

Enhancing MSMEs Performance in Gorontalo through Employee Development, Recruitment, and Job Satisfaction

*Development,
Recruitment, and
Satisfaction*

Moh. Rolli Paramata
Universitas Gorontalo; Gorontalo, Indonesia
E-Mail: rolliparamata@unigo.ac.id

3699

Mohamad Afan Suyanto
Universitas Gorontalo; Gorontalo, Indonesia
E-Mail: afansuyanto@gmail.com

Olfen Ishak
Universitas Gorontalo; Gorontalo, Indonesia
E-Mail: olfi.14062009@gmail.com

Submitted:
JUNE 2025

Accepted:
AUGUST 2025

Ayub Usman Rasid
Universitas Gorontalo; Gorontalo, Indonesia
E-Mail: ayublpmug@gmail.com

Anggita Permata Yakup
Universitas Gorontalo; Gorontalo, Indonesia
E-mail: anggita-permatayakup@gmail.com

ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) are crucial drivers of economic growth, job creation, and equitable income distribution, particularly in developing regions such as Gorontalo, Indonesia. As engines of local innovation and contributors to poverty alleviation, the sustainability and competitiveness of MSMEs depend heavily on internal organizational factors, especially human resource management (HRM). This study explores the impact of employee development, recruitment, and job satisfaction on the performance of MSMEs in Gorontalo. A quantitative research approach was employed using Structural Equation Modeling with Partial Least Squares (SEM-PLS) to examine the relationships among these variables. Data were gathered from 94 MSME respondents from trade, manufacturing, and service sectors using purposive sampling. Results indicate that employee development ($\beta = 0.306$, $p = 0.001$), job satisfaction ($\beta = 0.289$, $p = 0.039$), and recruitment ($\beta = 0.220$, $p = 0.034$) significantly and positively impact performance, with employee development showing the strongest influence. Among these, employee development emerged as the most influential factor, emphasizing the importance of continuous skill enhancement and training initiatives. The results suggest that MSMEs must prioritize strategic HRM practices to strengthen organizational capabilities, even in semi-urban environments with limited resources. It also offers practical implications for policymakers and business owners by highlighting the need to invest in human capital as a pathway to achieving long-term performance and competitiveness. Future research is encouraged to explore additional HR dimensions and contextual variables influencing MSME success.

Keywords: *Employee Development, Human Capital Theory, Job Satisfaction, MSME Performance, RBV Framework, Recruitment.*

JIMKES

Jurnal Ilmiah Manajemen
Kesatuan
Vol. 13 No. 5, 2025
pp. 3699-3712
IBI Kesatuan
ISSN 2337 – 7860
E-ISSN 2721 – 169X
DOI: 10.37641/jimkes.v13i5.3691

ABSTRAK

Usaha Mikro, Kecil, dan Menengah (UMKM) merupakan penggerak penting pertumbuhan ekonomi, penciptaan lapangan kerja, dan pemerataan pendapatan, terutama di wilayah berkembang seperti Gorontalo, Indonesia. Sebagai penggerak inovasi lokal dan kontributor pengentasan kemiskinan, keberlanjutan dan daya saing UMKM sangat bergantung pada faktor internal organisasi, terutama manajemen sumber daya manusia (SDM). Studi ini mengkaji dampak pengembangan karyawan, rekrutmen, dan kepuasan kerja terhadap kinerja UMKM di Gorontalo. Pendekatan penelitian kuantitatif menggunakan Structural Equation Modeling with Partial Least Squares (SEM-PLS) untuk mengkaji hubungan antar variabel tersebut. Data dikumpulkan dari 94 responden UMKM dari sektor perdagangan, manufaktur, dan jasa dengan menggunakan purposive sampling. Hasil penelitian menunjukkan bahwa pengembangan karyawan ($\beta = 0,306$, $p = 0,001$), kepuasan kerja ($\beta = 0,289$, $p = 0,039$), dan rekrutmen ($\beta = 0,220$, $p = 0,034$) berdampak signifikan dan positif terhadap kinerja, dengan pengembangan karyawan menunjukkan pengaruh terkuat. Di antara faktor-faktor tersebut, pengembangan karyawan muncul sebagai faktor yang paling berpengaruh, menekankan pentingnya peningkatan keterampilan dan inisiatif pelatihan yang berkelanjutan. Hasil penelitian menunjukkan bahwa UMKM harus memprioritaskan praktik manajemen sumber daya manusia yang strategis untuk memperkuat kapabilitas organisasi, bahkan di lingkungan semi-perkotaan dengan sumber daya terbatas. Penelitian ini juga menawarkan implikasi praktis bagi para pembuat kebijakan dan pemilik bisnis dengan menyoroti perlunya berinvestasi dalam sumber daya manusia sebagai jalur untuk mencapai kinerja dan daya saing jangka panjang. Penelitian di masa mendatang didorong untuk mengeksplorasi dimensi SDM tambahan dan variabel kontekstual yang memengaruhi keberhasilan UMKM.

Kata Kunci: Pengembangan Karyawan, Teori Modal Manusia, Kepuasan Kerja, Kinerja UMKM, Kerangka RBV, Rekrutmen.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) constitute the backbone of the Indonesian economy, contributing more than 60% to the national Gross Domestic Product (GDP) and absorbing over 97% of the total workforce. In the province of Gorontalo, MSMEs play a similarly vital role not only in job creation and income distribution but also in driving inclusive local development. However, despite their economic significance, many MSMEs continue to face persistent structural challenges, including limited capital access, low technological adoption, and most critically, underdeveloped human resource management (HRM) practices.

Among the key components of HRM, employee development, recruitment, and job satisfaction are widely recognized as fundamental drivers of organizational success. Employee development refers to structured and intentional efforts to improve the knowledge, skills, and competencies of workers. In MSMEs, where formal training systems are often absent, the presence of a proactive development strategy can significantly impact productivity and innovation. Recruitment, as another critical HRM function, determines an enterprise's ability to attract and select individuals whose capabilities align with its business objectives. Ineffective recruitment processes can lead to a misalignment between job roles and personnel, ultimately hindering operational efficiency. Meanwhile, job satisfaction, reflecting an individual's affective and cognitive evaluation of their work experience, has been strongly associated with employee commitment, performance, and retention. Rahmawati et al. (2024) confirmed that structured employee training and empowerment significantly improved organizational performance, aligning with the findings of this study. Alpiana et al. (2024) highlighted how targeted marketing training enhanced competitiveness among MSMEs, reinforcing the importance of workforce development.

Previous studies have affirmed the influence of these HRM factors on enterprise performance. Research by Khoirani and Marginingsih (2025) reveals that continuous

employee development increases innovation capacity, especially in small business settings. Sono and Limpo (2024) underline that systematic recruitment strategies foster long-term workforce stability and strategic alignment. Furthermore, Wahyuni et al. (2022) emphasize that job satisfaction plays a vital role in reducing employee turnover and increasing motivation. However, most of these studies are centered on urban and corporate environments, leaving a gap in the contextual understanding of HRM in semi-peripheral and rural MSMEs such as those found in Gorontalo.

Gorontalo's MSMEs operate within unique socio-economic constraints: limited access to skilled labor, informal employment relationships, and minimal institutional support for capacity development. These conditions necessitate a localized analysis of how HRM practices influence MSME performance. This research, therefore, aims to empirically assess the impact of employee development, recruitment, and job satisfaction on the performance of MSMEs in Gorontalo using a robust quantitative framework.

The theoretical foundation of this study is built upon the Resource-Based View (RBV) and Human Capital Theory. The RBV posits that sustainable competitive advantage arises from the strategic utilization of internal, valuable, and inimitable resources, including human capital. Human Capital Theory emphasizes that investments in employee competencies are essential for organizational growth and efficiency. Taken together, these perspectives provide a compelling rationale for exploring how HRM practices shape performance outcomes in MSMEs, particularly in environments characterized by resource scarcity and labor informality.

While previous studies have extensively explored the role of employee development, recruitment, and job satisfaction in enhancing organizational performance, most have been conducted in urban or corporate contexts, creating a research gap in understanding how these HRM practices function within semi-peripheral or rural settings like Gorontalo. The urgency to address this gap stems from the unique structural challenges MSMEs in Gorontalo face, including informal labor practices, limited training access, and constrained institutional support. These localized conditions necessitate a tailored investigation into how internal HR strategies contribute to enterprise performance. Therefore, this study aims to empirically examine the impact of employee development, recruitment, and job satisfaction on the performance of MSMEs in Gorontalo, offering context-specific insights and practical implications to inform HRM interventions and regional MSME development policies.

Using Structural Equation Modeling with Partial Least Squares (SEM-PLS), this study analyzes the causal relationships between employee development, recruitment, job satisfaction, and MSME performance. The findings are expected to contribute not only to theoretical enrichment but also to practical strategies for MSME development, including policy recommendations, training frameworks, and human resource guidelines tailored to regional business ecosystems such as Gorontalo.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Employee Development and MSME Performance

Employee development is a systematic effort undertaken by organizations to enhance employee capabilities through training, mentoring, career planning, and performance appraisal. In the context of MSMEs, this becomes particularly vital due to constrained infrastructure and financial resources that often hinder formal training mechanisms. According to Suprayitno (2024), structured employee development significantly improves both motivation and operational productivity. Furthermore, Kristanti and Churiyah (2024) assert that ongoing learning fosters greater adaptability, an essential attribute for small enterprises operating in dynamic markets.

From a strategic perspective, development initiatives not only strengthen workforce competence but also promote a deeper sense of engagement and loyalty. Kristanti et al. (2024) emphasize the need for a holistic development model that integrates technical competencies with leadership, communication, and problem-solving abilities. This is especially critical for MSMEs, where employees frequently handle multiple roles and

responsibilities. Grounded in the Resource-Based View (RBV), human resources are considered valuable and inimitable assets that can offer a competitive edge. Human Capital Theory further reinforces this, arguing that investments in human capabilities directly influence productivity and firm performance. Therefore, employee development is not just an operational function but a strategic driver of growth.

H1: Employee development has a significant positive effect on MSME performance.

Recruitment Strategies and MSME Performance

Recruitment represents a critical human resource function that involves identifying, attracting, and selecting individuals whose skills and values align with organizational needs. In MSMEs, recruitment is often informal and intuitive, lacking the structured systems typically found in larger firms. However, strategic recruitment practices can serve as a key differentiator in workforce quality and organizational effectiveness. Gani et al. (2024) emphasize that the adoption of Human Resource Information Systems (HRIS) in recruitment accelerates the hiring process, enhances candidate–job fit, and improves retention rates. Beyond efficiency, the quality of recruitment has long-term implications for enterprise performance. Presbitero et al. (2015) highlight the importance of person–organization (P–O) fit, noting that employees whose values resonate with those of the firm are more likely to exhibit job satisfaction, commitment, and higher productivity. For MSMEs, this alignment is especially vital given their typically close-knit and dynamic work environments. Although advanced recruitment systems may be financially inaccessible for small enterprises, low-cost solutions such as standardized job descriptions, structured interviews, and digital talent platforms can significantly improve recruitment outcomes. Recruitment, thus, is not merely about filling vacancies but about shaping the long-term capabilities and cohesion of the enterprise.

H2: Recruitment has a significant positive effect on MSME performance.

Job Satisfaction and MSME Performance

Job satisfaction refers to an employee's emotional and cognitive evaluation of their work environment, including aspects such as compensation, interpersonal relationships, recognition, and growth opportunities. In MSMEs where hierarchical structures are often flatter and compensation may be limited, non-monetary factors like appreciation, inclusivity, and work-life balance play a critical role in shaping satisfaction levels (Jaggarwal & Ahlawat, 2023; Rao, 2025). Gupta and Singh (2022) found that satisfied employees demonstrate greater commitment, performance, and organizational citizenship behavior.

Wiguna et al. (2023) assert that fair treatment, safe working conditions, and flexible work arrangements significantly influence employee satisfaction within MSMEs. Likewise, Shoaib et al. (2023) emphasize the role of a supportive organizational culture in fostering psychological well-being and retention. In small enterprises, where each employee often has a disproportionately high impact on outcomes, maintaining high satisfaction is not optional; it is essential (Kickul, 2001; Saridakis et al., 2013).

According to Human Capital Theory, motivated and satisfied employees represent a productive resource that contributes to organizational performance. Therefore, job satisfaction in MSMEs must be addressed through both tangible and intangible strategies, ranging from basic benefits to leadership inclusivity and clear career paths.

H3: Job satisfaction has a significant positive effect on MSME performance.

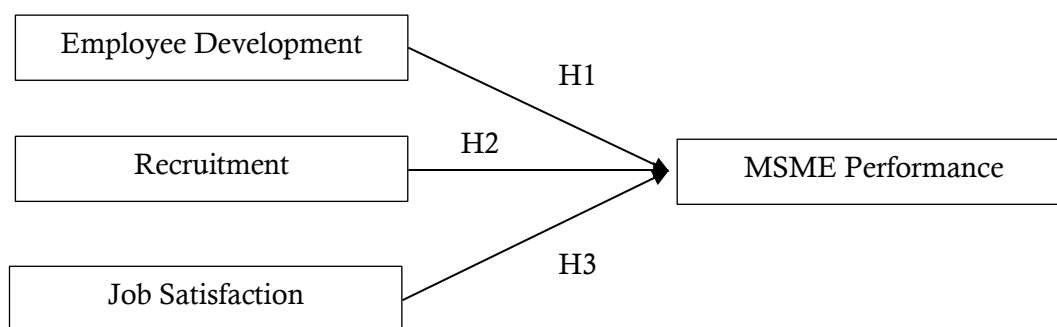


Figure 1. Framework

Figure 1 shows the framework in this study. This study uses the SEM PLS method. Employee development, recruitment, and job satisfaction are the main human resource factors that significantly affect the performance of MSMEs. Effective recruitment ensures the right talent is brought into the organization, while employee development increases skills and productivity. When employees are satisfied with their work, they tend to be more motivated and committed, leading to improved performance outcomes. Together, these factors contribute to better operational efficiency, innovation, and long-term sustainability of MSMEs. This is shown through the direction of the hypothesis H1, H2, and H3.

RESEARCH METHOD

This study employs a quantitative explanatory design to examine the influence of employee development, recruitment, and job satisfaction on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Gorontalo. The research framework is grounded in the Resource-Based View (RBV) and Human Capital Theory, which emphasize the strategic role of human resources in driving organizational performance. The population includes MSME actors across trade, manufacturing, and service sectors in Gorontalo Province. Using purposive sampling, 94 respondents were selected based on two criteria: they must be active MSME owners or employees with at least one year of work experience, and they must possess knowledge of human resource practices within their enterprise.

Data for this study were collected through a structured questionnaire utilizing a 5-point Likert scale, where respondents rated their level of agreement from 1 (strongly disagree) to 5 (strongly agree). Each of the latent variables was assessed using multiple relevant indicators. Employee development was measured through items related to training opportunities, career advancement prospects, managerial support, involvement in decision-making, and employee motivation. Recruitment was evaluated by examining the efficiency of the selection process, the alignment between job roles and candidates, the use of technology in recruitment, adaptability to organizational needs, and the clarity of job descriptions. Job satisfaction was captured through perceptions of compensation fairness, the quality of the work environment, interpersonal relationships within the workplace, recognition of employee efforts, and opportunities for advancement. Finally, MSME performance was measured using indicators such as operational efficiency, profitability, business growth, customer satisfaction, and overall competitiveness.

The data analysis in this study was conducted using Structural Equation Modeling with Partial Least Squares (SEM-PLS), implemented through the SmartPLS software. The analysis followed several key stages to ensure the robustness and validity of the model. First, the measurement model assessment was carried out to evaluate indicator reliability and construct validity. This involved examining outer loadings (expected to exceed 0.70), Average Variance Extracted (AVE values greater than 0.50), as well as internal consistency through Cronbach's Alpha and Composite Reliability (both above the threshold of 0.70). Next, discriminant validity was assessed using the Fornell-Larcker criterion to ensure that each construct was distinct from the others. The structural model

evaluation was then performed by analyzing the path coefficients, t-statistics, and p-values to determine the significance of the hypothesized relationships, along with the R² values to assess the model's explanatory power and f² effect sizes to measure the impact of each construct. Finally, the overall model fit was evaluated using metrics such as the Standardized Root Mean Square Residual (SRMR) and the Normed Fit Index (NFI). Collectively, these analytical procedures confirmed the model's reliability, validity, and predictive relevance in exploring the influence of HRM practices on MSME performance.

RESULTS

In ensuring the robustness of the measurement model, convergent validity and reliability were thoroughly evaluated. Convergent validity was confirmed since all indicators showed outer loading values greater than 0.7, and the Average Variance Extracted (AVE) values exceeded the minimum threshold of 0.5. This indicates that the indicators are effectively measuring their respective constructs.

Table 1. Construct Validity and Reliability

Construct	Cronbach's Alpha	Composite Reliability	AVE
Employee Development	0.804	0.863	0.559
Recruitment	0.873	0.904	0.660
Job Satisfaction	0.855	0.896	0.632
Performance	0.779	0.847	0.526

Based on Table 1, all Cronbach's Alpha and Composite Reliability values exceed the recommended threshold of 0.7, confirming high internal consistency within the model. Additionally, the AVE values meet the required minimum of 0.5, which solidifies the convergent validity of each construct. Discriminant validity was assessed using the Fornell-Larcker criterion. This involved comparing the square root of the AVE for each construct against the correlations between the constructs. The results confirm that each construct is distinct from the others in the model. The diagonal values, representing the square roots of the AVE, are higher than the correlations between constructs, confirming that each latent variable is uniquely measured by its respective indicators.

Table 2. Discriminant Validity

Construct	Employee Dev.	Job Satisfaction	Performance	Recruitment
Employee Development	0.748	0.454	0.552	0.341
Job Satisfaction		0.795	0.534	0.325
Performance			0.725	0.405
Recruitment				0.812

Table 2 shows that the diagonal bolded values represent the square roots of the AVE for each construct, which are higher than the correlations between constructs, indicating that each latent variable is adequately distinguished from the others.

The R² value reflects the explanatory power of the independent variables on the dependent variable. In this case, the R² value for performance is 0.368, which means that 36.8% of the variance in MSME performance is explained by employee development, recruitment, and job satisfaction.

Table 3. R² and Adjusted R²

Indicator	Information
Dependent Variable	Performance
R ²	0.368
Adjusted R ²	0.347

Table 3 shows indicates that the model has moderate explanatory power, which is acceptable in research involving human behavior and organizational dynamics. The f² effect size was also calculated to measure the magnitude of the impact of each exogenous variable on the endogenous construct. Employee Development had the strongest effect on

performance, followed by Job Satisfaction, with Recruitment showing the smallest impact. These results in Table 4 emphasize the relative importance of employee development in influencing MSME performance.

Table 4. Effect Size

Relationship	f ²	Effect Size
Employee Development → Performance	0.122	Medium
Job Satisfaction → Performance	0.109	Small-Medium
Recruitment → Performance	0.067	Small

The model fit was assessed using the Standardized Root Mean Square Residual (SRMR) and Normed Fit Index (NFI). The SRMR value of 0.114, although slightly above the ideal threshold of 0.08, is still considered acceptable for exploratory research, especially with a limited sample size. The NFI value, while below the conventional benchmark of 0.90, indicates a moderately fitting model, which is common in social science research using primary field data.

Table 5. Model Fit Summary

Fit Index	Value
SRMR	0.114
NFI	0.587
d_ULS	2.727
d_G	0.964
Chi-Square	490.586

Table 5 shows that the model demonstrates reasonable goodness-of-fit and is suitable for providing meaningful insights, even though some fit indices slightly deviate from conventional thresholds.

The structural model was assessed through path coefficients, t-statistics, and p-values to determine the strength and significance of the relationships between the latent variables. To estimate the statistical significance of the hypothesized paths, the bootstrapping technique with 5000 resamples was applied using SmartPLS.

Table 6. Path Coefficients and Significance Levels

Hypothesis	Path Coefficient (β)	t-Statistic	p-Value	Conclusion
H1: Employee Development → Performance	0.306	3.393	0.001	Supported (Significant)
H2: Job Satisfaction → Performance	0.289	2.060	0.039	Supported (Significant)
H3: Recruitment → Performance	0.220	2.119	0.034	Supported (Significant)

Table 6 shows the path analysis results, which demonstrate that all three hypotheses were supported. Employee Development (β = 0.306) had the highest path coefficient, indicating that it has the most significant direct effect on MSME performance. This suggests that employee development initiatives, such as training, mentoring, and career development, are crucial factors in enhancing performance. Job Satisfaction (β = 0.289) also had a significant positive relationship with performance, underlining the importance of employee well-being in organizational success. Finally, Recruitment (β = 0.220) showed a more minor yet still meaningful effect, suggesting that structured recruitment processes contribute to better organizational fit and enhanced performance.

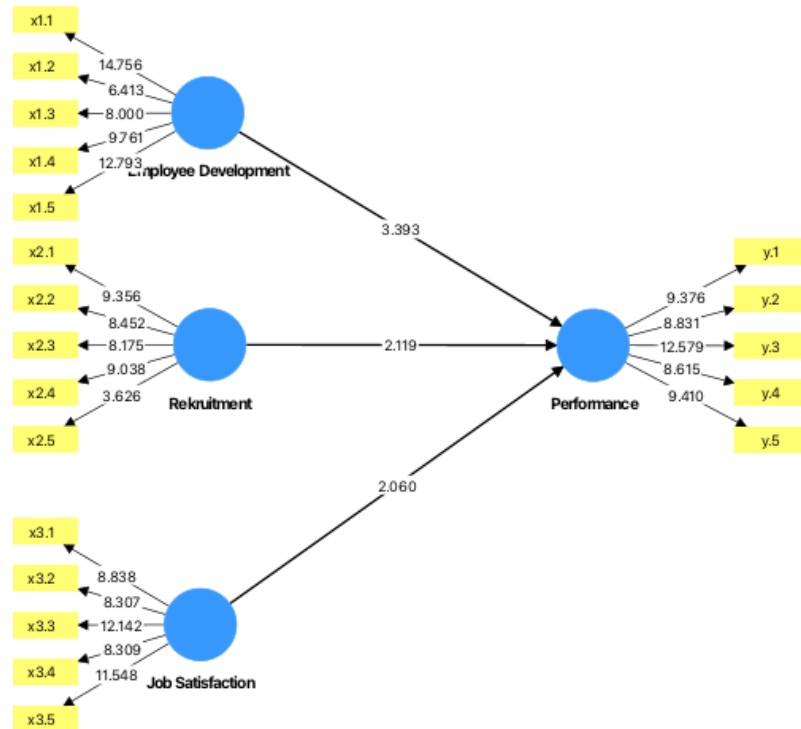


Figure 2. Structural Path Diagram

From Figure 2, the effect sizes calculated earlier confirm the significance of these results, with Employee Development having the most substantial impact on performance, followed by Job Satisfaction and Recruitment, respectively. The magnitude of the effects observed is consistent with the f^2 values discussed earlier, which showed that Employee Development has the largest effect size, while Recruitment, although significant, had the smallest effect size. This reinforces the idea that Employee Development should be prioritized as the most impactful HR practice for improving MSME performance.

These findings are further supported by Figure 1, which visually illustrates the relationships between Employee Development, Job Satisfaction, Recruitment, and Performance. The diagram clearly shows the relative strength of each predictor, with Employee Development having the strongest direct effect on MSME performance, followed by Job Satisfaction and Recruitment. This visual representation aligns with the statistical analysis and provides a clearer understanding of the model's structure and the magnitude of each variable's impact.

DISCUSSION

The structural model results provide strong empirical support for the hypothesized relationships between human resource management (HRM) practices, specifically employee development, recruitment, and job satisfaction, and MSME performance in Gorontalo. These findings align with established theoretical frameworks such as the Resource-Based View (RBV) and Human Capital Theory. Both theories argue that the strategic management and development of human resources can offer a sustainable competitive advantage, particularly in small enterprises that often operate with limited resources.

Employee development is a key factor influencing the performance of micro, small, and medium enterprises (MSMEs), and its importance is highlighted in both academic research and real-world applications. Studies have shown that structured employee development initiatives are effective in enhancing workforce competencies, which directly contribute to improved productivity and overall organizational performance (Taning et al., 2024). Employee development encompasses a range of strategies designed to enhance employees' skills, knowledge, and capabilities, all of which are crucial for improving

efficiency, job satisfaction, and competitiveness, particularly in challenging economic conditions (Israr, 2021). MSMEs play a crucial role in economic and social development by generating employment opportunities, facilitating income creation, and contributing to poverty reduction (Husriadi et al., 2020; Rahmansyah et al., 2023). In countries like Indonesia, MSMEs contribute significantly to the national economy, accounting for over 57% of the Gross Domestic Product (GDP) (Putra, 2018). Given their vital role in economic stability, enhancing the skills of employees within these enterprises is not just advantageous for the businesses themselves but also essential for the broader economic framework.

The integration of advanced training programs, combined with a focus on employee empowerment, leads to increased innovation, adaptability, and resilience within MSMEs, especially in a rapidly changing economic environment. Studies emphasize that knowledge sharing and absorptive capacity are critical for driving innovation and improving service performance in MSMEs (Hidayat, 2021; Wirawan et al., 2021). A well-trained workforce fosters a culture of continuous improvement and innovation, which is crucial for the long-term sustainability and growth of MSMEs (Onifade et al., 2022). The most significant finding in this study reinforces the critical link between employee development and the performance of MSMEs. A path coefficient of 0.306 ($p = 0.001$) reveals that employee development has the highest impact on performance. This underscores the importance of investing in human capital through training, mentoring, and career development opportunities. In regions like Gorontalo, where MSMEs may face limited access to capital and advanced technologies, investing in employee development becomes a key strategy for fostering growth and enhancing performance. This result aligns with previous studies by Suprayitno (2024) and Kristanti and Churiyah (2024), which found that upskilling employees leads to greater adaptability, innovation, and productivity within MSMEs.

In Gorontalo, MSMEs face several challenges, such as limited access to capital and technology. Therefore, employee development through both informal and formal training programs becomes a powerful tool for improving performance and fostering growth. Even simple practices, such as on-the-job learning, cross-functional collaboration, and coaching, can have a significant impact on employee productivity. According to the Resource-Based View (RBV), employee development represents a valuable and inimitable resource that gives MSMEs a distinct competitive advantage in the marketplace. Furthermore, government policies and support systems play a pivotal role in facilitating employee development within MSMEs. Effective collaborations between governments, financial institutions, and the MSME sector are essential for creating a robust support system that enables training and development initiatives. This is particularly important for leveraging workforce capabilities and ensuring that MSMEs can thrive in the digital economy. The emphasis on digital literacy and technology usage is crucial, as training in digital marketing and technology empowers MSMEs to enhance their market reach and operational efficiency (Afandi et al., 2023; Fitriani & Nugroho, 2023).

Job satisfaction plays a crucial role in determining the performance of Micro, Small, and Medium Enterprises (MSMEs), as it is closely linked to employee commitment, engagement, retention, and productivity. MSMEs are central to economic development and employment generation, making the exploration of factors influencing job satisfaction and performance vital to ensuring their long-term success and sustainability.

Research highlights that job satisfaction impacts employee performance, and this relationship is further mediated by organizational culture, HR management practices, leadership, and compensation policies. Hidayat et al. (2023) emphasized the importance of organizational culture in fostering job satisfaction within MSMEs, stating that a positive culture not only boosts individual satisfaction but also enhances overall business performance. Similarly, Kurniawan et al. (2023) found that work stress negatively impacts employee performance, while higher levels of engagement positively contribute to better performance outcomes. This suggests that improving job satisfaction through stress reduction and engagement initiatives can directly improve performance metrics in

MSMEs. Additionally, effective Human Resource Management (HRM) practices are essential in bridging the gap between employee satisfaction and business performance. (Lutfi et al., 2024) assert that well-designed HR practices that ensure high employee satisfaction can significantly drive performance in MSMEs. These practices are crucial, as MSMEs often face unique challenges, and tailored HR interventions can optimize workforce productivity and satisfaction levels.

Job satisfaction also plays a vital role in employee retention and motivation, key factors for the stability and growth of MSMEs. Pratomo et al. (2023) found that policies promoting fair compensation, professional development, and work-life balance have a positive impact on employee satisfaction, leading to improved retention rates. This highlights the importance of MSMEs adopting HR policies that foster a motivated and stable workforce. Moreover, Kristanti et al. (2024) emphasize the importance of competitive compensation policies in increasing employee satisfaction and performance, suggesting that MSME owners should develop clear compensation strategies that cater to their workforce's motivations. The influence of job autonomy on job satisfaction and its subsequent impact on innovative behaviour within MSMEs, as discussed by Nasution et al. (2021) also, it adds to the complexity of creating a satisfying work environment. Employees who experience job autonomy are more likely to contribute to innovation, which can significantly improve business performance.

The findings from a study by Wiguna et al. (2023) and Shoaib et al. (2023) further support the idea that job satisfaction has a significant impact on MSME performance. They found that satisfied employees exhibit higher levels of commitment, efficiency, and overall productivity. Research by Dutta et al. (2024) shows that satisfaction with HRM practices positively impacts employee well-being. In resource-constrained environments like MSMEs, fostering job satisfaction through recognition systems, a positive work culture, and inclusive decision-making processes is a cost-effective way to enhance organizational performance. A significant path coefficient of 0.289 ($p = 0.039$) found in research regarding job satisfaction further illustrates the importance of job satisfaction in improving MSME performance. When employees are satisfied with their work environment, compensation, and opportunities for personal growth, they are more likely to contribute effectively to the organization's success. Job satisfaction, therefore, becomes a strategic tool for attracting and retaining talent, which is essential for the long-term sustainability of MSMEs.

The performance of Micro, Small, and Medium Enterprises (MSMEs) is significantly influenced by recruitment practices, which are essential for fostering a capable workforce, crucial for driving productivity, innovation, and sustainability. Effective recruitment enables MSMEs to attract skilled employees who can adapt and thrive in a competitive business landscape, thereby enhancing overall firm performance. While employee development and job satisfaction have a more substantial impact on performance ($\beta = 0.220$, $p = 0.034$), recruitment still plays a significant role. Effective recruitment practices enhance job-person fit, reduce turnover, and improve workforce quality. However, many MSMEs still rely on informal recruitment methods, leading to mismatches between employees' skills and job requirements. Structured recruitment processes, including competency-based selection and clear job descriptions, can mitigate these challenges by ensuring that the right candidates are hired for the right roles, thereby contributing to a better organizational fit and improved performance.

The integration of advanced Human Resource Information Systems (HRIS) and strategic human resource management practices further enhances recruitment efforts within MSMEs. Gani et al. (2024) emphasize that optimizing HRIS in MSMEs streamlines human resource management processes, such as recruitment and performance evaluation, ultimately improving workforce productivity and employee engagement. Although many MSMEs may lack the resources for sophisticated recruitment technologies, simplified, structured recruitment frameworks still yield significant benefits. These processes help align the organization's needs with employee capabilities, leading to higher performance, reduced turnover, and better job-person

alignment. Additionally, these practices support compliance with labour regulations, which further contribute to a motivated and productive workforce (Iskandar et al., 2023).

Leadership styles and decision-making processes within MSMEs also play a pivotal role in linking recruitment practices to organizational performance. Leadership training equips MSME leaders to communicate their vision more effectively and inspire employees, fostering a commitment to organizational goals that enhances performance outcomes (Nguyen et al., 2021). Hatta et al. (2023) highlight that leadership significantly influences employee satisfaction and motivation, which are crucial for maintaining high organizational performance. These leadership qualities, combined with effective recruitment, create an environment that supports employee growth and enhances overall performance.

Training and development initiatives that result from effective recruitment lead to enhanced employee skills, which improve organisational adaptability. Srigouri and Muduli (2024) argue that training has a direct impact on innovation and agility within MSMEs, highlighting the connection between a well-trained workforce and improved business performance. Continuous development of human capital is essential for MSMEs, as it boosts productivity and equips employees with the agility needed to navigate complex market challenges (Iskandar et al., 2023). High-performance MSMEs make a significant contribution to economic development by generating employment, enhancing market competition, and promoting sustainable practices. Effective resource management, including investments in recruitment and training, leads to measurable gains in revenue and profitability (Arthur et al., 2021; Linda et al., 2022; Sisay et al., 2025) The relationship between structured recruitment policies and improved financial performance demonstrates the critical role that recruiting skilled talent plays in securing competitive advantages and achieving long-term operational sustainability.

CONCLUSION

This study empirically examined the impact of employee development, recruitment, and job satisfaction on the performance of Micro, Small, and Medium Enterprises (MSMEs) in Gorontalo. The findings indicate that all three human resource management variables significantly influence MSME performance, with employee development exerting the most substantial effect, followed by job satisfaction and recruitment. These results affirm that employee-focused strategies are not peripheral but central to the success of MSMEs, especially in regions with limited infrastructure and resources, such as Gorontalo. Employee development emerges as a key internal investment that fosters innovation, enhances skills, and promotes long-term business sustainability. Job satisfaction serves as a motivational catalyst that improves productivity and employee retention. Meanwhile, strategic recruitment practices help MSMEs build a competent and culturally aligned workforce from the outset. The findings are limited by the regional focus and cross-sectional design, which restrict broader generalization and causal interpretation. For MSMEs, investing in structured training, fair HR practices, and systematic recruitment can enhance productivity, innovation, and employee retention. Policymakers should support MSMEs through accessible training programs and HR development tools. Future research should expand to other regions, employ longitudinal designs, and explore qualitative insights to gain a deeper understanding of HRM challenges in MSMEs.

REFERENCES

- [1] Afandi, A., Amsari, S., & Hayati, I. (2023). Digital marketing training by Lazismu Medan City to increase the MSMEs Competitiveness. *Community Empowerment*, 8(5), 676–681.
- [2] Alpiana, N., Indah, D. P., & Helmi, S. M. (2024). Analysis of marketing strategies in increasing competitiveness in MSMEs. *Jurnal Ilmiah Manajemen Kesatuan*, 12(5), 1565–1572.

- [3] Arthur, B., Gitonga, J. K., Agyeman, A. S., & Tutu, K. B. (2021). Financial determinants of SMEs performance. evidence from Kenya leather industry. *Small Business International Review*, 5(2), 389-408.
- [4] Dutta, D., Srivastava, P., Memon, N. Z., & Vedak, C. (2024). Inclusive and sustainable economic growth for MSME firms: Examining the impact of sustainable HRM practices on women's well-being. *International Journal of Manpower*, 46(4), 697-714.
- [5] Fitriani, L., & Nugroho, H. (2023). Information technology strategy for micro, small, and medium enterprises in the era of industry 4.0. *Ijait (International Journal of Applied Information Technology)*, 6(2), 111-119.
- [6] Gani, N., Suprayitno, D., Wardhani, D., Imran, H. A., & Rahwana, K. A. (2024). Optimising human resource information systems in the context of MSME Technology Management. *Jurnal Informasi dan Teknologi*, 6(1), 302-309.
- [7] Gupta, A., & Singh, R. K. (2022). Managing resilience of Micro, Small and Medium Enterprises (MSMEs) during COVID-19: Analysis of barriers. *Benchmarking an International Journal*, 30(6), 2062-2084.
- [8] Hatta, H. R., Manurung, E. H., Yodiansyah, H., Sukirman, S., & Zilfana. (2023). Assessing the influence of leadership style, decision making, communication, and team building on the success of MSME entrepreneurial businesses in Bandung City. *West Science Business and Management*, 1(02), 42-49.
- [9] Hidayat, N. (2021). The effect of knowledge sharing and absorptive capacity on service innovation performance: A study of micro, small and medium enterprises in Tarakan City. *Metris Jurnal Sains dan Teknologi*, 22(01), 1-9.
- [10] Hidayat, N., Nutosudjono, D., & Sunaryo, W. (2023). The effect of organizational culture and job satisfaction on entrepreneurship in MSMEs in Bogor. *West Science Interdisciplinary Studies*, 1(11), 1121-1132.
- [11] Husriadi, A., Yulianto, E., & Mawardi, K. (2020). Implementation of policies for implementation of policies for Micro, Small and Medium Enterprises development in increasing business competitiveness (Study in micro, small and medium enterprises in Kendari City). *The International Journal of Accounting and Business Society*, 28(1), 28-72.
- [12] Iskandar, Y., Pahrijal, R., & Kurniawan, K. (2023). Sustainable HR practices in Indonesian MSMEs from a social entrepreneurship perspective: Training, recruitment, employee engagement, social impact of local communities. *International Journal of Business Law and Education*, 4(2), 904-925.
- [13] Israr, Et. a. A. (2021). Training effectiveness and performance of micro, small and medium sized enterprises. *Turkish Journal of Computer and Mathematics Education (Turcomat)*, 12(9), 3289-3295.
- [14] Jaggarwal, S., & Ahlawat, R. (Eds.). (2023). *Human Resource Management in Post Covid Era*. Meerut: Uttkarsh Prakashan.
- [15] Khoirani, S., & Marginingsih, R. (2025). Pengaruh pelatihan dan pengembangan sumber daya manusia terhadap kinerja karyawan pada PT Inti Karya Indonesia Jakarta Utara. *J-Sime*, 1(3), 224-235.
- [16] Kickul, J. (2001). Promises made, promises broken: An exploration of employee attraction and retention practices in small business. *Journal of small business management*, 39(4), 320-335.
- [17] Kristanti, D., & Churiyah, M. (2024). Marning siung mas kediri MSME success strategy in improving employee performance through competency and HR development. *Jem17 Jurnal Ekonomi Manajemen*, 9(1), 91-109.
- [18] Kristanti, D., Yunanto, Y., & Komari, A. (2024). Compensation and benefits as a tool to improve the performance of MSME employees in Gabru Village, Gurah District. *Jurnal Manajemen Bisnis Akuntansi dan Keuangan*, 3(1), 37-44.
- [19] Kurniawan, S., Bamumin, F. A., & Kusnandar, K. N. (2023). The effect of toxic workplace environment on employee performance mediated by employee engagement and work stress among F&B wmployees in Jakarta. *Business Economic Communication and Social Sciences (Becoss) Journal*, 5(2), 127-136.
- [20] Linda, M. R., Rahim, R., Suhery, S., Ravelby, T. A., & Yonita, R. (2022). MSME busines performance: The role of competitive advantage, supply chain management practices and innovation. *Baskara Journal of Business and Entrepreneurship*, 5(1), 31-46.
- [21] Lutfi, L., Mukhlis, I., & Murwani, F. D. (2024). Unlocking UMKM potential: How employee satisfaction mediates hrm practices to enhance employee performance in the global landscape – case study of the Kaboki Woven Bag industry. *Jurnal Multidisiplin Madani*, 4(5), 590-597.
- [22] Nasution, N. R., Siregar, Z. M. E., & Pristiyono, P. (2021). The Effect of job autonomy on employee innovative behavior: The role of job satisfaction as intervening Variable. *Budapest International Research and Critics Institute (Birci-Journal) Humanities and Social Sciences*, 4(2), 2846-2853.
- [23] Nguyen, P. V, Huynh, H. T. N., Lam, L. N. H., Le, T. B., & Nguyen, N. H. X. (2021). The impact of entrepreneurial leadership on SMEs' performance: The mediating effects of organizational factors. *Heliyon*, 7(6), 7326-7339.

- [24] Onifade, S. T., Acet, H., & Çevik, S. (2022). Modeling the impacts of MSMEs' contributions to GDP and their constraints on unemployment: The case of African's most populous country. *Studies in Business and Economics*, 17(1), 154–170.
- [25] Pratomo, A. B., Zulfikri, A., & Siagian, R. (2023). Exploring the linkages between engagement, motivation, satisfaction, and employee retention in entrepreneurial enterprises: Beverage MSME industry in Bogor City. *West Science Business and Management*, 1(02), 71–80.
- [26] Presbitero, A., Roxas, B., & Chadee, D. (2015). Looking beyond HRM practices in enhancing employee retention in BPOs: Focus on employee–organisation value fit. *The International Journal of Human Resource Management*, 27(6), 635–652.
- [27] Putra, A. H. (2018). Peran UMKM dalam pembangunan dan kesejahteraan masyarakat Kabupaten Blora. *Jurnal Analisa Sosiologi*, 5(2), 250-260.
- [28] Rahmansyah, D., Saputri, D. V, Utami, Z. R., & Wang, Y. (2023). The role of sharia financial innovation and literacy for MSME actors in increasing profitability. *Sharia Oikonomia Law Journal*, 1(2), 126–135.
- [29] Rahmawati, A., Witjaksono, B., & Ramli, A. H. (2024). Employee training, employee empowerment, internal communication, employee motivation and service quality at Bank X. *Jurnal Ilmiah Manajemen Kesatuan*, 12(5), 1757–1784.
- [30] Rao, M. R. M. (2025). *Management*. Solapur: Ashok Yakkaldevi.
- [31] Saridakis, G., Muñoz Torres, R., & Johnstone, S. (2013). Do human resource practices enhance organizational commitment in SME s with low employee satisfaction?. *British Journal of Management*, 24(3), 445-458.
- [32] Shoaib, S. M., Nasir, A., & Raza, S. (2023). Impact of organizational culture and compensation on job satisfaction and employee retention: A case of pharmaceutical industry of Pakistan. *Gmjacs*, 13(1), 78–94.
- [33] Sisay, K., Molla, S., Mekonnen, L., & Gadisa, Z. (2025). Nexus between business development service and women entrepreneurs' performance: Implication for MSMEs growth and inclusive economic development in Ethiopia. *Journal of Open Innovation: Technology, Market, and Complexity*, 11(1), 100-114.
- [34] Sono, M. G., & Limpo, L. (2024). Strategi pengelolaan SDM untuk meningkatkan kinerja UMKM di Denpasar. *Jurnal Ekonomi Dan Kewirausahaan West Science*, 2(02), 190–198.
- [35] Srigouri, V. V, & Muduli, A. (2024). Training transfer in MSMEs of India: Examining the role of performance coaching, HRD climate and employee agility. *Industrial and Commercial Training*, 56(4), 419–433.
- [36] Suprayitno, D. (2024). Assessing the effect of compensation packages, work-life balance policies, and career development opportunities on employee retention: A case study of MSME Employee. *International Journal of Business Law and Education*, 5(2), 1592–1501.
- [37] Taning, A. H. K., Tanuwijaya, J., & P, A. W. G. (2024). The influence of motivation, employee development and teamwork on employee performance through employee engagement in service industry employees. *Journal La Bisecoman*, 5(3), 365–373.
- [38] Wahyuni, R., Edriani, D., Sari, F., & Irfani, H. (2022). Work engagement, komitmen organisasi dan pengembangan SDM terhadap kinerja karyawan generasi milenial. *Jurnal Ekobistek*, 11(2), 118–123.
- [39] Wiguna, I. P. A. A., Sugianingrat, I. A. P. W., & Astrama, I. M. (2023). The effect of compensation on employee turnover intention at MSMEs in Denpasar City: Job Satisfaction as Mediation. *Management and Applied Social Studies Review*, 1(2), 53–63.
- [40] Wirawan, R., Fadah, I., Suryaningsih, I. B., & Wulandari, D. (2021). The role of dynamic capabilities based on digital literacy on the performance of marketing innovations for micro, small and medium enterprises. *Qas*, 22(184), 174-185.

*Enhancing MSMEs
Performance in
Gorontalo*

3712
