

# Intellectual Capital Model in SME's Tour and Travel in Surabaya

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**Keywords:** Intellectual Capital, Human Capital, Structural Capital, Customer Capital, Tour and Travel, SME's.

**Abstract:** The purpose of this study is to identify the implementation and model of intellectual capital in SMEs engaged in travel. Three indicators are used to measure intellectual capital, those are: human capital, structural capital, and customer capital. This research employs qualitative approach while in-depth interview is used to collect the data. Informants are from SME's engaged in in tour and travel which are located in Surabaya because of their large number. The results show that intellectual capital, especially human capital has an important role in the company's sustainability, especially to face competition against other travel companies and airlines that can sell direct tickets to consumers. In this research, SMEs in tour and travel have been done recording their company's database. In more specific, SMEs in tour and travel already have financial report system that can monitor financial transactions at any time. Therefore, it is suggested that SMEs in tour and travel to use the marketing mix policy to set pricing and promotion and choose the right promotional media.

## 1 INTRODUCTION

The prospect of the tour and travel business (hereinafter referred to as TT) is still very large. This is triggered by the increasing public demand for tourism services. The Association of Indonesian Tours and Travel Agencies (Asita) explained that in 2016 there were 7,000 TT businesses registered in Indonesia (Radar, JawaPos, Monday, Feb 12, 2018). The number of tourists in 2016 is around 19 million, and 2017 is 24 million. The number of foreign tourists in Surabaya respectively in 2014-2016 is 742,084 people, 853,790 people and 772,058 people (BPS, data updated Jan. 11, 2018).

In January 2015 has been applied AEC (ASEAN Economic Community), that is a free trade between countries in ASEAN. In dealing with AEC, all companies including TT are required to create value creation in order to be able to compete, namely by using intellectual capital (IC) or knowledge capital inherent in skills, knowledge, and experience, as well as in organizational systems and procedures.

There are three constructs in the IC, namely: human capital (HC), structural capital (SC), and customer capital (CC). Human Capital (HC) is the core of intellectual capital, (Bontis, et al., 2000) The level of intellectual capital influences the company's

performance which includes employee productivity, increased employee skills and increased profits (Berryman, 2000), In addition, the level of intellectual capital affects the financial performance of service companies (Iswati and Anshori, 2007).

Considering from the scale of business, turnover and total assets, TT is categorized into small and medium enterprises (SME). In Surabaya the number of SMEs grows rapidly. The number of SMEs of TT in 2010 is amounted to 92, then in 2015 is amounted to 3,000 and in 2017 is amounted to 5,166 and in East Java is amounted to 4,112,443 (Diskopukm Jatim, 2017). There have been many researches on intellectual capital in Indonesia, but there are still few which associate with SMEs. The role of IC in SME can increase its competitive advantage (Setiarso, 2006).

## 2 LITERATURE REVIEW

### 2.1 Resource based Theory, Knowledge-Based Theory

Resource Based Theory is an entity can achieve its competitive advantage if the entity has superior resources, namely scarce resources, difficult to be

replicated by competitors and no substitute (Penrose, 1959), Barney, 1991). Knowledge-based theory identifies that knowledge can support in achieving competitive advantage. This happens if the organization has unique resources, which meet 4 criteria, namely: valuable, rare, imperfect imitability, and non-substitution (Edvinsson and Malone, 1997; Bontis, 2002; Choo and Bontis, 2002).

## 2.2 Intellectual Capital (IC)

Intellectual capital can be defined in terms of value creation, namely, "Intellectual material-knowledge, information, intellectual property, experience that can be used to create wealth." Stewart (2000). There are three constructs in the IC, namely: human capital (HC), structural capital (SC), and customer capital (CC). Human Capital (HC) is the core of intellectual capital (Bontis, Keow, Richardson, 2000). HC is the most important element. HC can be measured through training programs, credential, experience, competence, recruitment, mentoring, learning programs, individual potential and personality Brinker (2000). Structural Capital (SC) arises from organizational processes and values that reflect the internal and external focus of the organization and the development and renewal of the future.

The constraints faced by SME are that they do not have the media to store the SC's knowledge due to SME capital limitations. Knowledge is created, shared, transferred and applied through organizational members without the intervention of automation mechanisms as in large organizations. In SME, knowledge is attached to documents or other storage media and is attached.

Good management of customer capital will cause market change competencies to be developed. If the organization focuses on the customer, it can serve it well (Cohen and Kaimenakis, 2007). Compared to large organizations, SME is easier to develop customer capital by using available knowledge from relationships that are established to achieve high performance (Desouza and Awazu, 2006 pp. 32-43). SMEs also have closeness to their customers, which allows SMEs to gain customer knowledge directly and faster than large organizations (Wong and Aspinwall, 2004). There are 21 IC measurement methods grouped into four (Sveiby, 2010). The measurements are: 1) Direct Intellectual Capital Methods (DIC). 2) Market Capitalization Methods (MCM). 3) Return On Assets (ROA). 4) Scorecards Methods

## 2.3 Small and Medium Enterprises (SME) and Tour and Travel Company (TT)

In Indonesia, SME is divided into 3, namely: Micro, Small Business, Medium Business (Law No. 20 Th. 2008). Tour and Travel Company (TT) is a business activity that takes care of travel, including the provision of tickets, lodging, passports and so on (kbbi.kata.web.id). Based on the above law, TT is grouped into SMEs. SME is a forum for the birth of creative people. Small scale makes it easy for SMEs to innovate. If the SME is able to manage knowledge as intellectual capital, it will create competitive advantage that this will improve the performance of SMEs (Astuti, 2004). In service companies, human capital is needed to create customer satisfaction.

## 2.4 Previous Studies

The SME Garment Industry Human Capital Research in West Java, shows that HC is not optimal. Qualitative method. Of the 8 dimensions of HC, only the ability dimension has the most role (Ekawati 2014). Management and development of intellectual capital. Can create value. The ideal model for the management and development of intellectual capital is to use Comprehensive Intellectual Capital Management (CICM) (Iswati et al, 2013). Intellectual capital has an effect on SME performance, but innovation does not affect the performance of SME (Indriastuti, 2012). Intellectual capital plays an important role in corporate performance, both from financial performance and social performance (Iswati and Anshori, 2007). The use of the Life Cycle System, especially the IRSA method (identify, reflect, share, apply) in knowledge management and intellectual capital for the empowerment of SMEs is indispensable (Setiarso, 2006).

## 3 RESEARCH METHODS

This study uses a qualitative approach. The activity is carried out in Surabaya. The research informants are company owners. Data collection techniques is conducted by in-depth interviews. Test data validity is by triangulating data sources and theory.

## 4 RESULTS AND DISCUSSION

Its business activities include: selling tour packages, ticketing, arranging travel documents. Its activities are directly related to customer satisfaction. Travel business competition is very tight, therefore to win the competition travel companies must optimize their human capital to always provide the best service to customers. Travel companies use Armadillo Accounting, a software to monitor financial performance through smartphones. To explore intellectual capital implementation in TT, questionnaires and interviews were used. The implementation is divided into 3 groups, namely Customer Capital (CC), Human Capital (HC) and Structural Capital (SC).

Customer Capital (CC) is a capital related to a relationship (network) with its partners, both from suppliers and customers. Results of research on CC are: 1) Customers are satisfied with the company's services. 2) The number of customers is always increasing. 3) Having loyal customers, 4) Improving customer service. 5) Managers understand the target market of their products. 6) Consistently always launching product innovations. From the results of interviews with CC it can be seen that relations and customers are important capital in travel companies.

Human Capital (HC) in this study is aimed at employees owned by travel companies. From the results of in-depth interviews with informants, the results of the study are as follows: 1) Having an employee training program, 20% strongly agree and 70% agree. 2) Have adequate planning. 3) Having a good team work. 4) Employees have good competence and 5) Able to innovate products. 6) Implement participative management, 7) Good relations between employees. 8) Employees are quite intelligent and responsive. 9) Attempting to advance the business. From interviews with Human Capital on average travel companies have conducted employee selection and implemented well-planned training programs. To expand the market, travel companies routinely attend the travel exhibition.

The company also provides trainings to employees to improve the quality of human resources they have. The training includes: 1) IATA (International Air Transport Association) terminology, 2) Global indicator, 3) International Ticketing, 4) Basic Fare Calculation, 5) Confidential fare, Carrier fare, and 6) Global Distribution System. The cost of doing the entire training is Rp 1,750,000.

Structural Capital (SC) is the ability of an organization or company to fulfil the company's routine process and its structure supports employees'

efforts to produce optimal intellectual performance and optimal business performance, for example: the company's operating system, manufacturing process, organizational culture and corporate management philosophy. The results of interviews with informants provide the following results: 1) Have optimal transaction costs, 2) Fast transaction process, 3) Running a business efficiently, 4) Support employees who are marketing innovations, 5) Comfortable work atmosphere, 6) Simple bureaucratic system, and 7) There is a separation of functions.

Based on the results of interviews related to Customer Capital, Human Capital and Structural Capital, this proves that the role of Intellectual Capital in TT is quite large. This is because TT activities are directly related to customer satisfaction. The financial recording system in TT in the form of ticketing software such as Simfull travel and myTravel, payroll system, training programs have been implemented well.

The Intellectual capital model owned by TT is incorporated in the financial statement account. For structural capital, it includes the organizational structure of the company, employee training, financial statements. Customer Capital includes customer data and work partner data. Human Capital includes data on the number and salary of employees. TT rarely has bank loans. They rely on their own capital. TT requires relatively little capital. Because in its activities, customers usually provide a down payment of between 60% - 80% of the contract value as a sign to use TT services. Therefore, this business is very attractive and does not require large capital.

## 5 CONCLUSIONS

In SMEs of tour and travel in Surabaya, the intellectual capital especially human capital has the most important role in maintaining the viability of the company and encouraging competition in business.

SMEs of tour and travel in Surabaya conducts employee database for financial statements and uses a reporting system for modern financial statements, so that each transaction can be monitored at any time through mobile phone.

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