

STRENGTHENING HUMAN CAPITAL MANAGEMENT IN MSMEs TO IMPROVE BUSINESS PERFORMANCE AND SUSTAINABILITY

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Abstract

Strengthening human capital is Wrong One factor key in increase performance And sustainability of Micro , Small and Medium Enterprises Medium Enterprises (MSMEs). However , many MSMEs still face limitations in management source Power human impact on low productivity And Power competition business . Activities devotion to public This aim For increase human capital capacity in MSMEs through approach training And mentoring based empowerment . Method implementation use approach participatory which includes stage identification needs , training management source Power human , assistance implementation , as well as monitoring and evaluation . Results activity show existence improvement understanding partners to draft human capital management , improvement skills in management power work , and implementation practice simple HR management like distribution Work And preparation of SOPs. In addition that , there is indication improvement performance marked effort with increasing productivity And efficiency operational . Findings This in line with various studies that confirm that training And mentoring contribute significant to improvement human resource capacity and MSME performance In a way Overall , the human capital strengthening program through training And mentoring proven effective in push transformation management of MSME human resources from approach traditional going to better management strategic . Implications from activity This show that human capital development is not only increase performance business in term short , but Also strengthen sustainability of MSMEs in face dynamics environment business .

Keywords : Human Capital, MSMEs, **Business** Performance , Sustainability , HR Management

1. INTRODUCTION

Micro , Small, and Medium Enterprises Medium Enterprises (SMEs) are pillar main economy national contributing significant to absorption power Work And growth economy . However Thus , sustainability And MSME performance is still face various challenge structural , especially those related to with quality And human capital management . Various studies show that human capital—which includes competence , skills , experience , and ability innovation source Power human — have influence significant to performance And sustainability MSME businesses (Tjahjadi & Soewarno, 2024) In a way Empirically , many MSMEs still managed in a way traditional with limitations in aspect management source Power humans , such as Not yet existence systematic HR planning , lack of training , as well as low adoption practice modern management . Conditions This cause low productivity And Power competition business (Razak, 2024) Besides that , limitations in development competence And experience power Work Also impact on performance suboptimal efforts (Rahmawati & Aroningtias, 2024 Other problems faced MSME partners are lack of integration between human capital management with strategy sustainability effort . In fact , research show that quality human capital can push innovation , improving orientation market , as well as strengthen resilience business in face dynamics environment business (Dewi et al., 2025) , In fact , in context modern economy , strengthening human capital based on learning And innovation become key main in create superiority sustainable competitiveness (Hasibuan et al., 2026)

On the side other , limitations access to training , mentoring , and development capacity become constraint main for MSMEs in increase quality source Power human beings . This is aggravated by low literacy managerial And lack of utilization technology in HR management (Ridwantoro & Rinaldi, 2025) . As a result , many MSMEs have not capable optimize human capital potential as asset strategic For increase performance business . Based on problem mentioned , it is necessary something approach focused empowerment on strengthening human capital management in MSMEs. Community service program public This offer solution through improvement human resource capacity based training , mentoring , and implementation practice management source Power adaptive human And sustainable

approach This covers development competence , improvement skills managerial , as well as strengthening culture learning And innovation in MSME organizations . More furthermore , strengthening human capital does not only directed on improvement performance term short , but Also on creation sustainability business through integration principles of sustainable human resource management. This covering management cycle life employees , improvement involvement power work , and development capacity adaptive to change environment business (Utami et al., 2025) . With Thus , it is hoped that MSMEs capable increase Power compete , expand market , as well as maintain sustainability business in term long . Through activity devotion this , it is hoped happen transformation HR management in MSMEs from a financial perspective traditional going to approach strategic human capital- based transformation This become step important in support improvement performance And sustainability of MSMEs as a driving force economy public .

2. IMPLEMENTATION METHOD

This community service activity uses a participatory and empowerment-based approach, placing MSME partners at the center of the human capital capacity building process. This approach was chosen because it has proven effective in increasing the competence and independence of MSMEs through a combination of training, mentoring, and ongoing knowledge transfer (Irawan & Aris, 2026) .

1. Stages of Activity Implementation

The implementation of activities is carried out through several systematic stages as follows:

a. Needs Identification and Problem Analysis

The initial stage involved field observations, interviews, and focus group discussions (FGDs) with MSME partners to identify key issues in human capital management. The analysis focused on HR competency, workforce management systems, and employee development practices. This stage is crucial to ensure that the designed program aligns with the partners' actual needs (Suyatno & Suryani, 2024) .

b. Human Capital Strengthening Program Design

Based on the identification results, a training module was prepared which includes:

- 1) MSME-based human resource management
- 2) Development of competencies and work skills
- 3) Increased individual productivity and performance
- 4) Introduction to the concept of sustainable human resource management

Program design is carried out contextually by considering the characteristics of partner businesses and the level of human resource readiness (Wibowo et al., 2025) .

c. Implementation of Training

The training was conducted in a classical and interactive manner, using lectures, discussions, case studies, and simulations. The material focused on improving conceptual understanding and practical skills in human capital management. This training model has proven effective in improving the managerial capacity of MSMEs (Lubis et al., 2024) .

d. Mentoring

Following the training, partners receive intensive mentoring to implement the materials provided. This mentoring is conducted periodically through field visits and online consultations. This activity aims to ensure that the knowledge transfer can be effectively applied in business operations (Najih & Fauzan, 2026) .

Mentoring also includes:

- 1) Preparation of work systems and division of tasks
- 2) Implementation of simple standard operating procedures (SOP)
- 3) Employee performance evaluation
- 4) Strengthening a productive and innovative work culture

This continuous mentoring model has been proven to increase the effectiveness of MSME empowerment programs (Rosyadi et al., 2020) .

e. Monitoring and Evaluation

The final stage is monitoring and evaluating the results of the activities. The evaluation is conducted by comparing conditions before and after the program, in terms of knowledge, skills, and business performance. Furthermore, reflection is conducted with partners to identify successes and challenges during program implementation.

2. Approach Method

The methods used in this activity include:

- 1) Educational method: through training to increase partners' knowledge and insight
- 2) Participatory method: actively involving partners in every stage of the activity
- 3) Mentoring method: ensuring ongoing implementation of the material provided
- 4) Evaluative method: measuring the effectiveness of the program in improving HR performance and capacity.

This combination approach is considered effective in improving the quality of human capital while encouraging the sustainability of MSME businesses (Rizani et al., 2025).

3. Success Indicators

The success of the program is measured through several indicators, including:

- 1) Improving partners' understanding of human capital management
- 2) Improvement of skills in HR management
- 3) Implementation of simple work systems and HR management
- 4) Improved business performance (productivity and efficiency)
- 5) Increasing awareness of the importance of business sustainability

This indicator is in line with the concept of MSME empowerment which emphasizes increasing internal capacity as the main factor for business success (Faruk, 2024) .

3. RESULTS AND DISCUSSION

Based on the results of studies and reviews of theoretical and empirical approaches conducted by P, the implementation of community service activities focused on strengthening human capital management in MSMEs showed quite significant results, both in terms of increasing human resource capacity and improving overall business performance. These results were obtained through a series of activities that included training, mentoring, and ongoing evaluation of MSME partners.

a. Improving Human Resources Understanding and Competence

One of the key outcomes of this activity was an increased understanding among MSMEs regarding the importance of human capital management. Prior to the program, most partners managed their workforce conventionally, without systematic planning for recruitment, training, or performance evaluation.

After participating in the training, partners begin to understand basic human resource management concepts, such as clear job descriptions, the importance of skills training, and providing work motivation. This has resulted in increased workforce competency, demonstrated by increased productivity and the quality of business output.

b. Implementation of More Structured HR Management Practices

The mentoring program encouraged MSMEs to begin implementing more structured HR management practices. Some of the changes identified include:

- 1) There is a clearer job description
- 2) Implementation of a more organized work system
- 3) Start doing a simple performance evaluation

This change demonstrates a transformation from a habit-based management model to a more professional approach. While still in its early stages, this step lays a crucial foundation for sustainable business development.

c. Improving Business Performance

In terms of business performance, there are observable indications of improvement in several aspects, such as operational efficiency, product quality, and customer satisfaction. With a clearer division of tasks and improved workforce skills, the production process has become more effective and error-free. Furthermore, improving service quality also contributes to customer satisfaction, which ultimately leads to increased customer loyalty. This

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demonstrates that strengthening human capital is directly correlated with improved MSME performance.

d. Strengthening Awareness of Business Sustainability

Another important aspect is the increased awareness of MSMEs regarding the importance of business sustainability. Through this activity, partners are equipped not only with technical skills but also with a strategic understanding of the importance of investing in human resources as a long-term asset. Partners are beginning to realize that business success is determined not only by financial capital but also by the quality of their human resources. This, in turn, encourages them to continue developing their workforce's competencies and creating a conducive work environment.

e. Challenges in Implementation

Although the results obtained were quite positive, there were several challenges faced in implementing the program, including:

Limited time and resources to undertake intensive training

Resistance to change, especially among business actors who have long run their businesses in traditional ways

Limited understanding in applying management concepts consistently

However, through a participatory and sustainable mentoring approach, most of these challenges can be minimized.

f. Implications for Community Empowerment

The results of this activity demonstrate that strengthening human capital management not only improves business performance but also contributes to broader community empowerment. By increasing the capacity of MSMEs and the workforce, opportunities for improving the economic well-being of local communities are created.

Furthermore, the approach used in this activity positions partners as active participants, thus promoting program independence and sustainability. This aligns with the principle of community service, which focuses on empowerment, not simply knowledge transfer.

Photo Activity



4. CONCLUSION

Based on the results of community service activities, it can be concluded that strengthening human capital management in MSMEs is an effective strategic step in improving business performance and supporting business sustainability. The program, implemented through training and mentoring, has proven effective in increasing MSMEs' understanding of the importance of systematic and structured human resource management. Implementing better human resource management practices, such as clear task allocation, workforce skill development, and performance evaluation, has a positive impact on productivity, operational efficiency, and service quality. This ultimately contributes to improving the competitiveness of MSMEs in an increasingly competitive market. Furthermore, this activity successfully raised partners' awareness that human resources are a key asset in achieving business sustainability. The empowerment approach used encouraged active partner participation, fostering independence in managing and developing their businesses sustainably. However, implementation challenges remain, particularly

related to limited resources and consistent HR management implementation. Therefore, continued mentoring and ongoing support are needed to maintain and improve the results achieved. By Because That Strengthening human capital management not only has an impact on improving the performance of MSMEs, but also contributes to the broader economic empowerment of the community.

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