

SUSTAINABLE HUMAN RESOURCE DEVELOPMENT STRATEGY TO ENHANCE INNOVATION AND CREATIVITY OF MSMEs IN MALAYSIA

Lenny Christina NAWANGSARI^{1*}, Indra SISWANTI², Dudi PERMANA³, Agus ARIJANTO⁴, Augustina KURNIASIH⁵

^{1,2,3,4,5} Universitas Mercu Buana, INDONESIA

****lenny.christina@mercubuana.ac.id***

ABSTRACT

One of the key factors that influence the innovation and creativity capabilities of MSMEs is sustainable and innovative Human Resources. The importance of sustainable and innovative human resources is that it can increase the competitiveness of organizations in the global market because it is able to offer solutions that are relevant to future needs. For this reason, a sustainable human resource development strategy is needed to enhance innovation and creativity of MSMEs in Malaysia.

The objectives of this study are to identify the main obstacles in the development of MSME human resources and provide policy-based solutions, design a sustainable human resource development strategy to enhance innovation and creativity of MSMEs in Malaysia, encourage the adoption of technology and digital transformation in MSME human resource management and improve understanding and application of the concept of sustainability in the MSME sector through training and collaboration.

Keywords: Sustainable Human Resource, Innovation, Creativity, MSMEs

1. INTRODUCTION

1.1. The analysis of the partner's situation

The development of Micro, Small and Medium Enterprises (MSMEs) in Malaysia is one of the important strategies to increase economic growth and reduce unemployment. MSMEs have a significant role in the Malaysian economy, contributing around 38.3% to Gross Domestic Product (GDP) and absorbing around 65.5% of the total workforce in Malaysia. MSMEs in Malaysia have an important role in the majority of total businesses in various sectors, and make a significant contribution to GDP (Mongid,2011). Malaysian MSMEs contribute 97.2% of Malaysia's GDP (Rahayu,2023). Micro, small and medium enterprises (MSMEs), including micro-enterprises, are critical to Malaysia's economic transformation process as they drive growth, employment and income. Malaysia needs a “game changer” in its economic transition towards a high-income society in 2020, amidst changes in the external environment and increasing global competition. The performance of MSMEs has increased significantly in recent years (Dina,2020). The Department of Statistics Malaysia reported that the value generated by MSMEs reached RM580.4 billion, increasing significantly from RM520.0 billion in 2021, and its contribution to GDP increased to 38.4% from 37.4%. Then, in 2022, Malaysia's micro, small and medium enterprises (MSMEs) achieved an increase in Gross Domestic Product (GDP) of 11.6%, exceeding the country's overall GDP growth of 8.7%. With a share of 84.6%, the service and manufacturing industry is still the largest contributor to MSME GDP (The Star, 2023)

Sustainability is an important principle for human resource management and contributes to the achievement of organizational goals and performance, which reduces adverse impacts on stakeholder interests and maximizes organizational results (Sotome,2014). One of the key factors that influences the innovation and creativity capabilities of MSMEs is sustainable and innovative Human Resources. Currently, many MSMEs still face the problem of limited creative, innovative and sustainability-oriented human resources. Innovative sustainable human resources refer to human resources that are able to combine innovation capabilities with sustainability principles. These human resources do not only focus on short-term results, but also consider the long-term impact on the environment, society and economy, while continuing to adapt to change and create new solutions. Innovative sustainable human resources are the main foundation for organizations to face future challenges with solutions that are not only creative but also socially and environmentally responsible. The importance of Innovative Sustainable HR is that it can increase the competitiveness of organizations in the global market because it is able to offer solutions that are relevant to future needs.

This HR helps create products and services that support economic growth without damaging the environment or sacrificing social welfare. With a focus on sustainability, this HR helps organizations reduce environmental and social risks that can affect reputation and operations and can create added value, both for companies, consumers, and the environment.

Overall, MSME HR in Malaysia has great potential, but still faces challenges in terms of skills improvement, technology adoption, and workforce management.

Government support and private sector collaboration are essential to increase HR capacity in driving MSME growth. The role of the Government and the private sector continues to encourage technology-based training to help MSMEs compete in the global market. The Malaysian government also provides various HR training and development programs for MSMEs, such as through SME Corp. Malaysia and MARA. This program includes improving digital skills, financial management, and business innovation.

Currently, MSME HR in Malaysia is starting to be directed to be more creative and innovative, especially in the creative industry, tourism, and service sectors.

Therefore, a sustainable HR development strategy is needed to improve innovation and creativity of MSMEs in Malaysia.

This strategy must be able to help MSMEs develop quality HR with high innovation and creativity capabilities, so that they can improve their competitiveness and develop innovative products or services.

Some Innovative Sustainable HR Development Strategies include improving HR skills through training on sustainability, innovation, and green technology, building a work culture that encourages innovation and concern for sustainability, providing access to cutting-edge technology that supports the creation of innovation and involving HR in joint initiatives with the government, universities, and communities.

Partners in Community Service activities are PERMAI. PERMAI partners consist of various government agencies, financial institutions, and related organizations, playing an important role in the development of MSMEs in Malaysia through several ways including:

- providing micro-financing schemes with low or no interest to help MSMEs overcome liquidity problems
- offering training programs to help MSMEs switch to digital platforms, improve skills in e-commerce, digital marketing, and the use of information technology
- providing business assistance to improve the managerial and operational capacity of MSMEs and help market products online, expand market reach and increase sales such as coordinating exhibitions and bazaars to promote MSME products

Characteristics of MSMEs in Penang Island, Malaysia

1. Business Scale
Most MSMEs are in the micro and small categories with traditional or family businesses
2. Market Orientation
Most MSMEs focus on the local market, however, there has been a significant increase in penetration into the global market
3. Digitalization
Many MSMEs have begun to adopt digital technology for marketing and operations through e-commerce platforms. Micro, Small, and Medium Enterprises (MSMEs) in Penang Island, Malaysia, play an important role in the local economy, especially in the trade, manufacturing, and tourism sectors
4. The main sector of MSMEs in Penang is Manufacturing. Penang Island is known as one of the manufacturing centers in Malaysia, with many MSMEs engaged in electronics, textiles, and processed food products. In addition. As one of the popular tourist destinations, MSMEs in Penang Island are many engaged in the hospitality, culinary, handicraft, and other tourism service sectors. In the trade sector, MSMEs in Penang Island include retail stores, traditional markets, and wholesale businesses that support the needs of the local community and tourists.

5. Government Support and Initiatives

The Penang state government, through various agencies such as Invest Penang and Penang Development Corporation (PDC), provides various programs and initiatives to support the growth of MSMEs, including:

- Training and Development Programs to improve management, marketing, and digitalization skills for MSME owners.
 - Access to Financing to assist MSMEs in working capital and business expansion.
 - Assisting MSMEs in marketing their products through trade fairs, e-commerce platforms, and collaboration with large companies.
6. Challenges faced by MSMEs in Penang, where market competition is a significant challenge. In addition, Limited Resources and the limited adoption of digital technology for operations and marketing by MSMEs.

1.2. Partner Problem

Based on the description of the situation analysis above, the following problems can be identified:

1. How to improve the capacity of MSME human resources to be able to develop innovation and creativity that is oriented towards sustainability?
2. How to increase awareness of MSME actors regarding the importance of sustainability principles in their business innovation?
3. What strategies are effective in expanding access to training and human resource development throughout Malaysia?
4. What steps can be taken to strengthen collaboration between MSMEs, the government, and educational institutions in developing innovative human resources?

For the writing of paper content, the template must be referred. It will make style and layout of the written paper easier. The author is required to express quantitatively the portrait, profile, and condition of the target audience involved in community service activities.

The conditions and potential of the area in terms of physical, social, economic, and environmental aspects that are relevant to the activities carried out can also be described. Also describe the potential that is used as material for community service activities. The author is asked to formulate the problem concretely and clearly in this section. Explain the objectives to be achieved in the community service activity.

1.3. The purpose activity

1. Identify the main obstacles in MSME human resource development and provide policy-based solutions.
2. Encourage the adoption of technology and digital transformation in MSME human resource management.
3. Design a sustainable human resource development strategy to improve innovation and creativity of MSMEs in Malaysia.
4. Improve understanding and application of the concept of sustainability in the MSME sector through training and collaboration

2. METHOD

Research Design

1. Approach : Community-Based Participatory Research (CBPR)
2. Participants : MSMEs across various sectors in Malaysia,
3. Data Collection :
 - structured interviews with MSME owners and staff
 - Focus group discussions and Q&A

Stages or Steps for Implementing Community Service Activities

1. Problem Identification and Analysis
 Method: Participatory Rural Appraisal (PRA) & Need Assessment.
 PRA as a grassroots methodology that is closely connected with local communities to identify real-world problems and co-create sustainable solutions (Riswan,2020)
 - a. Conducting direct observation of partner MSMEs.
 - b. Conducting surveys or in-depth interviews to understand the challenges faced, such as:
 - How to improve the capacity of MSME human resources to be able to develop innovation and creativity that is oriented towards sustainability.

- How to increase awareness of MSME actors regarding the importance of sustainability principles in their business innovation.
 - What strategies are effective in expanding access to training and human resource development throughout Malaysia?
 - What steps can be taken to strengthen collaboration between MSMEs, the government, and educational institutions in developing innovative human resources?
- c. Involving MSME owners in identifying needs and appropriate solutions.
Output: Map of MSME main problems and specific needs for solutions to be implemented.
2. Program and Solution Design
Method: Problem-Based Learning & Collaborative Planning.
Problem-based learning (PBL) is a student-centered approach in which students learn about a subject by working in groups to solve an open-ended problem. This problem is what drives the motivation and the learning. (Nilson,2010)
Collaborative planning is a planning approach that involves various parties or stakeholders to jointly develop plans, make decisions, and solve problems in a participatory manner. Collaborative planning emphasizes the process of open dialogue, mutual trust, and exchange of information between the parties involved, resulting in more inclusive and sustainable decisions. (Innes & Booher,2010)
- a. Designing solutions based on identification results, such as:
- Needs-based HR Training and Development (hard skills & soft skills by holding campaigns or seminars on sustainability using social and digital media to disseminate information on environmental and social impacts.
 - Adopting circular economy principles, such as recycling and reusing materials to develop more sustainable products and services
 - Increasing digital literacy so that people can make maximum use of technology.
- b. Establishing partnerships with stakeholders such as academics, government, and companies.
Output: Concrete solution-based MSME development program plan.
3. Program Implementation
Method: Blended Learning, Coaching & Mentoring, Hands-on Training.
The Blended learning method is very relevant in the digital era (Dwiyoogo,2018) because:
- Integrates information technology to expand access and flexibility of learning.
 - Encourages student learning independence through a combination of online and offline learning.
 - Enriches the learning experience with interactive media and various digital learning resources.
- Implementation Program:
- a. Training and Workshop
- Training and HR Development on sustainability by using social and digital media to disseminate information on environmental and social impacts
 - Training on circular economy principles, such as recycling and reusing materials to develop more sustainable products and services
 - Training on digital literacy to be able to utilize adequate digital technology to support innovation to increase competitiveness
- b. Intensive Mentoring (Mentoring & Coaching)
- Regular business guidance to ensure implementation runs smoothly.
 - Case studies of successful MSMEs as references.
- c. Access to Networks and Markets
- Connecting MSMEs with business communities, incubators, and access to funding.
 - Helping MSMEs participate in exhibitions or digital marketplaces.
- Output: MSMEs have new skills and apply solutions directly in their businesses.
4. Monitoring Program and Evaluation

Method: Outcome-Based Evaluation & Continuous Improvement

- a. Conducting periodic evaluations of participating MSMEs to measure the impact of the program, such as:
 - Increasing the capacity of MSME human resources to be able to develop innovation and creativity that is oriented towards sustainability.
 - Increasing awareness of MSME actors regarding the importance of sustainability principles in business innovation
 - Strategies to expand access to training and human resource development
 - Strengthening collaboration between MSMEs, government, and educational institutions in developing innovative human resources
- b. Collecting feedback from participants and stakeholders regarding the obstacles faced.
- c. Making improvements and adjustments to the program for sustainability.

Output: Program impact report and recommendations for further development.

5. Sustainability and Strengthening of MSME Networks

Method: Community-Based Empowerment & Networking

- a. Forming an MSME community to share knowledge and experience.
- b. Developing a discussion forum or digital platform for ongoing consultation.

Output: Formation of an independent and sustainable MSME ecosystem.

3. RESULTS AND DISCUSSION

Implementation of Community Service Activities

This community service activity was carried out on Sunday, April 27, 2025 at the Indonesian Community Organization in Pinang, Malaysia.

The resource persons for this Community Service activity were the Master of Management Lecturer Team of the Faculty of Economics and Business, Mercu Buana University and resource persons from PERMAI Pinang and attended by MSME actors in Pinang, Malaysia. Community Service Activity in Penang Island, Malaysia, which was attended by 13 MSME actors.

This activity went well and smoothly, attended by Indonesian citizens who work in Penang Island, Malaysia with different backgrounds.

Based on gender, participants were dominated by women with a total of 13 participants.

Based on age, participants aged 40-50 years were 9 people, aged 30-39 years were 3 people and 1 person was over 50 years old. Based on occupation, most were housewives as many as 8 people, 3 people worked as cleaning services and 2 people worked in the culinary sector.



Figure 1. Implementation of Community Service Activities

The implementation of the activity went well and smoothly. The activity began with the delivery of material by the Mercu Buana University Lecturer Team. Furthermore, discussions and questions and answers were held with the participants of the activity. At the end of the activity, participants provided responses to the results of the activity in the form of questionnaires about expectations and satisfaction.

From the results of the questionnaire on satisfaction, participants were satisfied with the material presented by the resource person which was in accordance with the problems in the community, for the method presented, participants stated that they were quite satisfied, as well as with the supporting facilities and infrastructure.

Participants stated that they were very satisfied with the cohesiveness of the Implementation Team, because they had competencies that were in accordance with the material provided, in addition, participants were satisfied with the Implementation Team in packaging the activity program into an interesting and useful activity. The community was quite satisfied and enthusiastic about participating in the activity because they felt that the benefits obtained were quite large. From the entire activity program carried out, the community felt satisfied and very satisfied and this activity program was in accordance with the participants' expectations and the duration of the activity was also in accordance with the participants' expectations.

Overview of Science and Technology

The description of science and technology that will be presented is as follows:

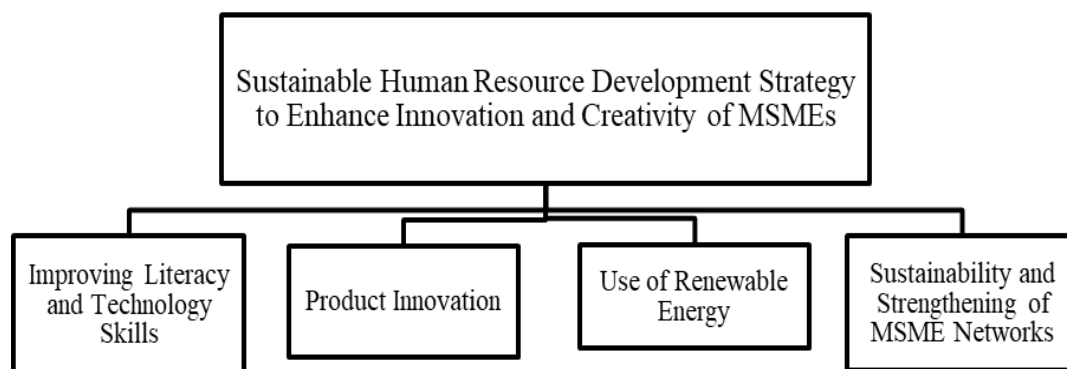


Figure 2. Overview of Science and Technology

The development of IPTEKS (Science, Technology, and Arts) for UMKM (Micro, Small, and Medium Enterprises) that focuses on sustainable, innovative, and creative HR (Human Resources) is an important strategy to improve the competitiveness and welfare of UMKM.

IPTEKS that can be implemented are:

1. Increasing Literacy and Technological Skills
 - Training and development programs for technological skills for MSME workers so that they can use modern technology in their business operations.
 - Increasing digital literacy and the use of social media to market MSME products and services.
2. Product Innovation

Encouraging creativity and innovation in products and production processes to increase MSME competitiveness.
3. Use of Renewable Energy

Implementing renewable energy technology to reduce operational costs and increase business sustainability
4. Sustainability and Strengthening of MSME Networks
 - Forming an MSME community to share knowledge and experience.
 - Developing a discussion forum or digital platform for ongoing consultation.
 - Strengthening collaboration between MSMEs, government, and educational institutions in developing innovative human resources

This Community Service Activity has been published through the mass media and published in the *kompasiana* with a link

<https://www.kompasiana.com/agusarijanto8566/683f49c534777c7bec657452/mengukir-bisnis-berkelanjutan-untuk-pekerja-migran-kolaborasi-universitas-mercu-buana-pkm-group-3-dengan-permai-malaysia-penang>



Figure 3. Mass media publications

4. CONCLUSION

- From the Community Service activities in Penang Island, Malaysia, it can be concluded that the community service activities carried out on Sunday, April 27, 2025 went well and smoothly, attended by Indonesian citizens who work in Penang Island, Malaysia with different backgrounds.
- Based on gender, participants were dominated by women with a total of 13 participants. Based on age, participants aged 40-50 years were 9 people, aged 30-39 years were 3 people and 1 person was over 50 years old. Based on occupation, most were housewives as many as 8 people, 3 people worked as cleaning services and 2 people worked in the culinary sector.
- The development of IPTEKS (Science, Technology, and Arts) for UMKM (Micro, Small, and Medium Enterprises) that focuses on sustainable, innovative, and creative HR (Human Resources) is an important strategy to improve the competitiveness and welfare of UMKM
- From the results of the questionnaire on satisfaction, participants were satisfied with the material presented by the resource person which was in accordance with the problems in the community, for the method presented, participants stated that they were quite satisfied, as well as with the supporting facilities and infrastructure. Participants stated that they were very satisfied with the cohesiveness of the Implementation Team, because they had competencies that were in accordance with the material provided, in addition, participants were satisfied with the Implementation Team in packaging the activity program into an interesting and useful activity. The community was quite satisfied and enthusiastic about participating in the activity because they felt that the benefits obtained were quite large. From the entire activity program carried out, the community felt satisfied and very satisfied and this activity program was in accordance with the participants' expectations and the duration of the activity was also in accordance with the participants' expectations.
- The suggestion for this Community Service activity is that there needs to be ongoing training activities so that mentoring can run optimally between UMB and partners and MSME actors.

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