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The Role of Human Capital on the Creativity and Performance of Managers of Small-Furniture Central Java Indonesian

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Abstract:

This study aims to examine the role of human capital on employee creativity and the performance of managers of an SME in Central Java. Human resource competencies with three dimensions, namely skills, knowledge and employee characteristics. The method used in this research is correlational descriptive. In this study, the statistical population consists of all Furniture SME managers operating in Central Java. The sample used in this study was 150 respondents with the sampling method used was purposive sampling. While the analysis used with AMOSS SEM software. The results show that there is a positive and significant relationship between knowledge, skills and competency characteristics of human resources on the creativity and performance of human resource managers. In fact, the relationship between all dimensions of competency (knowledge, skills and characteristics) and the performance of human resource managers is significant.

Keywords: Human capital, creativity, employee performance, UKM Furniture

1. Introduction

The existence of personnel management in an organization plays a very important role. Therefore, the management of human resources that must be done must be effective, strong, and quality. Because there are differences between people in terms of knowledge and ignorance. Therefore, human knowledge and quality of human resources or labor play a major role in the development of sustainable communities as the most important and the most significant assets of an organization (Sargit et al., 2012). According to Bvars and Rue (2008), people's performance in certain situations is the result of a reciprocal relationship in doing business based on knowledge and understanding. Efforts that emanate from excitement imply that the amount of energy (mental or physical) a person has using in doing his job.

Abilities are personality traits used in carrying out a job. The role of understanding implies the way that employees and managers believe in them to lead their efforts in doing their work. In the same way, Arthur (2003), in a study entitled learning from the impact of human capital management and performance management on employee efficiency 'provided that it is possible to be improved. Employee obedience using control strategies through rules and methods, limiting employee contributions, limited public education, low salaries and lack of rewards in comparison for all employees. According to dramatic changes in the environment of social organizations and increasing competition in the world today, which organizations tend to be more attractive, teach and more importantly, is to improve the quality of people's competence to perform now and future process.

Human resource competencies that are built through knowledge, soft skills and characteristics of behavior and attitudes will encourage the realization of creativity. The encouragement of creativity an employee will be able to carry out his work better, which in turn will affect the performance improvement. The problem to be solved in this research is whether human capital has a significant influence on improving creativity and performance?

2. Literature Review

2.1. Human Resource Competence and Creativity

Modern Growth Theory emphasizes the importance of human capital and even considers human capital as an effective parameter in economic improvement in society. Some human resource researchers believe that investing in people causes the economic efficiency of organizations and society. Qualification of efficient human resources is the key to the economic growth of society and it is important. An organization is very important in providing asset assistance for economic growth and development. Because of this, it was possible to compare it with the physical assets of the organization (Edralin, 2007). That is precisely what causes competence to be important in environmental competition. According to Here, Taheri and Sayyar (2008), stated that the most important organizational competencies are interpersonal competencies, intellectual competencies, human resource competencies, leading competencies, customer service competencies and others.

Competence is related to many components such as feedback from performance tests, awards, work, choosing development plans and replacement learning plans. Competency-based assets in the field of human resources are related

to absorbing knowledge, experience, or artificial goods through competency-based processes. Asset-based competence in the field of Iranian human resources is also affected by this change and its goals change with global change. Quick acceptance and development of competency-based attitudes and use them in employee development plans including the results of the benefits stored in this attitude. Different competencies benefit organizations and managers in terms of different levels. Organizations use competencies for different reasons such as providing proper care and organizational culture, efficient performance for each employee, utilizing their organization and management and considering people's capacity (not their work) as a way to achieve competitive benefits, increase teamwork, and reciprocal treatment. The importance of competence in organizations has grown? Er published an important article Lowler (1994). He studied the evolution of organizations from work-based organizations to competency-based organizations so that today, many organizations use human resource competency-based management methods (Yeganegi, 2010).

Human resource competency directly or indirectly has an effect on creativity and performance. Competence shows that how people have to do their job and how people must do their job and how to react in special cases or how to treat it. In order to achieve organizational goals, qualifications and experts must be employed in the organization (Asgari Azad, 2003). In other words, human resource competencies contain someone's characteristics that enable them to perform in both their roles and positions. Marely regards employee competencies as measurable and necessary capabilities for an efficient and performing job (Draganidis and Mentzas, 2006). The competency parameters of human resources can be measured through the dimensions of human capital consisting of the dimension of knowledge, the dimension of skills (skills) and the dimensions of characteristics.

Knowledge is a process of experience and theoretical progress in a general way obtained from university education. Knowledge and information are the basis for developing skills and attitudes and do not significantly influence the development of management competencies by themselves (Dargahi et al., 2007). Whereas attitude is the mental imagination of humans towards their environment and the world (Babaie and Zakliki, 2017). Thus, knowledge is a source of inspiration to get in increasing creativity. Knowledge capital will affect the level of creativity to do work. Therefore, it can be proposed in the following research hypothesis:

- H1: Knowledge is positively related and significant to creativity.

According to Maniscalco (2010), soft skills refer to a group of qualities, habits, personality traits, attitudes, and social community where everyone has various levels and is needed for daily life as much as is needed for work. Lorenz (2006) refers to soft skills as qualities that cause employees to work better and reliable coworkers. However, according to Gibbons et al. (2000), the term 'soft skills' is synonymous with core skills, core competencies and personal skills.

Therefore, soft skills are non-cognitive abilities that are an innate individual and are needed for good social relations at work. Soft skills are usually difficult to observe, measure and measure. Someone might also have the ability to work with colleagues from other cultures or learn a new language quickly. According to Zedeck and Goldstein (2000), soft skills such as handling conflict and gathering and sharing information are highly sought after by organizations. Leigh et al. (1999) assert that workplace competencies include problem solving, communication skills, personal qualities and work ethics, which are soft skills categories. The study conducted by Campbell (1990) proposes eight taxonomic dimensions of job performance which are job specific skills.

Non-occupational special skills, Core technical expertise, General skills, business and leadership, personal discipline, physical fitness and military cushioning. Through the process of sorting out critical incidents, Borman and Brush (1993) agreed upon the management performance category. Stevens and Campion (1999) develop a taxonomy that describes five dimensions of soft skills: communication, problem solving, conflict resolution, goal setting and planning, and task coordination. A study of financial success carried out by the Carnegie Advance Teaching Foundation (CFAT), and later confirmed by the Carnegie Institute of Technology (CIT), found that 15% of a person's financial success is due to the knowledge he has acquired, and 85% of his success is due to skills in 'human techniques', such as personality and individual ability to lead people, namely subtle skills (Carnegie, 1981).

Developing soft skills from organizational personnel is very important for company effectiveness. Effective teamwork requires special abilities, such as leadership, coordination and conflict management. This implies that if the institution of higher education wants to meet the requirements of the future professional life. On the other hand, soft skills can be possessed by someone at work can increase creativity in doing work. Creativity can be realized if someone has the ability.

- H2: Soft skills are positively related and significant to creativity.

Personal characteristics are fixed attributes of people showing how we have to change them (Dargahi et al., 2007). In the same way, Gholamzade et al. (2013), in a study entitled 'identifying and determining the competency index of managers in an insurance company (case study: middle manager)' provided that competence consists of five main branches as: leadership, communication skills, moral values, characteristics, knowledge and information. The importance of each branch and index is determined. According to the low efficiency of the state organization especially the government organization and the low efficiency of human resources in all organizations, the general policies of the administrative system are examined and approved in the policy council, then by the great leadership of Iran, they become informed by a way to achieve the prospect of 20 years of the Islamic Republic of Iran in 2025, in 2010.

Parameters such as fairness, meritocracy, training that qualify on the basis of Islamic behavior, and efficiency of the plan and knowledge-based show the basics of system administration. Studying and evaluating the background of the current administration system in government and private organizations shows that they usually do not have enough efficient models to apply the standards mentioned. Telling this general policy shows that the administration system is far from a good situation. That means there is a distance between the current situation and the ideal situation. The characteristics that exist in each human being will be different. The different characteristics will also affect the ability to be creative. Therefore, the following hypotheses in the study:

- H3: Characteristics are positively related and significant to creativity.

2.2. Creativity and Manager's Performance

Employee performance has always been an important issue in any organization. Many organizations, as a result of a competitive global business environment (Neely, 1999), have established training development programs on a regular basis to maintain high employee performance. Thus, performance appraisal and monitoring have contributed greatly to organizational success (Eccles, 1991).

Bacharach and Bamberger (1995) argue that manager performance is influenced by individual performance and also by situational constraints. Situational perspectives, according to Sonnentag and Frese (2001), refer to factors in the individual environment that stimulate, support or impede performance, including approaches that focus on factors at work. This relationship can be moderated by certain situational factors, such as soft skills training (Izadikhah et al., 2010).

The latest developments in interest in soft skill competencies seem to be connected to work success. So, it is not surprising that organizations are more willing to invest in soft skills development for better performance, especially at the top executive level (Homer, 2001). However, some researchers question performance improvement programs, such as soft competency skills, whether it really leads to a significant improvement in an organization's performance (Robert and Donald, 2001), supporting this view, they share the opinion that employees must be given more talk and decision-making opportunities in an organization if job performance must be improved. Even if all the necessary information is given to employees, employee performance in an organization will still depend on the ability of employees to utilize the information provided to improve their work performance (Anderson et al., 1994). Thus, the hypothesis proposed in this study is as follows:

- H4: Knowledge is positively and significantly related to performance.
- H5: Softskill is positively related and significant on performance
- H6: Characteristics are positively related and significant to performance
- H7: Creativity is positively related and significant to performance.
- H8: Creativity mediates the relationship between knowledge, soft skills, characteristics of employee performance.

3. Methodology

3.1. Research Design

This study uses explanatory research models, namely by applying the test method to the hypothesis being tested, is expected to be able to explain the causal relationship caused by several variables.

3.2. Respondents

The population in this study is the manager and manager of Furniure's small business in Indonesia, which according to Law Number 20 of 2008 has a maximum net worth of 500,000,000 or has the most annual sales results of Rp. 2,500,000. Data was distributed to 250 respondents, namely UKM Furniture managers in Central Java. After 3 months of the data collection process, only 200 returned, or around 81.03 percent. The final evaluation of the questionnaire received after checking the damaged questionnaire and outlier data obtained 150 questionnaires (78.45%) which were suitable for use in data analysis. The selected respondents consisted of women (76.7%) and (23.3%) men aged 25 years to 25 years. Most of them are managers and managers of UKM Furniture who are married and have worked for 3 years. Their education level is mostly (65%) high school, 10.7% diploma and 24.2% undergraduate.

3.3. Research Instruments

This study uses a questionnaire as a research instrument. The measurement scale used is a Likert Scale 1 to 5, where value 1 indicates the size of the strongly disagree statement (STS), value 2 indicates the size of the disagree statement (TS), value 3 indicates a measure of neutral statement (CS), value 4 indicates statement of agreement (S) and value 5 indicate statement of strongly agree (SS).

Knowledge: in the knowledge variable measured by 3 indicators questionnaire statement. Respondents were asked to fill in the statement items by choosing answers between a scale of 1 (strongly disagree) to 5 (strongly agree), this was done to determine the extent to which respondents saw the assessment of knowledge possessed. The description of respondents' answers to knowledge has a relatively high average of 4.00.

Soft skill: in soft skill variable is measured by 3 items questionnaire statement. Respondents were asked to fill in the statement items by choosing answers between a scale of 1 (strongly disagree) to 5 (strongly agree), this was done to determine the extent to which respondents saw good workplace spirituality in a company. Description of respondents' answers to workplace spirituality has a total average value of 4.10, which is classified as high.

Characteristics: in the variable characteristics are measured by 3 items questionnaire statement. Respondents were asked to fill in the statement items by choosing answers between a scale of 1 (strongly disagree) to 5 (strongly agree), this was done to determine the extent to which respondents saw good characteristics in a company. Description of respondents' answers to characteristic has an average total value of 4.05, which is classified as high.

Creativity: in the creativity variable measured three items questionnaire statement. Respondents were asked to fill in statement items by choosing answers between a scale of 1 (strongly disagree) to 5 (strongly agree), this was done to determine the extent to which respondents saw the level of employee creativity. Description of respondents' answers to organizational commitment has a total average value of 4.24 which is relatively high.

Employee performance: employee performance variables measured by three items questionnaire statement. Respondents were asked to fill in the statement items by choosing answers between a scale of 1 (strongly disagree) to 5 (strongly agree), this was done to determine the level of employee performance at Furniture SMEs throughout Central Java. Description of respondents' answers to employee performance has a total average value of 3.99 which is classified as high.

4. Analysis Techniques

The Structural Equation Model (SEM) is used to test empirical research models using data from managers or managers of UKM Furniture in Central Java, Indonesia. Confirmatory Factor Analysis Model is used to test the multidimensionality of a theoretical construct (construct validity test). In addition, SEM is also used as a comprehensive test tool for full structural models. Data analysis followed the process recommended by Joseph F. Hair, et al. (2010). First, make a path diagram model of causality relationships between constructs and their indicators. Second, test the unidimensionality of each construct with confirmatory factor analysis. Third, estimate the full structural model equation for indicators that have passed the confirmatory test. Fourth, discuss the convergence and discriminant validity before moving to substantive analysis. SEM analysis was performed using Amos software version 22.00.

Goodness of fit Index	Cut - of-Value	Hasil	Keterangan
X-Chis-square	Diharapkan	250.995	goods
Probability	$\geq 0,05$	0,075	goods
RMSEA	$\leq 0,07$	0,035	goods
GFI	$\geq 0,95$	0,935	goods
AGFI	$\geq 0,95$	0,930	goods
CMIN/DF	$\leq 0,200$	0,138	goods
TLI	$\geq 0,95$	0,956	goods
CFI	$\geq 0,94$	0,970	goods

Table 1: Structural Equation Feasibility Testing Index

Sources : Data process 2020

After the structural equation feasibility test is carried out, then we can do the Standardized Regression Weight (Loading Factor) test as can be seen in table 2 as follows:

	Std Estimatic	S. E	c.r	p-value
Creativity - knowledge	0,215	0,132	2,003	0,000
Creativity - Soft skill	0,214	0,118	2,620	0,001
Creativity - characteristic	0,224	0,116	2,297	0,045
Performance - knowledge	0,225	0,094	2,250	0,001
Performance - Soft skill	0,240	0,095	2,615	0,003
Performance - characteristic	0,250	0,100	2,510	0,050
Performance creativity - knowledge	0,216	0,250	2,650	0,000
Performance creativity - soft skill	0,305	0,125	2,760	0,001
Performance creativity - characteristic	0,315	0,135	2,450	0,004
Performance - Creativity	0,214	0,245	2,450	0,000

Table 2: Standaized Regression Weight (Loading Factor)

Note: * $p < 0.05$; *** $p < 0.01$

In table 2. shows the results of the direct effect of a significant positive effect between knowledge on creativity (Std $\beta = 0.215$, cr = 2.033, p-value <0.00), positive effect and Soft skill significant on creativity (Std $\beta = 0.214$, cr = 2,620, p-value <0.001), positive influence and significant characteristics on creativity (Std $\beta = 0.224$, cr = 2,297, p-value <0.045), positive influence and significant knowledge on performance (Std $\beta = 0.225$, cr = 2,250, p-value <0.001), and the positive and significant influence of soft skill on performance (Std $\beta = 0.240$, cr = 2.615, p <0.003). positive influence and significant characteristics on performance (Std $\beta = 0.250$, c.r = 2.510, p <0.050). positive influence and significant creativity on performance (Std $\beta = 0.215$, c.r = 2,450, p <0,000). Whereas the mediating variable, namely creativity, really mediates the relationship between knowledge, skills and characteristics of employee performance. Thus, after testing the hypothesis all proposed hypotheses can be accepted.

5. Conclusion

Based on the analysis and discussion that has been stated, the conclusions and results of the study are as follows: (1) knowledge has a positive effect on employee creativity. This means that the more extensive knowledge that is owned in a company, the higher the creativity of employees. (2) Soft skills of employees have a positive effect on employee creativity. This means that the higher the soft skill, the higher the creativity of employees in a company. (3) Employee characteristics have a positive effect on employee creativity. This means that the better the characteristics of employees in the company, the higher the level of employee creativity. (4) knowledge has a positive effect on employee performance.

This means that the higher the knowledge of employees in a company, the higher the level of performance of company employees. (5) Soft skill has a positive effect on employee performance. This means that the higher the soft skill an employee has, the higher the employee's performance. (6) Creativity as a mediator influence of knowledge has a positive effect on employee performance. This means that the broader the knowledge of employees of a company, the higher the creativity of these employees so that it will improve the performance of employees in a company. (7) Creativity as a mediator of the influence of soft skills has a positive effect on employee performance. This means that the higher the soft skills of a company's employees, the higher the creativity of these employees will increase the performance of employees in a company. (8) Creativity as a mediator influences the characteristics of a positive effect on employee performance. This means that the better the characteristics of employees of a company, the higher the creativity of these employees so that it will improve the performance of employees in a company.

6. Limitations of the Research and Research Agenda

The process of writing this research has several limitations that need to be underlined again, especially in subsequent research. Some of these limitations include. First, the scope of the study only covers the area of Central Java which is an economic center with a high velocity of money due to the advancement of the industrial sector with large assets as well as large work areas and a large number of employees. So, the results of the study can also have differences related to how perceptions or interpretations of each respondent in other areas with a narrow distribution of work areas and a small number of employees. Secondly, this research is only limited to studying the level of knowledge, soft skills, characteristics, creativity and performance of employees, so that it cannot examine more closely the factors beyond these variables. The researcher can then use other variables such as emotional intelligence, culture and so on to measure the level of employee performance in a company.

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