

The Impact of Human Resource Capacity on The Performance of MSMEs in The Culinary Sector in Makassar

N A La Nafie^(✉), Y M Zainiar and M Tang

Department of Business Administration, Ujung Pandang State Polytechnic, Makassar, Indonesia, 90245

nuralamlanafie@poliupg.ac.id

Abstract. The aim of this study is to analyze the influence of HR skills on MSME performance in culinary sector. Primary data collected from 60 respondents through face-to-face survey were used in this study. This sample size was determined based on Hair's theory that when the population size is unknown, sample size based on the number of items asked by the questioner multiplied by 5, meaning there are 100 respondents but only 60 people return the questionnaire. The respondent is a culinary MSME owner in Makassar, selected based on a cluster sampling method to represent all types of culinary MSMEs. Hypothesis are built to achieve the research objectives. Multiple regression analysis was applied to test the hypotheses. The analysis results show human resources capacity also have a positive impact on the performance of MSMEs in the culinary industry. On the other hand, the study focuses on human resource skills, some aspects of skills has a positive and significant impact on the performance of MSMEs in the culinary sector. However, two aspects of human resource skills, such as knowledge and skills, has no significant impact on the performance of MSMEs in the culinary sector.

Keywords: Human Resources Competence, Msme Performance, Culinary Sector.

1 Introduction

Please note that the first paragraph of a section or subsection is not indented. The first paragraphs that follows a table, figure, equation etc. does not have an indent, either. The COVID-19 pandemic has significantly impacted the continuity of micro, small and medium enterprises (MSME), which are facing the impact of the economic crisis in Indonesia. The economic crisis faced by MSMEs has become a major threat to the national economy, as MSMEs are the driving force of the national economy and have been the largest absorbers of labor for decades. Despite of the economic crisis, MSMEs thrive in several sectors. Data revealed by the Ministry of Cooperatives and Small and Medium Enterprises shows that the total number of MSMEs in Indonesia reached 8.71 million business units in 2022. The number of MSMEs in Makassar City reached

25,730 commercial units, equivalent to equivalent to 9.6% of the total number of MSMEs in South Sulawesi, totaling 268,299 business units [1].

Culinary sector of MSMEs operates in Makassar are capable of surviving even during the Covid-19 pandemic situation. The customers' high demand on culinary sector is caused by the online transportation service for food delivery. More over, MSMEs in Makassar could survive because of the supporting competent human resources possessed.

In the year of 2022, culinary sector of MSMEs absorbed more labors, 96.9 percent of total national labor absorption, which contributed to 60.5 percent of gross domestic product, and to a huge role of Indonesia's economic growth reaching 99% of total cases

Some problems experienced by MSMEs in Makassar City, including low quality of personel. In fact, one of determining factors for the business success is quality of personel. Having high quality of human resources would lead to running well the MSMEs and competing better in the market. The problem faced by MSMEs in Makassar City and affecting their performance is the availability of competent human resources. The problems experienced by MSMEs related to HR competency also occur in MSMEs operating in culinary sector. Culinary sector of MSMEs is a quite promising business sector. In terms of market control, MSMEs in the culinary sector in Makassar City are ranked highest among 15 other [2].

The success of culinary MSMEs probably in Makassar city can be influenced by the presence of competent human resources who are empowered in this culinary business sector. Human resource competencies possessed by employees consisting of knowledge, skills, attitudes and other factors can improve business performance. Some studies showed that HR skills can influence the performance of MSMEs [3]–[6]. However, previous studies performed in other business sector. For this reason, studies related to HR competency influencing the performance of MSMEs in the culinary sector in Makassar City must be realized. This study aims to to examine the influence of human resource skills on the performance of MSMEs in the culinary sector of Makassar city.

2 Literature Review, Conceptual framework and Hypotheses

The success of an organization or business is largely determined by the quality or capacity of human resources. Therefore, superior HR skills are necessary. Skill is something that underlies a person's personality which causes an interrelationship between the criteria for effective behavior and/or superior performance in one particular job or situation. Competency is defined as the ability to carry out or carry out work or tasks based on the skills and knowledge possessed and supported by the work attitude required by the job [7]. Knowledge is one's mastery of science and technology and is acquired through learning and experiencing one's skills. Skill is the expertise needed to physically manipulate objects. Competence is an individual's ability to perform various tasks in a job [6]. The ability to demonstrate skill or knowledge characterized by professionalism in a particular field is the most important thing to excel in that field. Competence is a personal characteristic that underpins performance or behavior in the

workplace. A person's performance in a particular job is influenced by that person's knowledge, abilities, and attitudes; work style, personality, interests, fundamentals, values, attitudes; and beliefs and leadership style. This can be interpreted that capacity is what underlies a person's character which causes an interrelationship between the criteria for effective behavior and/or superior performance in one particular job or situation. Based on this, competency contains aspects of knowledge, skills (expertise) and abilities or personality traits that influence performance.

Several studies have been conducted regarding human resource skills and their impact on business performance. The results are mixed. The results of studies [5], [7], [8] show that knowledge, skills, and abilities are factors that have a dominant influence on human resource skills. High HR competency can support the increase in employee performance and will influence the increase of company performance. Competence is the ability and desire to carry out tasks as effectively as possible in order to produce maximum performance. Knowledge is the mastery of science and technology by humans and is acquired through the process of learning and experiencing throughout life; skills are special abilities that allow you to physically manipulate objects; and ability is the property of an individual perform different tasks within a job [8]. These three HR competency indicators have a significant impact on the performance of MSMEs which can influence the competitiveness of MSMEs [4].

Human resource skills have a significant influence on MSME performance [9]–[11]. Skill indicators include production, communication, teamwork and organizational skills, supervision, finance, administration and accounting skills [9]. Skills are the abilities required to perform a series of tasks developed through training and experience. Personal expertise is reflected in how a person performs a particular activity, such as operating equipment, communicating effectively, or implementing a business strategy [12]. So, skill is the ability to perform specific tasks, both physically and mentally.

Based on the above definition, skill can be defined as the ability to perform work easily and carefully, which requires a basic understanding of the job. Employee skills in this context can be measured using a number of indicators such as determining how to perform the task/job, determining the best process to complete the task/job, perform the job well, determine the amount of tasks to be completed,) determine the best measure of the quality of the work to be done by predicting the results of the job performance. Apart from knowledge and skills, another thing to be considered is the employee's attitude or abilities. If employees have characteristics that support the achievement of organizational goals, automatically any tasks assigned to them will be performed to the best of their ability. Competence is a person's skills in carrying out and perform a number of different jobs, such as being able to lead, manage and control a business [9]. Competency is an individual's ability to perform various tasks in a job [8].

2.1 Business Performance

Performance is the work output demonstrated by an individual or a collective within an organization and is a decisive factor in the achievement of organizational goals. MSME performance must be measurable, both in terms of time units and certain units of measurement used as performance standards. MSME Performance Index are financial health, product marketing which competable in the market, and customer satisfaction. Business performance indicators are sales growth, profitability, capital return,

turnover and gaining market share [10]. Apart from that, there are three performance indicators that can be used, namely measuring efficiency, growth and profit [11]. Various publications suggest that both quantitative and qualitative indicators exist limits and that they should be used interchangeably. While qualitative measures are often referred to as performance indicators, performance measurement involves using a specific performance scale approach for factors like business expertise and practical experience, abilities to provide quality products and services, ability to develop new products and processes, ability to manage and work social groups, labor productivity and corporate responsibility towards the environment. Measuring MSMEs performance can also refer to three aspects, namely profitability, productivity and market [12].

2.2 Micro, Small, and Medium Enterprise (MSME)

A Small and Medium Enterprise (SME) of modest scale and size is enterprise entity continuously receiving attention and always given priority by the government. According to the 2008 legislation concerning Micro, Small, and Medium Enterprises (MSMEs), MSMEs are defined as micro enterprises is a production and business enterprise owned by a private individual or enterprise that meets the criteria of a micro-enterprise according to the provisions of law. A small business is a closed productive economic enterprise operated by an individual or a business entity that is not a subsidiary or affiliate of a business that is owned, controlled, or partly, directly or indirectly, by a small business or large business that meets commercial criteria. The standards for categorizing MSMEs, as specified in Article 6, involve assessing either the net worth or asset value (excluding land and buildings where the business operates) or the annual sales revenue. These criteria apply specifically to micro enterprises which have the net worth limit for small businesses ranges from 50,000,000 IDR (fifty million Rupiah) to a maximum of 500,000,000 IDR (five hundred million Rupiah), excluding the value of land and buildings where the business is situated. Additionally, small businesses are required to maintain an annual sales turnover within the range of 300,000,000 IDR (three hundred million Rupiah) to a maximum of 2,500,000,000 IDR (two billion five hundred million Rupiah), disregarding the value of land and buildings at the business location.

Table 1. Table captions should be placed above the tables (Source: www.depkop.go.id).

No	Description	Criteria	
		Asset	Omzet
1	Microbusiness	Max. 50 million Rp	Max. 300 million Rp
2	Small Businesses	>50 – 500 million Rp	>300 – 2,5 billion Rp
3	Midle Business	>500 - 10 billion Rp	>2,5 – 50 billion Rp

2.3 Research Conceptual Framework

Human resource competencies are focuses on knowledge, skills and abilities [16]. This knowledge is linked to science and technology which mastered by experts through a continuous learning process and also from experience [8]. Skills relate to the specific ability to perform physical work, such as the skills required to use machine tools and

communication skills [17]. Competence is a person's skills in carrying out and perform a number of different jobs, such as being able to lead, manage and control a business [8].

Business success influenced by the skills and abilities (competencies) of the owner/manager. Understanding the role of an entrepreneur helps to better understand the skills needed for entrepreneurs to ensure business continuity and business success. The decision maker's role focuses on developing HR skills. Human capacity is the sum of entrepreneurial attributes such as attitudes, beliefs, knowledge, skills, abilities, personality, expertise and behavioral tendencies necessary for a successful and sustainable start-up. In-depth analysis of human resources skills shows that entrepreneurial skills have two sources: first, components associated with the entrepreneurial context (i.e., personality traits, personality, attitudes, self-image and social roles) and second, factors acquired in the workplace or through theoretical or practical apprenticeship (i.e. skills, knowledge and experience). HR competency influences the performance of MSMEs. HR competency as a predictor of MSMEs success has an even stronger influence in stable and dynamic environmental conditions. The abilities and personality characteristics of those who manage companies are universally considered to be one of the most powerful factors having a positive or negative impact on performance. Several studies showed that HR competency significantly influences business performance [3],[4],[8],[9],[13],[14] as illustrated in Fig. 1.

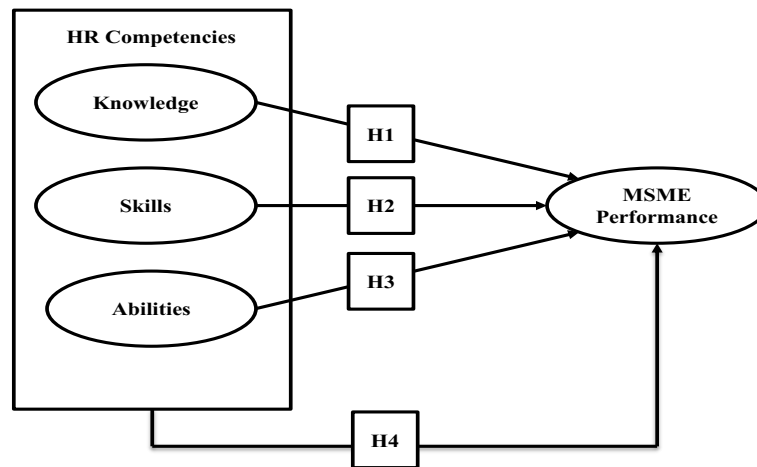


Fig. 1. A figure caption is always placed below the illustration. Short captions are centered, while long ones are justified. The macro button chooses the correct format automatically.

Based on the existing conceptual framework, the research hypotheses are as follows:

H1: Knowledge has a positive impact on MSME performance

H2: Skill has a positive impact on MSME performance

H3: Ability has a positive impact on MSME performance

H4: HR competencies (knowledge, skill, and ability) has a positive impact on the performance of MSMEs

3 Research Method

Based on the research objective, this type of research is causal research. The study aimed to examine this causal relationship between human resource capacity variables and culinary enterprise (SME) performance. This study was conducted among small and medium enterprises in the culinary sector in Makassar city, especially in Tamalanrea and Biringkanaya regions. The research object of this topic is small and medium-sized enterprises in the culinary field. The objective of this study is that business performance is influenced by human resource skills. In this study, two types of variable data are examined: independent variables: human resource skills acceptance index (X) [15] knowledge, skill, and ability. Dependent variable: business performance (Y) adopted from [18] with profit index, market growth, sales volume, asset growth, and employee growth. The research subjects are all small and medium enterprises in the culinary field in Makassar City, especially in Tamalanrea and Biringkanaya regions, in which population size is unknown. Hair [16] stated that when population size is unknown, the sample size is determined by multiplying questioner items with 5 to 10 times. Therefore, The sample size of this study is 100 culinary people resulted from multiplying 20 items of questioner to 5. Nevertheless, only 60 respondents returned the filled questioner. Variables were measured using a 5-point Likert scale, from 1 to 5 (disagree to strongly agree). The validity and reliability of the instruments used were tested to measure what they were intended to measure and to ensure consistency in respondent responses. The validity of the instrument was tested using the Pearson product moment correlation technique with a minimum threshold of $r = 0.05$. Testing the reliability of the device is done by calculating the Cronbach's Alpha reliability coefficient with the minimum limit of Alpha coefficient > 0.6 . Both tests use the SPSS computer program. This analysis was used to describe study variables without generalization. The data collected were then grouped into a table and discussed descriptively. The data analysis technique used in this study is SPSS analysis technique.

4 Results and Discussion

After conducting the research, the results can be presented as follows. Characteristics of respondents by demographic characteristics are presented in Table 2.

Table 2. Characteristics of respondents (Source: processed primary data, 2023).

No	Variable	Classification	Number of people	Percentage (%)
1.	Gender	a. Female	51	85
		b. Male	9	15
		Total	60	100
2.	Age	a. 20 – 30 years	26	43
		b. 31 – 40 years	26	43
		c. 41 – 50 years	8	14
		d. > 50 years	0	0
		Total	60	100

3.	Business Life	a.	≤ 3 years	9	15
		b.	3 – 5 years	36	60
		c.	6 – 8 years	8	13
		d.	9 – 11 years	7	12
		e.	≥ 12 years	0	0
		Total		60	100
4.	Education	a.	High School	21	35
		b.	Diploma 3	15	25
		c.	Bachelor	21	35
		d.	Master	3	5
		Total		60	100

Table 2 explains that there is more women were interviewed than the men interviewed, in which 85 percent were female and 15 percent were male respondents. Characteristic of respondents by age, most respondents aged 20-30 years and 31-40 years are 43 percent respectively, followed by aged 41-50 years 14 percent. Based on its business life, 60 percent of the respondents were operating their 3-5 years in business, 15 percent of them has just started their business less than 3 years, 13 percent and 12 percent have done their business for 6-8 years and 9-11 years respectively in culinary sector MSMEs. Validity and reliability testing of the tools was performed with Pearson correlation and Cronbach's alpha coefficient. Test results for validity and reliability of the tools for each variable is presented in Table 3. All variables are valid because of the larger correlation value is greater than 0.3 and reliable because the Cronbach Alpha value is greater than 0.6.

Table 3. Results of testing the validity and reliability of the tool.

Variable	Item	R Correlations	Cronbach's Alpha α
Human Resource Competence (X)	X1.1	0.799	0.842
	X1.2	0.802	
	X1.3	0.758	
	X1.4	0.822	
	X1.5	0.737	
	X2.1	0.798	0.843
	X2.2	0.848	
	X2.3	0.707	
	X2.4	0.825	
	X2.5	0.746	
	X3.1	0.734	0.786
	X3.2	0.829	
	X3.3	0.585	
	X3.4	0.861	
	X3.5	0.631	
MSMEs Performance (Y)	Y1.1	0.866	0.880
	Y1.2	0.724	
	Y1.3	0.777	
	Y1.4	0.883	
	Y1.5	0.871	

4.1 Multiple Regression Analysis

This study's multiple regression model includes examining the impact of independent variables on human resource capacity (X) which are knowledge (X1), skills (X2) and ability (X3) for the dependent variable of MSME business performance (Y). The following is the description of multiple regression test and the results using the data processing tool version 26 of the SPSS program in form of output results of summary model and coefficients (t test) in the following table.

Table 4. Results Determination Coefficient.

Model R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
0.597	0.357	0.323	1.753	2.025

According to data presented in Table 4, the correlation or relationship value (R) is 0.597. From the results, the coefficient of determination (R squared) is 0.357, implying the influence of the independent variable of knowledge, skills and abilities (human resource capacity) on the dependent variable of efficiency MSMEs' is 35.7%.

Table 5. Results of Hypothesis Testing.

Variable	Regression Coefficients (B)	t count	Sig.
Knowledge (X1)	0.192	1.021	0.312
Skill (X2)	0.380	2.448	0.018
Ability (X3)	0.181	1.357	0.180
Constant	4.877		
F count	10.363		
Sig	0.000		

Based on data analysis, Table 5 shows that Sig. effective value of variable knowledge (X1) on MSMEs business performance (Y) is 0.312 greater than 0.05 and the value of t count is 1.021, less than 2.003 is the value of t table. This means that Hypothesis one is rejected which indicates HR competence such as knowledge has no effect on the MSMEs business performance. Moreover, Sig. value for the effect of variable skill (X2) on MSMEs business performance (Y) is 0.018 is less than 0.05 and the t count value of 2.448 is greater than 2.003 as the t table value. This means that Hypothesis two is accepted and indicates HR competence such as skill has positive effect on the MSMEs business performance. Nevertheless, Sig. value for the effect of variable ability (X3) on MSMEs performance (Y) is 0.180 which smaller than 0.05 and the count value t is 1.357, which is less than 2.003 as the table value t. It means that Hypothesis three is rejected and indicates the HR competence such as ability has no effect on the MSMEs business efficiency. We can conclude that research results support the second hypothesis, whereas first and third hypothesis were rejected.

In addition, Table 5 also shows that HR competencies (knowledge, skill, and ability) would simultaneously affect the MSMEs business performance, as the significant value for the simultaneous effect of knowledge, skill, and ability on MSMEs business

performance is 0.000 which less than 0.05 and the value of account F is 10.362 which is larger than 2.77 as the value of F table. This means that Hypothesis four is accepted, HR competencies (knowledge, skill, and ability) has positive effect on MSMEs business performance.

4.2 Discussion

Hypothesis testing results show knowledge and abilities of HR competencies do not influence MSMEs performance. Several previous research results have shown that, on the contrary, skill as HR skills index has positive affects on the performance of MSMEs. The results show that the independent variables of knowledge, skills, and ability can explain the dependent variable of MSMEs performance by 35.7% while the rest 64.3% is explained by other factors were not taken into account in this study. This is consistent with the theory that several factors influence MSME performance, including the personal characteristics of the MSME owner, non-personal internal characteristics, and external characteristics [17]. This means that other factors such as technology, entrepreneurial orientation, and market orientation would be more dominantly influence the MSMEs performance in Makassar City, but they are not discussed in this research. Some previous research confirmed that HR competencies has significant influences on MSMEs performance [3],[4],[8],[9],[13],[18]. Although, in some cases, HR competencies of knowledge and abilities have no direct influences on MSMEs performance [19].

5 Conclusion

Based on the research results, it can be concluded that knowledge and abilities as indicators of human resource capabilities have no significant impact on the business performance of MSMEs. This means that the first and third hypotheses are rejected. Skills have been proven to has a positive and significant impact on the business performance of MSMEs. This means there is a positive and significant impact on the business performance of MSMEs. This means that the second hypothesis is supported. Meanwhile, human resource capacity has a positive impact on MSME business performance because the fourth hypothesis is supported, which means the higher the competence of HR (knowledge, skill, and abilities) the greater increase in MSMEs business performance.

References

1. A.M. Hatia, J.U. Capai, B. Jadi, C. Indonesia, P. Jawa, J. Barat, J. Tengah, J. Timur, D.K.I. Jakarta, S. Utara, P. Barat, M. Utara, B. Umkm, B. Bisa, B. Online, I.K. Utamanya, and B.U.U. Nomor, "Jumlah UMKM Capai 8 , 71 Juta , Bisa Jadi ' Tameng ' Resesi ?," 5–6 (2023).
2. N.E. Helwig, S. Hong, and E.T. Hsiao-wecksler, *No 主観的健康感を中心とした在宅高齢者における健康関連指標に関する共分散構造分析* Title (n.d.).
3. H. Hernita, B. Surya, I. Perwira, H. Abubakar, and M. Idris, "Economic business sustainability and strengthening human resource capacity based on increasing the productivity of

- small and medium enterprises (SMES) in Makassar city, Indonesia,” *Sustainability* (Switzerland) **13**(6), 1–37 (2021).
4. I. Klepić, “The Influence of Human Resources Competency Management on the Business Success of Small and Medium Enterprises,” *Naše Gospodarstvo/Our Economy* **68**(4), 12–27 (2022).
 5. R. Purwaningsih, and P. Kusuma Damar, “Analisis Faktor- Faktor yang Mempengaruhi Kinerja Usaha Kecil dan Menengah (UKM) dengan Metode Structural Equation Modeling,” *Prosiding SNST Fakultas Teknik* **1**(1), 7–12 (2015).
 6. R. Sembiring, “Impact of Human Resources’ Knowledge and Skills on SMEs’ in Medan City, Indonesia,” *International Journal of Management* **5**(3), 95–104 (2016).
 7. I. Sidharta, and D. Lusiana, “Analisis Faktor Penentu Kompetensi Berdasarkan Konsep Knowledge, Skill, Dan Ability (KSA) Di Sentra Kaos Suci Bandung,” *Jurnal Computech & Bisnis* **8**(1), 49 (2014).
 8. I.D.K.R. Ardiana, I.A. Brahmayanti, and Subaedi, “Kompetensi SDM UKM dan Pengaruhnya Terhadap Kinerja UKM di Surabaya,” *Jurnal Manajemen Dan Kewirausahaan* **12**(1), pp.42-55 (2010).
 9. A. Halim, H. Pratikto, and S. Sophia, “An Analysis of Human Resource Competencies and the Implications for MSMe Performance,” *Budapest International Research and Critics Institute Journal (BIRCI-Journal)* **4**(4), 12453–12461 (2021).
 10. E.S. Endi Sarwoko, “Entrepreneurial Characteristics and Competency as Determinants of Business Performance in SMEs,” *IOSR Journal of Business and Management* **7**(3), 31–38 (2013).
 11. H. Li, Y. Zhang, and T.S. Chan, “Entrepreneurial strategy making and performance in China’s new technology ventures - The contingency effect of environments and firm competences,” *Journal of High Technology Management Research* **16**(1), 37–57 (2005).
 12. A. Aragón-Sánchez, and G. Sánchez-Marín, “Strategic orientation, management characteristics, and performance: A study of Spanish SMEs,” *Journal of Small Business Management* **43**(3), 287–308 (2005).
 13. A. Yuniawan, D. Harjadi, E.W. Filatrovi, and ..., “Testing the Relationships between Human Resource Competence, Financial Aspect and SMEs Performance,” *Journal of Talent ...* **12**(2), 2295–2303 (2020).
 14. D.N. Karim, A.H. Abdul Majid, K. Omar, and O.J. Aburumman, “The mediating effect of interpersonal distrust on the relationship between perceived organizational politics and workplace ostracism in higher education institutions,” *Heliyon* **7**(6), e07280 (2021).
 15. G.T.H. Vu, “A Critical Review of Human Resource Competency Model: Evolvment in Required Competencies for Human,” *Journal of Economics, Business and Management* **5**(12), 357–365 (2017).
 16. S.E. Hair, J.F., William, Jr.C., BlackBarry, J., Babin, R.E., & Anderson, “Multivariate data analysis,” 734 (2014).
 17. N. Nikolić, I. Jovanović, D. Nikolić, I. Mihajlović, and P. Schulte, “Investigation of the Factors Influencing SME Failure as a Function of Its Prevention and Fast Recovery after Failure,” *Entrepreneurship Research Journal* **9**(3), (2019).
 18. Sunarti, Hasanah, D. Oktariani, D.A. Akbar K, and S. Afif, “The Influence of Human Resource Competence and Financial Aspects on the Performance of MSMEs in the Cirendeu

- Village Area, South Tangerang,” *Endless: International Journal of Future Studies* **6**(2), 278–287 (2023).
19. N.A. Wulansari, D. Ranihusna, and A.P. Wijaya, “The role of knowledge management in MSMEs business performance,” *IOP Conference Series: Earth and Environmental Science* **485**(1), (2020).

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

