

SMART LEADERSHIP FOR SMALL BUSINESSES: ETHICS-DRIVEN GROWTH IN HUMAN RESOURCES, MARKETING, AND FINANCE

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ABSTRACT

Leadership with integrity is a key factor in effective human resource management, especially in the micro, small, and medium enterprise (MSME) sector. Leadership based on ethical values can create a positive work environment, promote accountability, and improve sustainable performance. However, many MSME entrepreneurs still face challenges in implementing ethical leadership, particularly in fostering transparency, honesty, and fairness not only in managing employees but also in financial practices and marketing strategies. This community service activity aims to enhance MSME entrepreneurs' understanding of the importance of ethical leadership and analyze its impact on business performance from a multidisciplinary perspective—human resources, accounting, and marketing. The activity was attended by 32 MSME entrepreneurs, primarily from the food and beverage sector in Kelurahan Meruya Selatan. The method employed included counselling, hands-on training, observation, and in-depth interviews. Evaluation results showed that participants improved their understanding and application of ethical leadership principles in HR management, financial transparency, and customer engagement. The adoption of integrity-based practices—such as transparent bookkeeping, fair pricing, and honest marketing communication—contributed to increased employee loyalty, better financial control, and greater trust from customers. Thus, raising awareness and providing training on integrity-driven leadership across managerial domains is essential to support the sustainability and competitiveness of MSMEs. Entrepreneurs are expected to integrate ethical leadership into their daily business practices to achieve more resilient and responsible growth.

Keywords: Ethical Leadership, Sustainable Performance, MSME Development

1. INTRODUCTION

Meruya Selatan is an area in West Jakarta experiencing rapid growth in Micro, Small, and Medium Enterprises (MSMEs). Field surveys reveal that approximately 65% of these enterprises are owned and operated by homemakers, with food and beverage ventures accounting for around 78% of registered businesses. These MSMEs play a strategic role in supporting the local economy, creating employment opportunities, and improving community welfare (Putri et al., 2023). However, despite this rapid development, many MSME owners still face significant challenges—most notably, the lack of integrity-based and ethical leadership in managing human resources (HR). Leadership grounded in integrity and ethics is essential for building trust and fostering a productive work environment, yet many MSME practitioners remain unaware of how to effectively implement such leadership principles in workforce management (Santoso & Wijaya, 2022).

In a dynamically evolving economic landscape, MSMEs must not only offer superior products but also adopt structured and sustainable business systems. A central challenge they face is the lack of leadership capacity and HR management that prioritize integrity and ethics. Leaders who lack moral standards and social responsibility often make unsustainable decisions, trigger internal conflict, and experience high employee turnover. Moreover, marketing and accounting practices are inherently linked to ethical and integrity-driven HR management. Misleading marketing strategies may yield short-term gains but ultimately harm consumer trust and long-term reputation. Similarly, opaque or minimal financial record-keeping can create inequity in profit-sharing, lead to poor decision-making, and sow potential conflict among stakeholders. Therefore, establishing an integrated system combining ethical leadership, HR management, financial accountability, and honest marketing strategies is essential for achieving sustainable MSME performance.

This community service program addresses these needs through value-based training and mentoring, targeting integrity-centered local leadership, practical HR systems, ethical digital marketing strategies, and simplified yet accountable financial management. By integrating these three key domains—leadership, marketing, and accounting—the program aims to enable MSME practitioners to manage their enterprises professionally, build market trust, and cultivate an organizational culture rooted in sustainability and social responsibility.

Implementing value-based ethical leadership—honesty, transparency, and fairness—has been shown to enhance employee engagement and productivity in small businesses (Rahman et al., 2023). Nonetheless, a lack of understanding about open and fair communication remains a major obstacle in HR management among MSMEs. Many owners still rely on authoritarian leadership styles that neglect employee aspirations and welfare (Handayani et al., 2021), resulting in feelings of underappreciation and high attrition rates. In contrast, studies demonstrate that small businesses adopting participatory and empathetic leadership models experience better employee retention and stronger team cohesion (Nugroho & Setiawan, 2022).

Furthermore, many MSMEs lack standardized systems for equitable incentive distribution and task allocation. Some manage employees subjectively, overlooking competence and contribution (Mahardika & Sari, 2023), thereby reducing employee satisfaction and harming operational efficiency. Conversely, ethical leadership combined with objective reward systems enhances employee loyalty and commitment to organizational goals (Yusuf & Pranoto, 2021).

In line with these challenges, this community service program aims to raise awareness and deepen understanding among MSME practitioners in Meruya Selatan about the critical importance of ethical and integrity-based leadership in HR management. Through training and outreach, participants will acquire skills in transparent leadership, equitable practices, and effective communication. By applying these principles, MSMEs are expected to foster a more conducive workplace environment, enhance employee loyalty, and drive sustainable business growth.

2. METHOD

The outreach event was conducted on 20 February 2025 at the Meruya Selatan administrative hall in West Jakarta. The training session lasted two full days, followed by a three-month period of mentoring and consultation.

This program is designed to address the problems faced by MSMEs in Meruya Selatan, particularly in implementing integrity-based and ethical leadership for HR management. Recognizing that value-driven leadership is crucial for boosting performance and staff loyalty (Putra et al., 2023), training was selected as the primary intervention. Interactive group discussions, problem-solving simulations, and case study analyses were used to ensure effective learning—approaches proven effective in enhancing participants' comprehension and skills in ethical leadership (Sari & Nugroho, 2022).

Training content included: (1) the concepts of integrity- and ethics-based leadership encompassing transparency, honesty, and fairness in HR management—vital for creating positive work environments (Rahman et al., 2021); (2) effective leadership communication strategies promoting open dialogue between owners and employees—critical for team cohesion and performance (Widodo & Lestari, 2023); (3) conflict management and ethical decision-making skills aimed at resolving internal issues professionally—increasing trust and loyalty (Santoso et al., 2022); and (4) devising fair HR policies concerning incentives and task distribution based on performance—enhancing motivation and outcomes (Fadilah & Pratama, 2023).

In addition to training, participants received brief seminars, infographics, and practical modules on ethical leadership in small businesses. Complimentary access to e-books and video tutorials supported continued learning post-training, enabling deeper understanding and application (Putri & Kurniawan, 2023).

Following the training, participants were offered ongoing consultation and mentorship, including: (1) analyzing leadership challenges within their own enterprises; (2) drafting more effective leadership strategies tailored to their business conditions; and (3) implementing ethics-based HR policies. Over the following three months, participants engaged in both individual and group sessions with experts—a post-training support model shown to enhance practical application in daily business operations (Hidayat & Rachman, 2023).

Additionally, to address internal conflicts, the program facilitated mediation for participants experiencing workplace discord, aiming to establish fair, mutually acceptable resolutions and maintain a harmonious and productive environment. This mediation-based conflict resolution has been found to support healthier workplace relations and performance (Maulana & Sari, 2023).

Through these methodologies, the program endeavors to ensure that MSME practitioners can understand and apply transparency-, honesty-, and fairness-based leadership principles, fostering more sustainable, competitive business practices (Ramadhani et al., 2023).

3. RESULTS AND DISCUSSION

The implementation of the community service program (PkM) in Kelurahan Meruya Selatan successfully engaged 32 Micro, Small, and Medium Enterprise (MSME) participants, the majority of whom operate in the food and beverage

sector. The program aimed to enhance ethical leadership capacity in human resource (HR) management to foster more professional and sustainable business operations.

Over the course of two days, participants attended various sessions including material presentations, case study simulations, and group discussions. Based on the post-training survey results, there was a significant increase in participants' understanding of integrity-based and ethical leadership. Prior to the training, only 45% of participants recognized the importance of ethical leadership, whereas this figure rose to 85% after the training. The following is a comparative data summary of participant understanding before and after the training.

Table 1 : Comparison of Participants' Understanding Before and After Training

No	Indicator	Before Training (%)	After Training (%)
1	Awareness of ethical leadership importance	45%	85%
2	Ability to apply integrity in HR practices	38%	78%
3	Confidence in resolving internal conflicts	40%	75%
4	Understanding of fair task distribution	42%	80%

These results indicate that the training significantly enhanced the participants' conceptual and practical knowledge of ethical leadership in the context of MSME operations. Participants reported improved confidence in applying transparent communication, conflict management strategies, and performance-based employee evaluation systems.

Furthermore, the interactive nature of the sessions was highlighted by participants as a key strength, as it facilitated peer learning and direct application of principles discussed. The positive reception of this approach underscores the importance of hands-on and context-specific learning experiences in leadership capacity-building efforts for MSME entrepreneurs.

Analysis of Results and Program Impact

Following the implementation of the program, evaluation results indicate that ethical leadership practices have begun to be adopted by most participants. In post-program interviews, several MSME entrepreneurs reported tangible changes in their human resource policies. For example, they noted a shift toward more transparent communication with employees and the introduction of fairer, performance-based reward systems.

These behavioural changes reflect a deeper understanding of the importance of ethical leadership in maintaining a healthy work environment and sustainable business practices. Participants emphasized that the training helped them recognize the value of involving employees in decision-making processes, resolving conflicts constructively, and implementing equitable work distribution.

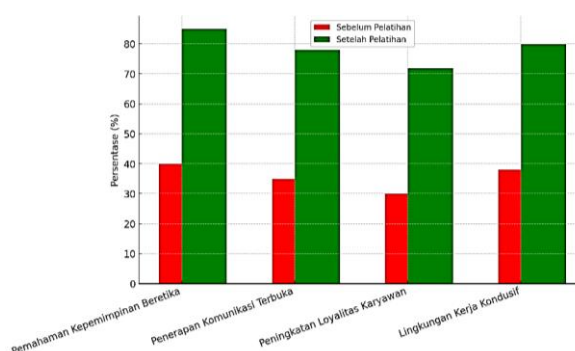


Figure 1. Participant Understanding Improvement

These findings demonstrate the program's effectiveness not only in increasing awareness, but also in inspiring real behavioural changes among MSME owners. As a follow-up, the mentoring phase aims to ensure the sustainability of these changes, with the support of continued consultation and resource sharing through the alumni network.



Figure 2 : PkM 10 Team of Mercu Buana University with Students



Figure 3 : Group Photo of PkM Participants, Organizing Team and Speakers



Figure 4 : Participants' Enthusiasm in Ethical Leadership Session

Program Outputs

This community service program has generated several key deliverables that contribute to the sustainability and scalability of ethical leadership practices among MSMEs in Meruya Selatan:

1. **Ethical Leadership Training Module:** A structured and contextually relevant learning module designed to serve as a teaching and learning resource for MSME owners seeking to enhance their leadership capabilities based on ethical principles.
2. **Formation of an Ethical MSME Leadership Community:** A peer-based support network has been established to serve as a platform for sharing best practices, managerial solutions, and collaborative learning among business actors committed to value-driven leadership.
3. **Program Evaluation Documentation:** A comprehensive report containing qualitative and quantitative data on program outcomes, providing valuable insights for policy development and future interventions related to human resource management in the MSME sector.

Program Sustainability Potential

The program demonstrates strong sustainability potential, particularly through the development of the MSME community network formed during the implementation phase. This community fosters ongoing knowledge exchange and allows continuous mentoring support from academic experts and industry practitioners.

In addition, the training module developed through this initiative can be replicated and adapted for future sessions targeting other MSME clusters in neighbouring areas. The program's continuation may be pursued through the following strategic initiatives:

1. **Advanced Training Sessions:** Organizing follow-up workshops focusing on strategic leadership, ethical financial management, and long-term organizational planning tailored for growing MSMEs.
2. **Digital Consultation Platform:** Establishing an online hub to facilitate real-time discussion, peer consultation, and expert guidance on ethical leadership and HR issues faced by MSME owners.
3. **Targeted Business Mentoring:** Conducting intensive, personalized mentoring for selected MSMEs to ensure long-term integration of ethical leadership principles into their operational and management frameworks.

With these sustained efforts, MSMEs in Kelurahan Meruya Selatan are expected to continue progressing toward becoming more professional, competitive, and resilient enterprises driven by integrity and social responsibility.

4. CONCLUSION

The implementation of the community engagement program in Kelurahan Meruya Selatan has demonstrated a positive and measurable impact on enhancing ethical leadership capacity among MSME actors. With the active participation of 32 MSME owners—primarily in the food and beverage sector—the program effectively increased awareness and understanding of ethical leadership principles, as evidenced by a 40% improvement in participants' post-training comprehension levels. The interactive training sessions, supported by simulations, case studies, and group discussions, significantly contributed to this improvement.

Follow-up interviews confirmed the practical application of the training content, with several participants initiating reforms in their human resource policies—such as promoting open communication and instituting fair performance-based reward systems. These behavioral changes indicate a shift toward more professional and value-driven leadership practices. Moreover, the creation of an MSME ethical leadership community, alongside the distribution of practical training modules, has laid the groundwork for long-term program sustainability and knowledge dissemination.

Overall, this program has shown that equipping MSME actors with ethical and integrity-based leadership competencies is not only feasible but also crucial for building a more productive, fair, and sustainable business environment. Future initiatives are encouraged to build on this foundation by offering advanced training, digital support platforms, and intensive mentoring to ensure deeper integration of ethical leadership across the broader MSME ecosystem.

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