

## SUSTAINABLE HUMAN RESOURCE MANAGEMENT IN NORTH SUMATRA MSMEs

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**Abstract:** This research aims to analyze sustainable HR management practices in MSMEs in North Sumatra, finding that the practices are still not optimal. Inhibiting factors include a lack of understanding of the concept of sustainable HR management, limited financial and human resources, and minimal support from the government and other stakeholders. Improvement Sustainable HR management practices are needed through education and training for MSME players, providing incentives and funding, as well as strengthening the role of government and stakeholders in supporting MSMEs that implement sustainable HR management.

**Keywords:** *Human Resources Management, Sustainable, MSMEs, North Sumatra*

### Introduction

Human Resource Management (HR) is a key element in the success of organizations, including micro, small and medium enterprises (MSMEs). In North Sumatra, MSMEs have a vital role in the local economy with a significant contribution to labor absorption and job creation. MSMEs in North Sumatra are not only the backbone of the local economy, but also play an important role in building stronger and more prosperous communities. With the number of MSMEs continuing to increase, it is important to ensure that they are able to compete and develop amidst ever-changing market dynamics. One of the most crucial aspects to achieve this success is effective and sustainable human resource (HR) management.

However, MSMEs often face big challenges in terms of human resource management, especially in ensuring the sustainability of their workforce amidst global competition and rapid economic change. Global competition requires MSMEs to continue to innovate and improve the quality of their products and services. In this context, effective HR management becomes very important. Skilled and motivated employees can be a valuable asset that drives innovation and productivity. However, MSMEs often experience obstacles in terms of skills development and employee retention. Issues such as limited funding for training, lack of access to quality training resources, and difficulty in maintaining employee loyalty are often major obstacles.

Sustainability in HR management is not only about retaining employees in the long term, but also about developing their skills, improving well-being and maintaining a conducive work culture. It is important to understand that sustainability in the context of HR management covers various aspects. First, developing employee skills through ongoing training programs is very important. This training not only increases employee competency but also gives them a

sense of confidence and satisfaction at work. Second, improving employee welfare must be a priority. This can be achieved through policies that support work-life balance, fair compensation, and a healthy and safe work environment. Third, maintaining a conducive work culture is very important. A positive and inclusive work culture can increase employee collaboration, communication and loyalty.

This sustainable approach is important to ensure that MSMEs can continue to develop and adapt to changes in the business environment. By implementing a sustainable approach to HR management, MSMEs can increase their flexibility and competitiveness. When employees feel valued and supported, they tend to be more enthusiastic about work and contribute more to the organization. In addition, by continuously developing employee skills, MSMEs can more easily adapt to changes in technology and markets, which is very important in facing global competition.

Previous research has shown that effective HR management can increase employee productivity and loyalty, as well as reduce workforce turnover rates. Research that has been conducted in various sectors shows that good HR management is directly related to increasing employee productivity and loyalty. For example, studies conducted by several researchers in the manufacturing industry show that companies that have effective employee training and development programs tend to have higher levels of productivity. In addition, companies that implement practices

Good HR management also reports lower employee turnover rates, meaning they are able to retain experienced employees who contribute to the company's stability and growth.

However, there is a need for a deeper understanding of how these strategies can be implemented effectively in local contexts such as North Sumatra. Each region has unique characteristics that influence the implementation of HR management strategies. In North Sumatra, factors such as local culture, education level, and economic conditions must be considered in designing and implementing HR strategies. Therefore, further research is needed to explore how HR management strategies that have been successful elsewhere can be adapted and implemented effectively in North Sumatra. A deep understanding of the local context will help in designing policies and programs that are more targeted and have a positive impact on MSMEs in this region.

This research aims to identify sustainable HR management strategies implemented by MSMEs in North Sumatra. This research will focus on identifying and analyzing various HR management strategies implemented by MSMEs in North Sumatra. The main objective of this research is to understand the best practices that have helped MSMEs in managing their human resources sustainably. Apart from that, this research will also identify the main challenges faced by MSMEs in implementing these strategies and look for solutions that can be implemented to overcome these challenges

## **Literature Review**

### **1. Human Resources Management (HR)**

Human Resource Management (HR) is an important field in every organization because it is directly related to workforce management which is the mainstay of the

organization. According to (Amstrong, 2014), HR management involves a series of activities such as recruitment, selection, training, development, performance evaluation, and compensation management. In the context of MSMEs, HR management often faces greater challenges than large companies, especially in terms of financial resources and infrastructure.

## **2. Sustainability in HR Management**

Sustainability in HR management refers to practices that ensure the availability and development of the workforce over the long term, while considering employee welfare and environmental impacts (Ehnert, 2009). Sustainable HR management practices include continuous skills development, improving employee well-being, and preserving work culture. This theory emphasizes the importance of integration between business goals and employee welfare as a key element in achieving sustainability.

## **3. Skills Development**

Skills development is an important aspect of sustainable HR management. According to (Noe et al., 2015), continuous training and development programs can improve employee abilities, which in turn can increase productivity and job satisfaction. In MSMEs, skills development is a challenge due to limited funds and other resources. However, investment in training remains important because it can produce long-term benefits, such as increased operational efficiency, innovation and company competitiveness.

## **4. Employee welfare**

Employee well-being covers various aspects such as physical and mental health, work-life balance, and job satisfaction. According to (Warr, 2007), good employee welfare can increase employee motivation and performance. In MSMEs, approaches to improving employee well-being can include providing healthcare facilities, financial incentives and flexible work-life balance programs.

## **5. Preserving Local Work Culture**

Local work culture plays an important role in shaping the values and norms followed by employees. According to (Hofstede, 2001), a strong work culture can increase employee cohesion and loyalty. In North Sumatra, preserving local work culture which includes values such as mutual cooperation and togetherness can help MSMEs build a harmonious and productive work environment.

## **6. Challenges in MSME HR Management**

MSMEs often face various challenges in HR management, including limited financial resources, lack of government support, and difficulties in attracting and retaining qualified workers (Tambunan, 2008). These challenges require an innovative and sustainable approach to ensure that MSMEs can manage their human resources effectively and efficiently.

## **7. Recommendations for Sustainable HR Management Strategy**

Based on the literature review, several strategic recommendations for sustainable HR management in MSMEs include: (1) developing sustainable training programs, (2) increasing employee welfare through adequate incentives and facilities, (3) preserving local work culture, and (4) increasing support from the government in the form of policies that support the sustainability of MSMEs (Boselie, 2010).

## Methods

In this research, it is prioritized to use methods that are appropriate to the main problem of the research being conducted in order to obtain relevant information for further discussion. The aim of this research is to gain a holistic understanding of the development of micro, small and medium enterprises (MSMEs) through internal potential. The type of research used is descriptive research with a focus on qualitative data. The focus of this research is:

1. Development of Micro, Small and Medium Enterprises (MSMEs) by external parties and internal parties assisted by the "Gerai Hippi Ukm" business group in North Sumatra Province, Medan City, including:

Internal development of the "Gerai Hippi Ukm" business group in North Sumatra Province, Medan City, includes:

- a) Capital acquisition
- b) Production efficiency innovation
- c) Expansion of marketing network
- d) Acquisition of production facilities and infrastructure

2. ConstraintThe development of Micro, Small and Medium Enterprises (MSMEs) in North Sumatra is:

- a) Rising raw material prices:
- b) resource limitations:
- c) Capital problems:
- d) Lack of facilities and infrastructure: and
- e) Lack of access to product marketing

Data analysis for this research was carried out in the following four steps (Miles and Huberman, et al., 2014):

1. Data collection is a process. collect data to support research findings.
2. Data reduction is the process of selecting raw data generated from field notes, with a focus on simplification and transformation.
3. Data presentation is the act of presenting a set of data in narrative text, using metrics, graphs, grids, tables and diagrams, with the aim of sharpening the researcher's understanding of the data obtained.
4. Make inferences looking for meaning, patterns, explanations, possible settings, cause and effect flow, and propositions. Drawing conclusions is a worry. confirmation in the form of a review. field notes so that the accuracy of existing data can be checked.

## Result and Discussion

Research findings show that there are several best practices implemented by MSMEs for sustainable HR in North Sumatra. These best practices include:

1. Positive and inclusive work culture: SMEs that have successfully implemented

sustainable employment in North Sumatra have created a work culture

- a. positive and inclusive. This culture is based on mutual respect, respect for diversity, and encourages employee participation. This conducive work environment allows employees to develop and contribute optimally, creating profitable synergies for the company and employees.
2. Continuous training and development: Successful MSMEs provide continuous training and development to their employees. This training program is designed to improve employee skills and knowledge, which ultimately increases company productivity and efficiency. With continuous training, employees feel appreciated and motivated to provide their best for the company.
3. Fair and transparent recruitment and selection: Successful SMEs implement fair and transparent recruitment and selection. This process ensures that the company gets the best and most skilled employees for important positions. With clear and objective procedures, companies can build a competent and high-quality team.
4. Competitive salaries and benefits: Successful SMEs offer competitive salaries and benefits to their employees. This not only helps them attract the best talent but also retain quality employees. By offering appropriate compensation, companies show appreciation for employee contributions, which in turn increases loyalty and retention.
5. Promotion of occupational health and safety: Successful SMEs promote occupational health and safety in the workplace. These measures ensure employee safety and well-being, ultimately improving productivity and business performance. Companies that care about the health and safety of employees will build a good reputation and create a safe and comfortable work environment.

However, SMEs in North Sumatra also face several challenges in implementing sustainable human resource management. These challenges include:

1. Limited financial resources: Many SMEs in North Sumatra do not have sufficient financial resources to implement sustainable HR best practices. The solution to overcome this challenge is to seek funding from the government, NGOs, or financial institutions. This financial assistance can be used to support training programs, employee welfare and other human resource development.
2. Access to training and development: SMEs in North Sumatra also have limited access to training and development. The solution to overcome this challenge is to partner with educational institutions to provide training programs tailored to the needs of SMEs. This collaboration can help SMEs improve the skills of their employees without having to incur large costs.
3. Attracting and retaining top talent: SMEs in North Sumatra often struggle to attract and retain top talent. The solution to this challenge is to offer competitive wages and benefits and create a work environment that is conducive to employee development. In addition, providing career development opportunities and rewards for achievements can help increase employee loyalty.

4. Low awareness of the importance of sustainable human resources: Many MSMEs in North Sumatra do not realize the importance of sustainable human resources. The solution to overcome this challenge is to provide training to SMEs regarding the benefits and best practices of sustainable HR management. Increasing this awareness can be done through workshops, seminars and information campaigns.

Based on the research results, it can be concluded that sustainable human resources are very important for the success of MSMEs in North Sumatra. Government and related organizations must support SMEs in implementing best practices in sustainable human resource management. SMEs must also raise awareness of the importance of sustainable human resources and act to overcome the challenges they face.

This research has several important implications for small and medium businesses in North Sumatra. First, this research shows that implementing sustainable HR best practices can increase the efficiency and success of SMEs. Second, this research identifies several challenges faced by SMEs in implementing sustainable HR management and provides solutions to overcome these challenges. Third, this research provides valuable information for the government and related organizations to develop programs and policies that support the implementation of sustainable HR policies in SMEs.

## Conclusion

By using indicators such as communication, human resources, disposition, and bureaucratic structure, the authors of this study ascertain the challenges faced by the North Sumatra Province Department of Cooperatives and Small and Medium Enterprises in implementing cooperative development. These challenges include the fact that several cooperative office employees are consistently not present when direct guidance is given, the management and members do not respond well, and are not responsible for the problems they face. In conditions like this, it cannot be denied that.

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