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INTELLECTUAL CAPITAL AND INNOVATION IN BUSINESS ACTIVITIES FOR VALUE CREATION AND COMPETITIVENESS

Linda Lores[1], Iskanda Muda[2], Prihatin Lumban Raja[3], Idhar Yahya[4]

Abstract

The Objective is to find out what makes SMEs able to continue to survive by utilizing their internal resources in the SMEs. The research method uses qualitative analysis, with the case study method, and with 120 informants who are small and medium business actors in the city of Medan, Indonesia, and is presented graphically and in tables, using NVIVO 12 plus. Data collection and analysis included participant observation, interviews, and interpretation data and videos

The findings show that business actors are always continuously trying to find creative ideas that are better known to them as Intellectual Capital, which are appropriate for their business. The creative ideas created will be related to the inherent characteristics of the business. Because the characteristics will distinguish one business from another, even though the business is similar. The process of finding business characteristics requires a long time, with three stages until the creation of innovation to create business value and competitive advantage.

Limitations of Research, Data only used This study used 102 participants, and was considered by the researcher to be sufficient because he had obtained the same findings, it was suggested to further researchers to develop a research model

Practical implications. This business is very different from large businesses, especially in the form of its business, its activities, and the assets it owns. Intellectual Capital as knowledge possessed by SME's their business activities. The effect is obvious by having innovation and performance, being key factors for the competitiveness of their businesses.

[1] Student of the Doctor of Accounting Program, Universitas Sumatera Utara, lindalores0@gmail.com

[2] Universitas Sumatera Utara, iskandar1@usu.ac.id

[3] Universitas Sumatera Utara

[4] Universitas Sumatera Utara

Originality/ Value: Research has found that research and development activities in SME's business actors can create assets that provide business value and business competitiveness.

Keywords: creative ideas, Intellectual capital, Research and Development, Value creation, Innovation, MSMEs.

1. Introduction

Winning the competition is done by focusing on the use of organizational resources that are valuable, not easily imitated, rare, and not easily replaced (Dalenogare et al., 2018a). Intangible assets are the hallmark of the new economy (Petkov, 2012) Intellectual Capital (IC) is included in the process of developing an intangible perspective pioneered by economists and practitioners and in parts of Western Europe further giving birth to various kinds of words or terms or with designations relating to intangible assets. Several studies consider the expression of intellectual capital to be synonymous with intangible assets including (Cuozzo et al., 2017) stating that related to the terms intellectual capital and intangible assets in the use of these two terms need to be explored further and to create business value, such as (Rahman & Khatun, 2016, Minovski & Jancevska , 2018; Osinski et al., 2017; Al-khoury et al., 2022).

Thus, human science is the key to the birth of an increasingly sophisticated industry to be able to meet human needs themselves. Utilization of internal resources and their attributes in one business activity is very important to achieve competitive advantage (Amaya et al., 2022) . The principle is that big business must start from a small business, then grow to be big. Which is determined by the market with its economic value. Where the value of the company is determined by external parties or the market, measured by increasing revenue and business continuity in the face of business competition. Intellectual Capital and Innovation contribute to the growth of SMEs (Inn et al., 2015; Jardon & Martos, 2012) One of the strengths of SMEs, by having a more reactive and dynamic mentality and high innovation potential, and these two things are two characteristics inherent in SMEs. Given this specificity, competitive advantage and increase innovation potential, business actors need to use knowledge and intangible assets (Cohen et al., 2014; Massaro et al., 2015) . In addition, the cumulative growth rate in Innovative SMEs can be explained by Intellectual Capital (Demartini et al., 2018) and informal strategies and flat and flexible structures tend to characterize SMEs, where the greater investment is in human capital (HC) (Mariz-Perez et al., 2012; Roziq et al., 2021, Binh An et al., 2022) . The results of the study (Kim et al., 2018) state that practically the type of innovation for SMEs needs to consider various internal characteristics that concentrate on research and development

capabilities on profit creation or profits. According to (Mazzi et al., 2022) accounting information for research and development for future value creation, which is the expectation of standard setters . And it is a challenge for SMEs that have historically paid attention to real output.

Research stating that intellectual capital is an important factor in creating business continuity, including (Chen et al., 2005; Dechow & Dichev, 2002) states that increased understanding and application of intellectual capital helps companies become more efficient, effective, profitable and innovative. (Bontis et al., 2002) denotes intangible assets contribute to and define a company as a specific economic environment that is distinct and cannot be imitated by the market (Barney, 1991) . Small and Medium Enterprises often consider their Intellectual Capital when determining business strategies in business development. This causes business actors to pay more attention to intangible assets as a business strategy to achieve competitive advantage and implement knowledge based business. (Castilla-Polo & Gallardo-Vázquez, 2016) stated that there is a gap in the literature regarding Intellectual Capital disclosure, and it was considered necessary to carry out a qualitative improvement or explanation of the research, which would allow further analysis of the decision (Dalenogare et al., 2018b; Pappas et al. al., 2017, Lores et al., 2018) explained that to win the competition in the industrial era 4.0 by focusing on the use of organizational resources that are valuable, not easily imitated, rare, and not easily replaced, the orientation shifts to intangible assets (intellectual capital)

According to (Jaara & Rahman Elkotayni, 2016) states that internally generated intangible assets can preserve a company's competitive position for a long time through development costs and patents. Wang et al., (2016) stated that Intellectual property, management processes or strategies and development research were the items of internal capital that were most frequently disclosed in companies in India with a relatively high number. and in China disclose it in relatively high quality, and one company should disclose more information on its internal capital. Research conducted (Akilbek, 2017; Minovski & Jancevska, 2018) states that intangible assets are a source of value that is considered as Intellectual Capital which does not really pass the test in terms of its recognition, integrating it as added value and as a tool effective in managing organizational development. In (Cronje & Moolman, 2013; Powell, 2010) which states that accounting for intellectual capital or intangible assets is one of the most developed areas of accounting theory and standard regulations internally or acquiring them through the conduct of a business combination to development, the accounting treatment of these two alternatives may be different, resulting in the need for greater disclosure of intangible

assets in financial statements, by use a single policy for the measurement and disclosure of intangible assets. Findings (Brannstrom & Giuliani, 2009) state that Intellectual Capital its place in financial statements, even if simplified and (Fischer, 2014) state that the effective identification, measurement, and management of Intellectual Capital and its replacement begins with its understanding and assessment.

In the initial research (pre-survey) of business actors (participants) in the city of Medan by conducting interviews, with one type of craftsmanship, namely footwear and batik and ulos craftsmen. The first interview was conducted at a footwear business that had been running for 10 years. it was found that businesses can survive and develop by already having a mainstay product while maintaining the quality of their products and this becomes an asset for actors who provide business value and are able to face competition in the business world. Other business actors that the researchers met were engaged in the culinary field, this business has been running for almost 12 years, has a distinctive taste and characteristics and is in demand by consumers as well as being something attached to the business name that provides added value to its business. And at the same time generate increased business income and call it a product advantage. The case above is an example of the application and utilization of Intellectual Capital to create a type of reliable product that is recognized as an asset because it has an impact on operating income in the long term and is inherent in the business. Business actors state that a business can continue to run and develop if it already has "something mainstay" for the business, especially results that come from within the business or are obtained by themselves.

How do business actors create and develop Intellectual Capital and Innovation originating from their business activities, What is the process for creating business mainstay products and determining something that becomes a business mainstay with its criteria. Field research is required with the many activities and business strategies carried out by business actors in maintaining business to obtain value and achieve competitive advantage.

2. Literature Review

2.1. Theory of Resource Based View (RBV)

Resource- based theory (Wernerfelt, 1984) states that companies have resources that can make companies have the ability to compete and important role in economic development, because they have become the main source of job creation and output growth, not only in developing countries, but also in developed countries. According to

(Pedraza, 2021) and there is no doubt that the performance of SMEs is very important for economic development in developing countries. Micro, Small and Medium Enterprises (MSMEs) The definition of Micro, Small and Medium Enterprises (UU Number 20 of 2008) in the Act. MSMEs can be categorized into three mainly based on the number of assets and turnover.

2.2. Intellectual Capital

In opinion (Costa et al., 2014; Jardon & Martinez-Cobasid, 2021) stated that the manifestation of the important role of Intellectual Capital can be seen from the use of knowledge that generates innovation and as a basis for increasing responsiveness to the needs of customers and stakeholders (Sadalia et al., 2019). A deficit of resources and knowledge assets needed to generate and commercialize ideas (Foray & Raffo, 2014). SMEs is a significant factor in building a regional economy that is competitive in the global market. According to (Reguia, 2019) innovation is very important at the level of product and process applications.

According to the literature on market concentration, SMEs are more innovative in competitive markets. The findings (De Jong & Marsili, 2006; Laforet & Tann, 2006) found that the drivers and patterns of SME innovation are more diverse. The findings (Gatautis et al., 2019) state that small companies must compete and place more emphasis on product innovation and business systems that are implemented in their activities, because these business actors will be able to do very well in this field and even with limited resources. (Kim et al., 2018) stated that granting and disclosing patents on innovations generates additional benefits for companies. Development of intellectual capital and innovation is a process of selecting the best alternative to continue to run a business and face business competition. (Bigliardi, 2013; Kong, 2010; St-Pierre & Audet, 2011; Indrayani & Madjid, 2021). (Al-Jinini et al., 2019) stated in application Intellectul capital shows contribution to competitive strategy by improving and understanding IC concepts in value creation and innovative economic development. (Chander & Mehra, 2011) states that to face the greatest competition depends on intangible assets that cannot be changed and are difficult for competitors to imitate and better recognize research and patent activities within the company.

2.3. Micro, Small and Medium Enterprises Innovation

Innovation in small-scale businesses, Amabile defines innovation as the implementation of new and appropriate ideas. The ability to be creative and innovative is a very important individual competency required by any organization.

3. Methods

Qualitative researchers use a case study approach. The qualitative method according to (McCusker & Gunaydin, 2015) The selection of informants in qualitative research is completely determined by the researcher (Cohen & Kaimenakis, 2007, Patton, 2002). Data collection techniques by conducting in-depth interviews, FGDs, to obtain information on the 102 selected participants.

4. Results and Discussion

4.1. Result

4.1.1. Research Informants

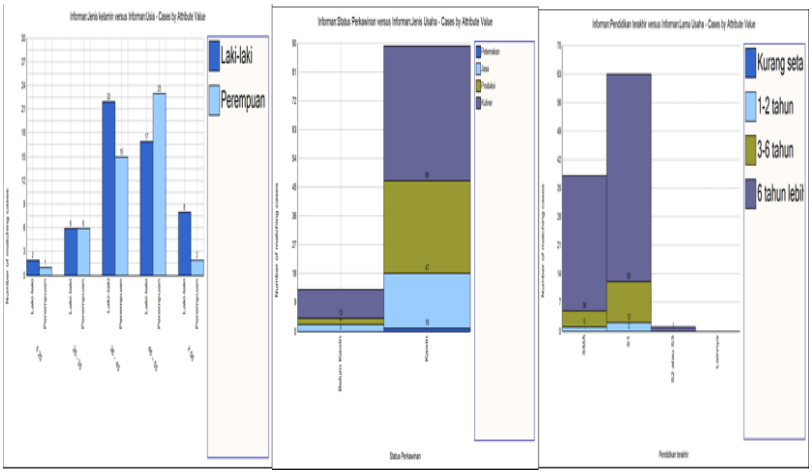
Table 1. List of research informants

Type of business	Number of matching cases
Farm	1
Service	19
Production	31
Culinary	51
Total	102

Source: Research Processed Data (2022)

Based on Table 1 as informants was 102, with several considerations, namely having assets and turnover. Interviews and discussions conducted by researchers on 102 business actors spread across several areas in the city of Medan.

Table 2. Informant Demographics



Source: Processed data from researchers (2022)

Informants have formal education, meaning that education is not a problem for SMEs in running their business, in terms of the length of business over 6 years, from the results of interviews and direct observation some businesses have been running for more than 10 years and some have even been running for 20 years, and businesses that have it has been more than 15 years, some have branches in other areas as part of their hereditary business development, and informants who continue the business must be able to maintain their business.

This also shows that the emergence of experience in business activities is one of the factors in the development of its business, which is a question of whether a long time in business will be able to manage the intangible assets that business actors create to develop and maintain their business.

The dynamic and positive role of Small and Medium Enterprises is an important factor in building a regional economy that is competitive in the global market. Opinions that say changes in accounting are a response to the increasing importance of intellectual capital (IC) (Chander & Mehra, 2011; Cohen & Kaimenakis, 2007; Marr et al., 2004) . Intangible assets or elements of intellectual capital are prone to be recognized as assets according to the current accounting model" (Ghasempour & Yusof, 2014; The European Commission, 2001). Intellectual capital that can be converted into value (Leliaert et al., 2003) , and as a key factor in creating corporate value and competitive advantage, and success (Agostini et al., 2017; Z. Wang et al., 2020 and Kato , 2021;) .

4.1.2. Data Exploration

Table 3. Cluster Data Analysis Pearson correlation coefficient

Code A	Code B	Pearson correlation coefficient
Nodes\\Intellectual capital\creative ideas	Nodes\\Intangible assets\Internal assets	0.88808
Nodes\\Intellectual capital\The process of discovering business characteristics	Nodes\\Intangible assets\Internal assets	0.876433

Nodes\\Innovations\Increasing revenue	Nodes\\Intangible assets\Internal assets	0.844327
Nodes\\Intellectual capital\The process of discovering business characteristics	Nodes\\Intellectual capital\creative ideas	0.821972
Nodes\\Intellectual capital\Intellectual capital	Nodes\\Intellectual capital	0.809987
Nodes\\Intellectual capital\Structural capital	Nodes\\Intellectual capital\Human capital	0.796784
Nodes\\Innovations\Increasing revenue	Nodes\\Intellectual capital\creative ideas	0.761025
Nodes\\Intellectual capital\Structural capital	Nodes\\Intellectual capital\Relational capital	0.748067
Nodes\\Intellectual capital\creative ideas	Nodes\\Innovation \characteristics	0.737534
Nodes\\Intellectual capital\Relational capital	Nodes\\Intellectual capital\Human capital	0.730242
Nodes\\Innovation\characteristics	Nodes\\Intangible assets\Internal assets	0.729746
Nodes\\Brands	Nodes\\Intangible assets\Internal assets	0.728443

Nodes\\Intellectual capital\The process of discovering business characteristics	Nodes\\Brands	0.78435
Nodes\\Intellectual capital	Nodes\\Intangible assets	0.713780
Nodes\\Intellectual capital\Value	Nodes\\Intellectual capital	0.712902
Nodes\\Intellectual capital\Value	Nodes\\Intangible assets	0.705850
Nodes\\Intellectual capital	Nodes\\Intellectual capital\Human capital	0.698071
Nodes\\Intellectual capital\The process of discovering business characteristics	Nodes\\Innovation \characteristics	0.694622

Source: Processed data from researchers (2022)

Based on Table 3, in addition to seeing the similarities in the words in the interview results with this analysis, the researcher also found similarities in the words from the coding results. The similarity of words indicates a similarity in theme and a high similarity is indicated by a high degree of correlation. Intellectual capital with intangible assets is 0.88808 which indicates that the correlation between "intellectual capital" and "intangible assets" is very strong and also in the table above a strong correlation between 'innovation; with 'intellectual Capital' has a strong correlation of 0.761025 with "increasing income" with "internal assets" and so do others that have a strong correlation with a Pearson coefficient above 0.5. This shows that each participant has a similar relationship. Based on Table 4. search results for the word 'Intellectual Capital' is the word with the most frequency appearing 1.84% followed by 'Intangible Assets' and Knowledge.

Table 4. Word Frequency Query On Vivo 12

Word	Amount	%
Intellectual capital	3790	1.84
Intangible Assets	1799	0.86
Knowledge	988	0.49
Employment	359	0.18

Creative idea	134	0.05

Source: Results processed by researchers (2022)

Based on Table 4. search results for the word 'Technology' is the word with the most frequency appearing 0.18% followed by 'Innovation Process' and product innovation.

Table 5. Word Frequency Query On Nvivo 12 word Innovation

Word	Amount	%
Technology	377	0.18
Innovation process	234	0.11
Innovativeness Product	191	0.09
Innovations Property	191	0.09
Innovation	115	0.07

Source: Processed data from researchers (2022)

Based on Table 5. search results for the word 'SME's' is the word with the most frequency appearing at 1.06% followed by 'Small Business and Companies.

Table 6. Word Frequency Query On Nvivo 12 SME's words

Word	Amount	%
SME's	2163	1.06
Small Business	1233	0.40
Enterprise	1272	0.60

Source: Processed data from researchers (2022)

In addition, researchers also review and understand the use of the word financial accounting standards from various research data sources. There are various opinions related to financial accounting standards

Based on Table 7 the search results for the word 'Financial reporting standards' is the word with the most frequency appearing 0.90% followed by 'IFRS' and Value.

Table 7. Word Frequency Queries said the financial reporting standards

Word	Amount	%
Financial reporting standards	1839	0.90
IFRS	1285	0.50
Value	1003	0.48
Financial Accounting standards	600	0.29
Financial Statements	285	0.08

Source: Processed data from researchers (2022)

4.2. Discussion

4.2.1. How Intellectual Capital and Innovation are created and developed

Human resources as the spearhead in executing every directive and business strategy that needs to be prepared, and are able to take advantage of every opportunity that exists, so that by utilizing Intellectual Capital in SMEs they can face competition with their business environment, to have the right strategy and continue to survive. and growing. According to (Minovski & Jancevska, 2018), most SMEs rely on discovery and quality management in identifying, selecting and targeting.

Intellectual Capital will be attached to every business activity and will continue to grow in SMEs actors, based on the objectives of a business. The purpose of the business is the background to the emergence of operational activities in its achievement. Competitive strategies must be created, and must be able to solve problems that arise in every business activity. The role of all parties in running a business is very important, both the business actors themselves and their employees and the environment.

At each stage of business activity, the role of Intellectual Capital and the components of the Intellectual Capital concept are very important and have different roles. The initial stages of a business are based on a hobby or market demand and are also supported by planning, business facilities, knowledge, skills, people and business objectives. In the next stage, Intellectual Capital is more optimal in seeking wisdom in the form of processes or products that can be applied in business activities. This requires several business strategies to be able to face competition between business actors and globally. that the business should be able to create. The strategy that is made must be appropriate and in accordance with the business environment and have an impact on increasing business and creating business value. In the business activities of actors, intellectual capital is used to create value that is beneficial to their business.

Participants stated that intellectual capital and innovation are interrelated. This has the premise that intellectual capital creates creative ideas that are produced in the form of assets and innovations. Innovation is the development of creative ideas. Participants stated that intellectual capital in the form of quality creative ideas is called Innovation. Quality is the source of success in developing a business. On the other hand, it is called a creative idea which is said to be the fruit of thought from knowledge on " what we think".

Many creative ideas emerge from every business activity with a period of time, knowledge and experience from business actors and or

together with employees. does not automatically become something that will become a mainstay for businesses. An outcome that will become a hallmark and mainstay in a business must come from internal business, not external, and must pass through several stages of trials conducted by Participants. In the trial process, not all process results become something that can be relied upon, must go through the next stage that the product or process will have an impact on the Participant's business income, and further consideration whether "something" is something that will later be different from other similar businesses, will have an impact there is business income in the short term or long term.

The long-term impact can be seen from the indicators of business value provided by the market. If this can be done, business sustainability will be maintained. Creative participants will always continue to find the right creative ideas for their business.

1). Culinary Services

This type of Culinary Business is a business that never runs out of ideas to make new breakthroughs in selling various types of food and drinks. The main key in starting and running a culinary business is skill and perseverance and patience to develop the business. The main supporting factor for this type of culinary business is quality. According to several participants' opinions, "Businesses must experience growth and development and in the end there is saturation of these products, and we are obliged to seek or develop creatively for these products", Participants already have various types of products that are their mainstay, and always create creativity for the products already available. By trying and developing it, for example by looking for new types of products, developing existing ones with new flavors, improving packaging with new logos, meaning that before the product peaks, we must have a new type of product, ideas come from trial and error itself. or starting from within the business (internally) both individually and with employees with their creativity which is called Innovation. This proves that most culinary business actors have been able to survive in the face of business competition.

2). Production Business

Participants consisting of participants with a formal education background of the majority are undergraduate, followed by senior high school. With an average length of business of over 6 years, with different time periods there are even up to 12 to 20 years and has a broad scope of business. In order to obtain a product that will be reliable or "something" that will be reliable, Participants conduct product trials. And Participants have a product development section. Both Participants already have patents and Intellectual Property

Rights, Participants have received assistance from a financial institution or Government Agency with the guarantee being a product patent, so participants are not afraid to face competition.

3). Service Business

Participants engaged in the type of service business, businesses engaged in service to consumers. This is due to the characteristics of this type of business which only offer the services of a person's expertise. This is because the service business has characteristics, one of which is that it is non-durable and intangible and cannot be separated or cannot be represented.

4). Livestock Business

According to the Participants, knowledge is needed in the form of Intellectual Capital to manage it. To compete with other businesses, it must have value for its business, that value comes from customers. This value is created by going through the process of time and product results. So this business has knowledge attached to individuals that cannot be separated. So what is called Value as a result of the activity process in the money business stages produces quality products. The results of this product becoming famous will be attached to the business name. This is what the Participants call an intangible asset in the form of a business name.

5. How do SMEs define and understand Intellectual Capital and Innovation?

1). Type of Culinary business

Participants have understood and understand Intellectual Capital as knowledge that is owned by Participants. While there were several participants who mentioned or termed intellectual capital in other terms, including intangible assets, knowledge capital, creative ideas, characteristics that data gave business value, but these were considered the same by the participants.

Participants have levels of education starting from high school level up to Strata 2 (S2). This can refute the paradigm of education that exists for SMEs with low education, and has experienced a shift, that business actors have obtained at least high school level education even up to Masters. It was concluded that business actors in SMEs have formal education.

These participants understand and are able to define what is called Intellectual Capital and Innovation that originates or is created within the Business. The beginning of its establishment triumphed from the taste of the food. The taste of the food will not change, the image of the taste of the food is created by the owner with his trademark. .With

taste, the restaurant's income increases and survives. In which businesses entering a business that year must optimize more in creating the right ideas.

According to the participants, innovation is the result of knowledge or intellectual capital. The existence of innovation will lead to the development of products or business processes that already exist. to face business competition in the short term and continuously for products. And it will start to emerge in businesses that have been running for more than three years, and already have something that can be developed in their business activities. and continues to appear when the business has entered its sixth year and so on.

Participants stated that intellectual capital and innovation are interrelated. This has the premise that intellectual capital creates creative ideas that are produced in the form of assets and innovations. Innovation is the development of creative ideas. Participants stated that intellectual capital in the form of quality creative ideas is called Innovation. Quality is the source of success in the development of a business. On the other hand, it is called a creative idea which is said to be the fruit of thought from knowledge on " what we think".

Many creative ideas emerge from every business activity with a period of time, knowledge and experience from business actors and or together with employees. does not automatically become something that will become a mainstay for businesses. An outcome that will become a hallmark and mainstay in a business must come from internal business, not external, and must pass through several stages of trials conducted by Participants. In the trial process, not all process results become something that can be relied upon, must go through the next stage that the product or process will have an impact on the Participant's business income, and further consideration whether "something" is something that will later be different from other similar businesses, will have an impact there is business income in the short term or long term.

2). Type of production business

Participants have understood and understand Intellectual Capital as knowledge that is owned by Participants. While there were several participants who mentioned or termed intellectual capital in other terms, including intangible assets, knowledge capital, creative ideas, characteristics that data gave business value, but these were considered the same by the participants.

According to the participants, innovation develops in business actors with an average business that has been running for more than 3 years. Innovation in business actors comes from creative ideas created by business actors. The innovation created will not automatically affect

the income level of the perpetrator's business. Even innovations that can affect income levels must be considered, whether the innovation has an impact in the long term or a short term, it could be that the innovation has only a temporary impact where the impact is based on the curiosity of the consumer, it can be concluded that it can be recognized as an asset by the business actor. several factors must be considered, one of which is "time", meaning how much time is given to the resulting innovation that can become an actual asset for the business actor, because it is possible that innovations found by business actors are temporary in nature which is better known as product strategy Business

3). Type of service business

Innovation has a relationship (Relation) with Intellectual Capital, where the relationship (Related) a certain activity that has an impact on other activities with the meaning of activities in activities with the use of Intellectual Capital results in new innovations. In the above relationship (Relationship) it is found that Intellectual Capital has a relationship that provides or attaches value to Innovation. Participants said that Intellectual Capital is used with other terms understood by Participants as Knowledge Capital. Intellectual Capital or also called Intellectual Capital is also an intangible asset.

The type of service business, states that Intellectual Capital is knowledge and experience that is poured in with creative ideas that will emerge or be created during the transaction process with clients or consumers, and this idea is inherent in individuals that cannot be separated. Creation of Innovations that can be directly enjoyed by consumers consumer

4). Type of farm business

According to the Intellectual Capital Participants in the form of knowledge with creative ideas from this business, making broders or boundaries for cages with each enclosure barrier is one of the creatives that results from the knowledge of the Participants, and according to the desired standard, food and drink for livestock are prepared and processed by themselves with , how to obtain or find Intellectual Capital or this concoction idea was found with the results of research and development for 2 months, and has a very similar impact on chickens, and has its own characteristics compared to similar businesses, pets and in management it is known as raising chickens known as boarding management .broder's term business which is a creative idea, concoction of drugs and drinks is a business asset that can generate income and have an impact on the economic value of the business

Based on the results of his creative ideas, he continued to earn increased income and was able to develop chicken production in the future. According to him, innovation follows technology in business. In conclusion, according to participants, Intellectual Capital is knowledge to create creative ideas in business activities that can be used as a mainstay to generate income and consumer trust (Agostini et al., 2017; Suseno et al., 2019 ; Wang et al., 2020 and Muhammad & Salma, 2021). Furthermore, the product was developed which was named by the Participants as a change in the product or called Product Innovation. Product or process innovation can turn into a mainstay product or asset if it is able to increase long-term business income. If not, innovation is one of the business strategies for the short term. So, to recognize a product as an intangible asset, a business requires proof of the time factor and the creation process.

5. Conclusion and Implications

5.1. Conclusion

1. Intellectual Capital is created and developed at every stage of business activity by utilizing knowledge and experience to create a sustainable business, at the initial stages of business activity, IC has developed with individual knowledge to start discovering what will be a form, for creating a business that will be occupied by actors, , in the next stage the actor carries out activities to find "something". IC utilization will create it, and the stages of business development, in this stage "something" has been created and will provide useful business value for the sustainability of MSME businesses.

2. SMEs business actors understand Intellectual Capital as knowledge and experience, although there are several other terms including knowledge capital, creative ideas , distinctive business mainstay , but the intent and purpose of the terms understood by business actors are the same. .

3. The results of intellectual capital into intangible assets are results that have been identified and come from internal businesses by going through a trial process either in the form of processes or in the form of final products, and have an impact on long-term business income, providing value for businesses with economic benefits in future.

4. Innovations in business actors are created from the results of the development of pre-existing operational activities in the short term (non- repetitive), and if the innovations that occur create value for the business, this will be recognized as a business asset.

5.2. Practical Implications

1. This research provides an important thing to note about SMEs. This business is very different from large businesses, especially in the form of its business, its activities, and the assets it owns.

2. Business actors must be able to obtain more knowledge to find creative ideas and create assets for businesses and have an impact on business development and value.

3. Intellectual Capital that is developed and applied and utilized in SMEs to produce assets and business strategies in their categories based on the time period. The timeframe will determine whether the output results from intellectual capital activities are expressed as such.

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