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Developing a Model for Increasing Human Resource Capacity in Multi-Businesses for the SME sector in Indonesia a Comprehensive Approach

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Abstract

This research aims to understand the important factors related to Human Resource Capacity in Multi-Business and how to improve it, then analyze and test 3 factors are government support, innovation culture, and access to finance impact HR capacity multi-business for SMEs. The research method employed was a mixed method, which entailed combining qualitative and quantitative methods. Data collection for the qualitative method was carried out using in-depth interviews with key figures in the field of multi-business SMEs in Indonesia, coupled with observation and documentation. Qualitative data analysis was carried out through the stages of data reduction, data display, and data verification. Data collection for the quantitative method was carried out using a survey questionnaire to 100 SMEs and analyzed using Partial Least Square (PLS). Government support, innovation culture, and access to finance were the factors to increase HR capacity multi-business for SMEs. Those factors have positive and significant effects on HR capacity multi-business for SMEs as the result of this study.

Keywords: Human Resource Management, Human Resource Capacity, Government Support, Innovation Culture, Access to Finance

INTRODUCTION

Human resource capacity in a multi-business environment must be improved through various strategies that can be implemented based on business characteristics. This capacity can be strengthened through education, training, and utilization of technology to optimize productivity, business diversification, and sustainability in small and medium enterprises (SMEs) (Hernita, Surya, Perwira, Abubakar, & Idris, 2021). In addition, instilling awareness of customer interaction and fostering effective communication patterns with customers are key components to optimize human resource capabilities (Menne et al., 2022). A multi-agent model that incorporates human resources in the decision-making process for project selection and team formation as a tool is an important factor for efficient project management (Chau, Liu, & Lam, 2009). Companies, especially family businesses, can significantly increase productivity by implementing an efficient human resource system that offers career planning, training, and promotion opportunities for employees (Horváthová, Mikušová, & Kashi, 2020).

Government policies, venture capital support, and human resource capacity building have been identified as key factors that positively influence SME development, underscoring the importance of human resource capacity building in driving business growth (Surya et al., 2021). The AMO model, which focuses on human resource practices for innovation, highlights the importance of building organizational capacity through strategic human resource collaboration and participation (Bai & Wang, 2016). The development of small and medium-sized enterprises (SMEs) is influenced by government policies, business capital support, and strengthening human resource capacity. It has been emphasized that building human resource capacity plays a crucial role in driving business growth (Surya et al., 2021). The AMO model, which prioritizes human resource practices for innovation, underscores the importance of enhancing organizational capacity through strategic human resource cooperation and participation (Bai & Wang, 2016).

Flexible human resource management plays an important role in enhancing corporate innovation by increasing the capacity of human resources to adapt dynamically and be competitive (Widodo, Asj'ari, Hartono, & Putra Arlansyach, 2023). Multi-business firms have been observed to have more flexibility in reallocating resources, allowing them to capitalize on stronger opportunities and drive revenue expansion more aggressively (Dickler

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& Folta, 2020; Dickler, Folta, Giarratana, & Santaló, 2022). By focusing on strategies such as education, training, technology adoption, effective communication, and utilizing models that consider human resources in the decision- making process, businesses operating in a multi-business environment can improve their human resource capacity, boost productivity, and ensure sustainability.

To develop a multi-business human resource capacity enhancement model for the SME sector in Indonesia, it is important to consider the various factors that influence the sustainability and performance of small and medium enterprises (SMEs) in the country. Research shows that government support plays an important role in strengthening human resource capacity, increasing productivity, and encouraging innovation in SMEs (Hernita et al., 2021). SMEs are highlighted as a priority sector in Indonesia due to their significant contribution to the economy by providing employment opportunities (Fakhrunnas & El Hasanah, 2022). Knowledge sharing and a culture of innovation are identified as key drivers for improving business performance and sustainable competitive advantage in the SME sector (Arsawan et al., 2022).

In addition, research emphasizes the importance of policies that empower SMEs, especially through a social enterprise approach, to increase their capacity and productivity (Maksum, Sri Rahayu, & Kusumawardhani, 2020). The role of SMEs in economic development is emphasized, with SMEs' substantial contribution to employment and economic growth in Indonesia (Fakhrunnas & El Hasanah, 2022). Government initiatives to support SME development are critical for job creation, GDP formation, and export development (Tambunan, 2009). In addition, strategies that focus on entrepreneurial orientation, technology adoption, and organizational support are recommended to improve SME performance (Hidayati, Permatasari, & Fajry, 2019; Taan, Alam, Rukayah, Ismail, & Arsyad, 2023).

Furthermore, e-commerce adoption, green management practices, and social capital are identified as factors that can positively influence SME performance and sustainability (Maslichah & Nur Diana, 2022; Widyawati, Soemaryani, & Muizu, 2023; Yudawisastra, Anwar, Nidar, & Azis, 2023). Overcoming barriers related to public policy implementation and access to credit is critical for SME growth and participation in global production networks (Herlina & Kudo, 2020; Rosyadi, Kusuma, Fitrah, Zayzda, & Pimoljinda, 2022). Leadership, knowledge sharing, and innovation capabilities are highlighted as important aspects that can drive the success and competitiveness of SMEs (Kambey, Wuryaningrat, & Kumajas, 2018). Furthermore, the role of SMEs in poverty alleviation underscores the importance of understanding the characteristics of SMEs, including human resources and management practices, to inform targeted government policies (Nursini, 2020).

The following research questions can be posed in light of the explanations provided by earlier studies and the above phenomenon. How well is Indonesia's multi-sector SMEs' human resource capability being increased by the model? What are the key variables at play, and what are the connections between them? Finding these critical elements, analyzing them, and testing their impact on human resource capability are the goals of this research.

LITERATURE REVIEW

Human Resource Management for Multi-Business of SME

Research on the success and sustainability of SMEs indicates that such entities are pinned on HRM practices. According to Martell and Carroll (1995) and Brand & Bax, 2002, effective human resource management strategies have the potential to motivate, develop, and maintain workers. The understanding and implementation of HRM in a systematic way are critical to the growth and survival of SMEs. Some of the studies demonstrated that HRM practices significantly influenced the performance of small and medium-scale enterprises. This is evidence that human resource management plays a significant role in attaining business-related goals. Besides, in the digital era, HRM contributes to the development of SMEs in a way that influences the objectives of small companies. In addition, studies have also shown that HRM practices lead to performance, innovation, and capability development of organizational learning in SMEs. Similarly, with the ambidextrous challenges faced by SMEs, a dynamic-changing human resource management strategy has to be employed in support of the goals of both agility and innovation. The literature suggests that human resource management is essential in SMEs; there is a strong need for an integrated human resource management system

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capable of responding to the particular characteristics and challenges found in these enterprises. The development and implementation of an effective human resource management strategy will enable the SME to decrease competition through increasing output, fostering innovation, and ensuring long-term viability.

HR Capacity for Multi-Business of SME

Small and Medium Enterprises (SMEs) face unique challenges in effectively managing their human resources (HR) to improve business performance and sustainability. Research shows that strengthening HR capacity in SMEs is critical to improving productivity, employment, and overall business sustainability (Hernita et al., 2021). (Strategic alignment of Information Technology (IT) and HR is critical for SMEs in the manufacturing sector to enhance their strategic HR management capabilities. In addition, factors such as organizational commitment, accounting information systems, and HR capacity significantly affect SME financial management and subsequently influence good governance practices (Pituringsih, Asmony, & Basuki, 2020). (Pituringsih et al., 2020). In the context of Chinese SMEs, adopting innovative HR practices is closely related to improving HR outcomes and firm performance, emphasizing the importance of HR practices for future growth potential (Zheng, O'Neill, & Morrison, 2009). In addition, limited HR capacity can hamper SME operations, thus affecting their efficiency and effectiveness, especially in difficult times such as the Covid-19 pandemic (Darmi, Nurvakin, & Mujtahid, 2022). Absorptive capacity, which includes R&D efforts and quality HR, plays an important role in improving SME collaboration capabilities with other companies and institutions (Muscio, 2007). The emotional intelligence of HR decision makers influences the implementation of high- performance HR practices in SMEs, highlighting the importance of emotional intelligence in HR management in small and medium-sized enterprises (Cuéllar-Molina, Cabrera, & Déniz, 2019). Furthermore, the literature underlines the need for further research to bridge the gap between entrepreneurs' concerns about HR management issues in emerging SMEs and the topics emphasized in existing research on HR practices in SMEs (Heneman, Tansky, & Camp, 2000). The effective management of HR capacity is pivotal for the success and sustainability of SMEs. By investing in strengthening HR capabilities, aligning HR strategies with business goals, and fostering innovation and collaboration through HR practices, SMEs can enhance their performance, competitiveness, and overall resilience in dynamic business environments.

Government Support for Multi-Business of SME

The development and sustainability of Small and Medium Enterprises (SMEs) are highly dependent on government support. Managerial workshops, technical training, equipment support, mentoring, coaching, tax relief, and import duty reductions are some examples of this support (Budiarto, Prabowo, Uyob, & Diansari, 2022). To increase productivity and ensure sustainability, government intervention helps improve human resource capacity, business productivity, technology utilization, and business diversification (Hernita et al., 2021). The government allocates significant funds to help SMEs during crises such as the COVID-19 pandemic. For example, the Malaysian government allocated RM196 billion to help SMEs through economic packages during the pandemic (Hussain et al., 2022). Areas such as innovation, marketing strategy, and diversification also receive support from the government. SMEs can grow with the help of local governments. Local governments offer partnership networks, financial assistance, and consultation forums (Maulina & Puspita Dewi, 2020). This assistance can enhance the diversification of their operations (Alkhathlan, Alkhateeb, Mahmood, & Bindabel, 2020). For the growth, sustainability, and resilience of SMEs, which impacts their success across industries and regions, the government must provide support through financial assistance, training programs, tax incentives, and policy frameworks.

Innovation Culture for Multi-Business of SME

The success and sustainability of small and medium enterprises (SMEs) depend on a culture of innovation. Studies show that creating a culture of innovation in small and medium enterprises can improve performance, efficiency, and creativity (Bukki, Oguntimehin, & Dosunmu, 2020). SMEs can improve their business performance and competitive advantage by creating new products and services and exploring new market opportunities (Indriyaningrum & Fachrunnisa, 2021). To excel in today's competitive business environment, SMEs must create a supportive cultural environment that encourages and nurtures innovation (Azizah, Solichin,

& Susilowati, 2023). To adapt to market dynamics and fragmentation, SMEs must shift from focusing on continuous improvement to embracing a culture of innovation (McAdam, Stevenson, & Armstrong, 2000). SMEs can leverage innovation to improve product performance, marketing strategies, and business outcomes (Kamil, Khan, & Saeed, 2023). SMEs must adopt knowledge management strategies that encourage continuous learning, innovation, and collaboration (Nahimana, 2024). A study has shown that SMEs that have a flexible corporate culture and encourage innovation are more likely to achieve better performance (Tang, Park, Agarwal, & Liu, 2020). It is essential for SMEs to create a culture of innovation to encourage innovation and superior performance (Barkatullah & Djumadi, 2018). In addition, it has been found that a culture of innovation has a positive effect on business performance in SMEs. This shows how important a culture of innovation is for sustainability (Ramdan et al., 2022). The ability of SMEs to innovate increases as a result of a culture of innovation (Zafar & Mehmood, 2019). In addition, the role of a moderate risk culture in the relationship between innovation and sustainability in SMEs shows that a supportive culture is essential for long-term success. For SMEs looking to improve their sustainability, performance, and competitiveness, it is essential to build a culture of innovation. By supporting innovation, SMEs can adapt to market changes, showcase new products and services, and see growth opportunities. Ultimately, this will lead to long-term success in the modern business environment.

Access to Finance for Multi-Business of SME

For the growth and sustainability of small and medium enterprises (SMEs), access to finance is critical (Abbasi, Wang, & Abbasi, 2018). SMEs often struggle to obtain financing, which can prevent them from investing in business expansion, purchasing new equipment, and entering new markets. SMEs can expand their businesses, acquire the latest technology, and improve their competitiveness with productive investments if they have funds. The majority of businesses in developing countries, known as SMEs, require various types of financing to grow (Serwaa Attrams, 2023). Studies have shown that SME performance is greatly influenced by access to finance. Access to finance serves as a link between entrepreneurial orientation and business success (Sidek, Mohamad, & Nasir, 2016). SMEs can achieve their goals only if they have access to finance (Chilembo, 2021). Reducing transaction costs, making it easier to apply for loans, and providing flexible loan repayment options can help SMEs obtain financing. New strategies such as AI and decentralized data orchestration can help funders assess risk, optimize financing rates, and predict cash flows. This will improve SMEs' access to preshipment trade finance (Alirezaie, Hoffman, Zabihi, Rahnama, & Pentland, 2024). SME performance is highly influenced by internal components such as managerial skills, business experience, access to finance, and technological capabilities (Loku & Nadire Loku, 2020). SMEs in developing countries still face major challenges in obtaining finance from external sources (Woldie, Laurence, & Thomas, 2018). SMEs' ability to obtain finance is influenced by accounting practices, microfinance, and collateral (Yeboah, Mensah, Tandoh, Duffour, & Roberts, 2023). To help SMEs obtain finance, initiatives such as supply chain finance offer comprehensive financial services (Liu, 2024). Ensuring adequate access to finance is critical for SME growth. Policymakers and financial institutions must address the challenges SMEs face in obtaining finance by simplifying the lending process, reducing costs, and offering financial solutions tailored to the various needs of SMEs.

METHOD

This research used a mixed method approach, namely qualitative and quantitative methods. A qualitative approach was selected because it was deemed to be the most appropriate methodology for achieving the research objectives. A qualitative approach describes and understands phenomena, events, social activities, attitudes, beliefs and perceptions of society. Qualitative research is applied when research problems need to be studied in more depth because previous theories or concepts are considered unable to capture the complexity of the problem being studied. The qualitative approach produces descriptive data in the form of words or writing and behavior that can be observed from the subjects and research objects themselves (Creswell, 2013). Data in this research was collected through observation and documentation. The process of data analysis was comprised of three stages, namely data reduction, data presentation and data verification referring to the interactive model. Data reduction is sorting the main data, data presentation is presenting the data, and data verification is concluding the main themes of the findings (Miles & Huberman, 1994).

The validity and reliability of qualitative research uses triangulation based on observation and documentation analysis to obtain valid and reliable data addressing credibility, transferability, auditability and confirmability. Credibility is linked to aspects of truth through triangulation to compare results. Transferability shows the ability of research to be applied to other research so that readers can understand the results of qualitative research. Reports are made in detail, clear and systematic. Auditability means that it can be tested by examining the entire research process, starting from designing case studies, determining data sources, collecting data, analyzing data, making conclusions, can be traced and show the process and results. Confirmability relates to objectivity that research results are approved and accepted (Creswell, 2013).

A quantitative approach is the study of problems in the form of current facts from a population to test hypotheses or answer questions related to the status of the subject under study. This research was based on a hypothetical-deductive approach by proposing a research model and using quantitative prediction methods to test the research model (Creswell, 2009). This research model integrated 4 variables and predicted the relationship between the variables. There were 4 latent variables studied, namely government support, innovation culture, access to finance, and HR capacity for multi-businesses of SME. The relationship is pivotal for enhancing HR capacity in the context of multi-business SME sector. Each latent variable was measured through indicators. By integrating these factors, companies can strengthen their HR capacity for multi-businesses to ensure sustainability of SME. government support has a positive effect on HR capacity for multi-businesses of SME (H1). innovation culture has a positive effect on HR capacity for multi-businesses of SME (H2). access to finance has a positive effect on HR capacity for multi-businesses of SME (H3). A research model was developed based on the hypotheses and the variables measured, as illustrated in Figure 1 below.

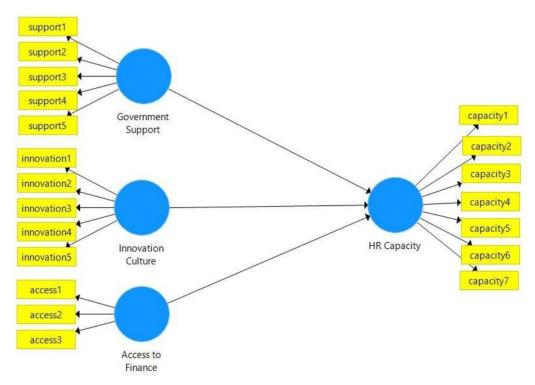


Figure 1. Research Model

Data were collected using a questionnaire developed based on predetermined measures for all variables, using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The questionnaire was distributed electronically to respondents from 500 managers SME. A total of 100 responses were obtained which could be used for processing to produce a response rate of 20%, which was in line with the research. Data were analyzed using Partial Least Square (PLS) and the smartPLS application as a Variance-Based Structural Equation Modeling. Path analysis uses Partial Least Square which consists of 3 relationships.

Outermodel determines the relationship between latent variables and their indicators (measurement model). Deep model determines the relationship between latent variables (structural model). And the weight of the relationship in assessing the latent variable to be estimated (Ringle, Wende, & Will, 2015).

Validity refers to the extent to which the precision and accuracy of a measuring instrument can measure a construct. The calculation of construct validity is assessed using convergent validity and discriminant validity. Reliability refers to the internal consistency of indicators of a construct which shows the extent to which each indicator shows the same latent factor. Reliability calculations were assessed using Cronbach's Alpha and Composite Reliability (Ringle et al., 2015). If all indicators have been declared valid and all variables have been declared reliable and the model has a Goodness of Fit that meets predictive relevance, then hypothesis testing can be carried out using a probability or alpha value of 5% and a t-statistic value of 1.96. Therefore, the criteria for accepting the hypothesis are if the t-statistic is > 1.96 and the p-value is < 0.05 (Ringle et al., 2015).

RESULT

The results of the analysis of responses to the questionnaire from 100 experts in the field of HR capacity multibusiness for SME, they are revealed several key findings as follows. Based on PLS Algorithm as per Figure 2 and Table 1, all indicators had met convergent validity above 0.7 and all variables had met reliability above 0.7. The R square value was 0.467, meaning that 46.7% of HR capacity multi-business for SME, was contributed by the government support, innovation culture, and access to finance.

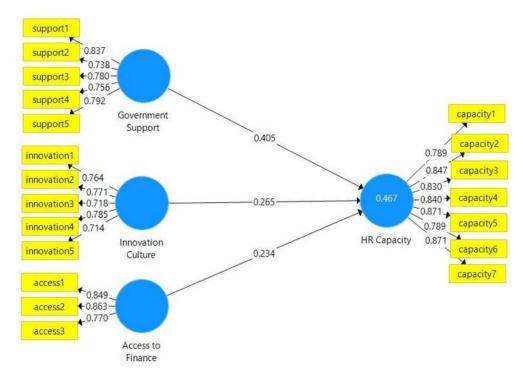


Figure 2. PLS Algorithm Table 1.

Reliability

	Cronbach'	Composite	Average
Access to Finance	0.769	0.867	0.686
Government Support	0.841	0.887	0.610
HR Capacity	0.927	0.941	0.696
Innovation Culture	0.807	0.866	0.564

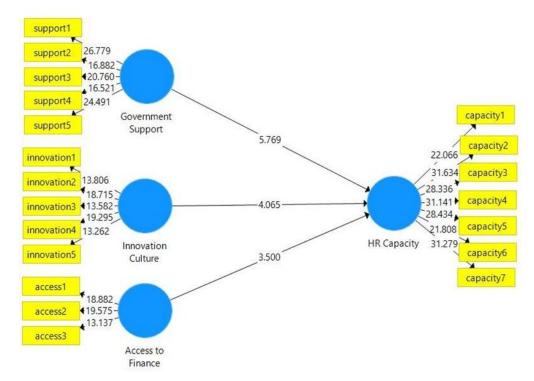


Figure 3. PLS Bootstrapping

Table 2. Hypotheses Testing

*	Original	T Statistics	P Values
Innovation Culture -> HR Capacity	0.265	4.065	0.000
Government Support -> HR Capacity	0.405	5.769	0.000
Access to Finance -> HR Capacity	0.234	3.500	0.001

Based on Table 2 and Figure 3, it is understood that government support, innovation in education, and access to capital have a positive and significant impact on HR multi-use SME capacity.

DISCUSSION

For the SME sector in Indonesia, developing a comprehensive model to improve human resource capacity in multi-business requires an approach that considers government support, a culture of innovation, and access to capital. SMEs in Indonesia can improve their performance, sustainability, and contribution to economic development by considering these important factors. The capabilities, knowledge, and skills of an organization's workforce are called human resource capacity. It encompasses the ability of a group of employees to perform their duties well and contribute to the overall success of the company. Factors such as education, training, experience, and personal qualities are examples of qualities that enable employees to excel in their jobs and improve company performance. Having a strong human resource strength is essential for companies to adapt to change, innovate, and achieve sustainable growth in today's competitive business world.

The ability of employees to collaborate and work in teams is one of the important components of human resource capacity. To achieve organizational goals and achieve desired results, teamwork is essential. Employees who can work together to achieve common goals can leverage their individual strengths and skills to improve performance and achieve success. Effective teamwork results in a better work culture that encourages communication and collaboration, which in turn increases employee engagement and satisfaction.

Organizations can gain a competitive advantage and achieve long-term success by investing in strong human resource capacity that emphasizes teamwork and collaboration.

One key way to improve multi-business human resource capacity is to implement training and development programs that focus on developing teamwork skills. These programs can provide employees with an understanding of the importance of working together to achieve common goals and provide them with the tools and resources needed to collaborate effectively with their coworkers. Additionally, creating a supportive and open work environment where teamwork is encouraged and rewarded can boost employee morale. By prioritizing teamwork and collaboration in a multi-business environment, companies can produce a more consistent, high-performing workforce that is better prepared to adapt to changing market conditions and drive overall success.

As employees learn to leverage each other's expertise and strengths, a teamwork culture improves communication and problem-solving skills. This collaborative work method not only increases efficiency and productivity, but it also fosters mutual respect and camaraderie on the team. Furthermore, companies can leverage the diverse perspectives and ideas of their employees, leading to better decision-making processes and more creative solutions. In a multi-business context, teamwork is critical to achieving short-term goals and building a strong foundation for long-term success and sustainability.

Ensuring that team members spread across multiple locations or departments communicate and collaborate well is one of the key challenges in managing human resources in a multi- business environment. This can lead to silos in the organization, which hinders collaboration and the sharing of resources and information. Additionally, managing a diverse workforce with different work styles, skill sets, and backgrounds can make it challenging to build a cohesive team dynamic. To create a harmonious and productive work environment, HR professionals must implement strategies that support diversity, inclusion, and equity. Training and development opportunities that focus on improving communication skills, building teamwork, and fostering cultural competency are one way to address these issues. Organizations can achieve more collaboration and a more inclusive work culture if they invest in the development of their employees. This will help employees better understand and appreciate the experiences and perspectives of their coworkers. HR professionals can also support team-building activities and workshops that encourage open discussion, build trust, and respect for one another. Technology solutions such as project management tools and collaboration platforms can also help remote or geographically dispersed teams work better together. Human resource professionals can help create a more consistent and productive workforce that is better equipped to navigate the complexities of today's global business environment by taking a proactive approach to addressing these issues.

Human resources can be enhanced by implementing cross-training programs to enhance employee skills across multiple areas of the organization. This not only ensures that employees have the ability to complete a variety of tasks, but it also fosters a workplace culture that supports continuous learning and development. To fill labor or skill gaps during peak periods, another approach is to outsource resources. For example, certain HR functions can be outsourced or a temporary placement agency can be used. By using these strategies to enhance the capabilities of the HR team, companies can maintain high levels of efficiency and effectiveness in their human resources operations and be better able to adapt to changing business needs.

Additionally, investing in technology and automation can streamline HR processes and free up employees to focus on more strategic initiatives. For example, implementing an HRIS system can focus on data management, streamline communication, and generate useful information through analytics. This can help the human resources team make better decisions and improve performance across the company. Additionally, HR employees can enhance their skills and knowledge through ongoing training and development opportunities, which ultimately benefits the entire organization. Companies can ensure that their teams have the skills and expertise needed to navigate the ever-changing human resource management landscape by continually investing in their growth and development.

Leveraging technology to improve efficiency and streamline HR processes is another critical component of contemporary HR management. Companies can automate routine tasks, better track employee information, and improve internal company communications with tools like HRIS systems. This not only saves HR

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employees time and resources, but it also gives them more time to focus on more strategic actions that will improve the company's success. Furthermore, technology can help HR teams comply with changing regulations and ensure that employee data remains secure and private. Overall, to stay competitive in today's fast-paced business world, HR processes must be infused with technology.

HR departments can use machine learning algorithms and advanced analytics to gather critical information about employee engagement, retention, and performance. This data-driven approach allows businesses to make decisions that improve productivity and profitability. Technology can also aid in the recruiting and onboarding process, making it easier to attract top talent and bring new employees into the company smoothly. HR teams can help a company succeed by using the right tools and strategies.

One of the essential elements of contemporary HR practices is creating an organizational environment that allows for continuous learning and development. Companies can improve employee job satisfaction and morale by providing them with opportunities to grow and develop their skills. They can also ensure that their workforce remains competitive in a rapidly evolving business world. Because employees are encouraged to think critically and adapt to new problems, this focus on learning and development can help foster innovation and creativity within the organization. Companies can build a culture of lifelong learning that benefits both employees and the organization as a whole by investing in continuous education and development. Additionally, as job seekers increasingly look for employers who prioritize professional advancement and growth, companies can attract top talent through continuous education and skills development opportunities. Businesses that invest in the development of their employees are more likely to retain top employees and attract new talent in today's competitive job market. Additionally, a culture of learning can lead to more engaged and loyal employees because they feel valued and supported in their career advancement. Overall, for companies looking to stay ahead in an ever-changing business environment, learning and development are critical. An organization's human resource capacity can improve employee retention and job satisfaction. Employees who are given training and development opportunities tend to be satisfied with their positions and are more motivated to perform to the best of their abilities. This can lead to a better work environment, increased productivity, and, ultimately, increased company success. Additionally, organizations can reduce recruitment costs and reduce the risk of employee turnover by building a strong internal talent pipeline through professional development initiatives. Ultimately, increasing human resource capacity can result in a more skilled and engaged workforce. This will put a business on the path to long-term progress and success.

Employee education fosters a culture of continuous learning and improvement within an organization. Employees who are given opportunities to improve their skills and knowledge are more likely to remain engaged and committed to their work. Not only does each employee benefit, but it also results in a more creative and dynamic workforce overall. This allows businesses to stay ahead of the competition and more easily adapt to market changes. Additionally, a focus on professional development can help attract top talent to a company as job seekers increasingly look for employers who invest in the growth and success of their employees.

A strong emphasis on professional development can also be linked to improved performance and productivity across multiple organizations. Employees who continually learn and improve their skills are better equipped to overcome adversity and achieve goals in their workplace. This results in increased efficiency and effectiveness in every part of the company, which in turn increases overall success and growth. Companies can position themselves as industry leaders by cultivating a culture of continuous learning and development. This proactive approach to employee development benefits the organization in the short term and also creates a foundation for long-term success and sustainability.

Investing in employee development fosters a sense of loyalty and commitment as employees feel valued and supported to grow as professionals. As such, higher employee retention rates and higher levels of engagement among employees can have a positive impact on productivity and company culture. Additionally, employees tend to be more motivated and satisfied with their jobs when they are given the opportunity to develop their skills and learn continuously. This results in higher levels of job satisfaction and better job performance. Ultimately, prioritizing employee development can result in a workforce that is more skilled and able to adapt to market changes and drive innovation within the company.

Additionally, better alignment between HR strategy and the company's overall goals and objectives can result in better performance for the company. HR professionals can help improve the overall success of the company by ensuring that HR initiatives are directly linked to the company's strategic priorities. With this collaboration, a more cohesive and integrated approach to retention, recruitment, and talent management can be created. Ultimately, this will result in a more effective and efficient organization. Additionally, by aligning HR strategy with business goals, companies can better anticipate and respond to future opportunities and challenges. This allows companies to achieve long-term success in an increasingly competitive marketplace.

Companies can ensure that their employees have the skills and resources needed to drive innovation and growth by leveraging HR initiatives to support strategic HR priorities. This proactive approach increases employee engagement and productivity in addition to creating a better, more sustainable culture. As a result, organizations are better able to anticipate market changes, technological advancements, and other external factors that can impact their bottom line. Ultimately, to drive continued success and maintain a competitive edge in today's dynamic business world, HR strategies must be aligned with business objectives.

To enhance human resource capacity, it can be challenging to manage diversity and different skill sets in the workplace. It is essential for HR professionals to create a plan that leverages the unique potential and skills of employees from diverse backgrounds. Additionally, to remain competitive in an ever-evolving job market, employees must continually receive training and upgrade their skills. To maximize the potential of human resources, HR departments must address several key challenges. One is balancing the needs of a multigenerational workforce and meeting the growing demand for flexible work arrangements.

As part of a company's efforts to adapt to these changing dynamics, HR professionals must prioritize building an equitable and inclusive work environment that fosters collaboration and innovation. This includes not only implementing programs that support diversity and inclusion, but also building a culture where every employee feels valued and empowered to share their differing opinions. By investing in employee development and well-being, HR departments have the ability to produce a motivated and engaged workforce that is equipped to drive the company's success in an increasingly competitive global economy.

To ensure that every employee feels supported and valued, it is essential to balance the needs of each business unit with the overall HR strategy. This means that the HR department must work closely with department heads and business leaders to ensure that their goals and objectives align with the organization's overall values and mission. Companies can drive their growth and success by meeting the diverse needs of their workforce using a cohesive and integrated HR management approach. Additionally, the HR department must continually develop strategies and practices to meet the needs of the organization and its employees while remaining flexible and adaptable to industry trends and market dynamics. One of the primary responsibilities of the HR department is to ensure compliance with employment laws and regulations across the country. This includes monitoring changes in laws, understanding how these changes affect the company, and implementing necessary adjustments to policies and procedures. Failure to comply with employment laws can result in costly fines and legal consequences, so HR professionals must also consider cultural and social norms in different regions when creating policies and practices. They should consider things like diversity, gender equality, and inclusivity. This requires a deep understanding of the local context and a commitment to creating a positive and inclusive work environment for all employees.

Building human resource capacity across organizations is critical to addressing the complexities of global operations. Organizations can reduce risk, increase employee engagement, and enhance business success by investing in the professional development of their people and ensuring they have the necessary knowledge and skills. So, to thrive in today's diverse and dynamic business landscape, it is critical to prioritize expanding human resource capacity.

Companies can stay ahead of industry trends and adapt to changing market conditions by creating a culture of continuous learning and growth in their HR departments. By increasing diversity and inclusion in the workforce, innovation and creativity are enhanced and the best talent from diverse backgrounds are attracted. Ultimately, investing in human resource capacity is a critical part of long-term success in the global marketplace, not just a strategic decision. To thrive in today's competitive business world, companies must invest in their people.

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Organizations can achieve long-term success by prioritizing employee development, staying ahead of industry trends, and encouraging diversity and inclusion. Ultimately, a strong human resources department is not just a cost center but a strategic asset that can drive innovation, attract top talent, and adapt to changing markets. Companies that prioritize their employees will reap the rewards in the global marketplace, and the benefits of investing in human resources capacity are clear. HR departments can help employees reach their full potential and contribute to the overall success of the organization by creating a culture of continuous learning and growth. Additionally, increasing diversity and inclusion in the workplace can enhance creativity, collaboration, and problem-solving. Companies can better understand and meet the needs of their customers by embracing diverse perspectives and experiences. To stay competitive in today's fast-paced business world, it's important to stay ahead of industry trends. HR departments can help businesses stay agile and responsive to evolving demands by monitoring market changes, technological advances, and consumer preferences.

When you invest in human resource development, you will see positive results for your employees. This investment also helps your company succeed and survive. Human resource professionals play a critical role in shaping the workforce, fostering employee engagement, and creating a welcoming and cohesive work environment. Businesses can enhance their competitive advantage and drive long-term growth by empowering HR professionals with the knowledge and tools they need to effectively manage talent, resolve conflicts, and implement strategic HR initiatives. Investing in human resource development also demonstrates a commitment to employee well-being and organizational excellence, which can help attract and retain related talent. Companies can more easily attract top talent, create a positive work culture, and achieve their strategic goals by prioritizing employee development and equipping them with the necessary skills and knowledge. Companies must recognize the value of their HR department and provide them with the support and resources they need to succeed in their jobs. By doing so, companies can ensure that they are prepared for the opportunities and challenges that lie ahead.

CONCLUSION

The results of the study show that, qualitatively, there are three components needed to improve the multi-business human resource capacity of SMEs: government support, innovation culture, and access to financing. Quantitatively, the results of the study show that government support, innovation culture, and access to financing have a positive and significant impact on the multi-business human resource capacity of SMEs. The main implication of this research for policy and practice is the importance of HR capacity multi-business for SMEs, that governments must prioritize regulation to make SMEs efficient and effective.

Suggestions for further research include examining the impact of HR capacity SME, as well as exploring the role of government policy in supporting the development of a skilled workforce in this industry. Additionally, future research could investigate the effectiveness of development programs in preparing HR Capacity and the potential benefits of collaboration between companies and government institutions in encouraging HR capacity to innovate SME sector.

Suggestions for policy perspective, regulations are needed to increase the capacity of Indonesian human resources by providing innovative business capital and guaranteeing purchasing power in collaboration between institutions so that the results of multi-business Indonesian human resources can be absorbed by the government. Policymakers may need to consider implementing regulations to encourage companies to invest in HRM capacity that support multi-business SME sectors.

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