration and finance microenterprises run micro businesses, as many as 45% have been using financial reports, as many as 26% of micro businesses do not keep records of the expenditures and revenues of the business they run, as much as 23% only recorded on a sheet of paper and 6% noted only on a small note. These data show as many as 55% did not use the micro business and create financial reports in business. This condition is difficult for businesses to get financial assistance from financial institutions.

The government issued a capital assistance program for micro-enterprises. In helping the government establish micro businesses without collateral in the form of aid. But this assistance can be obtained by businesses to meet the requirements that must be fulfilled in the form of financial statements. Administration and financial condition of the majority of micro businesses who do not keep books on business operations, making it difficult to help without any collateral in the can. Based on the survey results of micro business owners, such as stalls, shops or kiosks, almost no one to borrow from the financial institutions to develop their business. If you look at the data table above, there are 29% of businesses that do not have the financial statements but wanted help, so willing to make the financial statements for the business and 52% agreed with the loan without collateral, because they can improve operations and increase the variety of goods merchandise, so expect the sales turnover to be increased.

Micro-businesses experienced many problems that become obstacles for him to grow and progress. Based on survey results obtained in the first year and observations made in the promotion phase, the general problems of microenterprises most are the lack of capital. Capital is a major requirement in developing the business, especially for the additional variation in meeting the required goods and to enlarge its business customers. An attempt to expand its business can at least meet the following criteria:

Product: It is important to pay attention to products sold on the business carried on. On the problems faced by micro enterprises in the table above, the range of products in general micro-enterprises do not have a product that a lot number and variation of its kind to be sold to consumers or buyers are coming, so that the problem occurred as much as 63% when buyers come to purchase goods needs, the goods are not available and as much as 37% often do not find the goods to be bought in the shop or kiosk. This has inevitably led to customers and buyers who come will be disappointed because they do not find what they need and needs. When this condition occurs frequently, possible buyers are disappointed not to be returned to the shop but choose somewhere else fuller availability of merchandise. For that micro businesses to be competitive so pay attention to things below:

1. *Diversity or varied products.* Should the micro to complete its business by selling products of various kinds of product variety.
2. *Brand.* Filling goods from products with a brand that is well known by the market or the consumer, it does not do promotions or explaining to products that have not known a buyer, so it will be easier for businesses to be able to quickly sell it, so the turnover is quick.
3. *Completeness of Goods.* Character shoppers are spending all their needs to a shop that provides all of its requirements on one of the stalls so no need to go to another store. Sometimes buyers are looking for items at other stores do not exist but because in our shop there eventually become new customers for our efforts. These gains and indirectly into the form of store promotions to other buyers. For it is an important and indispensable complementary merchandise to develop and promote the business.

Price: In the table above, the price set micro enterprises turned out, 41% cheaper than the franchise, although 59% there is also the same, even consider it more expensive. Determine the selling price is a trick that determine the success of a business. If miscalculation could have serious consequences. The attractiveness of a grocery shop greatest problem lies in the cheap price. The first thing that must be considered and done business operators when you first open a grocery shop is convincing buyers that your shop is cheap way to take advantage as minimal as possible. Pricing is cheaper than other stalls should not be for all goods. Such as providing cheaper prices only on items that every day people search for the ultimate namely rice, eggs, sugar and LPG gas, while the standard price of other goods. By setting low prices on goods that often takes people on a daily basis, this would be its own advantages for businesses, because consumers will continue to buy in our shop as it is cheaper.

The place: Based on observations made when conducting surveys and dissemination, in general already known, when compared to micro-businesses with a franchise certainly has a lot of difference. This difference becomes the problems faced by micro enterprises and become a part of the shortfall. The place here is aimed at part of the conditions in the shop or store of the business carried on. Therefore, although the shop can not compete with the franchise or minimarket, but wherever possible to make the arrangement so as to give a better impression on buyers. At the stall try to compose or arrange properly the items on display for sale. Sometimes buyer had no intention of buying but seeing so buy goods in shops. For items that display a attractive as possible, easy to see and shop looks the complete collection of the goods. Besides the cleanliness of the place and the goods must be maintained, so as not dusty or dirty.

Promotion: Generally stalls have stood longer than the franchise, the table above shows 78% stalls have been there before the franchise stand, meaning to existence stalls do not need to be promoted, people have been aware of its existence. But it needs to be done into how to stall our efforts known as stall subscriptions for many buyers to buy their needs, for that we as micro businesses need to do a promotion

In promoting for the stalls that we run the business on my level is not like a supermarket, but can in some instances that can increase the stall run. In this case the sale needs to be done is:

1. *Good communication.* Maintain good communication gives a pleasant impression. Good communication is important in running a business and serving customers. Do not be lazy to ask in advance what to look for example items sought does not exist, to offer other similar items. Answer questions if buyers want to know a product or pricing. Sometimes the buyer after asking another day will buy. Especially for regular customers shop, should establish familiarity with trying to create small talk when your customers shop, it will make it "convenient" shopping at your place with a record of when the state was not crowded stalls buyers. For the new open shop, you should do a vigorous campaign. Can be a way to divide flyers to local residents, attach strategic place or prepare brochures in stores. It could also put up flyers with a product that costs less with large sizes so that everyone who passes by will see, it could be that people refer to other citizens, are like that often do the franchise.
2. *Good service:* When we already have a business with a strategic location, complete goods and cheap prices, this would be less meaningful if the service provided is not good, sometimes the service can determine consumers into buying or not. Give a good impression and pleasant to buyers is important, there is the saying goes "customer is king", and then serves with the best possible buyer, which made him feel needed and important for us. Besides the good service including gives a sense of satisfaction in the way we serve the buyers, for example, in calculating the groceries extent possible, without one, rapid and precise, friendly, make no mistake in entering items that match the number in the sense that no one misses or may be incorrect goods. give the best service even from the trivial example like to thank or give a return intact instead of sweets. Buyer is a very valuable asset to the business and development of business in the future. Therefore, in order to make the buyer feel satisfied shopping at your house so it will be happy to come back to buy. Other services to consider are.
3. *Operating hours are long.* Try to open the shop as early as possible and close at night. Because you are selling is the daily necessities from morning till night. Therefore, sometimes the buyer will buy whenever needed, so that we as entrepreneurs must be ready.
4. *Honest.* Always show deficiencies if indeed the goods that are sold without blemish to avoid disappointment buyers. Sselain also for goods that have a shelf life or expiration, should goods that are nearing expiration to be notified when he would buy, in order to be used immediately, so it did not disappoint. In terms of payment are always careful when it is over return it back to the buyer. Likewise, if there is a buyer of goods that are left in the store to be returned.
5. *Good service is obligatory to do if you want customer satisfaction.* If customers are satisfied with our service shop or store, it sure was that the buyer did not hesitate to come back to shop to your shop and become a customer. One form of good service is calculating the number of shopping right not to when you calculate the buyer's shopping an error occurs in terms of both quantity and completeness of goods because you can only add one or belongings behind.

Based on observations and a survey of consumer society shop to minimarket. In general, consumers tend to switch bought in the minimarket, caused by several things: 1) Guarantee product availability, 2) Complete product, 3) Display interesting, 4) Comfortable place, 5) Strategic location and 6) Parking lot.

Financial reports are useful for business continuity, based on the table above shows only 45% of the financial reporting the efforts being operated, while 55% only a modest record on paper or just a small note, some even do not keep records.

When to start a business, then in addition to any equipment required for the operation of the business to be run, set up accounting or financial statement is just as important to be prepared. It is wrong when the business has been running but no records of income and expenditure activity, so there must be recording even though only a simple financial statement. Bookkeeping functions are vital for the survival of a business or business even though only micro enterprises such as shops or kiosks. Financial reports will show the financial performance of the business carried on, whether increased or being decreased, to know how much income, expenses, accounts payable if there is at any given time. The financial statements will show how the condition's ongoing effort, we will be able to take the decision to venture into the future. For micro-business is not difficult to make the financial statements, the financial statements for micro enterprises with enough balance sheet, income statement and cash flow statement, which will show the performance of micro-businesses that we run. The financial statements will give business owners the ability to make decisions on the business being operated in order to advance and develop.

Balance is a financial statement that shows assets, debts, and the company's capital or business at a certain time in a balanced way. Balance can be said to be balanced if the same amount of property company debt plus

capital ($\text{Assets} = \text{Debt} + \text{Equity}$). Balance is used to evaluate the rate of return and capital structure of the business. In addition, the balance sheet can also be used to assess the liquidity, solvency and financial flexibility of the company or business.

Profit / Loss Report is a report that measures the operating performance of micro-businesses that have been running for a certain period. The objective of this report is to determine the results of the operating performance of our business, profit or loss. Arranged in the profit / loss is net sales and costs - incurred during a certain period. Effort is said to be profitable if the total income is greater than the total cost and said loss if the total income is less than the total cost.

Usefulness income / loss is to evaluate the company's past performance or our business, provide the basis for predicting future performance, and help assess the risk of cash flow uncertainty. By preparing the financial statements and understand the contents of the financial statements, is expected to help entrepreneurs or businesses in making informed decisions in developing the business, or financial control of the company. These financial statements will show seriousness in running their businesses, and therefore the financial statements of a requirement for financial institutions to provide loans to businesses, especially for micro businesses to obtain loans without collateral. So without any financial statement how banking institutions can not give loans to microenterprises appropriate or feasible to be assisted or provided financing.

5. Conclusion and Recommendation

Micro-businesses in the form of a business carried on some communities in Medan City Cooperative Office are not recorded in the city of Medan. Although it is difficult but necessary to have the survey of micro-enterprises to find out how many micro businesses with businesses. Micro-businesses are run with little capital so that sales are limited and the presence of the franchise adds to the limited ability of micro enterprises in getting the sales turnover so there needs to be support from the relevant parties to assist micro enterprises engaged in the management of the shop, shop or kiosk in order to survive and thrive so it can compete. In addition to the financial statements are indispensable in running a business, because of the financial statements will show how the performance of the business carried on. In addition to the financial statements required to obtain financing loans from financial institutions as additional capital in order to develop the business. Thus it is critical to the implementation of entrepreneurship training program, and the expected results will provide better ability to the micro business in managing their business for more advanced and developed. Necessary also disseminate the benefits of banking institutions to assist in financing for micro businesses in order to expand its business in the future be able to compete with other businesses.

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