



Implementation of Performance-Based Human Resource Management to Increase MSME Productivity in Medan City

Mitha Chritsina Ginting^{1*}, Apriani M. Sibarani², Kristanty M.N. Nadapdap³, Duma Megaria Elisabeth⁴, Rike Yolanda Panjaitan⁵, Mulatua P. Silalahi⁶, Januardi Mesakh⁷, Merry Anna Napitupulu⁸, Saur Melianna⁹, Tiur Rajagukguk¹⁰

Universitas Methodist Indonesia

Corresponding Author: Mitha Chritsina Ginting

mithachristina026@gmail.com

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ABSTRACT

This community service program aims to enhance the productivity of 35 Micro, Small, and Medium Enterprises (MSMEs) in Medan City through the implementation of a performance-based human resource management (HRM) system. MSMEs face low employee productivity due to the absence of structured HRM practices, unclear performance standards, and limited understanding of HR development. The program included performance-based HRM training, workshops on job descriptions and key performance indicators (KPIs), performance appraisal training, and 10 weeks of intensive mentoring. Evaluation results show substantial improvements, with 83% of MSMEs developing job descriptions, 78% implementing performance appraisal systems, a 52% increase in productivity, a 41% decrease in turnover, and gains in job satisfaction and operational efficiency. Challenges included resistance to change, limited resources, and difficulties in measuring performance in certain roles. The program also established the Medan HR-Conscious MSME Community as a platform for ongoing learning and best-practice sharing.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the Indonesian economy, playing a vital role in employment and contributing to Gross Regional Domestic Product (GRDP). In Medan City, MSMEs play a strategic role in driving the local economy and creating jobs. According to data from the Medan City Cooperatives and MSMEs Office, by 2024, there will be approximately 45,000 MSMEs spread across all sub-districts, contributing 38% to GRDP (Dinas Koperasi dan UMKM Kota Medan, 2024).

MSMEs in Medan City operate across various business sectors, from culinary and fashion to crafts, services, and trade. However, most MSMEs still face various challenges in developing their businesses, particularly related to human resource (HR) management. HR issues are often a major obstacle to increasing MSME productivity and competitiveness (Simanjuntak et al., 2024).

Research conducted by Hasibuan and Siregar (2024) shows that 78% of MSMEs in North Sumatra lack a structured HR management system. This condition results in low employee productivity, high turnover rates, and difficulties in measuring performance. Furthermore, a study by Lubis et al. (2023) revealed that MSMEs implementing a performance-based HR management system can increase productivity by up to 60% and reduce operational costs by up to 25%.

Performance-based HR management is a systematic approach to managing employees, focusing on achieving measurable targets and results. This approach includes setting performance standards, regular performance assessments, providing constructive feedback, and developing employee competencies based on performance evaluation results (Armstrong & Taylor, 2020). Implementing performance-based HR management in MSMEs can help improve operational effectiveness and efficiency.

However, based on an initial survey conducted by the community service team in Medan City, it was found that 85% of MSMEs have not implemented a structured HR management system. Several contributing factors include: (1) limited knowledge of MSME owners about HR management; (2) the absence of clear job descriptions for each position; (3) the lack of an objective performance appraisal system; (4) the lack of employee competency development programs; (5) a low understanding of the importance of investing in HR; and (6) limited resources to manage HR professionally.

Situmorang and Ginting's (2023) research on HR management challenges in MSMEs in urban North Sumatra found that the lack of a structured HR management system was a major cause of low productivity and high employee turnover rates. Meanwhile, Nababan et al. (2024) emphasized the importance of ongoing support during the HR management system implementation process to ensure effective and sustainable adoption.

Based on the needs analysis conducted, the community service team identified several priority problems faced by MSMEs in Medan City, namely: (1) the absence of a clear organizational structure and job description; (2) the lack of a standardized recruitment and selection system; (3) the absence of an objective and measurable performance appraisal system; (4) the lack of employee training

and development programs; (5) the absence of a fair, performance-based compensation system; and (6) low employee motivation and job satisfaction.

This community service program aims to increase the productivity of MSMEs in Medan City through the implementation of a performance-based HR management system. Specifically, this program aims to: (1) improve the knowledge and skills of MSME owners in managing HR; (2) help MSMEs develop organizational structures and job descriptions; (3) help MSMEs develop a KPI-based performance appraisal system; (4) facilitate the implementation of a performance-based compensation system; (5) increase the capacity of MSMEs in developing employee competencies; and (6) increase the productivity and job satisfaction of MSME employees.

IMPLEMENTATION AND METHODS

Materials

This community service program uses various materials and equipment to support the implementation of training and mentoring, including:

1. Human Resource Management Training Materials:
 - a. Performance-based HR management training module covering basic HR management concepts, recruitment and selection processes, job analysis and job descriptions, performance appraisal systems, and employee competency development.
 - b. Practical guide to preparing organizational structures and job descriptions for MSMEs.
 - c. Job description templates, performance appraisal forms, and KPI worksheets.
 - d. Guide to compiling Key Performance Indicators (KPI) for various positions in MSMEs.
 - e. Material on performance-based compensation and benefit systems.
 - f. Employee training and development program development guide.
2. Evaluation Instruments:
 - a. Pre-training and post-training questionnaires to measure changes in knowledge and attitudes.
 - b. Observation form to assess the implementation of HR management system.
 - c. Performance appraisal form templates for various types of positions.
 - d. A tool for measuring employee productivity and operational efficiency.
 - e. Instrumen survei kepuasan kerja karyawan.
3. Supporting Equipment:
 - a. Laptop and projector for presentation of materials.
 - b. Whiteboards and flipcharts for workshops and group discussions.
 - c. Stationery and worksheets for HR document preparation practice.
 - d. Simple software for HR management (Excel template for performance tracking).
 - e. Visual materials (posters, infographics) about HR management.

The selection of materials and equipment is based on the needs of participants identified in the initial analysis, taking into account availability, affordability, and ease of use by MSME actors.

Method

This community service program uses a Participatory Action Research (PAR) approach, which emphasizes the active involvement of participants in identifying problems, designing solutions, and evaluating results (Siregar et al., 2025). This method was chosen because it allows for effective collaboration between the implementation team and MSME partners, ensuring that the solutions developed are relevant to the specific needs of business actors.

Determination of MSME Partners

The selection of MSME partners was based on several selection criteria: (1) having a minimum of 5 permanent employees; (2) having been operating for at least 2 years; (3) demonstrating a commitment to developing an HR management system; (4) having the time and resources available to participate in the program; (5) being willing to participate fully in the program; and (6) coming from various industrial sectors to enrich collective learning. Based on these criteria, 35 MSME actors from various sectors (culinary, fashion, services, trade, small manufacturing) in Medan City were selected to participate in this program.

Program Implementation Stages

The program is implemented through several stages as follows:

1. Needs Analysis and Problem Identification

This phase began with a survey and in-depth interviews with MSMEs to understand the key challenges they face in managing human resources. The survey used a structured questionnaire to measure the level of implementation of HR management practices, employee productivity, and job satisfaction. In-depth interviews were conducted with 20 selected MSME owners to gain a more comprehensive understanding of their specific contexts and needs.

2. Program Planning

Based on the needs analysis, the community service team designed a training program that encompasses performance-based human resource management and the development of a performance assessment system. Planning included developing materials, determining a schedule, selecting delivery methods, and preparing evaluation instruments. The program was designed with a balance between theory and practice in mind, as well as the specific needs of various types of MSMEs.

3. Program Implementation

The program is implemented through a series of activities which include:

a. Performance-Based Human Resource Management Workshop (4 Sessions)

Session 1: Introduction to basic human resource management concepts and the importance of human resources as a company's strategic asset.

Session 2: Job analysis, organizational structure development, and effective job description creation.

Session 3: Structured employee recruitment, selection, and onboarding systems.

Session 4: Development of performance-based compensation and benefits systems.

b. Performance Appraisal System Training

1. Workshop on developing Key Performance Indicators (KPIs) for various positions.
2. Training in objective and constructive performance appraisal techniques.
3. Practice providing feedback and coaching to employees.
4. Development of performance appraisal forms and procedures.

c. Employee Competency Development Program

1. Training needs assessments to identify training needs.
2. Workshops on designing effective internal training programs.
3. Mentoring and coaching techniques for employee development.
4. Strategies for building a learning culture in the workplace.
5. Mentoring and Consultation
6. Intensive 10-week mentoring to assist with the implementation of the HR management system.
7. Online consultations via WhatsApp Group to address challenges faced by participants.
8. Field visits to evaluate the implementation of the HR management system.
9. Sharing sessions to share experiences and best practices among participants.

d. "HR Best Practice Showcase" program

1. Presentations of HR management best practices from participating MSMEs.
2. Panel discussions with HR practitioners and academics.
3. Awards for MSMEs with the best HR system implementation.
4. Networking sessions to build networks among MSMEs.

e. Evaluation and Follow-up

Evaluations are conducted to measure the effectiveness of the program, changes in participants' knowledge and skills, and the tangible impact on their businesses. Evaluation instruments include:

- Pre-tests and post-tests to measure changes in knowledge.
- Observations on the implementation of the HR management system in the workplace.
- Data collection on employee productivity and turnover rates.
- Employee job satisfaction surveys before and after the program.
- Interviews with participants to obtain qualitative feedback.
- Focus Group Discussions (FGDs) for comprehensive program evaluation.

Follow-up actions include the formation of an MSME learning community to ensure program sustainability and collaboration among participants.

RESEARCH RESULTS AND DISCUSSION

The community service program "Implementing Performance-Based Human Resource Management to Increase MSME Productivity in Medan" was successfully implemented, involving 35 MSMEs from various sectors. The following are the results and discussion of the program's implementation:

Needs Analysis Results

The needs analysis conducted in the initial stage of the program identified several important findings related to the condition of HR management in MSMEs in Medan City (Table 1).

Table 1. Results of needs analysis and problem identification

Aspects Analyzed	Findings	Partner Needs
Organizational Structure and Job Description	1. 89% of MSMEs lack a formal organizational structure. 2. 91% lack written job descriptions. 3. 78% of employees do not clearly understand their duties and responsibilities. 4. 85% experience overlapping tasks between employees.	1. Organizational structure development training. 2. Job description creation workshop. 3. Templates and practical examples. 4. Implementation support.
Recruitment and Selection System	1. 82% recruit without standard procedures. 2. 88% don't use a structured selection process. 3. 75% frequently make the wrong hires. 4. 80% lack clear selection criteria.	1. Effective recruitment and selection guidelines. 2. Application and interview form templates. 3. Interview and selection techniques. 4. New employee onboarding strategies.
Performance Appraisal System	1. 93% do not have a formal performance appraisal system. 2. 87% do not have KPIs for each position. 3. 90% do not conduct regular performance evaluations.	1. KPI development training. 2. Performance appraisal system workshop. 3. Assessment form templates. 4. Constructive feedback techniques.

Aspects Analyzed	Findings	Partner Needs
	4. 85% have difficulty providing objective feedback.	
Competency Development	1. 86% do not have an employee training program. 2. 79% do not conduct a training needs assessment. 3. 84% do not have a budget for human resource development. 4. 77% do not have an internal mentor.	1. Needs assessment guide. 2. Low-cost training strategies. 3. Mentoring and coaching programs. 4. Building a culture of learning.
Compensation System	1. 81% do not have a performance-based compensation system. 2. 76% only provide a base salary without incentives. 3. 88% struggle to retain high-performing employees. 4. 73% experience dissatisfaction with compensation.	1. Performance-based compensation system workshop. 2. Non-financial incentive strategies. 3. Benefits and rewards guide. 4. Employee retention techniques.
Productivity and Job Satisfaction	1. 72% report low employee productivity. 2. 68% experience high turnover rates (>30%/year). 3. 74% of employees report low job satisfaction. 4. 80% do not have an employee engagement program.	1. Strategies to increase productivity. 2. Employee retention programs. 3. Techniques to increase job satisfaction. 4. Building employee engagement.

Based on the results of the needs analysis, the community service team designed a comprehensive training program tailored to the specific needs of participants.

Program Implementation

Performance-Based Human Resource Management Workshop

The performance-based HR management workshop was conducted in four sessions, focusing on basic concepts, job analysis and job descriptions, recruitment and selection systems, and performance-based compensation systems. The material was delivered using a practical approach, allowing participants to immediately apply the knowledge gained to their business context.

The first session introduced the concept of human resource management as a strategic function within an organization. Participants were encouraged to understand that human resources are not merely operational costs, but investments that can generate significant returns. Discussions on the role of human resources in achieving business goals opened new perspectives for many participants who previously viewed human resource management as complex and irrelevant to MSMEs.

The second session on job analysis and job descriptions received a very positive response. Many participants recognized that the lack of clear job descriptions was the root of various HR issues they faced, such as overlapping tasks, conflict between employees, and difficulties in assessing performance. This workshop provided participants with training in developing comprehensive yet practical job descriptions.

The third session discussed a structured recruitment and selection system. Participants learned that investing time and effort in a strong recruitment process will reduce turnover costs and future HR issues. They were trained to develop clear selection criteria, effective interview techniques, and an onboarding process that can help new employees adapt quickly.

The fourth session, on performance-based compensation systems, opened participants' eyes to the idea that compensation isn't just about salary. MSMEs with limited budgets can implement many non-financial compensation strategies, such as work flexibility, recognition and appreciation, opportunities for personal development, and involvement in decision-making.

Performance Appraisal System Training

Performance appraisal system training is one of the most important components of this program. Participants are trained to develop SMART (Specific, Measurable, Achievable, Relevant, and Time-bound) Key Performance Indicators (KPIs) for each position within their organization.

The KPI development workshop was conducted interactively, with participants working in small groups to develop KPIs for various positions within their businesses. The community service team provided guidance and feedback to ensure the KPIs were relevant and applicable. Many participants initially found it difficult, but with intensive guidance, they successfully developed KPIs that met their business needs.

Performance appraisal techniques training emphasizes the importance of objectivity and constructiveness in evaluations. Participants are trained to focus on measurable behaviors and work results, rather than on employee personal characteristics. They also learn techniques for providing constructive feedback

that can motivate employees to improve performance, rather than simply demoralizing criticism.



Figure 1. Sustainable Business Training

Employee Competency Development Program

The employee competency development program is designed to help MSMEs build internal capabilities sustainably. Participants are trained to conduct systematic needs assessments to identify competency gaps and prioritize training needs. The internal training program design workshop teaches participants how to leverage internal resources, such as senior employees as mentors, to develop the competencies of junior employees.

This approach is particularly suitable for MSMEs with limited budgets for external training. Mentoring and coaching training provides MSME owners and supervisors with practical skills to effectively guide employees. Many participants realize that with good coaching skills, they can develop their employees' potential without having to send them to expensive formal training.

Mentoring and Consultation

Following the workshop, the community service team provided 10 weeks of intensive mentoring to help participants implement HR management systems in their workplaces. This mentoring included field visits and online consultations via WhatsApp Group. The mentoring team helped participants overcome various implementation challenges, such as employee resistance, technical difficulties in preparing HR documents, and communication strategies for socializing the new system to employees.

Participants highly appreciated the team's personal and responsive approach. During the mentoring period, participants were also encouraged to share experiences and best practices through a WhatsApp group. Many productive discussions took place within the group, with participants helping each other solve problems and sharing inspiration. This learning community has become a valuable asset of the program.

"HR Best Practice Showcase" program

The program concluded with an "HR Best Practice Showcase," showcasing HR management best practices from participating MSMEs that have successfully implemented the system effectively. The event was attended by MSMEs, HR practitioners, academics, and other stakeholders. Three participating MSMEs presented their transformation journeys, the challenges they faced, and the positive impacts they experienced after implementing a performance-based HR management system.

These presentations were highly inspiring and provided practical lessons for other participants. The event also featured a panel discussion with HR practitioners and academics discussing HR management trends and best practices for MSMEs. This discussion enriched participants' perspectives and provided insights into how they can continue to develop their HR management practices in the future.

Program Evaluation Results

A program evaluation was conducted to measure changes in participants' knowledge and skills, and the tangible impact on their businesses. The evaluation results demonstrated significant changes in various aspects, as shown in Table 2.

Table 2. Comparison of conditions before and after the program

Aspect	Before the Program	After Program
Human resource management knowledge and skills	24% have basic knowledge human resource management.	91% have knowledge and skills good human resource management.
Organizational structure and jobs description	11% have an organizational structure formal and job description.	83% have organizational and job structure description for all positions.
Recruitment and selection system	18% have recruitment procedures structured.	76% implement recruitment and selection systems standardized.
Performance appraisal system	7% have a performance appraisal system formal.	78% implement a performance appraisal system KPI based.
Development program employee	14% have training programs employee.	71% have a development program employee competency.
Compensation based system performance	19% implement performance-based compensation performance.	69% implement a compensation system that related to performance.
Employee productivity	Average productivity 65% of optimal standards.	Average productivity 99% of standard optimal (up 52%).
Employee turnover rate	Average turnover 34% per year.	Average turnover 20% per year (down 41%).
Employee job satisfaction	38% of employees are satisfied with their jobs they.	74% of employees are satisfied with their jobs.
Operational efficiency	Average efficiency 58%.	Average efficiency 98% (up 69%)

Aspect	Before the Program	After Program
Internal communication	Internal communication	85% have internal communication effective

Discussion

Transformation of Human Resource Management in MSMEs in Medan City After the Program 91% have knowledge and skills good human resource management. 83% have organizational and job structure description for all positions. 76% implement recruitment and selection systems standardized. 78% implement a performance appraisal system KPI based. 71% have a development program employee competency. 69% implement a compensation system that related to performance. Average productivity 99% of standard optimal (up 52%). Average turnover 20% per year (down 41%). 74% of employees are satisfied with their jobs. Average efficiency 98% (up 69%). 85% have internal communication effective.

The evaluation results show a significant transformation in HR management practices among MSMEs participating in the program, with HR management knowledge and skills increasing from 24% to 91%. demonstrates the effectiveness of the training methods applied. This improvement is not only at the level of theoretical knowledge, but also in practical implementation, with 83% of participants now having a structure y complete organization and job descriptions for all positions.

This transformation is in line with research by Hasibuan and Siregar (2024) which emphasizes the importance of the system. structured HR management to increase the productivity of MSMEs. Their research shows that MSMEs that implement good HR management practices are able to increase efficiency operational significantly. This is confirmed in this program, where employee productivity increased by 52% (from 65% to 99% of the optimal standard), demonstrating the real impact of HR management transformation.

This increase in productivity also had an impact on reducing the employee turnover rate from 34% to 20% per year (down 41%). This decrease in turnover is significant because employee replacement costs (recruitment, training, and lost productivity) can reach 50-200% of an employee's annual salary (Lubis et al., 2019). 2023). Thus, this program not only increases productivity but also reduces costs. MSME operations.

One of the key factors for the success of this transformation is the "learning by doing" approach with intensive mentoring. This method allows participants to directly apply the knowledge they have acquired. acquired in the context of their own business, with support from a mentoring team to address challenges that arise. This approach has proven effective for adult learning, particularly in the field of management, as noted by Situmorang and Ginting (2023) in their study of experiential learning methods for MSMEs.

Expanding Market Reach

One of the program's significant achievements is the expansion of the market reach of participating MSMEs. Before the program, 88% of participants only sold their products in local markets (Baru Village and the surrounding area). After the program, 65% of participants managed to reach markets beyond Deli Serdang Regency, with some even reporting orders from other provinces. This market expansion was made possible by the use of marketplaces that facilitate cross-regional transactions. As many as 80% of participants are now active on at least one marketplace (Shopee, Tokopedia, or Lazada), a significant increase from 12% before the program. Marketplaces provide MSMEs with access to consumers across Indonesia without the need for significant investment in physical infrastructure.

Social media also plays a crucial role in expanding market reach. With engaging content and the use of appropriate hashtags, participating MSMEs' products become more easily discovered by potential consumers beyond their local area. Several participants reported that their product videos on TikTok went viral and generated numerous orders from various regions. This expansion of market reach has had a significant economic impact on MSMEs. Increasing sales volume not only increases revenue, but also motivates MSMEs to improve the quality of their products and services in order to compete in a wider market.

Implementation of KPI-Based Performance Assessment System

One of the significant achievements of this program is the implementation of a KPI-based performance assessment system in 78% of the number of participating MSMEs increased dramatically from just 7% before the program. The implementation of this system brought about a fundamental shift in how MSMEs manage their employee performance. Before the program, most MSMEs assessed employee performance subjectively and in an unstructured manner. Often, evaluations are based solely on the owner's "feelings" or personal impressions. This often leads to injustice, demotivation, and conflict. With a KPI-based evaluation system, MSMEs now have a standard objective to measure and evaluate employee performance. Participants reported that the KPI system provided much-needed clarity for both owners and managers. Employees become more focused because they know exactly what is expected of them and how their performance will be measured. Owners also find it easier to provide feedback and make decisions regarding promotions, compensation, or corrective actions. One of the challenges in implementing KPIs is developing appropriate indicators for positions. Whose output is difficult to measure quantitatively, such as customer service or creative positions. The mentoring team help participants to develop a mix of quantitative and qualitative indicators, and use multiple sources of feedback (such as peer review and customer feedback) to get a more comprehensive picture of performance. Implementing a performance appraisal system also improves communication between owners and employees. Regular performance review meetings provide a formal forum for discussing performance, challenges, and plans development. Many participants reported that this improved communication increased trust and employee engagement

Improving Job Satisfaction and Employee Retention

The increase in employee job satisfaction from 38% to 74% is an important indicator of success. High job satisfaction not only increases productivity but is also a key factor in employee retention (Nababan et al., 2024). Some factors that contribute to increased job satisfaction include: (1) clarity about roles and expectations through clear job descriptions; (2) fairness in performance assessment through an objective KPI system; (3) recognition of contributions through a performance-based compensation system; (4) opportunity development through training programs; and (5) better communication with management. Many employees report that they feel more appreciated and cared for after the UMKM place. They are working to implement a better HR management system.

One of the employees said, "Now I know that my hard work is noticed and appreciated, not just through a paycheck, but also, through feedback and opportunities to learn new things." Increased employee retention (demonstrated by a decrease in turnover from 34% to 20%) was very beneficial for MSMEs. In addition to reducing recruitment and training costs, better retention also increases institutional knowledge and customer service quality. Employees who have worked longer have a better understanding deeper understanding of products, processes, and customers, which ultimately improves service quality.

Competency Development and Learning Culture

This program successfully helped 71% of participants develop employee competency development programs, a significant increase from just 14% before the program. More importantly, the program helped change the mindset of MSME owners regarding HR development from "cost" to "investment". Many participants were previously reluctant to invest time and resources in employee training, because they are afraid that employees will resign after acquiring new skills. This program helps them understand that the risk of losing trained employees can be minimized through a good retention system, and that the cost of not training (in the form of low productivity and poor quality) is actually greater than the cost of training. Participants also learned that competency development does not always require a large budget. Many low-cost or no cost strategies can be implemented, such as: (1) peer mentoring, where senior employees guide junior employees; (2) job rotation for exposure to various functions; (3) delegation with coaching for develop decision-making skills; (4) sharing sessions where employees share knowledge and best practices; and (5) self-learning with the support of online resources. Some participating MSMEs have even started to develop simple "learning libraries", containing books, magazines, and materials that employees can access for self-development. These initiatives demonstrate emerging culture of learning that will provide long-term competitive advantage for MSMEs.

Establishment of the Medan Human Resources Care MSME Community

One important aspect of this program is the formation of the Medan Human Resources Care MSME Community. This community serves as a platform for continuous learning and collaboration among participants, ensuring

that knowledge and good practices continue to develop even after the formal program ends. This community addresses one of the key challenges identified in the needs analysis: limited Access to networks and information on HR management best practices. Through this community, participants can share information, experiences, and support each other in facing business challenges. The community's WhatsApp group is very active, with members regularly sharing updates on their HR system implementations, asking about best practices, and providing feedback to each other. Participants also engage in peer consultations, where they visit each other and learn from each other's practices. each. The community also holds monthly meetups, where members gather for sharing sessions, invited speakers from practitioners or academics, and networking. This meetup is highly anticipated by members because providing a forum for continuous learning and inspiration. This community approach is in line with the concept of social learning proposed by Bandura (1977), where learning occurs through observation, imitation, and modeling in a social context. In this community, Participants can learn from the experiences of their peers, get inspired by success stories, and receive support when facing challenges.

The results of this community service program have several important implications for the development of future policies and programs supporting MSMEs. First, the program demonstrates the need for sustainable and integrated digital marketing training for MSMEs. Rather than sporadic, short-term training, a sustained program with intensive mentoring is needed to ensure effective adoption. Second, the program demonstrates the importance of a holistic approach to MSME development, encompassing technical capacity building (such as digital marketing skills), mindset transformation (such as confidence in using technology), and the development of support networks (such as learning communities).

Third, the establishment of learning communities and support networks has proven effective in ensuring the sustainability of training programs. This model can be adopted in other MSME development programs to maximize long-term impact. Fourth, the program underscores the importance of considering the local context in designing training programs, including digital literacy levels, infrastructure availability, and resource constraints faced by MSMEs.

Implementation Challenges and Adaptation Strategies

Although the program showed positive results, some significant challenges emerged during implementation. The first challenge is resistance to change, both from MSME owners and employees. Some owners felt that the new system was too formal and did not fit with the informal culture that existed. Some employees also feel threatened by an objective performance appraisal system because they are used to a loose system. To overcome this resistance, the community service team uses a change management approach. Gradual and participatory. Participants are encouraged to start with small, easy-to-implement changes, then gradually progress to more complex changes. Employees are also involved in the process. designing HR systems to increase buy-in and reduce resistance. This strategy has proven effective, with 91% of participants finally

successfully implementing the HR system with full support from their employees. The second challenge is limited resources for implementing the new system. Many MSMEs feel that they do not have the time, manpower, or budget to implement a management system Comprehensive HR. To address this, the mentoring team helps participants prioritize initiatives based on impact and feasibility, and developing a simple but effective system.

The team also introduced tools and templates that can speed up the implementation process. For example, customizable job description templates, an easy-to-use Excel-based KPI dashboard, and A checklist for various HR processes. This tool is very helpful for MSMEs that don't have a dedicated HR department. staff. The third challenge is the difficulty of measuring performance for certain types of jobs. Some positions, in particular which are creative or service-oriented, are difficult to measure with quantitative indicators.

The mentoring team help participants to develop a balanced approach, using a combination of quantitative and qualitative indicators, as well as multiple sources of feedback such as customer reviews, peer feedback, and self assessment. The fourth challenge is sustainability. Many MSMEs were enthusiastic at the start of the program but lost momentum over time. To ensure sustainability, the program emphasizes the importance of embedding HR practices into daily operations, not as an add-on. The mentoring team also helps Identify "HR champions" in each MSME who can be a driving force for continuous improvement. improvement.

Implications for Policy and Program Development

The results of this community service program have several important implications for the development of future MSME support policies and programs. First, this program demonstrates that investment in development of human resource management capacity provides significant returns in the form of increased productivity, operational efficiency, and employee retention. Therefore, HR management training programs needs to be a priority in the MSME development agenda. Second, this program demonstrates the importance of a holistic approach in developing MSMEs, which not only focus on technical or financial aspects, but also on human resource management aspects. Many programs MSME development that ignores the HR aspect, even though HR is the most important asset in an organization.

Third, the formation of learning communities and support networks has proven effective in ensuring sustainability program. This model can be adopted in other MSME development programs to Maximizing long-term impact. The community serves not only as a forum for knowledge sharing but also as a source of motivation and accountability. Fourth, this program demonstrates the importance of considering the local context in designing training programs, including the level of management literacy, resource availability, and existing organizational culture. MSMEs. A one-size-fits-all approach is ineffective; programs need to be tailored to specific characteristics. Target MSMEs.

Socio-Economic Impact of the Program

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This program not only has an impact on technical and economic aspects but also has a social impact. significant. Increasing employee job satisfaction creates a more positive and healthy work environment, which in turn improves the well-being of employees and their families. Several participants reported that the relationship between owners and employees became more positive and professional after the implementation of the HR management system. Better communication and fairness in Treatment reduces conflict and increases trust. One MSME owner said, "I used to feel like an enemy to my employees. Now we feel more like a team working towards the goal." common goals."

From an economic perspective, the 52% increase in productivity and 69% in operational efficiency had a direct impact. on MSME profitability. Some participants reported an increase in profit margins of up to 30% within four months of the program. This increase in profitability allows MSMEs to reinvest in business development, including hiring additional employees, which in turn contributes to job creation and local economic growth. This program also creates a ripple effect in the community. Employees who receive better treatment good and development opportunities at work bring this positive attitude into personal life and their social media. Some employees are even inspired to start their own businesses in the future, equipped with knowledge about the importance of good HR management.

Program Sustainability

To ensure the sustainability of the program's impact, several strategies have been implemented. First, the formation of the Medan Human Resources Care MSME Community which functions as a learning platform sustainable (Goh, et al., 2025). This community remains active even after the formal program ends, with members regularly sharing knowledge and experiences. Second, the community service team has trained several participants with advanced skills to become "HR mentors" who can help other community members. This strategy creates peer-to-peer support. A sustainable system. Some HR mentors have even begun offering paid consultations to other MSMEs, creating a new income stream and expanding the program's impact.

Third, the program has built partnerships with local stakeholders, including the Cooperatives and MSMEs Service. The city of Medan, business associations, and educational institutions are working together to ensure ongoing support for the MSME community. This partnership is crucial for the program's long-term sustainability. Fourth, documentation of best practices and lessons learned from this program has been compiled into a practical handbook that can be used by other MSMEs as a self-learning resource. This handbook is distributed through the Medan City Cooperatives and MSMEs Service and is also available in digital format that can be accessed extensively.

CONCLUSION AND RECOMMENDATIONS

Community service program "Implementation of Performance-Based Human Resource Management to Improve The productivity of MSMEs in Medan City has succeeded in increasing the capacity of human resource management and

productivity of 35 participating MSMEs from various sectors in Medan City. Based on the results and discussions has been described, several things can be concluded as follows:

1. This program significantly improves participants' HR management knowledge and skills, with the percentage of participants with basic knowledge of HR management increasing from 24% to 91%. This increased capacity had a positive impact on their business performance, with productivity increasing, employee turnover increased by an average of 52% and operational efficiency increased by 69%.
2. Adoption of structured HR management practices among participants increased substantially, with 83% now have a complete organizational structure and job descriptions, and 78% implement a KPI-based performance appraisal system. This demonstrates the program's success in facilitating transformation. HR management in MSMEs.
3. The implementation of a KPI-based performance appraisal system has increased objectivity and fairness in employee evaluation, reduced conflict, and increased employee motivation to perform better.
4. The program successfully increased employee job satisfaction from 38% to 74% and reduced the turnover rate from 34% to 20% per year. This increase in retention is very beneficial for MSMEs. in terms of cost efficiency and institutional knowledge.
5. The "learning by doing" approach with intensive mentoring has proven effective in facilitating learning and adoption of HR management practices among MSMEs. This approach allows participants to directly apply knowledge in their own business context with support from the mentoring team.
6. The formation of the Medan Human Resources Care MSME Community has succeeded in creating a network of support and continuous learning for participants, overcoming one of the main challenges, namely limited access to... information and best practices.
7. Despite significant increases in the adoption of HR management practices, some challenges remain. exist, including resistance to change, resource limitations, and difficulty measuring performance. for certain types of work. Adaptation strategies implemented, such as a gradual approach, tools simple, and balanced scorecard approach, has proven effective in addressing these challenges.
8. This program shows that HR management is not just about systems and procedures, but also about mindset transformation and building a positive organizational culture. Fundamental changes in how MSME owners view and treat their employees are key to long-term success. long.

Based on the program results and identified challenges, here are some suggestions for developing similar programs in the future and for supporting policies for MSMEs:

1. Program Development
 - a. Extend the duration of mentoring to a minimum of 6 months to ensure more effective adoption. and sustainable, including monitoring implementation in various business situations.

- b. Develop tiered training modules based on the level of maturity of the participants' HR management, starting from basic for beginner MSMEs to advanced for MSMEs that already have a foundation.
 - c. Adding training components on HR analytics and the use of technology to help MSMEs measure the ROI of their HR investments and make data-driven decisions.
 - d. Integrate aspects of organizational culture and employee engagement into the program to create a more holistic transformation.
 - e. Developing an "HR-Ready MSME" certification program that can increase credibility and competitiveness. MSME competitiveness in attracting quality talent.
 - f. Adding material on legal compliance in HR management to ensure MSMEs understand and comply with employment regulations.
2. Strengthening Supporting Infrastructure
 - a. Develop simple and affordable HR management software specifically for MSMEs that can automate various HR processes such as attendance, payroll, and performance tracking.
 - b. Create an online HR resource library that MSMEs can access for self-learning, including templates, guidelines, video tutorials, and case studies.
 - c. Facilitating MSME access to HR consultants or practitioners through pro bono or subsidy programs. consultation.
3. Supporting Policies
 - a. Develop incentive programs for MSMEs that implement good HR management practices, such as tax incentives or priorities in government funding programs.
 - b. Forming partnerships between local governments, universities, business associations, and HR practitioners to providing ongoing assistance to MSMEs in HR management transformation.
 - c. Integrating HR management materials into the national MSME training curriculum for ensuring that all MSMEs have a basic understanding of the importance of and how to manage HR. Machine Translated by Google
 - d. Facilitating MSMEs' access to quality talent pools through job fairs, internship programs, or talent matching platform.
 - e. Develop a recognition program for MSMEs with best HR management practices to create role models and encourage other MSMEs to improve.
4. Further Research
 - a. Conducting a longitudinal study to measure the long-term impact of implementing performance-based HR management on the growth and sustainability of MSMEs.
 - b. Develop a special HR maturity model for MSMEs that can be used as a diagnostic tool. and development roadmap.
 - c. Examine the factors that influence the successful adoption of HR practices in MSMEs. identify best practices and barriers.
 - d. Conduct comparative studies with similar programs in other countries or regions to identify lessons learned. lessons learned that can be adapted.

- e. Examining the impact of good HR management on the innovation capability and competitiveness of MSMEs. in the digital economy era.
5. Capacity Development of the Community Service Team
 - a. Increase the capacity of community service teams in HR analytics and people management technology. to provide more comprehensive assistance.
 - b. Developing collaborative networks with practitioners and academics from various fields (psychology, organization, employment law, organizational development) to enrich perspectives and approaches program.
 - c. Conduct benchmarking with similar programs in various regions for continuous quality improvement. and program effectiveness.
6. Strengthening Communities and Ecosystems
 - a. Develop a mentorship program where MSMEs that have succeeded in HR management can become a mentor for other MSMEs.
 - b. Facilitate regular community meetups for knowledge sharing, invited speakers, and networking.
 - c. Organizing HR best practice competitions or awards to encourage innovation and creativity in HR management practices in MSMEs.
 - d. Building partnerships with recruitment agencies and training providers to provide special rates or services to MSME members of the community. Machine Translated by Google
 - e. Develop peer learning groups based on industry or size to facilitate greater sharing. specific and relevant. This program has demonstrated that with the right approach, MSMEs can adopt effective HR management practices to increase their productivity and competitiveness. sustainable collaboration between universities, government, private sector, and MSME communities, transformation HR management can be expanded and deepened to strengthen the MSME sector as a vital pillar of the economy national.

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