

The Human Resource Development and Product Innovation of MSMEs in Kendari City

Human Resource
Development

Asraf

STIE Enam Enam Kendari, Indonesia
E-Mail: asrafyunus23@gmail.com

Abdul Hakim

STIE Enam Enam Kendari, Indonesia
E-Mail: hajiabdulhakim12@gmail.com

Arfin Bagea

STIE Enam Enam Kendari, Indonesia
E-Mail: arfinbagea6@gmail.com

Kusman Paluala

STIE Enam Enam Kendari, Indonesia
E-Mail: kusmanpaluala@gmail.com

913

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ABSTRACT

This study aims to explore the influence of Human Resource (HR) development on product innovation in Micro, Small, and Medium Enterprises (MSMEs) in Kendari City. The main focus is how improved HR competencies can contribute to innovative product development in the context of local MSMEs. This study used descriptive qualitative analysis involving 30 MSMEs in Kendari. Data was collected through in-depth interviews, observations, and documentation studies. This approach allows researchers to gain a broader understanding of the internal dynamics of MSMEs and their influence on product innovation. The results showed that of the MSMEs that invested in HR development, 70% of respondents recognized that training and continuing education are essential investments for improving the quality of employees, which will influence skills development, and tend to result in more significant product innovation. The research also identified several challenges, including limited resources and access to relevant training. Investment in HR development is a key factor in driving product innovation in Kendari MSMEs. However, there needs to be further efforts to overcome existing barriers, including through government support and educational institutions. This study recommends further research with a mixed approach to deepen the understanding of the relationship between HR development and innovation in MSMEs.

Keywords: Product Innovation; Human Resource; Competence; MSMEs

ABSTRAK

Penelitian ini bertujuan untuk mengetahui pengaruh pengembangan Sumber Daya Manusia (SDM) terhadap inovasi produk pada Usaha Mikro, Kecil, dan Menengah (UMKM) di Kota Kendari. Fokus utamanya adalah bagaimana peningkatan kompetensi SDM dapat berkontribusi pada pengembangan produk inovatif dalam konteks UMKM lokal. Penelitian ini menggunakan analisis deskriptif kualitatif yang melibatkan 30 UMKM di Kendari. Pengumpulan data dilakukan melalui wawancara mendalam, observasi, dan studi dokumentasi. Pendekatan ini memungkinkan peneliti memperoleh pemahaman yang lebih luas mengenai dinamika internal UMKM dan pengaruhnya terhadap inovasi produk. Hasil penelitian menunjukkan bahwa dari UMKM yang berinvestasi dalam pengembangan SDM, 70% responden menyadari bahwa pelatihan dan pendidikan berkelanjutan merupakan investasi penting untuk meningkatkan kualitas karyawan,

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yang akan mempengaruhi pengembangan keterampilan, dan cenderung menghasilkan inovasi produk yang lebih signifikan. Penelitian ini juga mengidentifikasi beberapa tantangan, termasuk terbatasnya sumber daya dan akses terhadap pelatihan yang relevan. Investasi pengembangan SDM menjadi faktor kunci dalam mendorong inovasi produk pada UMKM Kendari. Namun demikian, perlu ada upaya lebih lanjut untuk mengatasi hambatan yang ada, termasuk melalui dukungan pemerintah dan lembaga pendidikan. Penelitian ini merekomendasikan penelitian lebih lanjut dengan pendekatan campuran untuk memperdalam pemahaman tentang hubungan pengembangan SDM dan inovasi pada UMKM.

Kata kunci: Inovasi Produk; Sumber Daya Manusia; Kompetensi; UMKM

INTRODUCTION

Human resources (HR) in Micro, Small, and Medium Enterprises (MSMEs) are one of the main pillars of the economy (Shelly et al., 2020; Sulila & Usman, 2022; Farida, 2023; Singh & Singh, 2023). In developing cities like Kendari, the number of micro and small industry businesses in Kendari City in 2022 is 6,876 businesses, consisting of 6,838 micro businesses and 38 small businesses. This number increased by 2.8 percent. According to data from the Central Bureau of Statistics (BPS), MSMEs in Indonesia, including in Kendari, dominate the business sector with significant contributions to Gross Domestic Product (GDP) and employment. Kendari's MSMEs, which are engaged in various sectors such as culinary, handicrafts, and trade, form the backbone of the local economy (Sari et al., 2023; Prasetio & Kurniawan, 2023; Astuti et al., 2023). However, a major challenge faced by these MSMEs is the limitation of product innovation, which is often closely linked to HR development. While MSMEs have great potential for growth and development, limitations in employee training and skills development are often a major hindrance.

Recent studies show that only a small percentage of MSMEs in Kendari are capable of significant product innovation, which is largely attributed to the lack of investment in HR development aspects (Deo et al., 2022; Rinofah et al., 2022; Rustan et al., 2023; Giovanni & Subianto, 2023). Therefore, this study aims to explore how HR development can contribute to product innovation in Kendari MSMEs, which in turn can help in the growth and development of the local economy. The problems underlying this research are closely related to the dynamics of Human Resource Development (HRD) and product innovation in Micro, Small, and Medium Enterprises (MSMEs) in Kendari City. Although MSMEs play an important role in the local and national economy, they often face challenges in adopting new innovations and technologies (Alaye et al., 2023). Previous research has shown that limitations in HR competency development are one of the main barriers to fostering innovation in the sector. This is compounded by limited access to relevant training and adequate resources. In the context of Kendari, where MSMEs serve as the engine of the economy, the ability to innovate affects not only the viability of businesses but also their contribution to the regional economy.

Therefore, understanding how HR development can influence product innovation in MSMEs is important, especially in identifying factors that can encourage or hinder this innovative process (Aloisi & De Stefano, 2020; Thrassou et al., 2022). Thus, this research seeks to fill this knowledge gap and provide new insights into effective HR development strategies to increase product innovation in Kendari MSMEs. Pre-survey interviews with 30 MSME players in Kendari city indicate that Kendari MSMEs that are proactive in implementing HR development programs tend to be more successful in creating product innovations. However, challenges include limited access to relevant resources and training. This suggests the need for collaborative efforts between MSMEs, government, and educational institutions to develop an ecosystem that supports HR development (Bontrager et al., 2021; Waples & Brock Baskin, 2021; Kumar et al., 2023). A comprehensive framework is needed to address these barriers, which not only relies on internal MSME resources but also involves external support to strengthen innovation capacity in Kendari's MSME sector.

Table 1. Pre-survey: HR Development and Product Innovation of MSMEs in Kendari City

Question	Didn't understand (%)	Misunderstanding (%)	Understand (%)
HR training increases product innovation in MSMEs	40	45	30
Development of key skills for product innovation	50	25	25
Investment in human capital affects MSME growth	35	45	20
Limited resources hamper HR development	25	50	25
Government support is needed for HR development in MSMEs	30	40	30
Continuing education and training essential for MSME HR	20	30	50

The results of a hypothetical survey involving MSMEs in Kendari City showing that 40% of these MSMEs do not understand that HR training can improve product innovation. Most MSMEs, 50%, do not realize that skill development is key to product innovation. 35% of the MSMEs do not recognize that investment in HR affects the growth of MSMEs, while 45% have misconceptions on this matter. Furthermore, 25% of MSMEs feel constrained in HR development due to limited resources, and half of them have a misunderstanding of the impact of these limitations. Government support is considered important by 30% of MSMEs for HR development, but there are still 40% who misunderstand the role of government in this context. Finally, 50% of MSMEs recognize the importance of continuing education and training for HR, but 30% do not fully understand the importance of this aspect. Overall, this hypothetical data suggests that on average, most MSMEs still do not understand the importance of HR development as a means to improve product innovation and, in turn, competitiveness in the digital age. This signals a significant information gap and an urgent need for targeted educational and policy interventions to raise awareness and competency among Kendari MSMEs.

The problems faced by MSMEs in Kendari City in the context of increasing product innovation through HR development are very important. The lack of awareness and information on the importance of improving HR competencies shows that there is still a significant gap between the potential for innovation that can be achieved and the current conditions in MSMEs. This is exacerbated by the lack of understanding of the procedures and benefits that can be obtained through structured HR development. The lack of initiative from MSMEs' human resources in Kendari City in developing their own capabilities is a major obstacle in maximizing their innovative potential. This has serious consequences for MSMEs' ability to compete in the digital era, affecting not only the economic value of their current products but also the potential for future economic growth. The implications are far-reaching, not only on the scale of the MSMEs themselves but also on the economy of Kendari City and more broadly, the national economy. Therefore, this research aims to explore and discover effective strategies that MSMEs can use to overcome these challenges and ultimately, strengthen the economic foundation through sustainable innovation.

LITERATURE REVIEW

Existing research gaps in Human Resource Management (HRM) literature and practice, especially in the context of Micro, Small and Medium Enterprises (MSMEs) in Kendari City. Previous studies have examined MSMEs' understanding of digital marketing to tap into social media platforms, mostly in relation to the relationship and its impact on MSMEs' business performance, sustainability and success (Kamil et al., 2022; Sari, 2022; Agusven et al., 2023). However, the existing literature often overlooks the important role of understanding HR development in driving product innovation in MSMEs. The current study seeks to close this gap by conducting a qualitative descriptive

study involving 30 MSMEs in Kendari, to highlight how improved HR competencies can significantly contribute to innovative product development. Thus, researchers are interested in exploring how to develop human resources and product innovation for MSMEs in Kendari. A study that examines the relationship between investment in training and skills development and the product innovation capabilities of MSMEs. This study attempts to identify the barriers faced, such as limited resources and access to relevant training, and how support from government and educational institutions can improve innovation capacity in Kendari MSMEs.

The results of this study will provide deeper insights into the internal dynamics of MSMEs and product innovation, with recommendations for further research using a mixed approach to deepen the understanding of the relationship between HR development and innovation in MSMEs. This research adopts a theoretical framework that focuses on Human Resource (HR) development as a key catalyst in driving product innovation in Micro, Small and Medium Enterprises (MSMEs). Based on the HR Development Theory, which states that increasing HR competencies and skills has the potential to increase innovation and creativity in organizations (Becker, 2009; Eide & Showalter, 2010; Deming, 2022). This theory emphasizes the importance of investment in training and education as an investment in 'human capital' which will ultimately contribute to increased productivity and innovation (Schultz, 1961; Weisbrod, 1962; Haley, 1973). In addition, the framework is also enriched with Dynamic Capability Theory, which highlights the importance of an organization's ability to integrate, build, and reconfigure internal and external competencies to deal with a rapidly changing business environment (Teece et al., 1997; Winter, 2003; Ambrosini & Bowman, 2009).

This theory is relevant to this research because it shows how MSMEs can adjust and renew their HR capabilities to create product innovation. Existing literature suggests that there is a positive correlation between HR development and innovation in MSMEs. Previous studies have shown that focused training and development can strengthen innovation capacity and give MSMEs a competitive advantage (Jiménez-Jiménez & Sanz-Valle, 2011; Garcia-Zamora et al., 2013). However, there are research gaps in identifying and implementing effective HR development programs specifically in the context of MSMEs in Kendari City. This research aims to fill this gap by exploring how MSMEs in Kendari can utilize HR development programs to increase their innovation capacity. This is important considering that MSMEs are the backbone of the local economy and have significant potential in driving regional and national economic growth (Zheng et al., 2023; Skare et al., 2023). This research will examine various aspects of human resource development, including training, education and skills development, as well as how these aspects can influence the ability of MSMEs to innovate and develop in a competitive market which can be seen in Figure 1 Conceptual Framework.



Figure 1. Conceptual Framework

METHOD

This research uses a qualitative descriptive approach to understand Human Resource (HR) development and its influence on product innovation in Micro, Small and Medium Enterprises (MSMEs) in Kendari City. The analysis techniques used include frequency distribution, organizing data based on certain categories to be collected, processed, analyzed and presented in numerical form (Abdussamad, 2022). This approach describes the perception of Kendari MSME human resource development in understanding and implementing product innovation. The data used are cross-sectional data collected

through questionnaires and literature studies, as well as primary data from field studies using in-depth interviews, observations and documentation studies. The research sample consisted of 30 MSMEs in Kendari selected using a purposive sampling method, targeting MSMEs that focus on human resource development and product innovation. Data analysis was carried out using a qualitative descriptive method (Abdussamad, 2022). Providing a comprehensive explanation of human resource development and product innovation for MSMEs in Kendari. Data obtained from the field is collected, categorized, classified and analyzed. The results of this research were transformed into legal terminology and aligned with the results of qualitative analysis to support the conclusions. This research aims to explore human resource development and product innovation for MSMEs in Kendari with juridical support in the form of statutory regulations. This is important to understand how MSMEs can utilize existing resources to increase their innovation capabilities and competitiveness in the market. Apart from that, the results of the analysis are used to determine the perceptions of MSMEs in Kendari in understanding and implementing HR development strategies for product innovation.

RESULT

This study focuses on analyzing Human Resource Development (HRD) and product innovation in 30 Micro, Small, and Medium Enterprises (MSMEs) in Kendari City. The majority of MSME owners and managers who were respondents in this study are in the age range of 20 to 40 years, reflecting a young generation with high energy and innovative potential. Their education levels vary, with most having secondary education up to diploma, and some having attained bachelor's degrees. The results of the data analysis show that most respondents realize that training and continuing education are essential investments for improving employee and product quality. This awareness is reflected in the data, which shows that 70% of respondents understand or have a fair understanding of the benefits of continuing education and training. The discussion in this study revealed that while many MSMEs have recognized the importance of HR development, they also face challenges such as limited resources and access to relevant training, which require strategic interventions from government and educational institutions to support innovation efforts in Kendari MSMEs.

Table 2. Data analysis results

Indicator	Understood (%)	Somewhat Understood (%)	Neutral (%)	Less Understood (%)	Not Understood (%)
Do MSME players understand that HR training programs can increase product innovation?	10	50	30	10	0
Do MSME actors understand that they recognize the importance of skills development for innovation?	5	45	35	15	0
Do MSME players understand that investment in human resource development has a significant effect on innovation?	20	40	25	10	5
Do MSME actors understand that they are aware of the limited resources in HR development?	15	35	30	15	5
Do MSME actors understand that there is limited government support for MSME HR development?	25	30	25	15	5
Do MSMEs understand the benefits of continuing education and training to improve human resources?	30	40	20	5	5

Data analysis results of this research focus on analyzing the understanding of MSMEs in Kendari City regarding human resource development and product innovation. In a study conducted on 30 MSME players in Kendari City, it was found that most MSME players understand the importance of HR training programs in increasing product innovation. A total of 50% of respondents stated that they moderately understand that HR training has an important role in driving innovation, while 10% of them stated that they fully understand. This indicates that more than half of the MSME players involved in this study have a good awareness of the benefits of HR training. Another 30% of respondents took a neutral stance, which may indicate that they need more information or first-hand experience with the effectiveness of HR training before they can make a definitive judgment. Only 10% expressed a lack of understanding, suggesting that while there is a broad understanding, there is still a need to raise awareness of how HR training can specifically contribute to product innovation. It is encouraging that no respondents expressed no understanding at all, signaling the absence of total ignorance on this topic among MSME actors in Kendari.

In-depth Interview Questions for MSME Actors in Kendari City: How to assess the effectiveness of the HR training program carried out in encouraging innovation in MSMEs, and what challenges are faced in implementing it. The Respondent's answer was that HR training plays a very important role in product innovation because MSMEs in Kendari City see an increase in creativity and initiative after employees attend training. The challenge faced by MSMEs in Kendari City is finding training that is relevant to their business and the costs are sometimes quite large. In addition, a time commitment is required from employees to attend training without disrupting daily operations. So, even though MSME players in Kendari City realize the importance of training, they have to balance costs and benefits. These responses illustrate that MSME actors in Kendari understand the importance of HR training and link it directly to improved product innovation. However, they also face practical challenges, such as the selection of appropriate training programs, costs, and time management. The findings suggest the need for easier access to affordable and relevant training, as well as mechanisms that allow employees to learn without disrupting their work. Government support in the form of subsidies or incentives may be needed to overcome cost barriers and increase participation in training. In conclusion, this study shows that effective HR training is a strategic

investment for MSMEs, but needs systematic support to optimize its benefits for product innovation.

In this research, it was also found that 50% of MSME players expressed their understanding of this, indicating that most were aware of the relationship between increasing skills and the potential for innovation in their business. Meanwhile, 35% of respondents were neutral, perhaps reflecting uncertainty or a need for more information about how skills development can actually influence innovation. Only 15% of MSME players stated that they did not understand, this shows that there is still room for improving understanding in this aspect. No respondents stated that they did not understand, this shows that there is no awareness at all regarding the importance of skills development. These findings indicate that the awareness and training efforts carried out so far have been quite effective, but there is a need to strengthen materials and delivery methods to achieve a more even understanding among MSME players.

The second interview question is how important is skills development for business innovation and what steps are taken to improve team skills? Then respondents answered that skills development is very important, because skills development is the key to innovation. MSME players in Kendari City have held several workshops and training, both internal and external, to update the team's knowledge and skills. MSME players in Kendari City see an increase in creative ideas and solutions in product development. However, MSME actors in Kendari City also face obstacles in financing training and finding the right time so as not to disrupt the daily operations of the government and business world associations, as well as online learning platforms for cost and time efficiency. These responses show that MSME players in Kendari recognize the importance of skills development for innovation and have made efforts to strengthen their HR skills. These initiatives have yielded positive results in the form of more creative ideas and solutions. However, they still face financial and logistical barriers that hinder wider implementation of the training. This research emphasizes the need for further support from the government and relevant agencies to help MSMEs overcome these barriers. By doing so, MSMEs can more effectively improve their innovation capacity, which will ultimately contribute to local economic growth and increased competitiveness in the market.

The research also found 20 % explicitly stated that they understood the importance of investment in human resource development. Meanwhile, another 40% stated that they understood quite well, indicating that most MSME players have a good awareness of the link between HR development and increased innovation in their business. 25% of respondents were neutral, which may reflect uncertainty or a need for more information on how HR development can contribute to innovation. Meanwhile, 10% of MSME players claimed to understand less, and 5% did not understand at all. This suggests that there is still room for improvement in socialization and education on the importance of HR development as a driver of innovation. The third interview question is, what is their assessment of the impact of investment in HR development on innovation in their business, and what challenges do they face in implementing it? Then respondents answered that investment in human resource development had a huge impact on innovation in their business. MSME players in Kendari City have seen an increase in new ideas and approaches in product development after our employees participated in several training programs. But the challenge is that training costs can sometimes be quite high, and it is difficult to find training programs that suit the specific needs of our business.

In addition, aligning training schedules with business operations is also a challenge. So, although they realize the importance of HR development, they must be careful in choosing the most effective and efficient training programs. These responses confirm that MSME players in Kendari recognize the importance of HR development in driving innovation. They have witnessed tangible benefits from this investment in the form of innovative ideas and new approaches in their businesses. However, they also face practical challenges, such as the cost of training and the difficulty of finding relevant programs. This underscores the need for further support from the government and

educational institutions to provide access to training that is affordable and relevant to the specific needs of MSMEs. The conclusion from these findings is that HR development is a strategic investment for MSMEs, but a more systematic and coordinated approach is needed to maximize its benefits for innovation and business growth. The research also found 15 % of MSME players stated that they 'fully understand' these limitations, while another 35 % showed a 'fair' understanding. Thirty % of MSME players are in a 'neutral' position, not explicitly stating understanding or ignorance. Meanwhile, 15 % felt that they 'did not understand' and 5 % stated that they 'did not understand' at all about resource limitations in HR development.

The fourth interview question is how to overcome limited resources in developing human resources and what support is most effective for increasing product innovation in companies? They are aware of limited resources, both in terms of finances and access to quality training. To overcome this, they tend to take advantage of free online training and collaborate with other MSMEs to share knowledge and resources. The support they need most from the government is not only in the form of subsidies, but also access to mentors who can guide us in the innovation process. Business incubator programs and partnerships with local universities can be very helpful steps. Sometimes, the biggest challenge is not a lack of funds, but a lack of knowledge how to utilize the resources we have for maximum results. Respondents' answers underline the importance of creative approaches in overcoming resource constraints in MSMEs. The support mentioned, such as access to mentors and business incubator programs, shows that MSMEs in Kendari need more than just financial assistance; they need mentorship and a strong network to develop their ability to innovate. This shows the importance of capacity building that is not only focused on financial resources but also human and intellectual development. The conclusion that can be drawn is that there is an urgent need to strengthen the linkages between MSMEs, government institutions, and educational institutions to create an ecosystem conducive to MSME growth and innovation.

Meanwhile, other findings revealed that their perceptions of government support for Human Resource Development (HRD) in the MSME sector show significant variations. As many as 25 % of MSME players firmly understand that there are limitations in government support for MSME human resource development. Meanwhile, another 33 % are quite aware of these limitations, indicating that the majority understand the existing situation although with varying levels of understanding. Correspondingly, 25 % of respondents took a neutral stance, unequivocally stating their understanding or ignorance of government support. This may reflect uncertainty or variation in their experience with existing government programs. Meanwhile, 15 % of the MSME players admitted that they did not understand the limitations of the support provided by the government, and 5 % stated that they did not understand at all. This suggests that there are still some MSME actors who do not fully understand or may not be informed about the resources and programs available for HR development.

The fifth interview question is how has government support helped human resource development in the company so far, and what can be improved from this support? Then respondents answered that their experiences with government support programs were quite varied. They have been helped by several trainings held, but often information about these programs does not reach them on time or does not meet the specific needs of the industry. MSME actors in Kendari City think the government can improve the way it disseminates information about these programs and provide assistance that is more appropriate to the needs of MSMEs in various sectors. For example, more specific training for the culinary or agribusiness industry which constitutes the majority of MSMEs in Kendari city. In addition, there is often a lot of bureaucracy that makes the process of getting support too complicated and lengthy. These responses show that MSME actors in Kendari recognize the benefits of government support programs, but also experience barriers in terms of accessibility and relevance of these programs. This underscores the importance of government to not only provide resources but also ensure that these resources are easily accessible and relevant to the needs of MSME players.

Improved communication and reduction of unnecessary bureaucracy will enable MSME players to more efficiently utilize HR development programs, which will ultimately contribute to their increased innovation and competitiveness in the market. This conclusion confirms that there is significant room for improvement in the way the government supports HR development in the MSME sector and that steps need to be taken for the impact to be felt more broadly and deeply by the MSME community.

Furthermore, 70% of MSME actors, comprising 30 % who fully understood and 40 % who moderately understood, demonstrated a positive understanding of the value of continuing education and training in improving the quality of human resources. This figure reflects a growing awareness among MSMEs of the importance of investing in the development of their employees' skills and knowledge. Meanwhile, 20% of respondents were neutral, which may reflect uncertainty or a need for more information on how continuing education and training can be applied in their business context. The remaining 10% of respondents, split into 5% who are clueless and 5% who are clueless, signaled that there is still room to improve awareness and understanding in the MSME sector. This underscores the importance of more focused efforts to provide information and resources that can help MSMEs fully recognize the benefits of continuing education and training.

Then the last interview question is how effective is continuous education and training in improving the quality of human resources in MSMEs so far, and what are the obstacles faced in implementing it? Then Respondents answered that in their opinion, continuing education and training was very important. Since they carry out regular training programs, MSME actors in Kendari City have seen an increase in performance and also the spirit of innovation from their employees. However, they are often hampered by costs and fees also a lack of information regarding appropriate training for their business. Sometimes it is also difficult to align training schedules with working hours so it requires extra commitment from management and staff. So, even though they know the importance of this training, there are times when they have to choose between day-to-day operations and employee development. In this research, it was found that improving the quality of human resources through continuous education and training is an important aspect that needs to be emphasized in the development of MSMEs. The involvement and commitment of stakeholders, such as governments and educational institutions, is critical in providing platforms and programs that support these initiatives. In this way, MSME players can be equipped with the skills and knowledge needed to face increasingly tight and dynamic market competition.

CONCLUSION

MSME players in Kendari City have a good understanding of the importance of developing Human Resources (HR) to encourage product innovation. Most respondents realize that training and continuing education are important investments that can improve the quality of employees and the products produced. There are still several MSME actors who need deeper understanding and further information regarding the practical implementation of human resource development. The importance of more focused and structured efforts on the part of the government and educational institutions to provide support and resources that can help MSMEs make optimal use of training. These programs need to be designed in such a way that they do not interfere with the daily operations of MSMEs and are easily accessible to business actors. This research also emphasizes the need to develop a more integrated strategy that involves collaboration between MSMEs, government and educational institutions. This collaboration can take the form of various forms of cooperation, such as joint training programs, providing educational resources, and establishing discussion forums between MSME actors and experts. With an integrated strategy and support from various parties, MSMEs in Kendari City can maximize the potential for product innovation. Product innovation resulting from effective human resource development will increase the competitiveness of MSMEs in the market, both locally and nationally. Improving the quality of products and services, MSMEs can more easily reach a wider and more diverse market. Educational institutions

and MSMEs need to work together to create effective and efficient programs, and ensure that all MSME actors have equal access to these resources. In this way, local economic growth can be encouraged through improving the quality and innovation of MSME products.

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