

Strategic Management Of Human Resources In Improving Employee Performance: A Case Study On Local Micro-Enterprises

Akhmad Syarifuddin

Department of Management, STIE AMKOP Makassar, Indonesia

Email: akhmad.syarifuddin@stieamkop.ac.id

Surianti

Department of Management, STIE AMKOP Makassar, Indonesia

Email: surianti@stieamkop.ac.id

Muhajir Paga

Department of Management, STIE AMKOP Makassar, Indonesia

Email: muhajir.paga@stieamkop.ac.id

Andi Nursan Adil

Department of Management, STIE AMKOP Makassar, Indonesia

Email: andi.nursan.adil@stieamkop.ac.id

ABSTRACT

Human resources represent a critical asset for micro-enterprises because business performance is highly dependent on a relatively small number of employees and their ability to perform multiple functions. However, human resource management in micro-enterprises is often informal, owner-centered, and less systematically integrated with business strategy. This study aims to analyze how strategic human resource management practices contribute to improving employee performance in local micro-enterprises. A qualitative multiple-case study approach was employed to explore human resource practices related to workforce planning, recruitment and selection, employee development, performance management, compensation and recognition, and employee involvement. Data were collected through semi-structured interviews, observations, and relevant business documentation involving owners/managers and employees of selected local micro-enterprises. Data were analyzed using thematic analysis through data familiarization, coding, theme development, theme review, and interpretation. The study indicates that employee performance in micro-enterprises is strengthened when human resource practices are aligned with operational priorities, particularly through competence-based task allocation, practical on-the-job learning, direct performance feedback, flexible reward mechanisms, and intensive owner–employee communication. The findings further suggest that strategic HRM in micro-enterprises does not necessarily require complex formal systems; rather, its effectiveness depends on the consistency and strategic alignment of relatively simple HR practices. This study contributes to contextual HRM literature by demonstrating how strategic HRM can be implemented in resource-constrained micro-enterprises and offers practical implications for owners seeking to improve employee productivity, service quality, and work discipline.

Keywords: strategic human resource management; employee performance; micro-enterprises; human resource practices; MSMEs

ABSTRAK

Sumber daya manusia merupakan aset penting bagi usaha mikro karena keberlangsungan dan kinerja usaha sangat bergantung pada jumlah karyawan yang relatif terbatas serta kemampuan mereka menjalankan berbagai fungsi pekerjaan. Namun, pengelolaan sumber daya manusia pada usaha mikro masih sering bersifat informal, berpusat pada pemilik, dan belum terintegrasi secara sistematis dengan strategi bisnis. Penelitian ini bertujuan menganalisis bagaimana manajemen sumber daya manusia strategis berkontribusi terhadap peningkatan kinerja karyawan pada usaha mikro lokal. Penelitian menggunakan pendekatan kualitatif dengan desain studi kasus multipel untuk mengeksplorasi praktik perencanaan tenaga kerja, rekrutmen dan seleksi, pengembangan karyawan, manajemen kinerja, kompensasi dan penghargaan, serta keterlibatan karyawan. Data dikumpulkan melalui wawancara semi-terstruktur, observasi, dan dokumentasi terhadap pemilik/pengelola dan karyawan pada beberapa usaha mikro lokal. Analisis data menggunakan analisis tematik melalui tahap familiarisasi data, pengkodean, pengembangan tema, peninjauan tema, dan interpretasi. Hasil penelitian menunjukkan bahwa peningkatan kinerja karyawan pada usaha mikro didukung oleh keselarasan praktik SDM dengan kebutuhan operasional, terutama melalui pembagian tugas berbasis kompetensi, pembelajaran langsung di tempat kerja, umpan balik kinerja secara langsung, sistem penghargaan yang fleksibel, serta komunikasi intensif antara pemilik dan karyawan. Temuan juga menunjukkan bahwa manajemen SDM strategis pada usaha mikro tidak selalu membutuhkan sistem formal yang kompleks, tetapi memerlukan konsistensi dan keselarasan praktik SDM dengan tujuan usaha. Penelitian ini memperluas kajian HRM kontekstual dengan menunjukkan penerapan MSDM strategis pada usaha mikro yang memiliki keterbatasan sumber daya serta memberikan implikasi praktis bagi pemilik usaha dalam meningkatkan produktivitas, kualitas pelayanan, dan disiplin kerja karyawan.

Kata kunci: manajemen sumber daya manusia strategis; kinerja karyawan; usaha mikro; praktik SDM; UMKM

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) occupy an important position in Indonesia's economic structure. Government data indicate that MSMEs account for approximately 99% of business units, contribute around 60.51% of national GDP, and absorb almost 97% of the national workforce. The magnitude of employment generated by this sector makes human resource management an important issue not only for individual enterprises but also for the broader sustainability of employment and economic development.

Despite their economic importance, the organizational characteristics of micro-enterprises differ substantially from those of large corporations. Micro-enterprises commonly operate with limited financial resources, simple organizational structures, a small number of employees, and direct involvement of owners in operational activities. Decision-making is often concentrated in the owner, while recruitment, training, performance appraisal, compensation, and employee development may be implemented without formally documented policies.

Such informality provides several advantages, including organizational flexibility and rapid decision-making. However, it may also generate managerial problems when job assignments, employee expectations, performance standards, and reward mechanisms are not clearly defined. Employees may perform multiple responsibilities simultaneously, while evaluation tends to depend on the owner's subjective observations rather than standardized indicators. Consequently, variations in employee competence, discipline, productivity, and service quality may directly influence overall business performance.

Human resource management should therefore not be regarded merely as an administrative function. Strategic Human Resource Management (SHRM) emphasizes the alignment of human resource practices with organizational objectives. Through this perspective, recruitment, employee development, performance management, compensation, and employee involvement are designed to develop employee capabilities and behaviors required to achieve business objectives.

The Resource-Based View (RBV) further suggests that valuable, rare, difficult-to-imitate, and organizationally embedded resources may generate sustainable competitive advantage (Barney, 1991). Human resources represent one such strategic resource because employee knowledge, experience, skills, relationships, and work behavior cannot always be easily replicated by competitors.

Recent studies reinforce the relevance of HRM practices for SMEs. Indonesian evidence shows that HRM practices can contribute to employee performance, including through employee job satisfaction. Research in SMEs also demonstrates that strategic HRM can strengthen dynamic capabilities and innovation, while other studies show the importance of relational and context-sensitive HR practices in smaller enterprises.

Nevertheless, much of the strategic HRM literature has traditionally concentrated on medium-sized and large organizations in which specialized HR departments, formal performance appraisal mechanisms, structured recruitment processes, and systematic employee development programs already exist. The realities of micro-enterprises are substantially different.

The central issue is therefore not simply whether micro-enterprises implement formal HRM systems comparable with large organizations, but how relatively simple HR practices can become strategically meaningful when they are aligned with operational needs and business objectives.

This perspective represents an important research gap. While previous research has extensively investigated statistically measurable relationships between HRM practices and organizational outcomes, less attention has been paid to understanding the everyday mechanisms through which owners of local micro-enterprises translate HR decisions into employee performance.

Accordingly, this study addresses the following research question:

How are strategic human resource management practices implemented in local micro-enterprises to improve employee performance?

More specifically, this research aims to:

1. identify human resource management practices implemented by local micro-enterprises;
2. examine how those practices are aligned with business and operational priorities;
3. analyze their contribution to employee performance; and

4. identify the HRM challenges experienced by micro-enterprise owners.

The novelty of this research lies in its focus on the **micro-level process of strategic HRM implementation in resource-constrained enterprises**. Rather than assuming that strategic HRM requires sophisticated organizational systems, this study investigates how simple and informal practices may perform a strategic function when consistently directed toward employee capabilities, motivation, and performance.

2. LITERATURE REVIEW

2.1 Strategic Human Resource Management

Strategic Human Resource Management refers to the systematic alignment of human resource policies and practices with organizational strategy. It moves HRM beyond administrative activities by emphasizing the contribution of human resources to long-term organizational performance.

Strategic HRM generally encompasses several interconnected practices, including workforce planning, recruitment and selection, training and development, performance appraisal, compensation, career management, employee participation, and employment relationships.

The central principle of SHRM is **vertical alignment**, referring to the relationship between HR practices and organizational strategy, and **horizontal alignment**, referring to consistency among different HR practices.

In a micro-enterprise context, strategic alignment does not necessarily require formal HR documents. A recruitment decision becomes strategic, for example, when the owner selects employees based on competencies directly related to customer service or production requirements. Similarly, informal training becomes strategically significant when it enables employees to reduce errors, increase production speed, or serve customers more effectively.

Research on SMEs indicates that strategic approaches to human resource management can strengthen organizational capabilities. Ho et al. demonstrate the relevance of strategic HRM for developing dynamic capabilities and innovation within SMEs. Meanwhile, research conducted in Indonesian MSMEs provides evidence of relationships between HRM practices and employee outcomes.

Thus, strategic HRM in micro-enterprises should be understood through **strategic intent and alignment rather than merely the degree of administrative formalization**.

2.2 Resource-Based View

The Resource-Based View provides the principal theoretical foundation of this study. According to Barney (1991), differences in organizational resources may explain differences in performance and competitive advantage.

Employees possess human capital in the form of knowledge, technical skills, tacit knowledge, customer relationships, experience, adaptability, and problem-solving ability. Such resources become particularly important within micro-enterprises because the contribution of each individual represents a relatively large proportion of total organizational capability.

For example, the absence of one highly skilled employee may directly disrupt production or customer service. Conversely, improvements in the competence of one

employee may have a substantial effect on overall organizational productivity.

Therefore, owners' decisions concerning employee selection, learning, performance evaluation, and retention can be viewed as strategic investments in organizational resources.

2.3 Human Resource Planning

Human resource planning concerns determining workforce requirements according to organizational objectives. In large organizations, such planning can involve workforce forecasting and formal job analysis. Within micro-enterprises, HR planning is generally much simpler.

Nevertheless, micro-enterprise owners still make strategic decisions concerning:

- how many employees are required;
- which competencies are needed;
- how responsibilities should be distributed;
- when additional workers should be recruited; and
- which employees can perform multiple functions.

Poor HR planning may result in workload imbalance, role ambiguity, reduced productivity, and operational inefficiency.

2.4 Recruitment and Selection

Recruitment determines the quality of human resources entering an organization. Micro-enterprises frequently recruit employees through family networks, friendships, recommendations, or local communities.

Relationship-based recruitment may reduce recruitment costs and increase initial trust. However, excessive emphasis on personal relationships without considering competence may create a mismatch between employee capabilities and job requirements.

Strategic recruitment therefore requires balancing **trustworthiness and job competence**.

2.5 Training and Employee Development

Employee development improves the knowledge and competencies required to execute work effectively. Due to financial limitations, micro-enterprises may not provide formal training programs.

Instead, employee learning frequently occurs through:

- direct instructions from owners;
- observation of experienced employees;
- demonstrations;
- mentoring;
- trial and error;
- job rotation; and
- learning by doing.

Such on-the-job learning can be effective because employees directly practice competencies relevant to actual work situations.

Studies on SMEs have shown that HRM practices can support the accumulation of human capital and organizational outcomes. For example, Indonesian research has identified relationships among HRM practices, human capital, individual performance, and organizational performance.

2.6 Performance Management

Employee performance reflects the extent to which employees accomplish responsibilities and contribute to organizational goals.

Performance can be reflected in:

1. quantity of output;
2. quality of work;
3. timeliness;
4. attendance and discipline;
5. service quality;
6. initiative; and
7. ability to cooperate.

In micro-enterprises, performance appraisal tends to occur through direct observation because owners interact closely with employees.

Although informal appraisal allows rapid feedback, problems may arise when expectations and evaluation criteria are unclear. Performance management therefore needs minimum performance standards even when formal appraisal forms are not used.

2.7 Compensation, Recognition, and Motivation

Compensation is an important component of employee motivation and retention. Micro-enterprises often have limited capacity to offer highly competitive salaries. Therefore, owners may combine financial and non-financial incentives.

These may include:

- basic salary or wages;
- attendance incentives;
- sales incentives;
- performance bonuses;
- meal allowances;
- flexible working arrangements;
- recognition;
- additional responsibility; and
- interpersonal appreciation.

Rather than focusing exclusively on the value of compensation, strategic reward management emphasizes the relationship between employee contributions and perceived recognition.

2.8 Employee Performance

Employee performance represents behavioral and output-related contributions made by individuals toward organizational goals.

In this study, employee performance is understood through several dimensions:

Quality of work, referring to accuracy and conformity with expected standards.

Quantity of work, reflecting employee productivity.

Timeliness, indicating the ability to complete responsibilities according to required schedules.

Discipline, reflecting compliance with working hours and operational procedures.

Service orientation, representing the employee's ability to respond effectively to

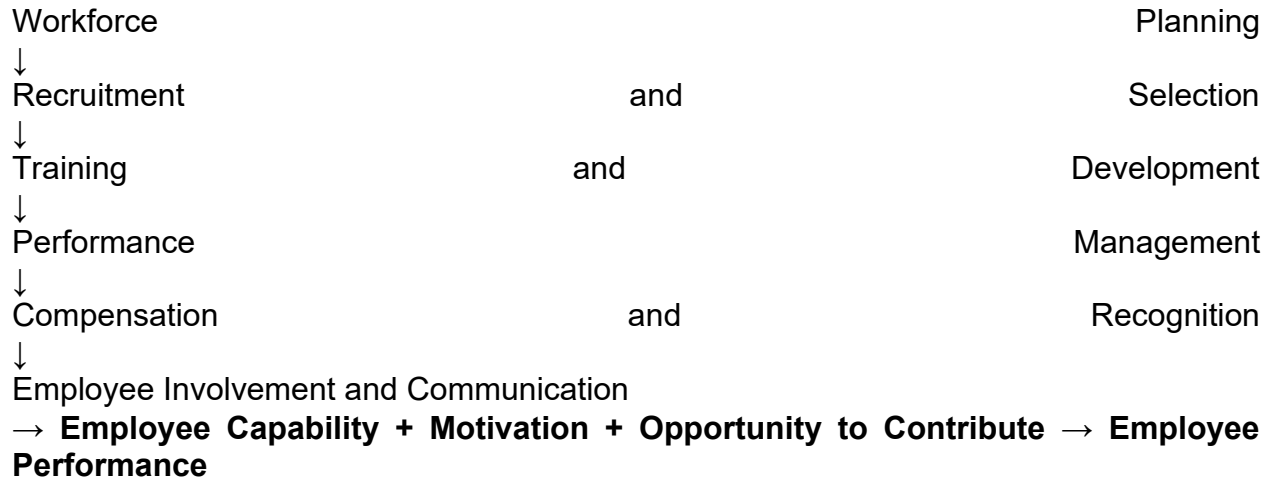
customers.

Initiative and adaptability, referring to the capacity to solve problems and respond to operational changes.

2.9 Conceptual Framework

Based on the theoretical discussion, the analytical framework of this research can be represented as:

Strategic HRM Practices



The framework assumes that HR practices influence performance by increasing employees' competencies, motivation, clarity of responsibilities, and opportunities to participate in organizational activities.

3. RESEARCH METHOD

3.1 Research Design

This research employs a **qualitative approach with a multiple-case study design**. The qualitative approach was selected because the research aims to understand processes, experiences, managerial reasoning, and HR practices implemented within their real organizational context.

A case study design is appropriate because boundaries between HR management practices, owner behavior, employee relationships, and business operations are difficult to separate from the environment in which they occur.

The use of several micro-enterprises also enables cross-case comparisons to identify recurring practices and context-specific differences.

3.2 Research Setting and Case Selection

The research was conducted among selected local micro-enterprises operating in **[City/Regency, Province]**.

Cases were selected purposively using the following criteria:

1. classified as micro-enterprises;
2. operating for at least two years;
3. employing workers beyond the owner;
4. actively conducting commercial activities;
5. having owners/managers directly involved in employee management; and
6. willing to participate in the research.

The selected enterprises may represent sectors such as culinary businesses, retail,

creative industries, services, or small-scale production.

To maintain confidentiality, participating enterprises may be identified using codes such as **Enterprise A, Enterprise B, and Enterprise C.**

3.3 Research Informants

Informants were selected purposively because they possessed direct knowledge of HR practices and employee performance.

The informants consisted of:

Informant Category Proposed Number Main Information

Owners/managers	[3–5]	HR strategy and policies
Senior employees	[3–5]	HR implementation and work supervision
Employees	[6–10]	Experience of HR practices
Total	[12–20]	

The final number of informants should be determined based on the adequacy and saturation of qualitative data.

3.4 Data Collection

Three data collection techniques were employed.

First, **semi-structured interviews** were conducted to explore recruitment, employee development, work allocation, performance assessment, compensation, motivation, communication, and perceived changes in employee performance.

Second, **non-participant observation** was used to observe workplace interactions, employee discipline, task execution, communication, customer service, and owner–employee relationships.

Third, **documentation** was used where available, including job schedules, attendance records, employee incentive records, operational guidelines, or business documents.

The use of multiple sources supports data triangulation.

3.5 Data Analysis

Data were analyzed using thematic analysis based on the following stages:

1. familiarizing researchers with interview and observation data;
2. generating initial codes;
3. grouping related codes;
4. identifying potential themes;
5. reviewing themes across informants and cases;
6. defining and naming final themes; and
7. interpreting the findings using Strategic HRM and Resource-Based View perspectives.

The analysis combines **within-case analysis** and **cross-case analysis**.

3.6 Data Validity

The trustworthiness of the research was strengthened through:

- source triangulation;
- method triangulation;
- member checking;
- comparison across cases;
- maintenance of interview and coding documentation; and

- peer discussion during interpretation.

Confidentiality was maintained by replacing personal and business identities with pseudonyms or research codes.

4. RESULTS AND DISCUSSION

Editorial note: The narrative below is a model for reporting the findings. It should be checked against actual interview, observation, and documentation evidence before submission.

4.1 Strategic HR Planning Is Driven by Immediate Operational Needs

The findings indicate that HR planning in local micro-enterprises tends to be operational rather than formally documented. Owners generally determine workforce requirements by considering workload, customer demand, production volume, opening hours, and existing employee competencies.

This practice differs from formal workforce planning typically found within large organizations. Nevertheless, the findings indicate an underlying strategic logic. Owners do not merely determine the number of employees required but also consider whether employees can perform specific activities that are critical to daily operations.

One important characteristic is **functional flexibility**. Employees are frequently expected to perform more than one task. A production employee, for instance, may assist with packaging, stock control, or customer service when necessary.

Such flexibility provides micro-enterprises with the ability to operate with relatively limited human resources. However, excessive multitasking without clearly defined priorities may also increase workload and reduce quality.

From an SHRM perspective, therefore, strategic workforce planning in micro-enterprises should not be assessed based solely on the availability of formal manpower planning documents. More important is whether workforce allocation is consistent with operational objectives.

4.2 Recruitment Emphasizes Trust, Attitude, and Learning Ability

The second theme concerns recruitment and selection.

Recruitment within micro-enterprises tends to rely heavily on social networks and referrals. Owners frequently consider honesty, discipline, communication, responsibility, and willingness to learn as important criteria.

Technical competence remains relevant, but owners appear willing to recruit individuals with limited experience when candidates demonstrate positive attitudes and learning potential.

This pattern can be explained by the organizational characteristics of micro-enterprises. Close and continuous interaction between owners and employees means that inappropriate employee attitudes may directly influence working relationships, service quality, and team dynamics.

However, recruitment based excessively on personal familiarity may generate potential problems when competence requirements are neglected.

The strategic implication is that micro-enterprise owners should combine **relationship-based trust with minimum competency criteria**.

A simple recruitment checklist covering previous experience, job skills, availability, discipline, communication, and willingness to learn can strengthen recruitment quality without creating substantial administrative costs.

4.3 On-the-Job Learning Is the Dominant Employee Development Mechanism

Formal employee training programs were relatively limited because micro-enterprises face constraints related to cost, time, and workforce availability.

Instead, employee development primarily occurs through direct workplace learning.

New employees learn by observing owners and more experienced workers. Owners demonstrate work procedures and subsequently allow employees to practice independently.

Repeated practice allows employees to develop greater speed, accuracy, confidence, and familiarity with organizational standards.

This finding demonstrates that employee development in micro-enterprises is characterized by **experiential learning**.

From the Resource-Based View perspective, the accumulation of job-specific knowledge can create organizationally embedded human capital. Employees gradually develop tacit knowledge concerning customer preferences, operating procedures, product characteristics, and problem-solving routines.

Such knowledge may contribute directly to organizational capability.

This finding is consistent with broader SME literature showing that HR practices are relevant to human capital accumulation and organizational performance.

However, dependence on purely informal learning can also create inconsistencies. Different employees may receive different instructions and consequently develop different working methods.

Micro-enterprises would therefore benefit from simple standardization through short Standard Operating Procedures, demonstration videos, checklists, or orientation materials.

4.4 Direct and Continuous Feedback Supports Employee Performance

Performance appraisal within the observed micro-enterprise context tends to occur directly rather than through periodic formal appraisal systems.

Owners are able to observe employees because organizational structures are relatively small. When mistakes occur, feedback can be provided immediately.

This produces a distinctive advantage: **short feedback loops**.

Employees do not necessarily have to wait for monthly or annual evaluations to understand performance problems.

Immediate feedback enables employees to correct mistakes quickly, especially in activities involving customer service, production quality, order accuracy, and operational discipline.

Nevertheless, informal feedback has weaknesses when standards depend entirely on owners' subjective perceptions.

Therefore, simple performance indicators should complement direct observation.

For example:

Performance Dimension Simple Indicator

Discipline	Attendance and punctuality
Productivity	Output/tasks completed
Quality	Number of mistakes/complaints
Service	Customer responsiveness

Performance Dimension Simple Indicator

Responsibility	Completion of assigned duties
Teamwork	Ability to support coworkers
Initiative	Problem-solving without excessive supervision

The combination of daily observation and simple measurable indicators represents a more appropriate performance management system for micro-enterprises than complex corporate appraisal systems.

4.5 Flexible Rewards Strengthen Motivation

Compensation practices in micro-enterprises are strongly influenced by financial capability. Owners may not always be able to offer salary structures comparable with larger organizations.

However, the findings indicate that employee motivation is not influenced exclusively by basic salary.

Performance incentives, additional payments during periods of high workload, meals, flexible schedules, bonuses, recognition, and interpersonal appreciation can become meaningful elements of the employment relationship.

Relational dimensions become particularly important because employees interact directly with owners.

Research on relational HRM in SMEs similarly emphasizes that HR relationships in smaller organizations are highly influenced by interpersonal interactions between owner-managers and employees.

Nevertheless, flexibility needs to be accompanied by perceived fairness. Employees need to understand why rewards are provided and how differences in incentives are determined.

Transparent reward criteria can minimize perceptions of favoritism.

4.6 Owner–Employee Communication Acts as a Strategic HR Mechanism

Communication emerged as an important element connecting different HR practices.

Owners frequently communicate directly with employees concerning daily targets, customer requirements, work problems, schedules, and operational changes.

Such proximity enables information to circulate rapidly and allows employees to express operational difficulties directly.

In micro-enterprises, communication therefore performs functions that might otherwise be managed by formal HR systems in larger organizations.

Effective communication provides employees with:

- role clarity;
- information regarding expected standards;
- rapid feedback;
- emotional support;
- opportunities to contribute ideas; and
- understanding of business priorities.

This condition demonstrates that employee participation does not necessarily require a formal employee involvement program.

Regular brief discussions before work, informal evaluations, and opportunities for employees to provide suggestions may create meaningful participation.

4.7 Strategic Alignment of HR Practices Improves Employee Performance

The overall findings indicate that individual HR practices become more effective when implemented as a mutually reinforcing system.

Recruiting employees with appropriate attitudes is insufficient when employees receive no development.

Training employees is also unlikely to produce optimal outcomes when performance expectations remain unclear.

Similarly, high-performing employees may lose motivation when good performance is not recognized.

Thus, the relationship between HRM and employee performance can be summarized as:

Appropriate Recruitment → Relevant Learning → Clear Performance Expectations → Continuous Feedback → Fair Recognition → Higher Employee Performance

The findings support a strategic rather than administrative interpretation of HRM.

Strategic HRM in micro-enterprises can therefore be characterized as:

simple in structure, informal in implementation, but strategic in orientation.

This represents a central theoretical contribution of the study.

4.8 Discussion Through the Resource-Based View

From the Resource-Based View perspective, employees constitute organizational resources capable of generating value when their capabilities are developed and effectively utilized.

The results demonstrate that strategic HRM contributes to this process through three mechanisms.

First, **capability development** occurs through employee selection and continuous workplace learning.

Second, **motivation enhancement** occurs through feedback, recognition, compensation, and interpersonal relationships.

Third, **resource deployment** occurs through job allocation, multitasking, and employee involvement.

Consequently, employee performance cannot be explained solely by individual capability. Performance emerges from the interaction between employee resources and managerial practices that organize those resources.

Recent SME research provides related evidence by showing that strategic HRM is associated with broader dynamic capabilities and innovation.

The present study extends this reasoning into the micro-enterprise context by emphasizing that the strategic value of HRM may emerge even in the absence of specialized HR departments.

5. MANAGERIAL IMPLICATIONS

The findings provide several practical implications for local micro-enterprise owners.

First, owners should move gradually from purely intuitive HR decisions toward **simple but consistent HR practices**. Formal corporate-level HR systems are unnecessary, but minimum standards concerning recruitment, work responsibilities, performance, and rewards should be established.

Second, recruitment should balance personal trust with job competencies. A short interview and practical test can help identify suitable employees.

Third, informal employee development should be strengthened through simple learning documentation such as checklists, brief SOPs, and demonstration materials.

Fourth, performance evaluation should combine direct observation with several measurable indicators, particularly punctuality, productivity, quality, customer complaints, and responsibility.

Fifth, reward systems should be transparent. Financial incentives can be supplemented by recognition, flexibility, development opportunities, and increased responsibility.

Finally, owners should maintain intensive communication while avoiding excessive dependence on personal relationships. A professional but supportive employment relationship is important for sustainable employee performance.

6. THEORETICAL IMPLICATIONS

This study contributes to the strategic HRM literature in three respects.

First, it supports a contextual interpretation of strategic HRM. Strategic HRM does not necessarily depend on sophisticated systems; it can emerge from simple HR practices when they are systematically aligned with organizational objectives.

Second, the study extends the Resource-Based View toward micro-enterprises by illustrating how owner decisions transform employee competencies into organizationally valuable resources.

Third, the findings highlight **owner–employee proximity** as an important contextual mechanism differentiating HRM in micro-enterprises from HRM in large organizations.

The proximity allows rapid feedback, direct learning, and flexible decision-making but may simultaneously increase subjectivity and dependence on owner judgment.

7. CONCLUSION

This study investigates the implementation of strategic human resource management in improving employee performance among local micro-enterprises.

The findings indicate that strategic HRM in micro-enterprises is characterized by relatively simple and informal practices. Nevertheless, these practices can create strategic value when they are aligned with operational and business objectives.

Workforce planning enables enterprises to distribute responsibilities according to operational requirements. Recruitment focusing on attitude, trustworthiness, competence, and learning ability improves person-job fit. On-the-job learning strengthens job-specific competencies, while direct performance feedback enables rapid correction of work problems. Flexible but fair rewards support motivation, and intensive owner–employee communication facilitates role clarity and employee involvement.

The key conclusion is that **strategic HRM within micro-enterprises should not be measured solely by the level of HR formalization. Its strategic value depends on how consistently human resource decisions develop employee capabilities, motivation, and contributions toward business objectives.**

Therefore, micro-enterprise owners do not need to replicate complex HR systems designed for large corporations. Instead, they should gradually develop simple, affordable, and consistent HR practices that correspond to their organizational scale and operational requirements.

8. LIMITATIONS AND FUTURE RESEARCH

This study has several limitations.

First, the case study approach emphasizes contextual depth; consequently, findings should not be statistically generalized to all micro-enterprises.

Second, the involvement of a limited number of enterprises may not represent differences across industrial sectors.

Third, employee performance is explored primarily through qualitative evidence rather than longitudinal objective performance indicators.

Future research could expand the number of participating micro-enterprises and conduct comparisons across culinary, retail, manufacturing, creative, and service sectors.

Quantitative research could also examine the effects of strategic HRM practices on employee performance by incorporating employee engagement, job satisfaction, organizational commitment, or digital competence as mediating variables.

Longitudinal research would also be useful for determining whether changes in HR practices are followed by sustainable changes in productivity and employee retention.

REFERENCES

Armstrong, M., & Taylor, S. (2023). *Armstrong's handbook of human resource management practice* (16th ed.). Kogan Page.

Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120. <https://doi.org/10.1177/014920639101700108>

Boxall, P., & Purcell, J. (2016). *Strategy and human resource management* (4th ed.). Palgrave Macmillan.

Braun, V., & Clarke, V. (2022). *Thematic analysis: A practical guide*. SAGE.

Choo, S. (2024). Exploring the relationships among HRM investment, strategy implementation, and firm performance with multiple correspondence analysis. *Sustainability*, 16(11), 4830. <https://doi.org/10.3390/su16114830>

Ho, M., Soo, C., Tian, A., & Teo, S. T. T. (2024). Influence of strategic HRM and entrepreneurial orientation on dynamic capabilities and innovation in small- and medium-sized enterprises. *International Small Business Journal*, 42(5). <https://doi.org/10.1177/02662426231201761>

Indrayani, T. I., Fermayani, R., Egim, A. S., Chen, L., & Andra, Y. (2025). Do human resource management practices improve employee performance? The mediation role of job satisfaction in Indonesian MSMEs. *Jurnal Manajemen Bisnis*, 16(2), 418–441. <https://doi.org/10.18196/mb.v16i2.26310>

Kementerian Koordinator Bidang Perekonomian Republik Indonesia. (2024). *Pemerintah dukung bentuk kolaborasi baru agar UMKM Indonesia menjadi bagian rantai pasok industri global*.

Nam, V. H., & Luu, H. N. (2022). How do human resource management practices affect innovation of small- and medium-sized enterprises in a transition economy? *Journal of Economic Issues*, 56(2). <https://doi.org/10.1177/02601079211032119>

Ochieng, F., & Maweu, E. M. (2024). Influence strategic human resources management on performance of small and medium-sized enterprises in Kenya. *African Journal of Business and Development Studies*, 1(1), 26–38. <https://doi.org/10.70641/ajbds.v1i1.54>

Simarmata, J. (2023). HRM practices, human capital, individual performance, and organizational performance: An empirical evidence from Indonesian SMEs. *Greenation International Journal of Tourism and Management*, 1(2).

<https://doi.org/10.38035/gijtm.v1i2.25>

Sulaimiah, S., & Sulhaini, S. (2016). How do entrepreneurial human resource practices determine small firms' performance? *International Research Journal of Business Studies*, 9(3), 133–146. <https://doi.org/10.21632/irjbs.9.3.133-146>

Au, W. C., Stephens, S., & Ahmed, P. K. (2024). Relational HR practices in Malaysian SMEs: An ethics of care perspective. *Journal of Business Ethics*, 191, 323–336. <https://doi.org/10.1007/s10551-023-05458-1>

Yong, J. Y., Yusliza, M. Y., Ramayah, T., Chiappetta Jabbour, C. J., Sehnem, S., & Mani, V. (2020). Pathways towards sustainability in manufacturing organizations: Empirical evidence on the role of green human resource management. *Business Strategy and the Environment*, 29(1), 212–228.

Yin, R. K. (2018). *Case study research and applications: Design and methods* (6th ed.). SAGE Publications.