

## The Influence of Intellectual Capital Small and Medium Enterprises Towards Productivity Through Managerial Skills in Makassar

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**Abstract:** Small and medium enterprises has potential and a significant role in efforts to strengthen the national, regional and local economy. Various efforts to develop small and medium enterprises it's been conducted many times. The objective of the research is to conduct and analyzes the influence of intellectual capital for small and medium enterprises on productivity through managerial skills in Makassar. This type of research conducted through survey research approach, through the quantitative analytical approach that uses statistical tools in answering the research hypothesis. This study in chooses the population for small and medium enterprises or business owners (entrepreneurs) scattered around the city of Makassar. These results indicate that the entrepreneurs of small and medium enterprises in Makassar mostly age 41-50 years is as much as 42.35% and the education level is high school graduates or equivalent. F count value through the formulation, namely:  $(\frac{2}{K})/[(1 - R^2)/(n-k-1)]$  where k = number of variables which follows a variable intellectual capital (c1). Effect of intellectual capital variables simultaneously indicated by the calculated F-value of 47.0352. While F table value of 3.042 at  $\alpha = 0.05$  and degrees of freedom db1 and db2 = 2 of 167 was obtained from (n-k-1). Thus, simultaneously intellectual capital has an influence indirectly through managerial skills at the 95% confidence level on productivity. Managerial skills t values influence on productivity values obtained t count 3.2678 > 1.9665 t-table value. This indicates that the variable managerial skills has an influence on productivity. The hypothesis that the managerial skills has a significant impact on the productivity of SMEs in Makassar accepted.

**Key words:** Intellectual capital, productivity, managerial skills, small and intermediate businesses, productivity, significant

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### INTRODUCTION

By looking at the structure of international trade, small and medium enterprises in Indonesia at this time is still has limited resources within the organization and the existing resources is yet to be used to its maximum potential such as intellectual resources, human resources organizational culture, resources innovation and other resources which is an important element in achieving productivity. Sawarjuwono and Kadir (2004) says that when this happens the business strategy shift from labor-based strategy (labor strategy) to a knowledge-based strategy (knowledge strategy). The strategy shift will have an impact on the company's innovation. In encountering obstacles and competition, Robert and Jackson (2003) says that the ability to make changes in the form of products (innovation) and the entrepreneurial spirit, creating quality products that are unique, have particular skills, provide different services and productivity capabilities different is the superiority of Human Resources (HR) in the company's competitive

strategy. Wang *et al.* (2008), adding that the ability of technological innovation (technological innovation capability) is an integration of all available resources inside the company.

The strategic phenomenon experienced by small and medium enterprises in Makassar, namely: lack of knowledge and skills of the production process and product quality, the inexistence of communication between employees as jobs executor with the business owners in the work practices, lack of networks access towards stakeholders (suppliers of materials raw, market access and capital/financing), limited access to information and publicity, lack of creativity and innovation that is done and prices are relatively high compared to the price of products produced by other industries.

Entrepreneur's characteristic for small and medium enterprises in Makassar, displays more that business run by a family company, ownership is generally also the head of the household by using relatively simple technology, management administration and management of the

financial relatively simple and the relationship with the banks or financial institutions other relatively less and still lack the marketing network. Rafinaldy (2004) adds that the obstacles faced by entrepreneurs of small and medium enterprises in conducting and facing market penetration are a diversified information innovation, product quality, support expertise and entrepreneurial.

Low productivity is related to three things. The first is the low quality of human resources, especially in terms of management organization, technology and marketing. The second is weak average entrepreneurial competence. The third is the limited capacity of Small and Medium Enterprises (SMEs) access to capital information technology, market and other production factors. Therefore, the problems formulation in this research is: The intellectual capital influence on small and medium enterprises productivity in Makassar through managerial skills.

**Intellectual capital:** Wang and Chang (2005), split dimensions in Intellectual capital which is human capital, social capital and customer capital. Human capital explains the capacity of intelligence of human resources in performing or carrying out the work and the variables assessed as variables that are very high, social capital describes organizational policies that lead to the access to efficiency and is variable with the assessment of the medium while the customer capital explains the significance of the company organizing the relationship existing in the market.

**Human capital:** Edvinsson and Malone (1997) describes that human capital is a variable that supports the decision-making process of problem solving and effectiveness in the use of human resources through creativity innovation. Knowledge, skills and abilities of employees. Roos and Jacobsen (1999), Edvinsson and Malone (1997), Nonaka and Takeuchi (1995), Kaplan and Norton (2004) said that the human capital have an influence on productivity and innovation activities and is an asset to the company.

**Social capital:** Coleman (1988) says social capital as a resource to the paradigm of rational action on the social structure. Spence *et al.* (2003) "social capital" can be regarded as the result of cooperation between various agencies, networks and business partners. Spence *et al.* (2003) adds that social capital is a trust owned by the company obtained from the social environment concerning transparency, honesty, cooperation, the investment community, civil organizations and good name.

**Customer capital:** Duffy (2000), says that customer capital is the value of customer relationships that contribute to the growth prospects in the future. Cegarra-Navarro and Sanchez-Polo (2008) customer capital is the result of the relationship between companies and customers. Customers in making purchase decisions are always based on an emotional connection (relation), price, product quality or technical services. The explanation above shows that a good relationship between businesses and consumers will provide a potential opportunity or customer loyalty.

**Small and medium enterprises:** Small and Medium Enterprises (SME) is the set of companies, heterogeneous in business which has a direct and indirect participation in the national production and contributes to employment and job creation.

Thobias (2013) there are five abilities subject of entrepreneurship: the ability to work through the independence of strong ability in problem solving and courage to take decisions, ability to innovate and creative, ability to work as a conscientious, diligent and productive, the ability of business ethics through togetherness. Arief and Rahmana describes that in the perspective of development, small and medium enterprises are classified into four groups: livelihood activities, an activity that is undertaken as a means to obtain employment for living support and more of in the informal sector, micro enterprise is an activity undertaken based on craftsmanship but the effort still has not revealed the nature of true entrepreneurship, dynamic small enterprise is an activity that has revealed the existence of entrepreneurial and has the capacity to execute subcontracting and export, fast moving enterprise is an activity that has revealed the existence of entrepreneurial and lead to large business transformation capabilities.

**Managerial skills:** The productivity achievement of a company or organization in this case, small and medium enterprises is strongly influenced by the managerial skills of a leader or manager.

Engkay (2010) says that the managerial skills of the technical skills of managers in the implementation of tasks with the aim of utilization of existing resources in achieving effectiveness and efficiency of the business. Sulastri says that the performance achieved by the individuals affected by the managerial skills (managerial competency/ATP) held in the form of skills or characteristics. Tita adds that managerial skills will have an influence on the financial performance of the company if the company's financial performance measure that is used can be affected directly by the decisions taken by the management.



Fig. 1: Research framework

Isnugrahadi and Kusuma (2009), also added that the achievement of a manager's performance is supported by the expertise that comes from intelengensia level, educational background and experience gained. Paul Hersey in Wahjosumidjo (2003) states that there are three areas of skills a leader in supporting the implementation of the managerial skills are technical, human and conceptual. Demerjian *et al.* (2012) say that the quality of earnings in the company's achievement is strongly influenced by the managerial skills possessed by a leader or manager. Thus, it can be said that managerial skills are competencies possessed by perpetrators of small and medium enterprises in context: motivator, management development, the ability of empowerment for resources optimally, the ability to create an organizational culture, the ability to mengoptimlkan facilities and infrastructure and the ability to manage relationship towards stakeholders (Fig. 1).

**Productivity:** Productivity implies a comparison between the results achieved (outputs) with the overall resources (human resources, physical resources and other resources) used (input). In addition, productivity is often interpreted as a measure undertaken by the company in assessing the effectiveness of the company through the use of resources of the company. Gains in productivity in companies is largely determined by the employees who have competence in terms of: knowledge, skills, abilities, attitudes and behavior. High productivity can affect the survival of a company and increased productivity is a key factor for the development of a company in order to progress. SPRING Singapore (2011), productivity is variable or determinant element in achieving the competitive advantage of companies that impact the company's business continuity and performance. Productivity can be achieved if the resources are owned by the company as a whole is managed and programmed. SPRING Singapore (2011) adds that the company in assessing productivity, refer to the comparison between the existing input with output in the form of: physical quantity, concerns about the quantity obtained by the company from the production process, financial value, concerns about the margin earned by the company from the comparison between the operational costs incurred by the value of the sales results.

Almigo (2004) describes the role of human resources in the improvement of the quality of goods or services is crucial. This is because companies in the production

process that demands quality in accordance with the demand required the use of technology that lead to competitive advantage and it is so requires the use of human resources who can understand the use of technology. Umar (1998) adding that there are two dimensions in productivity, namely). Effectiveness, the indicator is the quality of the work produced, the quantity, related to the amount produced in accordance existing capacity and time, concerns about the implementation of the tasks on time). Efficiency, the indicator is planning, which means that in carrying out the task, according to the plan that has been set up and Realization which means that productivity gains the company is the realization of the plan are achieved.

**Hypothesis:** Intellectual capital influenced the business productivity for small and medium enterprises in Makassar through skills managerial?

## MATERIALS AND METHODS

The population in this study were the entrepreneurs for small and medium enterprises (entrepreneurs) in Makassar who became head of a company. The use of samples small and medium enterprises business owners in Makassar who conduct business on the production and marketing based on the assumption that the phenomenon of small and medium enterprises in Makassar.

This study uses a variable human capital with education level indicators, experience eangement, knowledge and skills, social capital with indicators network, trust, access to information and communication networks, customer capital indicators capital consumer and the consumer confidence, emotional intelligence by indicators relationship intrapersonal and interpersonal and skills managerial on small and medium enterprises in Makassar.

This study used the independent variable (exogenous) and the dependent variable (endogenous). The independent variable (Exogenous Reserach) is identified and suspected variables affect the dependent variable or intervening endogenous and endogenous dependent which consists of exogenous variables human capital, social capital, customer capital and endogenous variables consist of managerial skills and productivity.

This type of research conducted through survey research approach through quantitative analytical approach that uses statistical tools.

## RESULTS AND DISCUSSION

The analysis showed that the majority of respondents in this study were male sex 79.41% compared

with the female as much as 20.59%, adding that in carrying out the responsibilities of individual-sex male, generally relatively tend to be individualistic, aggressive, impatient, more assertive, self-confidence is higher and more control of work while women are relatively likely to be empathetic toward others, submissive, passive, more unrelenting and have family care responsibilities are greater than in men. In terms of age, ages 41-50 years is as much as 42.35%. This indicates that for the young, small and medium enterprises sector has not particularly interest them. On the other hand, from the psychological outlook stating that the person's ability to not only supported his leadership of educational backgrounds owned but is also supported from psychological factors, namely the ability to perform self-control to policy making, optimism and initiative. In terms of education level, actors small and medium enterprises in Makassar have education level of high school graduates or equivalent by 92 small and medium businesses or 54.12% compared with the level of education. This shows that education which is owned by small and medium enterprises actors can influence on creativity and innovation and productivity, said that the relatively high level of education that is able to work with the level of difficulty and responsibility is higher, adding that the competitive advantage and profits achieved by the company since the company owns the intellectual capital. Intellectual capital rests on the potential relationship between intellectual capital on the one hand and the performance of the company on the other side.

**Human capital:** Construct reliability value of the 9 indicators on the dimensions that make up the human capital intellectual capital at 0.9134 which indicates the value construct reliable where the value is greater than recommended is 0.5, so that, the whole item indicators (variables manifest) of the human capital dimension has the degree of conformity is feasible to build intellectual capital, while t-count >1.9665, so, it can be argued that these variables have a variable level of significance in forming the intellectual capital human capital dimension. Furthermore, the variance extracted by 0.5765 equals the recommended value is 0.5 which explains that the information contained on the nine indicators may represent to explain the variable intellectual capital.

**Social capital:** Construct reliability value of the 9 indicators on social capital which dimension form the intellectual capital of 0.8336 which indicates the value construct reliable where the value is greater than the recommended namely 0.5 and whole item indicators (variables manifest) of the dimension of social capital have a decent degree of suitability for building intellectual

Table 1: Validity and reliability of Intellectual Capital variable (IC) and social capital dimension variable (X12)

Indicators	Standardized loading	(Standardized loading) <sup>2</sup> = R <sup>2</sup>	t*-values	Error variance	Notes
<b>Social capital dimension (X12)</b>					
X <sub>121</sub>	0.5814	0.3880	8.1194	0.4767	Valid
X <sub>122</sub>	0.5544	0.3074	7.6689	0.4309	Valid
X <sub>123</sub>	0.6429	0.4133	9.1994	0.3531	Valid
X <sub>124</sub>	0.5569	0.3102	7.7102	0.3895	Valid
X <sub>125</sub>	0.5905	0.3487	8.2740	0.2407	Valid
X <sub>126</sub>	0.5690	0.3237	7.9091	0.3758	Valid
X <sub>127</sub>	0.5920	0.3504	8.2995	0.3498	Valid
X <sub>128</sub>	0.5797	0.3360	8.0905	0.2454	Valid
X <sub>129</sub>	0.5956	0.3547	8.3611	0.3475	Valid
Total	5.2624	3.1324	73.6321	3.2094	Valid

\*Construct reliability = 0.8336; Valid; Variance extracted = 0.5124; Valid; To know the amount of contribution form each indicator

Table 2: Validity and reliability of intellectual Capital Variable (IC) and customer capital dimension variable (X13)

Indicators	Standardized loading	(Standardized loading) <sup>2</sup> = R <sup>2</sup>	t*-values	Error variance	Notes
<b>Social capital dimension (X13)</b>					
X <sub>131</sub>	0.5846	0.3471	8.1735	0.5525	Valid
X <sub>132</sub>	0.5117	0.2619	6.9805	0.2800	Valid
X <sub>133</sub>	0.6386	0.4079	9.1218	0.4042	Valid
X <sub>134</sub>	0.6093	0.3712	8.5985	0.2847	Valid
X <sub>135</sub>	0.5519	0.3046	7.6274	0.5138	Valid
X <sub>136</sub>	0.6348	0.4030	9.0524	0.3535	Valid
Total	3.5309	2.0957	49.5541	2.3887	Valid

\*Construct reliability = 0.8725; Valid; Variance extracted = 0.5031; Valid

capital while t-count >1.9665, so, it can be argued that these indicators have a variable level of significance in forming the intellectual capital human capital dimension. Furthermore, the variance extracted by 0.5765 equals the recommended value is 0.5 which explains that the information contained on the nine indicators may represent to explain the variable intellectual capital (Table 1).

**Customer capital:** Reliability construct value of all 6 indicator on customer capital dimensions that form intellectual capital at 0.8725 which indicates the reliable construct value where the value is greater than the recommended is 0.5, so that, the whole item indicators (variables manifest) from dimension customer capital has a decent degree of suitability for building intellectual capital while t-count >1.9665, so, it can be argued that the indicators contained in the capital customer dimension have a variable level of significance in shaping the intellectual capital. Furthermore, the variance extracted by 0.5031 equals the recommended value is 0.5 which explains that the information contained in the six indicators can represent to explain the variable intellectual capital (Table 2).

**Managerial skills:** Construct reliability value of 9 indicators that make up the managerial skills where the indicator value is the dominant experience of other

Table 3: Validity and reliability testing of managerial skills variable

Indicators	Standardized loading	(Standardized loading) <sup>2</sup> = R <sup>2</sup>	t <sup>-</sup> -values	Error variance	Notes
<b>Managerial skills variable (Y<sub>11</sub>)</b>					
Y <sub>11</sub>	0.504	0.2540	9.0197	0.4919	Valid
Y <sub>12</sub>	0.607	0.3684	5.8727	0.3566	Valid
Y <sub>13</sub>	0.5313	0.2823	5.4117	0.4250	Valid
Y <sub>14</sub>	0.6431	0.4136	6.0687	0.3363	Valid
Y <sub>15</sub>	0.6129	0.3758	5.9057	0.2748	Valid
Y <sub>16</sub>	0.6111	0.3734	5.8957	0.2919	Valid
Y <sub>17</sub>	0.5934	0.3561	5.7957	0.2667	Valid
Y <sub>18</sub>	0.5768	0.3327	5.6971	0.3989	Valid
Y <sub>19</sub>	0.6647	0.4418	6.1789	0.3681	Valid
Total	5.3443	1.9200	55.8459	3.2102	Valid

\*Construct reliability = 0.8517; Valid; Variance extracted = 0.5127; Valid

Table 4: Validity and reliability testing of productivity variable

Indicators	Standardized loading	(Standardized loading) <sup>2</sup> = R <sup>2</sup>	t <sup>-</sup> -values	Error variance	Notes
<b>Productivity variable (X<sub>11</sub>)</b>					
Z <sub>11</sub>	0.6198	0.3842	8.8381	0.3422	Valid
Z <sub>12</sub>	0.6223	0.3872	7.0705	0.3249	Valid
Z <sub>13</sub>	0.6314	0.3986	7.1536	0.2166	Valid
Z <sub>14</sub>	0.6427	0.4130	7.2556	0.5559	Valid
Z <sub>15</sub>	0.5399	0.2915	6.2856	0.2585	Valid
Z <sub>16</sub>	0.6517	0.4247	7.3385	0.3579	Valid
Z <sub>17</sub>	0.5945	0.3535	6.8126	0.2970	Valid
Z <sub>18</sub>	0.6061	0.3673	6.9206	0.4291	Valid
Z <sub>19</sub>	0.6540	0.4277	7.3586	0.3445	Valid
Total	5.5624	3.4477	65.0337	3.1266	

\*Construct reliability = 0.7729; Valid; Variance extracted = 0.5036; Valid

indicators. Overall indicators of managerial skills has a value of contributions in accordance with the recommended value of 0.7 which means that all nine indicators have a degree of conformity in the form of managerial skills while the t value of each indicator is >1.9665 indicates that overall item indicator has a significant influence in shaping the managerial skills. Furthermore, based on the variance extracted explained that the information contained on each indicator can be represented to explain managerial skills (Table 3).

**Productivity:** Productivity has reliability construct a value greater than the recommended value, amounting to 0.7. So, it can be said that all nine of two-dimensional indicator has a requirement for the level of conformity in forming variable productivity construct. Furthermore, the variance extracted explained that the nine indicators of the two-dimensional variables can be represented construct explaining latent variable productivity (Table 4) Metode Penelitian Kuantitatif, Kualitatif dan Kombinasi, Bandung: Penerbit Alfabeta Statistika Untuk penelitian, Bandung: Penerbit Alfabeta).

**Hypothesis testing:** Direct and indirect effect of intellectual capital on small and medium enterprises productivity in makassar through managerial skills (Table 5) F count through the formulation, namely:  $(\sum K) / [(1 - R^2) / (n - k - 1)]$  where k = number of variables which

Table 5: Contributions of the influence of intellectual capital (1) toward productivity ( $\eta_2$ ) through managerial skills ( $\eta_1$ )

Latent variables	Path coefficients (%)	Direct impact (%)	Indirect impact (%)	Total (%)
Intellectual capital	0.50	50	36	86
Managerial skill	0.36	36	27	63
Total effects (R <sup>2</sup> )	-	-	-	63

Table 6: Contributions the influence of managerial skills ( $\eta_1$ ) toward productivity ( $\eta_2$ )

Latent variables	Path coefficients (%)	Direct impact (%)	Indirect impact (%)	Total (%)
Managerial Skill	0.36	36	0	36
Total effects (R <sup>2</sup> )	-	-	36	-

follows a variable intellectual capital ( $\eta_1$ ). Effect of intellectual capital variables simultaneously indicated by the calculated F-value of 47.0352. While F-table value of 3.042 at = 0.05 and degrees of freedom db1 and db2 = 2 of 167 was obtained from (n-k-1). Thus, simultaneously intellectual capital has an influence indirectly through managerial skills at the 95% confidence level on productivity.

As for the size of the contribution the influence of variables simultaneously Intellectual Capital to productivity indicated by the table above where the total value of R square (R<sup>2</sup>) simultaneously by 63% and the remaining 1-R<sup>2</sup> = 27% is explained by other factors not examined. The amount of the contribution simultaneous effect is obtained through total direct influence by 50% and indirect influence by 36%.

Intellectual capital has an influence indirectly through managerial skills at the 95% confidence level on productivity. This is consistent with the research hypothesis that states that intellectual capital has an influence on productivity. Therefore, small and medium enterprises in makassar in increasing productivity should give more attention to the intellectual capital. Attention to intellectual capital will steer the company in the orientation of creativity and innovation that led to the internal and external company. I reveals that intellectual capital has a positive effect on the value of the company. stated that the intellectual capital, management, membership and member participation simultaneously or partially affect the competitive advantage. Demonstrated that the ability of businesses to the social capital is trying to influence the culture of entrepreneurship.

**Effect of managerial skills influence towards small and medium enterprises productivity in Makassar:**

Managerial skills t values influence on productivity, values obtained t-count 3.2678 > 1.9665 t-table value. This indicates that the variable managerial skills has an influence on productivity. Thus, the hypothesis that the managerial skills have a significant impact on the productivity of SMEs in Makassar accepted.

In Table 6, it can be described that the value of F count through the formulation is  $(\sum K) / [(1 - R^2) / (n - k - 1)]$  in

which  $k$  = number of variables which follows the managerial skills variable ( $\eta_1$ ). The effect of managerial skills variables is simultaneously indicated by the F value namely 47.0352. Meanwhile, F table value is 3.042 at  $\eta = 0.05$  and degrees of freedom  $db_1$  and  $db_2 = 2$  of 167 obtained from  $(n-k-1)$ . Thus, managerial skills has an influence simultaneously on the confidence level of 95% of the productivity.

Managerial skills have a direct influence on the confidence level of 95% on productivity. This is in line with the research hypothesis proposed by Isnugrahi and Kusuma in which they state that one of the keys to the success of a company is successful managers to design business processes which is efficient and able to make decisions that add value to the company. Their results also state that the managerial skill has positive effect on income management. Djuitaningsih and Rahman stated in their research that the managerial skills have positive influence on earning per share, return on assets and return on equity but have no influence on the debt to equity ratio and price earnings ratio.

### CONCLUSION

In terms of gender, small and medium enterprises business owners in Makassar relatively male, it indicates that the perpetrators of small and medium enterprises in Makassar individualistic, aggressive, impatient, more assertive, self-confidence higher and mastering jobs compared to the female sex.

In terms of age, ages 41-50 years is as much as 42.35%. This indicates that from the psychological factor, namely the ability to perform self-control to policy making, optimism and initiative

In terms of education level, the majority of perpetrators of small and medium enterprises in Makassar have education level of high school Graduates or equivalent by 92 small and medium businesses or 54.12% compared with the level of education.

Managerial skills have a significant impact on the productivity of SMEs in Makassar accepted simultaneously intellectual capital has an influence indirectly through managerial skills at the 95% confidence level on productivity.

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