

Competence of Human Resources (HR) in Small and Medium Enterprises (SMEs) Has a Significant Impact on Performance

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This study aims to evaluate the human resource competencies of small and medium entrepreneurs in Makassar and analyze the effect of these competencies on their business performance, both partially and simultaneously. This research uses an explorative descriptive method. The competency variable is broken down into three indicators, namely knowledge, skills and abilities. To answer the research problem and test the proposed hypothesis, researchers used statistical analysis with SPSS software, specifically correlation analysis, regression, F test, and t test. The research sample consisted of 150 respondents who were small and medium entrepreneurs grouped by the Makassar City Cooperative Office, selected through purposive sampling based on several criteria. The results showed that the competence of SMEs' human resources is in the sufficient category, and it is recommended to improve competence in order to improve business performance globally. In addition, the hypothesis is accepted because the results of the F test and t test show that the human resource competencies of SME entrepreneurs have a significant influence on business performance both partially and simultaneously, which indicates that increasing human resource competencies will improve business performance, with the ability variable being the most dominant factor affecting business performance.

Keywords: SMEs, business performance, people, knowledge

INTRODUCTION

Small and medium enterprises (SMEs) are known for their resilience during economic downturns, significantly contributing to job creation. Despite this, they often face challenges in performance. SMEs play a crucial role in Indonesia's economic development, significantly contributing to the Gross Domestic Product (GDP), which has been rising annually. For instance, the Central Bureau of Statistics (BPS) reported that SMEs' contribution to GDP (excluding oil and gas) was 62.71% in 1997, increasing to 63.89% by 2002. From 2000 to 2003, SMEs were responsible for employing 99.45% of the workforce, creating 9.6 million new jobs, compared to only 55,760 new jobs from large businesses. Furthermore, SMEs contributed 19.9% to national non-oil exports. Their growth is essential for economic development, helping to provide widespread economic services, create jobs, and promote economic stability. SMEs benefit from using local raw materials, requiring relatively low working capital, making them accessible to those with entrepreneurial aspirations, and reducing import burdens, which helps save foreign exchange (Trieu, et.al, 2023).

Aligning with the Indonesian government's economic development program aimed at poverty alleviation and improving welfare, there is a need for an additional 20 million new business units outside the agricultural sector over the next 15 years to support economic growth and job creation. This translates to developing 1.3 million new business units annually, despite limited infrastructure. The plan for 2005-2009 included the creation of 6 million new MSME business units, focusing on fostering a conducive business environment, encouraging entrepreneurship, and enhancing community entrepreneurial skills.

The development of SMEs should also focus on human resource development in various

aspects. A survey indicated that SME entrepreneurs' education levels include high school (44.1%), D-3 (7.4%), and S-1 (17.9%), challenging the notion that SME education is low in Indonesia. However, improving HR quality, particularly in competencies such as knowledge, skills, abilities, and entrepreneurial attitude, is essential. HR development should target both business owners and employees, emphasizing entrepreneurship and productivity supported by technological advancements. Currently, 60% of MSME production processes are basic, highlighting the need for better science, technology, and marketing skills among SME HR.

Given these conditions, developing SME HR competencies is crucial for creating a competitive entrepreneurial workforce for the global market. Improving cooperative HR is also vital as cooperatives play a significant role in providing capital, technical support, and facilitating business networks for raw materials and marketing. To implement HR competency development effectively, it is necessary to have concrete data on current SME HR competencies and their impact on performance, warranting in-depth research in this area.

METHODOLOGY

Competence or ability, as defined by Mashavira (2020), is a fundamental trait of a person that is linked to the successful execution of a job. This intrinsic characteristic is connected to superior job performance, distinguishing top performers from average ones. To achieve even basic or average performance, essential competencies or "threshold competencies" are required. These competencies serve as benchmarks in personnel selection, succession planning, performance appraisal, and development.

According to Mitrani et al. (1992) and Spencer and Spencer (1993), competence is an underlying attribute of an individual that is causally related to effective or superior job performance. It encompasses traits that predict performance levels and can include motives, self-concept, traits, knowledge, and skills. These competencies can be developed through education and training, while competency motives can be identified during the selection process. Spencer and Spencer (1993) further categorize competencies into "threshold competencies" and "differentiating competencies". Threshold competencies are essential characteristics required for job performance, while differentiating competencies are those that distinguish high performers from average ones.

For instance, a lecturer must possess the basic ability to teach, which falls under threshold competencies. If the lecturer excels in teaching, making the content easy to understand and providing sharp analysis, this then falls under differentiating competencies. Competencies can include goals, temperament, self-concept, attitudes, values, problem mastery, or cognitive and behavioral skills. Any measurable trait that clearly differentiates superior performers from average ones, or effective performers from ineffective ones, falls into this category. (Sewang, et al, 31-37, 2023)

Sewang (2023a) illustrate that competencies are visible and hidden. Knowledge is more visible, recognizable by companies to match people to jobs. Skills, while partly visible, are less identifiable. However, hidden competencies are skills that may be more valuable in improving performance. Susanto (2023), has identified three kinds of basic skills namely:

1. Technical skills, namely, the human ability to use procedures, techniques and knowledge of specialized fields.
2. Human skills, namely, the ability to cooperate, understand and motivate others as individuals or groups.
3. Conceptual skills, namely, the ability to coordinate and integrate all organizational interests and activities, including seeing the organization as a whole, understanding how its parts are interdependent, and anticipating how changes in a part will affect the entire organization.

The HR competencies needed to face new challenges and types of organizations in the workplace can be obtained by understanding the characteristics we look for in the people who work in these organizations. The basic concept of competency standards in terms of estimology, competency standards are open to two vocabularies, namely standards and competencies. Standard is defined as an agreed measure or benchmark, while competence is defined as the ability to carry out workplace tasks which include applying skills supported by knowledge (cognitive) and ability (ability) in accordance with the required conditions. Thus competency standards can be assumed as a formulation of what abilities and expertise must be possessed by the workforce (HR) in carrying out work in accordance with the requirements set / agreed (LPPKM-ITB, 2005: 3).

Competence is closely related to performance, both individual performance and organizational (company) performance. According to Armstrong (1994) a person's performance is based on an understanding of the knowledge, skills, expertise and behavior needed to do a good job. While the performance of the organization (company) is based on how the company's management responds to its external and internal conditions, which with certain benchmarks will be able to know what level of turbulence and what level of ability to anticipate it. SME HR competency analysis is intended to produce a profile or model that is used for:

1. Individual performance management
2. Recruitment or placement
3. Career development

Competency analysis can also describe a person's traits by assessing knowledge, specialized skills required, education, training and experience. There are several competency analysis techniques that are being used including (Trieu, et.al, 2023):

1. Critical Incident, which is used to collect and obtain data on effective or less effective behavior, then linked to the actual critical event.
2. Repertory grid analysis; used to identify dimensions that differentiate good performers from substandard performers.
3. Job competency assessment

Definition of Performance

Performance is the result of work that can be achieved by a person or group of people in an organization, in accordance with their respective authorities and responsibilities in order to achieve organizational goals (Sewang, 2023b). If individual performance is good, it is likely that the performance of the company or organization will be good.

According to Levbinson (1979), performance is the achievement or achievement of a person with regard to the tasks assigned to him. Meanwhile, Mathis and Jackson (2001) argue that performance is a function of ability, effort and support. Empirically it can be expressed by the following equation: $\text{Performance} = f(A \times E \times S)$ A = Ability, E = Effort, S = Support

Factor (A) relates to recruitment and selection, which is the natural ability to select talented people who have the right interest in the job. The (E) factor is the effort a person makes that is influenced by human resource issues, such as motivation, incentives and job design. Factor (S) is organizational support such as training, management consistency, clear and fair employee career development, adequate equipment provided and expectations.

Individual performance can be seen from three main elements, namely: productivity, quality and service. The components of individual productivity can be explained as Figure 1.

Sumber: Robert L. Mathis & John H. Jackson (2001) "Manajemen Sumber Daya Manusia" Saslemba Empat Jakarta.

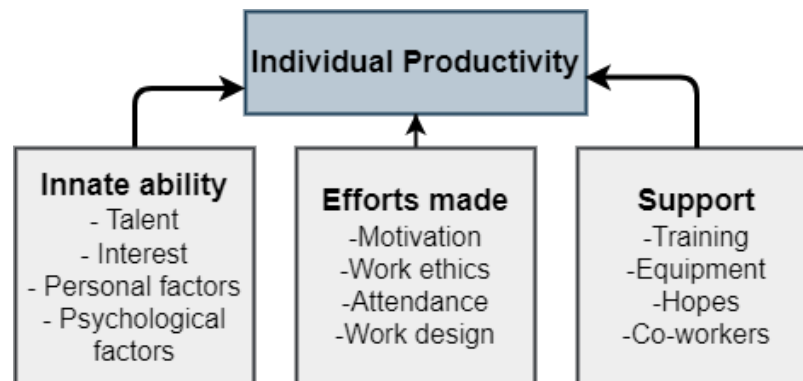


Figure 1. Components of Individual Productivity Behavior

To determine individual performance, it can begin by establishing company performance standards based on the goals to be achieved, which are then projected onto individual performance standards. Individual performance assessment is conducted by comparing actual performance with the established performance standards. Figure 1 shows the main factors related to individual behavior, performance, and motivation. This model is based on the research by Moorhead & Griffin (1989), where variables affecting performance can be controlled by managing the following aspects:

1. Job design (tasks, activities to be performed, workload)
2. Organizational relationships (supervisory style, work teams, psychological work conditions, working hours, etc.)
3. Objective performance (related to objective performance: competence, knowledge, skills, and abilities)
4. Organization

According to Sawaeen & Ali (2020), performance refers to the degree of success or achievement of an individual over a certain period, measured against various criteria such as standards, targets, or predetermined goals. The term "performance" originates from the word "performance," defined in The Scribner-Bantam English Dictionary (1979) with meanings that include: (1) to do, carry out, or execute; (2) to fulfill or discharge a vow; (3) to complete an undertaking; and (4) to meet expected functions of a person or machine.

Performance is interconnected with job satisfaction and rewards, influenced by an individual's skills, abilities, and characteristics. The partner-lawyer model (Donnelly, Gibson, and Ivancevich: 1994) outlines that individual performance is fundamentally shaped by: (a) expectations regarding rewards; (b) motivation; (c) abilities, needs, and traits; (d) task perception; (e) internal and external rewards; and (f) perception of reward levels and job satisfaction. Essentially, performance is determined by three factors: (1) ability, (2) desire, and (3) environment. Thus, to achieve good performance, a person must possess a strong desire to work and a clear understanding of their job. Without comprehending these three elements, achieving good performance is unlikely. In summary, individual performance improves when there is an alignment between the job and the individual's abilities, and job satisfaction plays a crucial role. Job satisfaction is a person's emotional response to their job, resulting from evaluating how well their job meets their needs.

Performance of Small Businesses

Company performance is the result of many individual decisions continuously made by management (Helfert, 1996). To measure company performance, Kotler (1991) suggests it should be based on ROI rather than profit margins. Meanwhile, Soetjipto (1997) mentions that business performance can be measured using the "balanced scorecard" (BSC).

In line with the above views, Baswir (1995) adds that there are four main factors causing the low performance of small and medium enterprises (SMEs) in Indonesia, namely: 1) Almost 60% of small businesses still use traditional technology; 2) Market share tends to decline due to lack of capital, weak technology, and managerial skills; 3) Most small businesses are unable to meet the administrative requirements to obtain assistance from banks; 4) The level of dependency on government facilities tends to be very high. The common challenges faced by small and medium enterprises (SMEs) are:

1. Low productivity.
2. Low added value.
3. Very small investment amounts.
4. Limited market reach.
5. Very limited business networks.
6. Limited access to sources of capital and raw materials.
7. Management that is still not professional and human resources that generally do not have the quality to compete and advance (Sewang, 2023c).

Based on the above studies, this research aims to identify and analyze the obstacles related to the performance of small and medium enterprises (SMEs), focusing on the management and quality of human resources possessed by the respective SMEs.

Research Framework and Hypotheses

The research framework is a crucial part of a research report. Besides depicting the conceptual model of the research, it also provides an overview of the research process. According to Sewang (2023d), the research framework is a conceptual model that shows how theory relates to various important issues. A conceptual framework provides a temporary explanation for the phenomena being studied (the research object).

Based on the descriptions of the concepts and theories above, the conceptual framework for this research can be formulated as shown in figure 3.4 below, where the independent variable Competence X consists of Knowledge (X-1), Skills (X-2), and Ability (X-3) which directly influence the variable SME HR Performance (Y). The schematic relationship can be seen in Figure 2.

Based on the problems and research framework as described above, the hypotheses in this study are as follows:

1. The higher the knowledge of SME HR in Makassar city, the higher the performance of SMEs.
2. The higher the skills of SME HR in Makassar city, the higher the performance of SMEs.
3. The higher the ability of SME HR in Makassar city, the higher the performance of SMEs.
4. The ability variable has the most dominant influence on the performance of SMEs in Makassar city.

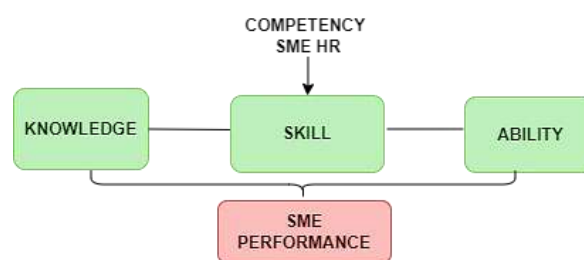


Figure 2. Mind Map

Research Methods

This study falls under the category of descriptive research, which aims to describe the state of competence of the population or empirical facts. The empirical facts that will be described in this research include the influence of human resource (HR) competencies of SMEs (Small and Medium Enterprises) covering Knowledge, Skills, and Abilities on the performance of SMEs in Makassar City. (Susanto, et.al, 2023)

Research Variables

The variables used in this study include the HR Competence variable as the independent variable, which consists of Knowledge (X1), Skills (X2), and Abilities (X3). The dependent variable used is the Performance of SMEs (Y).

Concept Definition

Competence is a causal model indicating that abilities, skills, self-concept, and knowledge competence generated by a situation can predict proficient behavior. Performance is the work result that an individual or group within an organization can achieve, corresponding to their respective authority and responsibility to reach the organization's goals. If individual performance is good, it is likely that the organization's performance will also be good.

Operational Definition

HR Competence of SMEs in this study focuses on three main aspects: Knowledge, Skills, and Abilities.

1. Knowledge: Mastery of science and technology that a person possesses, acquired through learning and life experiences. Indicators include knowledge of business management, product or service knowledge, consumer knowledge, promotion, and marketing strategies.
2. Skills: The specific capacity to manipulate objects physically. Indicators include production skills, communication, teamwork and organization, supervision, finance, administration, and accounting.
3. Abilities: An individual's capacity to perform various tasks in a job. Indicators include business management abilities, decision-making, leadership, control, innovation, and adapting to business environment changes.

Performance is the result achieved by an individual or group within an organization, serving as a determinant in the process of achieving organizational goals. Organizational performance should be measurable based on specific criteria and within a set time frame. Indicators include profit, financial condition, product competitiveness, number of customers, sales volume, employee satisfaction with

compensation, and employee motivation.

Population and Sample

The study population includes all active SME actors or HR in Makassar City in 2007. According to the SME Center Profile Data in Makassar City, there are 755 business units across 22 districts employing a total of 2,546 workers. Sampling was done using purposive non-random sampling, selecting SME HR according to the following criteria:

- a. SMEs in the manufacturing sector, as these require HR competence to compete in the business world.
- b. Small businesses with a minimum of 10 employees or a minimum turnover of IDR 50,000,000.
- c. Respondents (samples) include owners/managers and the management team of these SMEs.
- d. From the selected business units that meet criteria 1 and 2, 20% were taken as samples, chosen proportionally.

Given that 726 out of the 755 business units meet the criteria, the sample size for this study is 20% of 726, which equals 145 business units. Thus, the sample size is set at 150 respondents. These respondents were taken from various manufacturing businesses such as crafts, food, bags, shoes, crackers, garments, etc., in Makassar City, which have been clustered by the Makassar City Cooperative Office in 2008.

Data Types and Sources

The data in this study include primary data from SME actors and secondary data such as SME Center profile data. The data sources are respondents (SME HR), comprising owners or management teams of SMEs located in Makassar City's SME Centers.

Data Collection Procedure

Data collection was done through interviews supplemented by questionnaires. The questionnaire served as a guide to make the interviews more structured and standardized. The steps in the data collection process are as follows:

1. Preparing the questionnaire and conducting validity and reliability tests.
2. Recruiting surveyors and supervisors for fieldwork.
3. Conducting training for surveyors and supervisors.
4. Implementing data collection.
5. Submitting the collected data to the research team.
6. Tabulating, processing, and interpreting the collected data as per the research objectives.

Data Collection Techniques

Data were collected using the following techniques:

1. Documentary Technique: Used to collect data from secondary sources such as:
 - a. Physical and geographical conditions of the area.

- b. Existing SME centers.
 - c. Number and characteristics of SMEs.
2. Questionnaire Technique: Involves creating a series of questions related to the HR competencies of SMEs in Makassar City.
3. Interview Technique: Complements other data collection techniques and serves as a cross-check for the collected data.

The data obtained from the field will be analyzed descriptively using appropriate statistical analysis techniques as needed.

Data Analysis Method

The entered data will be rechecked for accuracy and completeness before analysis. Data processing will be assisted by Excel, SPSS, and other necessary software. The analysis results will be presented descriptively, both qualitatively and quantitatively, and supplemented with tables for better communication. Inferential statistical analysis, including multiple linear regression analysis (simultaneous) and simple linear regression analysis (partial), will be used to determine the influence of independent variables (X) on the dependent variable (Y). The t-test will be used to test partial significant influences, and the F-test will be used to test simultaneous influences.

Data Analysis Methods

Data entry will be thoroughly checked for accuracy and completeness before analysis. Data processing will be conducted using Excel, SPSS, and other necessary software. The analysis results will be presented descriptively, both qualitatively and quantitatively, and will be supplemented with tables for better communication. For data analysis, inferential statistical analysis will be used, specifically multiple linear regression analysis (simultaneous) to determine the influence of multiple independent variables (X) on the dependent variable (Y) simultaneously, and simple linear regression analysis (partial) to determine the individual influence of each independent variable (X) on the dependent variable (Y). To test for significant partial influences, the t-test will be used, and to test for simultaneous influences, the F-test will be employed.

Results and Discussion

Respondent Profile

The respondents in this study are 150 (One Hundred and Fifty) entrepreneurs from the Micro, Small, and Medium Enterprises (MSMEs) sector, which were clustered by the Cooperative Office of Makassar City in 2008. Upon identification, their profiles are presented in the table below.

Table 1. Respondents' Education

Education	Frequency	Percentage
Elementary School	21	14.00%
Junior High School	17	11.33%
Senior High School	72	48.00%
Bachelor/Diploma	39	26.00%
Master's Degree	1	0.67%
Total	150	100.00%

Table 1 shows that the majority of SME respondents in Makassar have a Senior High School

education level, accounting for 48%, followed by Bachelor's/Diploma at 26%. This indicates that SMEs in Makassar generally have a high educational background, from Senior High School upwards. This can serve as motivation, suggesting that graduates do not necessarily have to seek employment but can start their own businesses and even recruit employees. In terms of age, the majority of respondents in this study are relatively young, as shown in Table 2.

Table 2. Respondents' Age

Age	Frequency	Percentage
< 25 Years	22	14.67%
25.1-30 Years	25	16.67%
30.1-35 Years	32	21.33%
35.1-40 Years	23	15.33%
40.1-45 Years	18	12.00%
45.1-50 Years	15	10.00%
Above 50 Years	3	2.00%
Not Answered	12	8.00%
Total	150	100.00%

Table 2 indicates that the respondents are relatively young, with over 50% being between 25 to 40 years old. This age range is considered a productive working age, which likely influences their choice to engage in entrepreneurship, aiming for productive performance and success in their ventures. The number of employees in the SMEs of the respondents (Table 3) shows that the majority have fewer than 5 employees, with some having between 5 to 10 employees. The highest number of respondents have over 50 employees, totaling 7 respondents.

Table 3. Number of Employees

Number of Employees	Frequency	Percentage
1 - 5 People	85	56.67%
6 - 10 People	32	21.33%
11 - 15 People	7	4.67%
16 - 20 People	7	4.67%
21 - 25 People	5	3.33%
> 25 People	14	9.33%
Total	150	100%

Table 4. Business Duration

Business Duration	Frequency	Percentage
< 5 Years	41	27.33%
5.1 - 10 Years	28	18.67%
10.1 - 15 Years	27	18.00%
15.1 - 20 Years	27	18.00%
20.1 - 25 Years	6	4.00%
> 25 Years	10	6.67%
Not Answered	11	7.33%
Total	150	100%

Table 4 shows that most respondents have been in business for less than 5 years, accounting for 27.33%, while around 18% have been in business for 5-10 years, 10-15 years, and 15-20 years.

This indicates that they have a reasonable amount of experience in entrepreneurship.

Research Results Description

This study aims to assess the HR competencies of SMEs in Makassar City and to what extent these competencies affect their performance. The competency levels of HR, including knowledge, skills, and abilities, can be seen in Table 5.

Table 5. Respondents' Business Abilities

Category	Frequency	Percentage
Very High	13	8.67%
High	36	24.00%
Adequate	96	64.00%
Low	5	3.33%
Very Low	-	-
Total	150	100%

Respondents' Knowledge

Table 5 indicates that the majority of respondents (64%) have adequate competency, with around 24% having high competency and 33% having low competency. This suggests that SMEs in Makassar have an adequate level of entrepreneurial knowledge, which needs to be enhanced to a higher level to enable them to run globally competitive businesses.

Respondents' Skills

The second variable used to measure competency is Skills, which was broken down into eight items in the questionnaire. The results of respondents' answers, after tabulation analysis, are shown in Table 6.

The findings reveal that the majority of SME HR respondents have adequate skills (47.67%), with nearly an equal percentage having high skills (47.33%), and 5.33% possessing very high skills. This indicates that to be a successful entrepreneur, one must have a high level of skill in managing their business.

Table 6. Respondents' Skill Level in Entrepreneurship

Category	Frequency	Percentage
Very High	8	5.33%
High	71	47.33%
Adequate	70	47.67%
Low	1	0.67%
Very Low	-	-
Total	150	100%

Findings indicate that most SME HR respondents have adequate skills (47.67%), with nearly an equal percentage having high skills (47.33%), and 5.33% having very high skills. This suggests that successful entrepreneurs need high skill levels to manage their businesses effectively.

Respondents' Abilities

The ability variable is the third indicator of competency. The analysis of respondents' answers to several questions regarding their abilities is shown in Table 7.

Table 7. Respondents' Business Abilities

Category	Frequency	Percentage
Very High	13	8.67%
High	36	24.00%
Adequate	96	64.00%
Low	5	3.33%
Very Low	-	-
Total	150	100.00%

Table 7 shows that the majority of respondents (64%) have adequate abilities, with 24% having high abilities, and 8.67% having very high abilities. This indicates that the SMEs in Makassar generally have sufficient ability to run their businesses effectively.

Company Performance

Company performance in this study is the dependent variable (Y) that might be influenced by the independent variables (X) of HR Competencies, divided into Knowledge, Skills, and Abilities. The analysis results on SME performance in Makassar are shown in Table 8.

Table 8. Company Performance

Category	Frequency	Percentage
Very High	4	2.67%
High	45	30.00%
Adequate	97	64.66%
Low	3	2.00%
Very Low	1	0.67%
Total	150	100.00%

Table 8 shows that the majority of SME respondents have adequate performance (64.66%), with some having high (30%) and very high performance (2.67%). This indicates that the performance of SMEs in Makassar is generally adequate, highlighting the need to improve HR competencies such as Knowledge, Skills, and Abilities to enhance performance and competitiveness both locally and globally.

Correlation and Determination Analysis

Correlation and determination analysis results are shown in Table 9.

Table 9. Correlation and Determination Analysis Results

R	R ²	Adjusted R ²	Std. Error	F	Sig. F	Durbin-Watson
0.704	0.496	0.486	0.33270	47.951	0.000	1.861

Predictors: (Constant), ability, knowledge, and skills. **Dependent Variable:** performance

Table 9 shows that the multiple correlation (R) calculation yields a value of 0.704 with a standard error of 0.33270, indicating a strong relationship between the independent variables of Knowledge, Skills, and Abilities and the performance of SMEs in Makassar City. The determination analysis (R²) indicates that these variables contribute significantly to SME performance.

Regression Analysis

Regression analysis was used to determine the extent to which the independent variables (X) influence the dependent variable (Y). The regression analysis results are shown in Table 10.

Table 10. Regression Analysis Results

Variable	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
Constant	0.810	-	3.672	0.000
Knowledge (X1)	-0.008	-0.009	-0.090	0.928
Skills (X2)	0.234	0.237	2.343	0.020
Ability (X3)	0.474	0.515	4.632	0.000

The regression equation is: $Y = 0.810 - 0.0008(X1) + 0.234(X2) + 0.474(X3)$

Interpretation of Regression Results

1. The constant value (a) of 0.81 indicates that the performance of SMEs in Makassar is 0.810 if they do not have knowledge, skills, and abilities, suggesting that most activities are based on experience.
2. The regression coefficient for Knowledge (X1) is -0.008, indicating that knowledge does not significantly influence SME performance.
3. The regression coefficient for Skills (X2) is 0.234, indicating that an increase in skills by one unit would increase SME performance by 0.234 units, although this effect is not significant.
4. The regression coefficient for Ability (X3) is 0.474, indicating that an increase in ability by one unit would increase SME performance by 0.474 units, showing a significant effect.

t-Test Analysis

The t-test results are shown in Table 11, indicating the significance of each independent variable on the dependent variable.

Table 11. t-Test Results

Variable	t	Sig.	Alpha	Description
Knowledge (X1)	-0.090	0.928	0.05	Not Significant
Skills (X2)	2.343	0.020	0.05	Significant
Ability (X3)	4.632	0.000	0.05	Significant

The t-test analysis shows that Knowledge (X1) is not significant, while Skills (X2) and Ability (X3) significantly influence SME performance.

F-Test Analysis

The F-test results are shown in Table 12, indicating the combined significance of the independent variables.

Sum of Squares	df	Mean Square	F	Sig.
Regression	15.923	3	5.308	47.951
Residual	16.160	146	0.111	-
Total	32.083	149	-	-

The F-test result indicates that the independent variables of Knowledge, Skills, and Abilities together have a significant influence on SME performance, emphasizing the need to focus on these variables to enhance performance.

Interpretation

The hypotheses tested in this study yield the following results:

1. Hypothesis 1: "The higher the HR knowledge, the higher the SME performance in Makassar" is rejected as it is not proven.
2. Hypothesis 2: "The higher the HR skills, the higher the SME performance in Makassar" is accepted, indicating significant influence.
3. Hypothesis 3: "The higher the HR abilities, the higher the SME performance in Makassar" is accepted, showing significant influence.
4. Hypothesis 4: "HR abilities have the most dominant influence on SME performance" is accepted, as abilities significantly impact performance.

These findings support previous research that HR competencies affect performance.

Conclusion

Based on the analysis conducted in this study, the following conclusions can be drawn: The respondents in this study typically have the following characteristics: most are Senior High School graduates, aged between 25-40 years, have around 20 employees, and have been in business for less than 20 years. These respondents were selected from small business clusters under the supervision of the Cooperative Office. Correlation analysis results indicate that HR competencies of SMEs have a significant relationship with SME performance. This is also supported by the determination analysis results. The knowledge variable does not significantly influence SME performance as its value is negative and very small. However, the other two variables, skills and abilities, have a significant impact, indicating that these two variables should be focused on to improve SME performance. Data analysis shows that competencies consisting of knowledge, skills, and abilities each have a significant impact, except for the knowledge variable, which is not significant. However, when tested together, these three variables significantly influence SME performance in Makassar. Among the three competency variables knowledge, skills, and abilities, the ability variable has the most dominant influence on SME performance in Makassar.

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