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THE EFFECT OF SKILLS AND EXPERIENCE ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES WITH INNOVATION AS MEDIATION VARIABLE

Dorris Yadewani[*)1], Reni Wijaya[**)], Wahyu Indah Mursalini[***)], Almasdi[****)]

[*)]Linclon University, Malaysia
Wisma Linclon, No 12-18. Jalan SS 6/12, Kelana Jaya, 47301 Petaling Jaya, Selangor, Malaysia
[**)]AMIK JAYA NUSA
Jl. Olo Ladang No.1, Olo, Padang, West Sumatera 25000, Indonesia
[***)]Universitas Mahaputra Muhammad Yamin
Jl. Jend. Sudirman No.6, Solok, West Sumatera 27317, Indonesia
[****)]Institut Teknologi dan Bisnis Haji Agus Salim Bukittinggi
Jl. Ahmad Yani No.79, Benteng Ps. Atas, Bukittinggi, West Sumatera 26136, Indonesia

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Abstract: This study examined the mediating effect of innovation on the relationship between skills, experience and performance of SMEs. The population in this study were all SMEs in the culinary sector which were fostered by the Pariaman City Government which accounted for 27 businesses. The sampling technique uses a non-probability approach, namely purposive sampling In order to test hypotheses, this study performs multiple and hierarchical regression analyses. SPSS version 25 is used to process the data. The results of analysis displayed that skills, experience and innovation positively affected the performance of SMEs. In addtion, the variables of skills and experience were found to have positive effect on innovation. Morever, innovation was proven to mediate the relationship between skills, experience and performance of SMEs.

Keywords: skills, experience, innovation, and performance of SMEs

Abstrak: *Studi ini menguji efek mediasi inovasi pada hubungan antara keterampilan, pengalaman dan kinerja UKM. Populasi dalam penelitian ini adalah seluruh UKM bidang kuliner binaan Pemerintah Kota Pariaman yang berjumlah 27 usaha. Teknik pengambilan sampel menggunakan pendekatan non-probabilitas yaitu purposive sampling. Untuk menguji hipotesis, penelitian ini melakukan analisis regresi berganda dan hierarkis. SPSS versi 25 digunakan untuk memproses data. Hasil analisis menunjukkan bahwa keterampilan, pengalaman, dan inovasi berpengaruh positif terhadap kinerja UKM. Selain itu, variabel keterampilan dan pengalaman ditemukan berpengaruh positif terhadap inovasi. Apalagi, inovasi terbukti memediasi hubungan antara keterampilan, pengalaman dan kinerja UKM.*

Kata kunci: *keterampilan, inovasi dan kinerja usaha kecil menengah*

[1] Corresponding author:
Email: dorris290@gmail.com

INTRODUCTION

In developing countries SMEs account for about 45 percent of manufacturing employment and 29 percent of manufacturing GDP while in developed countries they account for 67 percent and 49 percent respectively in developed countries (Eniola and Entebang, 2015). This shows that the success rate of SMEs in developed countries is higher than in countries that have a higher success rate than developing countries. The SME sector has considerable potential and is recognized for its considerable contribution to sustainable economic development, but its performance is still below expectations in many developing countries. Peter et al. (2018) the rising failure and underperformance of the SMEs sector suggest a contrary effect. This study explored the impact of financial assistance on the performance of SMEs across three states in Nigeria. Mixed methods approach was adopted using the survey and semi-structured interview methods. The study makes use of stratified and simple random technique to select the respondent of the questionnaire. A total of four hundred (400. In addition, MSMEs are able to absorb a large number of workers more evenly and have a high work ethic(Prasetyo, 2012).

According toLaw of the Republic of Indonesia Number 20 of 2008, in Article 1 Paragraphs 2 and 3, Small and Medium Enterprises (UKM) is defined as follows: 1) Small Business is a productive economic business that exists alone, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part either directly or indirectly of Medium Enterprises or Large Businesses that meet the criteria for Small Businesses as described in this Law. 2) Medium Enterprises are walk productive economic enterprises carried out by individuals or business entities that are not affiliates or branch offices of companies that are owned, controlled, or become a part of either directly or indirectly with a Small Business or a Large Business with a total net worth or annual sales proceeds as characterized in this Law.SMEs are also allegedly a business type owned and operated by a person or business entity with certain criteria (Wardi, Susanto, Abdullah, 2017)

Human resources are required to continuously be able to develop themselves proactively which provides strength in achieving the goals that have been set (Yadewani, 2020). Given the importance of the presence of human resources as business actors to carry out the company's business activities, work experience and high work skills must be maintained to produce a good working mechanism (Affirmation; Yadevani, 2018). Many factors affected performance of small and medium enterprises, both internal and external factors (Bouazza, Ardjouman, Abada, 2015). With reference to previous studies that the overall performance of small and medium-sized businesses is influenced by internal factors consisting of several variables, including skills (Widjajanta, 2018; Wijaya, Yadewani, Karim, 2022), experience (Murtadlo and Hanan, 2018; Ardiana and Brahmayanti, 2010a), ability (Da Costa and Xiong ying, 2021), knowledge (Authority, 2018; Ardiana and Brahmayanti, 2010a), innovation, religiosity (Irfani et al. 2016; Sefnedi, Yadewani, 2022) and several other factors. Entrepreneurial competence which is also referred to as human capital is strengthened by the Manpower Act Number 13 of 2003 concerning Employment 1 (10) which according to the definition, entrepreneurial competence is indeed an individual's work ability that includes aspects of knowledge, skills, and work abilities in accordance with specified criteria.

From the point of view of entrepreneurship, the competence of an entrepreneur is the skills, knowledge and abilities in creating special competitiveness so that there is a strong bargaining position in the competition. (Suryana, 2006). Furthermore, the competence of human resources in an organization is the key to business performance, although they do not specify which human competencies are (Karami, 2013). In this case, Skills are all efforts related to creating or innovating business, developing business units that are already running, and rehabilitating business units that are experiencing a crisis (Frinces, 2011). A well-educated workforce will become a professional workforce because it already has the skills and abilities and will indirectly work more productively and the production results obtained are in line with the set objectives (Wahyu, 2019)

The use of new innovations as a tool to face competition is indeed considered quite effective to win the market (Hamdani, 2020). Some of the potential benefits of open innovation include increased knowledge pools; reduce reliance on limited internal knowledge; and a better balance of resources for seeking and identifying new ideas (Tidd and Bessant, 2020). Previous studies also explain the role of innovation in determining the success of the business undertaken which emphasizes

the aspects of top management involvement, available resources, existing technological capabilities and organizational culture (Okay, Projogo, Jayaram, 2013). In addition, the ability to innovate greatly helps SMEs to maintain business and increase their competitive strength (Hanaysha et al. 2022).

Experience is important in helping SMEs to enter new regional markets (Love, Roper, Zhou, 2016). Business experience considers not just the amount of time spent on business tasks, but also the level of efficiency in achieving goals. The more experience a person has in running his firm, the more information, skills, and attitudes he develops via his actions (Almaidah and Endarwati, 2019).

Small industry is one of the components of business actors that have a significant contribution in creating jobs in Pariaman City (BPS Kota Pariaman, 2016). are skills and experience. Another phenomenon is the low ability to innovate both in terms of processes and in terms of products. This can be seen from the types of snack products that are produced which are still not able to compete with existing snack products. Even though these various snack products should be able to improve the performance of small and medium businesses in the city of Pariaman while being capable of improvement the economy of the local community.

Based on the explanation above, it is interesting to examine the effect of skills and knowledge mediated by innovation on the performance of SMEs in Pariaman City. This is also based on the inconsistency of research results related to skills and experience on the performance of SMEs mediated by innovation on the performance of SMEs so that it is still necessary to re-examine the same variables to determine the effect of skills and experience mediated by innovation on the performance of SMEs in Pariaman City. . It is hoped that the results of this study can provide information in overcoming the performance of SMEs and produce new policies related to the skills and experience of SMEs in Pariaman City and contribute to knowledge, especially those related to human resource competencies related to the skills, experience and performance of SMEs.

METHODS

The research method used is a survey with the type of explanative research and audience study (Effendy, 2011) The respondents to this study were all SMEs in the culinary sector supported by Pariaman City Government with a total of 27 businesses where all elements of the population were used as research respondents. Purposive sampling, a non-probability approach, is used in the sampling technique. The study sample is if the subject is less than 100, then better taken all until the research is the population (Arikunto, 2013) In an effort to collect data, this research uses a questionnaire or questionnaire method and literature study. SPSS version 25 is used to process the data.

Variable Definition and Operation

Variable skill is a special capacity to physically manipulate an object. This skill variable was measured using 5 (five) statement items, namely production, communication, cooperation and organization skills, supervision, administration and accounting (Suhartini, 2015)

Variable Entrepreneurial experience has meaningthat someone who has had entrepreneurial activities.The results of previous studies stated that experience had an influence on the performance of MSMEs (Iskandar, 2020). The experience indicators are divided into 5, namely the following are indicators of business experience according Handoko (2002), namely personal background, talents and interests, attitudes and needs, analytical and manipulative abilities and technical skills and abilities

Innovation is a process and/or result of developing the use of a product/resource that has existed before, so that it has more meaningful value (Christian and Merisa, 2020). The innovation variable acts as a mediating variable which is defined as the ability of SMEs to find new ways to produce their products to be better than before. The innovation variable is measured using 5 (five) statement items obtained from Laforet (2006) relating to 1) Commitment to innovation; 2) market anticipation; 3) work environment; 4) project winner; and 5) employee training.

The performance variable of SMEs is the the scope to which the of ability of SMEs to carry out work in order to achieve goals in accordance with their capabilities, programs, policies, and vision and mission that has been set (Darmanto and Yuliari, 2018)This variable is also measured using 5 (five) statement items obtained from (Chinomona and Africa, 2013)

The five statement items relate to 1) having stronger growth in sales revenue; 2) able to acquire new customers; 3) have a larger market share; and 4) able to increase sales to existing customers. All question items in this study were measured using a 5 (five) Likert scale, where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree. Variable defenition and operation, can show Table 1.

A person's ability to operate work easily and carefully is referred to as a skill (Gordon and Guiltinan, 1994). This skill allows a person to renew his belief about his entrepreneurial talent to start a job with the knowledge he has(Entrialgo and Iglesias, 2016). Furthermore, the research results of other research have shown empirically that skills have a positive impact on the performance of small and medium-sized businesses. (Ardiana and Brahmayanti, 2010; Wijaya et al. 2022). So that,the first hypothesis can be constructed:

H1: Skills have a positive effect on the performance of small and medium enterprises

The results of previous studies related to the relationship of experience with the performance of small and medium enterprises also prove that experience has a positive effect on the performance of small and medium enterprises(Ardiana and Brahmayanti, 2010; Slamet and Bintoro, 2019). This can be interpreted that with good work experience, the higher the performance generated, it can also be explained that things that happened in the past while working will be able to expand the ability of the SME owners if the previously owned work fields are similar. with his current SME business. In line with the findings of the previous research, the second hypothesis can be built:

H2: Experience improves the performance of small and medium-sized businesses

Furthermore, another factor that can affect the performance of small businesses is innovation. This is in line with the results of research that has been empirically proven, namely that innovation has a direct and positive effect on company performance. (Syti, Adam, 2020; Kijkasiwat and Phuensane, 2020; Baumane-Vītoliņa et al. 2022a) This can explain that the stronger the innovation that is owned by the company, the more it will improve the company's performance, because basically every customer always wants products that match their expectations (Games, Soutar, Sneddon, 2020).Based on the results of this study, a third hypothesis is possible to develop:

H3: Innovation improves the performance of small and medium-sized businesses.

On the other hand, the skill variable is also one of the variables that affect the performance of SMEs. The goal of this research was to empirically establish the importance of skills and government assistance for innovation in the Canadian manufacturing sector, as well as to investigate the effect of skills gaps in the Canada-US manufacturing productivity gap (Rao, Tang and Wang, 2002). This shows that skills and innovation interact in economic performance (Leiponen, 2005). So that the fourth hypothesis can be formed:

H4: Skills have an impact on innovation.

Table 1. Variable definition and operation

Variables	Definition	Indicators/Items
Small and Medium Enterprise Performance	The extent to which SMEs' ability to carry out work in order to achieve goals in accordance with stated capabilities, programs, policies, as well as vision and mission (Darmanto et al. 2018)	have stronger growth in sales revenue; able to acquire new customers; have a larger market share; and able to increase sales to existing customers(Chinomona and Africa, 2013)
Skills	Skills also relate to a person's ability to perform work quickly and carefully (Gordon and Guiltinan, 1994)	Production skills, Communicate, Cooperation and organization, Supervision, administration, Accounting (Suhartini, 2015)
Experience	Experience can be gained or felt if the event is recent or has been continuing for some time (Safrianto, 2020).	Personal background, Talents and interests, Attitudes and needs, Analytical and manipulative abilities, Technical skills and abilities (Handoko, 2002)
Innovation	The process and/or outcome of improving the usage of an existing product/resource so that it has more significant value (Christian and Merisa, 2020)	Commitment to innovation; market anticipation; work environment; project winner; employee training (Laforet and Tann, 2006)

Meanwhile, several other researchers have proven empirically that experience also has a positive effect on innovation (Zhang and Hartley, 2018) argues that the utilization of ideas and experiences from different origins has an influence on innovation ability. From this empirical evidence, a fifth hypothesis can be constructed

H5: Experience has a positive effect on innovation

The ability of SMEs to carry out work in order to achieve results is referred to as their performance the goals that have been set where the performance is largely determined by the ability of SMEs to innovate. The high or low ability of innovation is also inseparable from the impact of the experience of SMEs themselves. Empirically, several previous studies have proven that the performance of SMEs is influenced by innovation (Donkor et al. 2018; Syti and Adam 2020; (Baumane-Vītoliņa et al. 2022). Furthermore, other researchers have proven that innovation is influenced by skills(Rao, Tang, and Wang, 2002)Thus, it is clear that the innovation variable is between the skills and performance of SMEs which in this case is referred to as a mediating or intermediate variable, so that the sixth hypothesis can be developed as follows:

H6: Innovation mediates the relationship between skills and performance of small and medium enterprises

Furthermore, as described previously, SMEs' performance is determined by the ability of SMEs to innovate and subsequently the innovation is also influenced by experience.Empirically, several previous studies have proven that the performance of SMEs is influenced by innovation(Rubera and Kirca, 2012 ;Donkor et al. 2018; Baumane-Vītoliņa et al. 2022a; Fauziyah et al. 2020)Furthermore, other researchers have proven that innovation is influenced by experience (Zhang and Hartley, 2018). Thus, it is clear that the innovation variable is between the experience and performance variables of SMEs which in this case is referred to as a mediating variable, so that the seventh hypothesis can be developed as follows:

H7: Innovation mediates the relationship between experience and performance of small and medium enterprises

Based on the problem formulation and literature review, a conceptual framework and hypothesis development can be formulated. Based on the problem formulation and literature review, a framework in Figure 1 and hypothesis development can be formulated.

RESULTS

The purpose of this research is to determine the impact of skills and experience on the performance of small and medium-sized businesses, with innovation serving as a moderating variable. From Table 2, it can be seen that 11 male respondents (40.74%) and the remaining 16 female respondents (59.26%). The majority of respondents aged between 25-50 years were 15 people (55.56%) with a formal education level of high school as many as 12 people (44.44%). The last demographic is distinguished by the length of time culinary SMEs have been operating where it was found that the majority of culinary SMEs operate between 5-7 years, namely as many as 10 SMEs (37.04%).

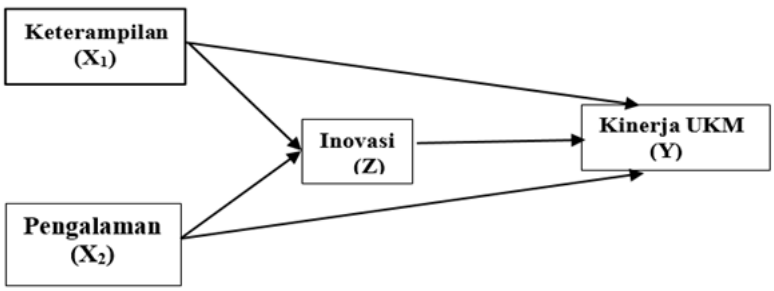

Figure 1. Research framework

Test Instrument Data

To find out whether the question instrument is valid or invalid, it is used with the corrected item-total correlation value. An item is declared valid if it has a corrected item-total correlation value > 0.30. Furthermore, to find out whether a variable is declared reliable or reliable, Cronbach's alpha > 0.70 is used (Sekaran and Buqie, 2016). The following are the results of the validity and reliability tests.

From the Table 3, This is definite that all statement items were used to measure the variables of skills, experience, innovation and performance of SMEs are valid because all of the statement items have a corrected item-total correlation value > 0.30. In addition, all research variables have Cronbach's alpha value > 0.70 so it can be concluded that all variables, namely skills, experience, innovation and performance of SMEs are reliable.

Variable Description

This is evident that all statement items were used to measure the variables SMEs in Pariaman City by presenting the analysis of the average and level of respondent achievement (TCR). The Table 4 shows that the skill variable (X1) has an average value of 3.26 with a TCR of 65.20%. The results means that the skills possessed by Culinary SMEs in Pariaman City are categorized as good enough or skilled enough. The experience variable (X2) has an average value of 3.12 as well as a TCR of 62.40%, inferring that the experience of Culinary SMEs in Pariaman City belongs to the category of less experienced. The innovation variable has an average value of 3.27 with a TCR of 65.40% and it can be interpreted that the ability of Culinary SMEs in Pariaman City to innovate is included in the fairly good category. Furthermore, the performance of SMEs has an average value of 3.56 with a TCR of 71.20% and It is possible to conclude that the performance of Culinary SMEs in Pariaman City falls into the "fairly good" category.

Table 2. Profile of culinary SMEs in Pariaman City

Demographics	Category	Amount	%
Gender	Man	11	40.74
	Woman	16	59.26
Age	Less than 25 years	7	25.93
	25-50 years	15	55.56
	More than 50 years	5	18.52
Education	SD	1	3.70
	junior high school	3	11.11
	high school	12	44.44
	Diploma	1	3.70
	S1	8	29.63
	S2	2	7.41
How long SMEs operate	Less than 2 years	3	11.11
	24 years old	8	29.63
	5 - 7 years	10	37.04
	More than 7 years	6	22.22

Table 3. Validity and reliability test results

Variable	Items	Corrected Item-Total Correlation	Information	Cronbach's Alpha	Information
Skills	K1	0.666	Valid	0.761	Reliable
	K2	0.636	Valid		
	K3	0.386	Valid		
	K4	0.416	Valid		
	K5	0.568	Valid		
Experience	P1	0.705	Valid	0.797	Reliable
	P2	0.677	Valid		
	P3	0.571	Valid		
	P4	0.453	Valid		
	P5	0.500	Valid		
Innovation	I1	0.377	Valid	0.715	Reliable
	I2	0.486	Valid		
	I3	0.440	Valid		
	I4	0.549	Valid		
	I5	0.544	Valid		
SME Performance	Kin1	0.653	Valid	0.793	Reliable
	Kin2	0.617	Valid		
	Kin3	0.523	Valid		
	Kin4	0.538	Valid		
	Kin5	0.566	Valid		

Table 4. Description of research variables

Variable	Average	TCR (%)	Information
Skills (X1)	3.26	65.20	Pretty good
Experience (X2)	3.12	62.40	Less Experienced
Innovation (Z)	3.27	65.40	Pretty good
SME Performance (Y)	3.56	71.20	Pretty good

Classic assumption test

A required test before performing linear regression analysis is the classical assumption test. Normality, multicollinearity, and heteroscedasticity tests are examples of classic assumption tests (Suliyanto, 2011). The normality test uses the Kolmogorov Smirnov method where if a variable has a significant value greater than 0.05 then the residuals are normally distributed and vice versa. Table 5 shows that the variables of all research variables have a significant value > 0.05 so it can be concluded that the data or residuals in each variable have been normally distributed.

The next classic assumption test is multicollinearity test which is useful to find out whether fellow independent variables have a high correlation or not. Good data there is no high correlation between the independent variables. Symptoms of multicollinearity occur when the independent variable has a nail tolerance < 0.1 or VIF (Variance Inflaation Vactor) > 10.

The results of the multicollinearity test which are summarized in Table 6 can be seen that there are no symptoms of multicollinearity because the two independent variables, namely skills and experience have tolerance > 0.10 and VIF < 10. Thus, it can be concluded that between the skills (X1) and experience (X2) variables) does not have a high correlation.

The last classic assumption test is the heteroscedasticity test, which seeks to determine whether there is a variance inequality between the residuals of one observation and the residuals of another observation in the regression model. If the variance of the residual from one observation to the next remains constant, this is referred to as homoscedasticity, and there is no heteroscedasticity.The heteroscedasticity test is the Glejser test where if the independent and mediating variables are regressed with the absolute residual variableand has a significant value > 0.05 then there is no heteroscedasticity. According to the Table 7, it can be seen that all the independent and mediating variables are skills (X1), experience (X2) and innovation (Z) has a significant value > 0.05, so it can be concluded that there is no heteroscedasticity.

Hypothesis Test Results and Discussion

To find out how to test the effect of skills, experience and innovation on the performance of SMEs (H1, H2, and H3), multiple regression analysis was used with the following results. Table 8 shows that the regression coefficient for the skill variable (X2) is 0.348, the t-count is 2.684 (larger than 1.96) and significant is 0.013 (smaller than 0.05). Thus, it can be concluded that skills have a positive effect on the performance of SMEs, so the first hypothesis (H1) can be accepted. This finding means that if in the future culinary SMEs in Pariaman City are able to improve their skills, this condition can improve their performance. On the other hand, if in the future culinary SMEs in Kota Pariaman are not able to improve their skills, this condition will result in a further decline in their performance. The results of this study are in line with the results of previous studies(Ardiana & Brahmayanti, 2010;Megantoro, 2015)who found that skills have a positive influence on SMEs.

The experience variable (X2) has a regression coefficient of 0.393, t-count is 2.802 (larger than 1.96) and significant is 0.010 (small than 0.05). Thus, it can be concluded that the experience variable has a positive effect on the performance of SMEs, so the second hypothesis (H2) can be accepted. The results of this study mean that the better the experience of culinary SMEs in Pariaman City, the better their performance. On the other hand, if the experience of culinary SMEs in Pariaman City is getting worse, this condition can reduce their performance. This study's findings are in line with previous research (Ardiana and Brahmayanti, 2010; Slamet and Bintoro, 2019) which proves empirically that experience has a positive effect on SMEs.

Table 5. Normality test results

Variable	asymp. Sig. (2-tailed)	Information
Skills (X1)	0.201	Normal
Experience (X2)	0.118	Normal
Innovation (Z)	0.640	Normal
SME Performance (Y)	0.264	Normal

Table 6. Multicollinearity test results

Variable	Tolerance	VIF	Information
Skills (X1)	0.147	6.810	There are no signs of multicollinearity
Experience (X2)	0.147	6.810	There are no signs of multicollinearity

Table 7. Heteroscedasticity test results

Independent Variables and Mediation	Significant	Information
Skills (X1)	0.247	Not occurheteroscedasticity
Experience (X2)	0.882	Not occurheteroscedasticity
Innovation (Z)	0.342	Not occurheteroscedasticity

The innovation variable (Z) has a regression coefficient of 0.342, t-count is 2.547 (larger than 1.96) and significant is 0.018 (small than 0.05). Thus, it can be concluded that the innovation variable has a positive effect on the performance of SMEs, so the third hypothesis (H3) can be accepted. The results of this study mean that if the innovations carried out by culinary SMEs in Pariaman City are getting better, this condition can improve their performance. On the other hand, if the innovations carried out by culinary SMEs in Pariaman City are getting worse, this condition can reduce their performance. This study's findings are in line with previous research (Han et al. 1998; Bhaskaran, 2006; Rubera and Kirca, 2012; Rosli and Sidek, 2013; Donkor et al. 2018; Syti Maesaroh, 2020; Baumane-Vītoliņa et al. 2022a) procces empirically that innovation has a positive effect on the performance of SMEs.

Furthermore, the statistical F value obtained is 204.642 with a significance of 0.000 (smaller than 0.05) which means that the research model on the influence of skills, experience and innovation on SME performance is declared feasible. R square (R2) is obtained at 0.694, which means that the contribution of skills, experience and innovation variables to the performance of Culinary SMEs in Pariaman City is 69.4%, where the remaining 30.6% is the contribution of other variables.

The results of testing the effect of skills and experience on innovation (H4 and H5) in Culinary SMEs in Pariaman City can be seen in Table 9. It can be seen that the skill variable (X1) has a regression coefficient of 0.543, t-count is 3.816 (larger than 1.96) and significant is 0.001 (smaller than 0.05). Thus it can be concluded that skills have a positive effect on innovation, so the fourth hypothesis (H4) can be accepted. This finding means that if in the future culinary SMEs in Pariaman City are able to improve their skills, this condition can increase their innovation ability. On the other hand, if in the future culinary SMEs in Pariaman City are not able to improve their skills, this condition will result in lower innovation. The results of this study are in line with the results of previous studies (Rao et al. 2014) who found that skills have a positive influence on innovation.

The experience variable (X2) has a regression coefficient of 0.317, t-count is 2.235 (larger than 1.96) and significant is 0.035 (small than 0.05). Thus, it can be concluded that the experience variable has a positive effect on innovation, so the fifth hypothesis (H5) can be accepted. The results of this study mean that if the experience of culinary SMEs in Pariaman City is getting better, this condition can increase their innovation. The other hand, if the experience of culinary SMEs in Pariaman City is getting worse, this condition can reduce their innovation. The findings of this study are consistent with the findings of previous research by Zhang and Hartley (2018) which proves empirically that experience has a positive effect on innovation.

Table 8. Effect of skills, experience and innovation on SME performance

Dependent variable	Constants, Independent Variables and Mediation	Regression Coefficient	T-count	Sig.	Decision
SME Performance (Y)	constant (a)	0.444	3.171	0.004	-
	Skills (X1)	0.348	2.684	0.013	H1 accepted
	Experience (X2)	0.393	2.802	0.010	H2 accepted
	Innovation (Z)	0.342	2.547	0.018	H3 accepted
	F statistics	204.642		0.000	-
	R square (R2)	0.694		-	

Table 9. Effect of skills and experience on innovation

Mediation Variable	Constants and Independent Variables	Regression Coefficient	T-count	Sig.	Decision
Innovation (Z)	constant (a)	0.515	2.847	0.009	-
	Skills (X1)	0.543	3.816	0.001	H4 accepted
	Experience (X2)	0.317	2.235	0.035	H5 accepted
	F statistics	124.224		0.000	-
	R square (R2)	0.459		-	

The statistical F value obtained is 124.224 with a significance of 0.000 (smaller than 0.05), which means that the research model on the influence of skills and experience on innovation is declared feasible. R square (R2) was obtained at 0.459 which means that the contribution of skills and experience variables to innovation in Culinary SMEs in Pariaman City is 45.9%, where the remaining 54.1% is the contribution of other variables.

To test the impact of the mediating variable, hierarchical regression analysis was used as described by previous research (Sefnedi, 2016; Baron and Kenny, 1986). The results of the test of the impact of innovation as mediation (H6 and H7) can be seen as follows (Table 10).

Model 1 explains the direct effect of skills (X1) and experience (X2) variables on the performance of SMEs (Y). The regression coefficient value for the skill variable (X1) is 0.514 with a significance of 0.000 (smaller than 0.05), while the experience variable (X2) has a regression coefficient of 0.404 with a significance of 0.000 (smaller than 0.05). Thus, it can be interpreted that the skills (X1) and experience (X2) variables directly have a positive effect on the performance of SMEs (Y). The statistical F value obtained is 247.205 with a significance of 0.000 (smaller than 0.05) which means that Model 1 (direct influence of skills and experience on the performance of SMEs) is declared feasible. Furthermore, R square (R2) is obtained by 0,

Model 2 explains the indirect effect of skills (X1) and experience (X2) variables on the performance of SMEs (Y), namely through innovation (Z) as a mediating variable. In this Model 2, the skill variable (X1) still has a significant effect on the performance of SMEs (Y), because it has a significant 0.013 (smaller than 0.05). Thus, it can be concluded that innovation (Z) is proven to act as a mediating variable (partial mediation) between skills (X1) and the performance of SMEs (Y). Thus, the sixth hypothesis (H6) can be accepted. Furthermore, the experience variable (X2) also still has a significant effect on the performance of SMEs (Y), because it has a significant 0.010 (smaller than 0.05). Thus, it can be concluded that innovation (Z) is proven to act as a mediating variable (partial mediation) between experience (X2) and SME performance (Y). Thus, the seventh hypothesis (H6) can be accepted. Furthermore, R square (R2) in Model 2 is obtained at 0.783, which means the magnitude of the influence or contribution of skill (X1) and experience (X2) variables on the performance of SMEs (Y) through innovation (Z) is 78.3%.

The results of testing the impact of innovation as a mediation can be interpreted that if in the future the Culinary SMEs of Pariaman City can improve their skills and experience, it will be able to increase the ability of innovation in SMEs. Furthermore, if the higher the innovation ability possessed by Culinary SMEs in Pariaman City, the better the performance of these SMEs. But if in the future the Culinary SMEs of Kota Pariaman are not able to improve their skills and experience then this will be able to reduce the ability of innovation in SMEs. Furthermore, if the lower the innovation ability of the Culinary SMEs in Pariaman City, the lower the performance of SMEs. Partially,(Han et al. 1998; Rubera & Kirca, 2012; Rosli and Sidek, 2013; Donkor et al. 2018; Makate et al. 2019; Syti Maesaroh, Adam Hermawan, 2020; Baumane-Vītoliņa *et al.* 2022a) and then innovation is determined by skills (Rao, Tang and Wang, 2002) and experience (Zhang and Hartley, 2018).

Table 10. The effect of innovation as mediation

Bound Variable	Constants, Independent Variables & Mediation	Model 1		Model 2		Decision
		Regression Coefficient	Sig.	Regression Coefficient	Sig.	
SME Performance (Y)	Constant (a)	0.623	0.000	0.444	0.004	-
	Skills (X1)	0.514	0.000	0.324	0.013	H6 accepted
	Experience (X2)	0.404	0.001	0.293	0.010	H7 accepted
	Innovation (Z)	-	-	0.348	0.018	-
	F statistics	247.205	0.000	204.642	0.000	-
	R square (R2)	0.694		0.783		

Managerial Implications

In an effort to improve the performance of small and medium-sized enterprises (SMEs) in Pariaman City, because all variables, whether skills, experience, or innovation, play an essential role in improving the performance of SMEs, and innovation also provides a mediating variable between skill and experience factors. In order to remain competitive in the future, managers must improve their strategies for dealing with competition, such as participating in various types of training related to the business being carried out, conducting ongoing skill development, and conducting periodic evaluations of the experience standards that have.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the data analysis that has been done previously, it can be put forward some research conclusions as follows (1) skills, experience and innovation have a positive effect on the performance of Culinary SMEs in Pariman City, (2) skills and experience have a positive effect on innovation in Culinary SMEs in Pariman City and (3) innovation is proven to mediate the relationship between skills, experience and performance of Culinary SMEs in Kota Pariaman.

Recommendations

Efforts that can be made to improve the performance of SMEs in Pariaman City in the future, in terms of skills, such as attending entrepreneurship training and business motivation and increasing ability to mastery of work. In terms of business experience, in order to increase various efforts to win the competition, for example the courage to take risks and hone experience so as to bring up various potentials to improve SME performance. Furthermore, in terms of innovation, efforts were made to change minds about openness in accepting new ideas and taking advantage of technological advances. For future researchers to develop the results of this study, such as the research method used, Increasing the number of samples and adding other variables that can improve the performance of SMEs, such as knowledge, entrepreneurial orientation, and others.

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