THE INFLUENCE OF HARD SKILLS, SOFT SKILLS AND KNOWLEDGE MANAGEMENT ON EMPLOYEE INNOVATION MEDIATED BY LEARNING ORGANIZATIONS IN SMALL BUSINESSES (UK) IN KENDARI CITY, SOUTHEAST SULAWESI PROVINCE

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Abstract

This study aims to thoroughly analyze the influence of hard skills, soft skills, and knowledge management on employee innovation, with organizational learning serving as a mediating variable within small businesses in Kendari City, Southeast Sulawesi Province. Data were meticulously obtained from the Central Statistics Agency and various other credible sources, highlighting an alarming rise in the unemployment rate and the need for enhanced hard and soft skills to boost employee competitiveness and innovative capabilities. The study utilized a substantial sample size of 150 employees from diverse small businesses in Kendari City. The research employed Structural Equation Modeling (SEM) as the analytical tool to assess the relationships among the variables. The findings indicate that organizational learning effectively mediates the relationship between hard skills and soft skills on employee innovation. Employees with advanced technical expertise and strong interpersonal abilities are more likely to generate and implement innovative ideas within their work environments. Conversely, while knowledge management exhibited a positive correlation with innovation, its impact was not statistically significant.

Keywords: Hard Skills, Soft Skills, Knowledge Management, Employee Innovation, Organizational Learning, Small Businesses, Workforce Development, Competitive Edge, Training Programs.

INTRODUCTION

Indonesia is a densely populated country, and a portion of its population works as employees/laborers in companies/institutions/factories. Considering this fact, many people compete to obtain employment, and sadly, numerous university graduates remain unemployed. According to data from the Central Statistics Agency of Southeast Sulawesi province, the Open Unemployment Rate (TPT) as of February 2022 was 3.86 percent, an increase of 0.76 percentage points compared to February 2020 or a decrease of 0.36 percentage points compared to February 2021.

Human resources play a crucial role in a company, with employees being the primary focus. Employees are one of the most dominant strategic elements in achieving objectives. Therefore, in an organization, empowering and developing human resources, in this case, employees, needs to be continuously improved to achieve the desired goals and results by the company. To achieve the company's objectives, employees must possess both soft skills and hard skills (Ika Rahmatika, 2014).

Hard skills refer to the mastery of knowledge, technology, and technical abilities related to one's field of study. Hard skills enable an individual to develop competence in their area of expertise. On the other hand, soft skills enable students to manage their emotions and interpersonal relationships (Windarini Cahyadiana, 2020).

The current study aims to investigate the influence of hard skills, soft skills, and knowledge management on employee innovation, mediated by organizational learning, in small businesses (UK) in Kendari City, Southeast Sulawesi Province. The research is motivated by the growing trend of small and medium enterprises (SMEs) in Kendari City, particularly in the fashion and culinary sectors, which has been accelerated by the COVID-19 pandemic. The pandemic has led to a significant number of layoffs, prompting many individuals to venture into small and medium-sized businesses.

By focusing on small businesses in Kendari City, with a population of 1,113 small businesses in 2022, this research seeks to provide insights into fostering innovation and competitiveness among these enterprises through the development of hard skills, soft skills, knowledge management, and organizational learning. The findings of this study could contribute to the sustainable growth and success of small businesses in the region.

LITERATURE REVIEW

Hard skills

Hard skills refer to the technical knowledge, abilities, and expertise required to perform specific tasks or jobs effectively. As defined by various researchers, hard skills encompass the mastery of factual knowledge, specialized talents, and educational qualifications relevant to a particular profession or field of study (Islami, 2012; Robbins & Molan, 2014; Suhardjono, 2014; Alam, 2015; Fachrunissa, 2015; Kholis, 2016; Putri & Fridayati, 2020; Sutrisno, 2017; Marno & Supriyanto, 2008; Musnandar, 2013; Wheeler, 2016; Husairi, 2016).

Hard skills can be categorized into two main aspects: knowledge and skills. Knowledge refers to the intellectual abilities and understanding of concepts, theories, and principles acquired through formal education or training (Winkel, 1987; Husairi, 2016). Skills, on the other hand, involve the practical application and competence in utilizing the acquired knowledge to perform specific tasks or solve problems (Husairi, 2016).

Various factors influence the development of hard skills, including technical abilities, knowledge acquisition, and the application of science and technology (Nurwiyati, 2014; Wahyuni, 2016). Hard skills can be assessed through technical tests, practical examinations, and the evaluation of certifications, awards, or educational qualifications (Wahyuni & Pambudi, 2019; Lisdiana, 2019; Rasid, 2018; Sulianta, 2018; Utomo, 2015; Basir, 2015).

In the context of project management, hard skills are often associated with processes, procedures, tools, and techniques (Azim et al., 2010; Marando, 2012). Additionally, hard skills are considered crucial competencies in entrepreneurship education, encompassing areas such as human resource management, marketing, production, and financial management (Spencer & Spencer, 1993; Chou et al., 2010).

Overall, hard skills are essential for individuals to perform their jobs effectively, solve problems, and contribute to the success of their organizations or professions. Researchers emphasize the importance of developing and assessing hard skills to ensure competence and expertise in specific domains.

Soft skills

Soft skills, also known as non-technical skills or people skills, refer to the personal and interpersonal abilities that enable effective communication, collaboration, and problem-solving (Rokhayati, 2017; Aly, 2017; Hendrian, 2017; Berthal & Chamdani, 2017; Hariyanto, 2016; Elfindri & Yulianto, 2015; Catur, 2009; Zaman, 2013; Doe, 2001). These skills are essential for maximizing an individual's performance, building relationships, and achieving success in both personal and professional contexts.

Soft skills can be categorized into two main domains: intrapersonal skills and interpersonal skills. Intrapersonal skills involve self-awareness, self-management, and personal attributes such as responsibility, self-control, integrity, and self-confidence. Interpersonal skills, on the other hand, encompass the ability to interact effectively with others, including adaptability, knowledge sharing, negotiation, teamwork, and leadership (Sutikno, 2009).

Several factors influence the development of soft skills, including communication abilities, critical thinking and problem-solving skills, teamwork capabilities, information management skills, as well as ethical and professional conduct (Sharma, 2009). Effective soft skills enable individuals to express feelings and thoughts, analyze and resolve complex situations, collaborate with diverse teams, process and interpret relevant information, and make ethical decisions while considering sociocultural aspects.

Researchers have proposed various soft skill variables or dimensions for measurement and evaluation purposes. Hendarman and Cantner (2017) suggest using four items to assess soft skills: relationship building, maintenance, enthusiasm, cooperation, and adaptability.

Overall, soft skills are increasingly recognized as crucial complements to technical skills (hard skills) in the workplace. Employers value individuals who possess both the technical expertise and the interpersonal and personal competencies necessary for effective performance, innovation, and success in their respective fields. Developing and nurturing soft skills is essential for personal growth, social participation, and career advancement in today's dynamic and collaborative work environments.

Knowledge management

Knowledge management plays a crucial role in fostering innovation within organizations. It is defined as the process through which companies generate value from their knowledge-based assets by implementing best practices, developing innovative ideas, products, or services offered to customers or the community (Fontana, 2011).

Nonaka and Takeuchi (1995), as cited in Kusumadmo (2013), describe knowledge management as a systematic approach to capturing, structuring, managing, and disseminating knowledge throughout an organization, enabling faster work, reuse of best practices, and cost reduction across projects. Joshi (2001), also cited in Kusumadmo (2013), identifies knowledge management behaviors as a sequence of knowledge activities that explain the intent of knowledge management itself.

Several researchers have provided insights into the nature and importance of knowledge management. King (2009) states that knowledge management is a relatively new set of organizational activities aimed at improving knowledge, practices,

organizational behavior, decision-making, and organizational performance. Gloet and Terziovski (2004) view knowledge management as access to expertise, knowledge, and skills that provide new capabilities, enable better performance, drive progress and innovation, and enhance customer value.

Knowledge management involves the creation, acquisition, conversion, and sharing of individual knowledge into organizational knowledge (James, 2004, as cited in Kusumadmo, 2013). It encompasses processes such as creating, enhancing, storing, transferring, sharing, and utilizing knowledge to support innovation, individual and collective learning, and collaborative decision-making (King, 2009).

Researchers have highlighted the benefits of knowledge management, including enabling employees to adapt to organizational environments, facilitating learning, enhancing sensitivity and up-to-date knowledge, improving decision-making processes, and developing new products with added value (Sabherwal & Fernandez, 2010). Knowledge management processes, as outlined by Dalkir (2005), involve knowledge creation, knowledge sharing, knowledge acquisition, and knowledge application or use.

Additionally, knowledge management aims to save time and costs, increase knowledge assets, enhance adaptability, and improve productivity by leveraging existing knowledge for new processes or products (Cummings, 2015). Effective knowledge management involves the integration of people, processes, and technology (Soleh, 2011), with indicators such as technology, work procedures, and personal knowledge (Budihardjo, 2017).

Various studies have explored the relationship between knowledge management and organizational learning, tacit and explicit knowledge in the workplace, informal knowledge processes, trust and tacit knowledge sharing, and the role of knowledge transfer in achieving competitive advantage (King, 2009; Smith, 2001; Hoe, 2006; Holste & Fields, 2010; Argote & Ingram, 2000).

Overall, knowledge management is recognized as a strategic approach for organizations to effectively create, capture, share, and leverage knowledge assets, enabling innovation, continuous learning, and sustainable competitive advantage in today's dynamic business environment.

Innovation

Innovation is the lifeblood of organizational growth and sustainability, driving businesses to adapt to changing environments, meet customer needs, and maintain a competitive edge. Leading theories like those formulated by Hult, Hurley, and Knight (2004) underscore the pivotal role that innovation plays in enhancing overall business performance. Their research indicates that effective innovation strategies are essential for organizations to achieve long-term success and navigate complexities in the everevolving market landscape.

Ojasalo's (2008) research has further highlighted the multifaceted nature of innovation, categorizing it into three distinct types: product, process, and market innovations. These categories serve as pillars for organizations seeking to generate revenue, improve operational efficiency, and expand their market reach. Product innovation involves introducing new offerings or significantly enhancing existing products, enabling companies to meet evolving consumer demands and stay ahead of competitors. Process innovation, on the other hand, focuses on improving internal

operations, streamlining workflows, and optimizing resource utilization to enhance overall productivity and effectiveness. Market innovation revolves around identifying and tapping into new market segments, developing innovative marketing strategies, and creating a distinct competitive advantage.

Damanpour and Aravind (2012) have contributed significantly to the discourse on innovation by delineating between technological and organizational innovations within the broader framework of process innovation. Technological innovations encompass advancements in products, services, or processes driven by technological breakthroughs, while organizational innovations pertain to changes in organizational structures, strategies, and administrative processes. By understanding and leveraging both technological and organizational innovations, companies can achieve higher levels of efficiency, effectiveness, and adaptability, ensuring sustained growth and competitiveness in dynamic business environments.

Moreover, the research conducted by scholars like Loasby (1998) and Cantwell (2001) delves into the collaborative nature of innovation, emphasizing the role of partnerships and knowledge exchange in driving modern innovation initiatives. Large corporations often serve as catalysts for innovation, leveraging their technological expertise, resources, and established networks to pioneer groundbreaking solutions and industry advancements.

By fostering a culture that values creativity, encourages experimentation, and promotes knowledge sharing, organizations can create a conducive environment for innovation to thrive. Cultivating a diverse workforce, promoting cross-functional collaboration, and empowering employees to think outside the box are essential components of an innovation-driven culture.

In conclusion, the strategic adoption of innovative practices, as supported by leading theories and research findings, is instrumental in propelling organizations towards sustained growth, market relevance, and long-term success. By embracing a culture of innovation, organizations can unlock new opportunities, drive efficiency improvements, and create valuable solutions that resonate with customers, ultimately shaping a brighter future for the business landscape..

Learning Organization

The concept of the learning organization has gained significant attention since the 1990s, when Peter Senge and his colleagues at the Massachusetts Institute of Technology (MIT) introduced and popularized the idea of the "fifth discipline" (Senge, 2006). Senge is considered the guru of learning organizations, and his work has influenced the field of management, leading organizations to increasingly adopt this concept (Jubaedah, 2010).

According to Nurhayani (2018), a learning organization is one that creates a supportive environment and provides ample opportunities for individuals within it to learn individually and in groups, and then apply what they have learned to the organization's processes and activities. The primary value of a learning organization is problem-solving (Nurhayani, 2018).

Garvin (1993), as cited by Noviana Widjaja and Saarce Elsye (2014), defines a learning organization as one that has the ability to create, acquire, transfer knowledge, and modify behavior to reflect new knowledge and insights. Musa (2018) states that

organizational learning helps organizations create, transfer, and integrate knowledge and experiences, enabling continuous learning.

Senge (2006) proposed five disciplines that he termed the "five new component technologies," which he believed were essential for individuals in an organization to possess in order to successfully build a learning organization and facilitate change. These five disciplines are: Personal mastery: Continually developing personal vision and seeing reality objectively, Mental models: Surfacing and scrutinizing deeply held assumptions, Shared vision: Building a shared picture of the future to foster commitment. Team learning: Suspending assumptions and thinking together as a team, and Systems thinking: Seeing interrelationships and processes as a whole.

Research by Takraatmadja et al. (2006) found a positive correlation between organizational characteristics and an organization's readiness for change, indicating that organizations with strong learning organization characteristics also have a higher level of readiness for change.

Jimenez-Jimenez and Sanz-Valle (2011) measured organizational learning using five indicators: knowledge acquisition, knowledge distribution, knowledge interpretation, organizational memory, and knowledge for the future.

Several researchers have emphasized the importance of continuous learning, adaptation, and innovation in learning organizations. Marquardt (in Gilley & Maycunich, 2007) developed characteristics and dimensions of learning organizations, highlighting aspects such as system-wide learning, continuous learning integrated with work, a focus on creativity and generative learning, access to important information, and the ability to adapt and revitalize the organization in response to environmental changes.

Overall, the concept of a learning organization emphasizes collective learning, transformation based on new insights, open dialogue, and integrating learning with organizational processes for continual adaptation and innovation to achieve desired results and foster organizational success.t.

Impact of Hard Skills on Innovation

Research by Evy Yanthy et al. (2020) concluded that hard skills and soft skills positively and significantly influence teachers' innovation capabilities, both directly and indirectly through the mediation of organizational culture. The study proposed a model to build innovation capabilities among Islamic school teachers in Jakarta and Tangerang by improving hard and soft skills with organizational culture as a mediator. The research paves the way to enhance teachers' readiness for the education 4.0 era.

Choi Chi Hyun et al. (2020) found that hard skills sharing positively and significantly impacts teachers' innovation capabilities, directly and through the mediation of organizational culture. This means that the more positive the hard skills possessed by teachers, the more their individual innovation capabilities in educational institutions will increase.

Impact of Soft Skills on Innovation

Several studies conclude that soft skills influence innovation more than hard skills (Ibrahim et al., 2017; Albandea & Giret, 2018; Viviers et al., 2016; Escrig-Tena et al., 2018). Qi & Chau (2018) state that soft skills positively and significantly affect learning

innovation. Better mastery of soft skills leads to more positive formation and development of learning innovation in an organization.

Impact of Knowledge Management on Innovation

Research by Gidionton Saritua Siagian and Zulfa Fitri Ikatrinasari (2019) shows that knowledge management has a strong influence on innovation, especially in IT-based companies in Indonesia that rely heavily on ideas to create new features and functions in technology. Several previous studies have also found a significant positive impact of knowledge management on innovation (Mardani, 2018; Obeidat, 2016; Nawab, 2015; Charles, 2001; Kashif, 2001; Darroch, 2005; Ali, 2013).

Impact of Hard Skills on Learning Organization

According to Kezar (2005), learning organizations emphasize external threats as the reason why learning needs to be done. Learning organizations must be able to respond to internal and external demands. Indicators include adaptive and generative learning. Hussain et al. (2018) state that companies with well-managed learning routines will produce knowledgeable individuals with both hard and soft skills.

Impact of Soft Skills on Learning Organization

Soft skills are a very significant predictor of organizational learning development (Muthuveloo et al., 2017). Soft skills relate to emotional skills (Lavy & Yadin, 2013), communication, presentation skills, teamwork, and time management (Karthi & Mahalakshmi, 2014). Research by Fani Setiani et al. (2016) found that soft skills can be developed through teaching and learning activities in schools.

Impact of Knowledge Management on Learning Organization

Organizational learning indirectly supports the creation of knowledge management in an organization. According to Nonaka (2003), the main issue in knowledge management is how to accumulate the knowledge of individuals into organizational expertise. Knowledge management capabilities can also influence organizational learning (Argote & Miron-Spektor, 2011; Yang & Chen, 2009; Nafei, 2014; Ngah et al., 2016; Al Dari et al., 2020).

Impact of Learning Organization on Innovation

The learning process in an organization must be linked to innovation, where an organization that is good at developing knowledge will also be good at producing innovative processes and products (Ellitan & Anatan, 2009). Innovation has a positive influence on organizational performance (Salim & Sulaiman, 2011; Siswanto, 2014). Research shows that learning organizations positively impact innovation capabilities and performance (Salim & Sulaiman, 2011; Sampe, 2012; Siswanto, 2014).

Hard Skills Influence Innovation Mediated by Learning Organization

Organizational learning positively and significantly influences employee innovation capabilities and mediates the effects of hard skills and soft skills on employee innovation capabilities (Martinez-Costa, 2018). Essentially, organizational learning can provide positive conditions for the knowledge creation process in the 4.0 era.

Soft Skills Influence Innovation Mediated by Learning Organization

Organizational learning mediates the relationship between hard skills, soft skills, and organizational innovation (Nouri & Ghorbani, 2017; Chang et al., 2017). Soft skills

significantly and positively influence employee innovation capabilities, both directly and through the mediation of organizational learning (Ardian Sopa et al., 2020).

Knowledge Management Influences Innovation Mediated by Learning Organization

Knowledge management by organizational learning is a way to manage knowledge to create value and enhance competitive advantage (Honeycutt, 2000). Knowledge creation facilitated by organizational learning enhances employee innovation capabilities and organizational performance (Asbari et al., 2019; Vijande & Sanchez, 2017; Lin & Lee, 2017). Sustainable innovation requires a learning culture that adds value by enabling effective knowledge transfer and combination (Lin & Lee, 2017; Lee et al., 2016; Chang & Lin, 2015).

The research model that explains the relationship between variables and the indicators for each variable can be seen in Figure 1.

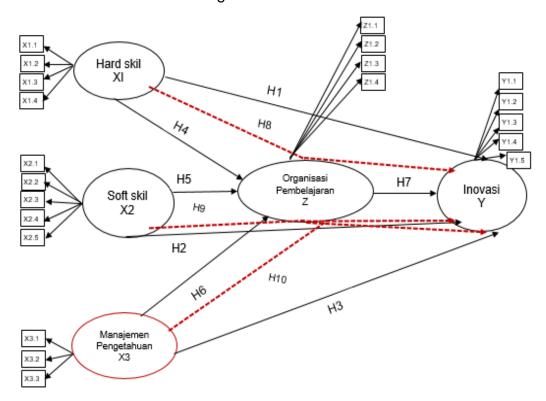


Figure 1: Research Model

RESEARCH METHODS

Data Collection and Analysis

The research was conducted in Kendari City, Southeast Sulawesi Province, Indonesia, chosen for its abundance of small-scale businesses, making it an ideal location for the study. Kendari serves as a representative area for the management of small businesses in Southeast Sulawesi Province. The research was carried out between August and December 2023, employing a quantitative approach, specifically positivism, to examine the relationship between various variables.

The population comprised all registered business owners in Kendari City, totaling 1,113 small-scale entrepreneurs according to the Department of Trade and SMEs

records in 2023. Utilizing the Slovin formula, a sample size of 137 respondents was determined.

The variables investigated included both exogenous and endogenous factors. Exogenous variables, such as hard skills, soft skills, knowledge management, and innovation, were identified as influential factors affecting the research framework, while the endogenous variable focused on organizational learning.

Overall, the research aimed to explore the dynamics of these variables within the context of small-scale businesses in Kendari City, contributing to a deeper understanding of organizational behavior and innovation in the region's business landscape. The profiles of respondents can be seen in Table 1.

Description	Criteria	Frequencies	Percentage
Gender	Male	41	30%
Gender	Female	96	70%
	under 20	2	1%
	20 to 29	7	5%
Age (in years)	30 to 39	32	23%
- , , ,	40 to 49	80	58%
	50 or above	16	12%
	High school	37	27%
Level of education	Bachelor's Degree	84	61%
	Master's Degree	16	12%
	under 4	75	55%
Length of Business	5 to 9	48	35%
Running (in years)	10 to 14	8	6%
	15 or above	6	4%

Table 1: Respondents Characteristics

In this study, the analysis was conducted using Structural Equation Modeling (SEM) through IBM SPSS AMOS 29 software. SEM analysis allows researchers to test hypotheses regarding the relationships between variables in their theoretical models, evaluate the model's quality, and perform in-depth statistical analyses to understand the complexity of relationships within their data. The utilization of AMOS is based on its capability to provide a comprehensive platform for exploring intricate relationships among variables. It is commonly employed across various research fields, including social sciences, psychology, business, and other disciplines.

By employing SEM through AMOS, this study aimed to rigorously examine the interplay between the identified variables, shedding light on the mechanisms driving organizational behavior and innovation within the context of small-scale businesses in Kendari City, Southeast Sulawesi Province, Indonesia.

Measurements

In the measurement model test, the relationship between indicators and latent variables is examined. Integrating the testing of both the structural model and measurement allows researchers to evaluate measurement error as an integral part of SEM and conduct factor analysis simultaneously with hypothesis testing (Bollen, 1989). In the measurement model test, the obtained results include a Chi-square value of 187.464, Degrees of Freedom of 113, and a Probability level of .000. These results provide insights into the goodness-of-fit of the measurement model, indicating the extent to which the observed data align with the hypothesized relationships between indicators and latent variables. A low probability level suggests a significant

discrepancy between the observed and expected data, prompting further examination of the model's fit and potential modifications to enhance its validity. The measurement test results can be seen in Figure 2.

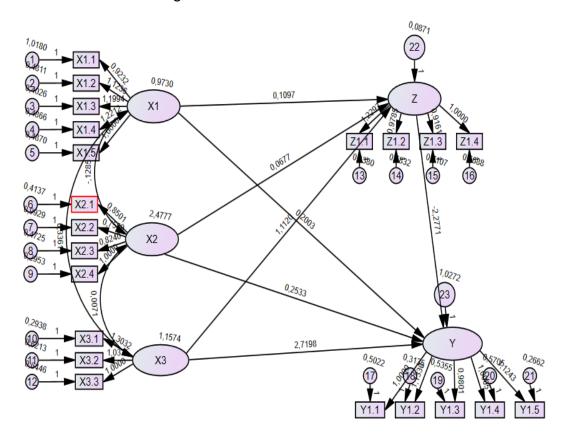


Figure 2: Measurement Test Results

The hypothesis testing on the model indicates that the model fits the data used in this study. Despite a relatively large Chi-Square value of 396.851, it's important to consider that the Chi-Square value is influenced by the degree of freedom. In this study, the degree of freedom is 179. When the degree of freedom is smaller, the Chi-Square value will decrease.

Therefore, the significance of the Chi-Square value should be interpreted in conjunction with the degree of freedom. In this context, the relatively large Chi-Square value might be acceptable given the degree of freedom, suggesting a reasonable fit between the model and the observed data.

The testing using SEM model is conducted in stages. If the appropriate model fit is not achieved, the initially proposed model needs to be revised. The need for revision arises from issues identified during the analysis. One such issue could be the inability of the developed model to generate unique estimates. If such problems emerge in SEM analysis, it indicates that the research does not support the structural model formulated. Consequently, the model needs to be revised by refining the existing theory to form a new model. Criteria for goodness-of-fit have been outlined on page 42 as previously stated by Haryono et al. (2012).

RESULTS

The analysis of the data processing in the full SEM model stage is carried out by conducting suitability tests and statistical tests. These tests aim to assess how well the proposed model fits the observed data and to evaluate the statistical significance of the relationships between variables.

By examining both the goodness-of-fit indices and the statistical significance of the model parameters, researchers can determine whether the proposed model adequately represents the underlying relationships in the data.

If discrepancies or inadequacies are identified, adjustments and revisions to the model may be necessary to improve its fit and validity. The results of the model goodnessof-fit test are explained in Table 2.

No	Indeks	Nilai Kritis	Hasil
1	IFI	≥ 0,90	0,92
2	Probability level	≥ 0,05	0,000
3	CMIN/DF	< 2,00	2,21
4	CFI	≥ 0,95	0,92
5	RMSEA	≤ 0,08	0,09
6	TLI	≥ 0,95	0,90

Table 2: Goodness-of-fit model

The model is considered acceptable if at least one method of assessing its fit is met. In practice, it's challenging to fulfill all fit criteria simultaneously. However, if the model fit assessment satisfies more than one criterion, the SEM model will be much better than if only one criterion is met (Ghozali, 2005).

Table 2, indicates that the probability value of Chi-Square, CMIN, CFI, RMSEA, and TLI falls within unexpected ranges, while IFI falls within the expected range of values. Therefore, despite some indices not meeting the expected criteria, since the IFI meets the desired range, the model can still be deemed acceptable.

To test the hypotheses regarding causality developed within this model, it is necessary to test the null hypothesis. Table 3 presents the coefficients of regression and their corresponding t-values, which are observed in the critical ratio (CR) column.

These t-values are essential for determining the statistical significance of the relationships between variables in the model. By comparing the t-values with critical values or determining their significance levels, researchers can evaluate whether the hypothesized causal relationships are supported by the data.

This step is crucial for drawing conclusions about the validity of the proposed model and the significance of the relationships between variables within it.

			Estimate	S.E.	C.R.	P	Label
Z	<	X2	,068	,031	2,218	,027	par_2
Ζ	<	X1	,110	,053	2,068	,039	par_4
Z	<	Х3	1,112	,099	11,180	***	par_5
Υ	<	X1	,200	,182	1,103	,270	par_1
Υ	<	Х3	2,720	1,297	2,097	,036	par_3
Υ	<	Z	-2,277	1,115	-2,043	,041	par_25
Υ	<	X2	,253	,114	2,221	,026	par_26

Table 3: Regression Parameter Estimation

The regression parameter estimation table elucidates the causal relationships among latent variables in the study. The significance of these relationships, pertaining to hard skills to organizational learning, soft skills to organizational learning, knowledge management to organizational learning, hard skills to innovation, soft skills to innovation, knowledge management to innovation, and organizational learning to innovation, is assessed through critical ratio (CR) values and P-values. A P-value below 0.05, indicative of a CR value surpassing 1.96, is considered significant (Ghozali, 2005).

The hypothesis testing results unveil the following insights: Hard skills significantly impact organizational learning at $\alpha = 5\%$ (P-value: 0.039), alongside soft skills (P-value: 0.027) and knowledge management (P-value: 0.000).

However, hard skills exhibit no significant effect on innovation (P-value: 0.270), whereas soft skills (P-value: 0.026), knowledge management (P-value: 0.036), and organizational learning (P-value: 0.041) significantly influence innovation. These findings illuminate the dynamics of the model, affirming or refuting the proposed hypotheses concerning the interplay between latent variables within the theoretical framework.

DISCUSSION

Based on the findings or research results, the explanation or discussion on this topic can be presented as follows:

Hypothesis (H1) - Hard Skills Influence Organizational Learning: The research findings indicating that hard skills have a positive and significant influence on organizational learning in the Micro and Small Industry in Kendari City are consistent with several previous studies. Research conducted by Watkins and Marsick (1993) suggests that hard skills such as technical knowledge, operational skills, and equipment or technology proficiency are essential factors in supporting organizational learning. In the context of the Micro and Small Industry, hard skills such as production skills, machine operation abilities, and related technical expertise are crucial for improving organizational performance and facilitating continuous learning processes (Watkins and Marsick - 1993).

Hypothesis (H2) - Soft Skills Influence Organizational Learning: The finding that soft skills have a positive and significant influence on organizational learning aligns with previous research presented in the previous file. It was explained that small business operators in Kendari City possess good soft skills, such as the ability to influence or direct innovation, making extra effort to develop business and professional relationships with partners, feeling comfortable making decisions under uncertainty, and making progress even when working in less cohesive teams. Soft skills play a vital role in creating a conducive organizational environment for continuous learning (Algahtani et al. -2022).

Hypothesis (H3) - Knowledge Management Influence Organizational Learning: The finding that knowledge management has a positive and significant influence on organizational learning is consistent with previous studies. The ability to utilize technology in business, understand job procedures, and possess good personal knowledge management skills among small business operators in Kendari City supports the creation of an organizational environment conducive to continuous

learning. Effective knowledge management facilitates efficient knowledge transfer and dissemination within the organization (Sadiku-Dushi et al. - 2019).

Hypothesis (H4) - Hard Skills Have No Significant Influence on Innovation: The research finding that hard skills have no significant influence on innovation in the Micro and Small Industry in Kendari City can be further explained by linking it to several relevant previous studies. For instance, Amabile (1998) suggests that innovation depends not only on hard skills or technical abilities but also on other factors such as intrinsic motivation, creativity, and a supportive work environment. (Amabile - 1998).

Hypothesis (H5) - Soft Skills Influence Innovation Positively: The finding that soft skills have a positive and significant influence on innovation in the Micro and Small Industry in Kendari City is consistent with several previous studies. Soft skills such as communication, interpersonal skills, and emotional intelligence contribute positively to organizational innovation. (Dakhli and De Clercq - 2004).

Hypothesis (H6) - Knowledge Management Influence Innovation Positively: The finding that knowledge management has a positive and significant influence on innovation in the Micro and Small Industry in Kendari City aligns with previous research. Effective knowledge management, including processes of creation, sharing, and utilization of knowledge, contributes positively to both product and process innovations. (Darroch and McNaughton - 2002).

Hypothesis (H7) - Organizational Learning Influence Innovation Negatively: The research finding that organizational learning has a negative and significant influence on innovation in the Micro and Small Industry in Kendari City contradicts most previous studies examining the relationship between organizational learning and innovation. However, this finding may be explained by considering specific factors and conditions (Chaston et al. - 2001).

Overall, these research findings provide valuable insights for stakeholders in the Micro and Small Industry in Kendari City to develop more effective strategies to enhance organizational learning and drive innovation. Understanding the roles and relationships between hard skills, soft skills, knowledge management, organizational learning, and innovation can help organizations optimize their resources to achieve competitive advantages and sustainable growth (Chaston et al. - 2001).

Managerial Suggestions

To leverage the findings of the study and foster organizational growth and innovation within the Micro and Small Industry in Kendari City, several managerial suggestions can be implemented. Firstly, it is recommended to establish comprehensive skills development programs aimed at enhancing both hard and soft skills among employees.

These programs should focus not only on technical competencies but also on interpersonal skills, communication, adaptability, and problem-solving abilities. Additionally, investing in robust knowledge management practices is essential.

Organizations should implement systems and processes to capture, share, and leverage organizational knowledge effectively. Creating a culture of continuous learning is crucial, where employees are encouraged to embrace new ideas, take calculated risks, and learn from failures. Moreover, fostering cross-functional

collaboration and breaking down silos within the organization can facilitate knowledge exchange and innovation.

Establishing interdisciplinary project teams and promoting open communication channels can foster a collaborative environment conducive to innovation.

Lastly, empowering employees at all levels to participate in the innovation process is vital. Establishing channels for idea generation, providing resources for experimentation, and recognizing innovative behaviors can motivate employees to contribute actively to organizational learning and innovation.

Theoretical Implementations

The theoretical implications of the study suggest several avenues for further research and theoretical development. Firstly, integrating both hard and soft skills into human capital theory can provide a more holistic understanding of the drivers of organizational competitiveness and innovation.

Exploring the role of knowledge management within organizational learning theories can enrich our understanding of how knowledge creation, sharing, and utilization processes contribute to organizational innovation.

Additionally, examining the influence of organizational culture on innovation within small and medium-sized enterprises (SMEs) can enhance existing innovation theories. Further research into how cross-functional collaboration drives innovation in SMEs can enrich innovation models and frameworks.

Finally, incorporating the role of employee involvement in innovation processes into motivational theories can deepen our understanding of how intrinsic motivation and empowerment foster a culture of innovation within organizations.

By integrating these theoretical frameworks, researchers can contribute to a more comprehensive understanding of the mechanisms underlying organizational learning and innovation..

CONCLUSION

The findings of the study shed light on the intricate relationship between skills development, knowledge management, organizational learning, and innovation within the Micro and Small Industry in Kendari City. The results underscore the significance of both hard and soft skills in driving organizational learning and innovation. Specifically, hard skills, such as technical expertise and operational proficiency, play a crucial role in facilitating organizational learning and knowledge transfer. Similarly, soft skills, including communication, teamwork, and adaptability, contribute significantly to fostering a culture of innovation within the organization. Moreover, effective knowledge management practices emerge as a key enabler of organizational learning and innovation, allowing firms to leverage internal expertise and external knowledge sources to drive innovation.

However, the study also reveals some nuanced findings. While hard skills demonstrate a positive and significant impact on organizational learning, their influence on innovation appears to be limited. This suggests that while technical competencies are essential for operational efficiency and knowledge transfer, they may not be sufficient to drive transformative innovation. Conversely, soft skills exhibit a significant positive

relationship with innovation, highlighting the importance of interpersonal skills, creativity, and collaboration in driving innovative outcomes.

Furthermore, the study provides insights into the role of organizational learning in innovation. Contrary to conventional wisdom, organizational learning demonstrates a negative and significant impact on innovation within the context of Micro and Small Industry in Kendari City. This unexpected finding suggests that while organizational learning is essential for knowledge acquisition and dissemination, an excessive focus on learning activities may hinder creativity and risk-taking, critical components of the innovation process.

In conclusion, the study underscores the multidimensional nature of skills development, knowledge management, organizational learning, and innovation within small and medium-sized enterprises. By integrating hard and soft skills development initiatives, implementing effective knowledge management practices, and fostering a balanced approach to organizational learning, firms can create a conducive environment for innovation and sustained competitive advantage. However, further research is needed to explore the underlying mechanisms and boundary conditions of these relationships, thereby contributing to a more nuanced understanding of organizational dynamics in the context of innovation and competitiveness..

Limitations and Future Research

Despite the valuable insights gained from this study, several limitations warrant consideration. Firstly, the research focuses exclusively on Micro and Small Industry in Kendari City, limiting the generalizability of the findings to other contexts or industries. Future studies could adopt a comparative approach across different sectors or regions to enhance the external validity of the findings.

Secondly, the study relies on cross-sectional data, which precludes causal inference and longitudinal analysis. Future research could employ longitudinal designs to explore the dynamic relationships between skills development, knowledge management, organizational learning, and innovation over time.

Thirdly, the study primarily relies on self-reported data, which may be susceptible to common method bias and social desirability bias. Future research could mitigate these biases by incorporating multiple data sources, such as objective performance measures or independent assessments.

Fourthly, the study focuses on a limited set of variables and constructs, overlooking potentially relevant factors that may influence innovation outcomes, such as organizational culture, leadership style, and external environmental factors. Future studies could adopt a more comprehensive framework to capture the multifaceted nature of innovation dynamics.

Lastly, the study adopts a quantitative approach, which may overlook the nuances and context-specific factors that qualitative methods can capture. Future research could complement quantitative analyses with qualitative methods, such as interviews or case studies, to provide a deeper understanding of the mechanisms underlying skills development, knowledge management, organizational learning, and innovation within small and medium-sized enterprises.

Addressing these limitations will not only enhance the robustness and validity of the findings but also contribute to advancing theoretical understanding and practical

insights into the complex interplay between skills development, knowledge management, organizational learning, and innovation in the context of small and medium-sized enterprises.

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