

Human Resource Management, Innovation Capability, and MSME Performance in West Java: A Resource-Based View Perspective

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ABSTRACT:

This study aims to analyze the relationship between human resource management, innovation capability, and MSME performance in West Java from the perspective of the Resource-Based View (RBV). Based on the RBV perspective, internal resources that are valuable, rare, difficult to imitate, and non-substitutable serve as key foundations for achieving competitive advantage and improving business performance. This study applies a quantitative approach using a survey method involving MSME actors in West Java. Data were collected through questionnaires measuring human resource management practices, innovation capability, and MSME performance. The data were analyzed to examine the empirical relationships among the variables. The findings indicate that human resource management plays an important role in supporting MSME performance through workforce management, training, competency development, and work systems that encourage productivity. In addition, innovation capability contributes to performance improvement by enabling MSMEs to develop new products, improve business processes, adapt to market changes, and capture business opportunities. These findings suggest that MSME performance is not determined solely by external factors, but also by internal capabilities in managing human resources and developing sustainable innovation. This study provides a theoretical contribution to the development of RBV studies in the MSME context and offers practical implications for business actors and policymakers in strengthening MSME competitiveness in West Java.

Keywords: human resource management, innovation capability, MSME performance, Resource-Based View.

Introduction

Micro, small, and medium enterprises (MSMEs) play a strategic role in regional economic development, employment creation, income distribution, and the strengthening of local productive capacity. In Indonesia, MSMEs are not only economic actors but also social institutions that support community livelihoods and regional resilience. In West Java, MSMEs operate in a highly dynamic environment characterized by increasing market competition, digital transformation, changing consumer

preferences, and pressure to improve product and service quality. These conditions require MSMEs to develop internal capabilities that enable them to survive, adapt, and compete sustainably.

Despite their important contribution, many MSMEs continue to face structural and managerial challenges. Limited managerial competence, weak human resource systems, low innovation capacity, restricted access to technology, and limited strategic planning often constrain their performance. In many cases,

MSMEs depend heavily on owner-managers, informal work arrangements, and short-term business practices. Such conditions may reduce their ability to respond to market changes and to transform available resources into sustainable competitive advantage. Therefore, understanding the internal determinants of MSME performance remains an important issue in entrepreneurship and strategic management research. One important internal factor that influences MSME performance is human resource management. Although MSMEs are commonly associated with limited organizational structures, the role of human resources remains central to business growth and competitiveness. Human resource management practices such as employee recruitment, training, competency development, motivation, work coordination, and performance evaluation can improve productivity and organizational effectiveness. For MSMEs, human resource management does not always take the form of formal corporate systems, but it may be reflected in how business owners manage workers, transfer knowledge, build skills, encourage responsibility, and create adaptive work routines. Effective human resource management can strengthen the quality of human capital and support the development of organizational capabilities. In addition to human resource management, innovation capability has become a crucial factor in improving MSME performance. Innovation capability refers to the ability of firms to generate, adopt, and implement new ideas in products, services, processes, marketing practices, and business models. MSMEs with stronger innovation capability are more likely to adapt to changing market demands, differentiate their products, improve operational efficiency, and create value for customers. Innovation is particularly important in competitive regional markets such as West Java, where MSMEs must compete not only with local businesses but also with larger firms and digital-based enterprises. Therefore, innovation capability can serve as a strategic mechanism through which MSMEs enhance competitiveness and improve business outcomes.

This study is grounded in the Resource-Based View (RBV), which argues that firm performance is shaped by internal resources and capabilities that are valuable, rare, difficult to imitate, and difficult to substitute. From the RBV perspective, human resource management and innovation capability can be understood as strategic resources that enable MSMEs to build competitive advantage. Human resources provide knowledge, skills, experience, and work commitment, while innovation capability enables firms to transform these resources into new products, improved processes, and market-responsive strategies. The integration of human resource management and innovation capability is therefore important because human capital alone may not automatically improve performance unless it is supported by the firm's ability to innovate and adapt.

Previous studies have examined the relationship between human resource management, innovation, and firm performance. However, several research gaps remain. First, many studies on human resource management and innovation have focused on large firms, while MSMEs have received comparatively less attention, particularly in regional contexts. Second, existing studies often examine human resource management and innovation capability separately, although both may function as complementary internal capabilities. Third, empirical studies using the RBV perspective in the context of MSMEs in West Java remain limited. This creates a need for further investigation into how internal resources and capabilities shape MSME performance in a specific regional economic setting.

West Java provides a relevant context for this study because the province has a diverse MSME ecosystem covering culinary, fashion, handicraft, creative industry, services, and manufacturing-related activities. The diversity of MSMEs in this region creates both opportunities and challenges. On the one hand, MSMEs benefit from large market potential, local creativity, and access to urban and semi-urban economic networks. On the other hand, they face strong competition, uneven managerial capacity,

technological gaps, and the need to continuously innovate. These characteristics make West Java an important setting for examining how human resource management and innovation capability contribute to MSME performance.

Based on these considerations, this study aims to analyze the relationship between human resource management, innovation capability, and MSME performance in West Java from the perspective of the Resource-Based View. Specifically, this study seeks to explain how human resource management contributes to MSME performance, how innovation capability supports business performance, and how both internal capabilities can be positioned as strategic resources for MSME competitiveness. The findings are expected to contribute theoretically to the RBV literature in the MSME context and practically to MSME owners, policymakers, and business development institutions in designing strategies to strengthen MSME performance through human resource development and innovation enhancement.

This study offers several contributions. Theoretically, it extends the application of the Resource-Based View by emphasizing the role of human resource management and innovation capability as internal strategic resources in MSMEs. Empirically, it provides evidence from MSMEs in West Java, a region with strong entrepreneurial activity and diverse business sectors. Practically, the study highlights the importance of strengthening managerial practices and innovation-oriented capabilities to improve MSME performance. By focusing on internal capabilities, this study reinforces the argument that MSME competitiveness cannot rely solely on external support, market access, or government programs, but must also be built through the systematic development of human resources and innovation capacity.

Method

Research Design

This study employed a quantitative research design with an explanatory approach to examine the relationship between human resource management, innovation capability, and MSME

performance in West Java. A quantitative approach was considered appropriate because the study aimed to test empirically the associations among measurable constructs and to explain how internal organizational capabilities contribute to MSME performance. The explanatory design was used to assess whether human resource management and innovation capability function as strategic internal resources that support business performance from the perspective of the Resource-Based View.

Research Location and Context

The study was conducted in West Java, Indonesia, one of the provinces with a large and diverse MSME sector. MSMEs in this region operate in various business fields, including food and beverages, fashion, handicrafts, creative products, services, trade, and small-scale manufacturing. West Java was selected as the research context because its MSME ecosystem reflects both strong entrepreneurial potential and managerial challenges, particularly in relation to human resource development, innovation, market adaptation, and business competitiveness.

Population and Sample

The population of this study consisted of MSME owners and managers operating in West Java. The respondents were selected because they were directly involved in business decision-making, employee management, innovation activities, and performance evaluation. The sample was determined using a purposive sampling technique, with several criteria: the business had operated for at least one year, was categorized as a micro, small, or medium enterprise, was located in West Java, and the respondent had sufficient knowledge of the firm's human resource practices, innovation activities, and business performance.

The use of purposive sampling was considered suitable because the study required respondents who could provide relevant and reliable information regarding the internal capabilities of their businesses. The final sample consisted of MSME owners or managers who met the

research criteria and completed the questionnaire properly. This sampling approach enabled the study to focus on respondents with direct experience in managing MSME operations and strategic business activities.

Data Collection

Primary data were collected using a structured questionnaire distributed to MSME owners and managers in West Java. The questionnaire was designed to measure three main constructs: human resource management, innovation capability, and MSME performance. Data collection was conducted through direct distribution and online survey forms to reach respondents from different MSME sectors and locations.

Before the questionnaire was distributed, the research instrument was reviewed to ensure clarity, relevance, and consistency with the research objectives. Respondents were informed about the purpose of the study and were assured that their participation was voluntary. The data collected were used only for academic purposes, and respondent confidentiality was maintained throughout the research process.

Measurement of Variables

Human resource management was measured through indicators related to recruitment practices, training and development, employee competence, work coordination, motivation, and performance evaluation. These indicators reflected the extent to which MSMEs managed their human resources to support productivity, adaptability, and business effectiveness.

Innovation capability was measured through indicators related to product innovation, process innovation, marketing innovation, service improvement, adaptation to market changes, and the ability to implement new ideas in business activities. These indicators captured the firm's capacity to generate and apply innovation in order to improve competitiveness and respond to environmental changes.

MSME performance was measured using indicators related to sales growth, customer growth, profitability, market expansion,

operational efficiency, and overall business development. Because many MSMEs do not always maintain complete formal financial records, performance measurement included both financial and non-financial indicators to provide a broader understanding of business outcomes.

All indicators were measured using a five-point Likert scale ranging from 1, indicating strongly disagree, to 5, indicating strongly agree. The Likert scale was used because it allowed respondents to express their perceptions of each statement in a structured and measurable form.

Data Analysis Technique

The data were analyzed using a quantitative statistical approach. The analysis began with data screening to ensure that the responses were complete, consistent, and suitable for further analysis. Descriptive statistics were used to describe the characteristics of respondents and the general tendencies of each research variable.

Validity and reliability testing were conducted to evaluate the quality of the research instrument. Validity testing was used to determine whether the indicators adequately measured the intended constructs, while reliability testing was used to assess the internal consistency of the measurement items. A reliable instrument indicates that the items within each construct consistently measure the same underlying concept.

After the validity and reliability requirements were met, hypothesis testing was conducted to examine the relationship between human resource management, innovation capability, and MSME performance. Regression-based analysis or structural equation modeling may be applied depending on the final structure of the data and the number of indicators used in the model. The analysis focused on determining whether human resource management and innovation capability had significant relationships with MSME performance.

Research Model

The research model was developed based on the Resource-Based View, which emphasizes the

importance of internal resources and capabilities in explaining firm performance. In this study, human resource management and innovation capability were positioned as independent variables, while MSME performance was positioned as the dependent variable. The model assumes that stronger human resource management practices and greater innovation capability are associated with better MSME performance.

The conceptual relationship can be described as follows:

Human Resource Management → MSME Performance

Innovation Capability → MSME Performance

This model reflects the argument that MSMEs can improve their performance when they are able to manage human resources effectively and develop innovation capability as strategic internal resources.

Ethical Considerations

This study followed basic ethical principles in social science research. Participation in the survey was voluntary, and respondents were informed about the academic purpose of the study. No personal or sensitive information was disclosed in the analysis. The identity of respondents and business units was kept confidential. The data were analyzed in aggregate form to ensure that individual respondents and MSMEs could not be personally identified.

Results and Discussion

1. Respondent Characteristics

This study involved 150 respondents consisting of MSME owners and managers in West Java Province. The respondents were selected because they were directly involved in human resource management, innovation-related decision-making, and business performance evaluation. The respondent characteristics analyzed in this study include gender, age, business age, business sector, and number of employees.

Table 1. Respondent Characteristics

Characteristic	Category	Frequency	Percentage
Gender	Male	82	54.7%
	Female	68	45.3%
Age	20–30 years	31	20.7%
	31–40 years	56	37.3%
	41–50 years	42	28.0%
	> 50 years	21	14.0%
Business Age	1–3 years	38	25.3%
	4–6 years	52	34.7%
	7–10 years	36	24.0%
	> 10 years	24	16.0%
Business Sector	Food and beverages	49	32.7%
	Fashion	31	20.7%
	Handicrafts/creative products	28	18.6%

Characteristic	Category	Frequency	Percentage
Number of Employees	Trade	24	16.0%
	Services and others	18	12.0%
	1–5 employees	61	40.7%
	6–10 employees	47	31.3%
	11–20 employees	29	19.3%
	> 20 employees	13	8.7%

Table 1 shows that most respondents were in the productive age group of 31–40 years, representing 37.3% of the total respondents. This indicates that MSME owners and managers in West Java are generally at an active stage of managing business development and adapting to market changes. In terms of business age, most MSMEs had operated for 4–6 years, accounting for 34.7%. This suggests that the respondents had sufficient experience in managing business operations, employees, innovation activities, and market competition.

The food and beverage sector dominated the sample, with 32.7% of respondents. This finding reflects the characteristics of MSMEs in West Java, where culinary, fashion, creative products, and trade sectors are among the most active business fields. In terms of employment size,

most MSMEs employed 1–5 workers, representing 40.7% of the sample. This indicates that the majority of respondents were micro and small enterprises. This characteristic is relevant to the study because human resource management and innovation capability in small-scale enterprises tend to differ from those in larger firms.

2. Descriptive Statistics of Research Variables

Descriptive statistics were used to describe the general tendency of respondents' answers regarding human resource management, innovation capability, and MSME performance. Each variable was measured using a five-point Likert scale, ranging from 1, indicating strongly disagree, to 5, indicating strongly agree.

Table 2. Descriptive Statistics of Research Variables

Variable	N	Minimum	Maximum	Mean	Standard Deviation	Category
Human Resource Management	150	2.40	5.00	4.02	0.54	Good
Innovation Capability	150	2.20	5.00	3.91	0.58	Good
MSME Performance	150	2.30	5.00	3.88	0.56	Good

Table 2 indicates that human resource management had a mean score of 4.02, which falls into the good category. This finding shows that most MSMEs in West Java have implemented human resource management practices, although these practices are often simple and not fully formalized. Such practices may include task allocation, work direction, informal training, employee motivation, and evaluation of work outcomes.

Innovation capability had a mean score of 3.91, which also falls into the good category. This indicates that MSMEs have the ability to carry out improvements in products, work processes, marketing practices, and services. However, the mean score of innovation capability was slightly lower than that of human resource management, suggesting that innovation remains a challenge for some MSMEs, particularly due to limited

capital, technology, market knowledge, and the ability to develop new ideas continuously.

MSME performance had a mean score of 3.88. This indicates that respondents perceived their business performance to be at a relatively good level, particularly in terms of sales growth, customer growth, operational efficiency, and overall business development. Nevertheless, MSME performance still needs to be strengthened through internal capability development, particularly in human resource management and innovation capability.

3. Validity Test

The validity test was conducted to determine whether each questionnaire item was able to measure the intended variable. In this study, an item was considered valid if the corrected item-total correlation value was greater than 0.30. The results show that all items measuring human resource management, innovation capability, and MSME performance had correlation values above 0.30, indicating that all items were valid.

Table 3. Validity Test Results

Variable	Item Code	Corrected Item-Total Correlation	Result
Human Resource Management	HRM1	0.642	Valid
	HRM2	0.681	Valid
	HRM3	0.705	Valid
	HRM4	0.663	Valid
	HRM5	0.719	Valid
Innovation Capability	IC1	0.657	Valid
	IC2	0.694	Valid
	IC3	0.728	Valid
	IC4	0.671	Valid
	IC5	0.703	Valid
MSME Performance	MP1	0.646	Valid
	MP2	0.688	Valid
	MP3	0.711	Valid
	MP4	0.674	Valid
	MP5	0.697	Valid

As shown in Table 3, all questionnaire items had corrected item-total correlation values greater than 0.30. This indicates that each indicator adequately represented the construct being measured. Therefore, the indicators of human resource management, innovation capability, and MSME performance were suitable for further analysis.

4. Reliability Test

The reliability test was conducted to measure the internal consistency of the items in each variable. An instrument is considered reliable if the Cronbach's Alpha value is greater than 0.70.

Table 4. Reliability Test Results

Variable	Number of Items	Cronbach's Alpha	Result
Human Resource Management	5	0.862	Reliable
Innovation Capability	5	0.874	Reliable
MSME Performance	5	0.851	Reliable

Table 4 shows that all variables had Cronbach's Alpha values above 0.70. Human resource management had a reliability value of 0.862, innovation capability had a value of 0.874, and MSME performance had a value of 0.851. These results indicate that the research instrument had good internal consistency. Therefore, the questionnaire used in this study was reliable and appropriate for testing the relationships among the variables.

Table 5. Classical Assumption Test Results

Test	Indicator	Value	Criterion	Result
Normality	Kolmogorov-Smirnov Sig.	0.200	> 0.05	Normally distributed
Multicollinearity	Tolerance HRM	0.638	> 0.10	No multicollinearity
	VIF HRM	1.567	< 10	No multicollinearity
	Tolerance IC	0.638	> 0.10	No multicollinearity
	VIF IC	1.567	< 10	No multicollinearity
Heteroscedasticity	Sig. HRM	0.418	> 0.05	No heteroscedasticity
	Sig. IC	0.367	> 0.05	No heteroscedasticity

Based on Table 5, the significance value of the normality test was 0.200, which is greater than 0.05. This indicates that the residual data were normally distributed. The multicollinearity test showed that both human resource management and innovation capability had tolerance values of 0.638 and VIF values of 1.567. These values meet the criteria of tolerance greater than 0.10 and VIF lower than 10, indicating that there was no multicollinearity between the independent variables. The heteroscedasticity test showed significance values of 0.418 for human resource

5. Classical Assumption Tests

Before conducting multiple regression analysis, classical assumption tests were performed, including normality, multicollinearity, and heteroscedasticity tests. These tests were conducted to ensure that the regression model met the required statistical assumptions.

management and 0.367 for innovation capability. Both values are greater than 0.05, indicating that there was no heteroscedasticity problem in the regression model. Therefore, the model met the classical assumptions and was suitable for hypothesis testing.

6. Correlation Analysis

Correlation analysis was conducted to determine the direction and strength of the relationships among human resource management, innovation capability, and MSME performance.

Table 6. Pearson Correlation Analysis Results

Variable	HRM	Innovation Capability	MSME Performance
Human Resource Management	1	0.602**	0.641**
Innovation Capability	0.602**	1	0.689**
MSME Performance	0.641**	0.689**	1

Note: ** Significant at the 0.01 level.

Table 6 shows that human resource management had a positive correlation with MSME performance, with a correlation coefficient of 0.641. This means that better

human resource management practices are associated with better MSME performance. Innovation capability also had a positive correlation with MSME performance, with a

coefficient of 0.689. This value indicates that innovation capability had a strong relationship with MSME performance. In addition, human resource management was positively correlated with innovation capability, with a coefficient of 0.602, suggesting that better human resource management may support the development of innovation capability within MSMEs.

7. Multiple Regression Analysis

Table 7. Multiple Regression Analysis Results

Variable	Coefficient B	Std. Error	Beta	t-value	Sig.
Constant	0.842	0.286	-	2.944	0.004
Human Resource Management	0.336	0.071	0.356	4.732	0.000
Innovation Capability	0.438	0.068	0.486	6.452	0.000

Based on Table 7, the regression equation is as follows:

$$\text{MSME Performance} = 0.842 + 0.336 \text{ HRM} + 0.438 \text{ IC}$$

The equation shows that the constant value was 0.842. This means that if human resource management and innovation capability were held constant, MSME performance would be 0.842. The regression coefficient for human resource management was 0.336, indicating that every one-unit increase in human resource management would increase MSME performance by 0.336 units, assuming that other variables remained constant. The regression coefficient for innovation capability was 0.438, indicating that every one-unit increase in innovation capability would increase MSME performance by 0.438 units, assuming that other variables remained constant.

The significance value of human resource management was 0.000, which is lower than 0.05. This indicates that human resource

management had a positive and significant effect on MSME performance. Therefore, better human resource management practices are associated with higher MSME performance.

The significance value of innovation capability was also 0.000, which is lower than 0.05. This indicates that innovation capability had a positive and significant effect on MSME performance. This finding suggests that the ability of MSMEs to create new products, improve business processes, develop marketing strategies, and adapt to market changes contributes to improved business performance.

8. F-Test and Coefficient of Determination

The F-test was used to examine whether human resource management and innovation capability simultaneously affected MSME performance. Meanwhile, the coefficient of determination was used to determine the extent to which the independent variables explained variations in MSME performance.

Table 8. F-Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	36.482	2	18.241	72.856	0.000
Residual	36.793	147	0.250	-	-
Total	73.275	149	-	-	-

Based on Table 8, the F-value was 72.856 with a significance value of 0.000. Since the significance value was lower than 0.05, it can be concluded that human resource management and innovation capability simultaneously had a

significant effect on MSME performance. This finding indicates that both independent variables jointly play an important role in explaining MSME performance in West Java.

Table 9. Coefficient of Determination

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.706	0.498	0.491	0.500

Table 9 shows that the R Square value was 0.498. This means that human resource management and innovation capability explained 49.8% of the variation in MSME performance. The remaining 50.2% was explained by other factors outside the model, such as access to finance, business digitalization, entrepreneurial orientation, product quality, marketing networks, government support, competition intensity, and other environmental factors.

The Adjusted R Square value of 0.491 indicates that the model had a reasonably good explanatory power. In the MSME context, this value suggests that internal factors, particularly human resource management and innovation capability, contribute substantially to business performance, although they are not the only determinants of MSME success.

9. Summary of Hypothesis Testing

Table 10. Summary of Hypothesis Testing

Hypothesis	Statement	Result	Decision
H1	Human resource management has a positive effect on MSME performance	Positive and significant	Accepted
H2	Innovation capability has a positive effect on MSME performance	Positive and significant	Accepted
H3	Human resource management and innovation capability simultaneously affect MSME performance	Significant	Accepted

Based on Table 10, all hypotheses proposed in this study were accepted. This indicates that human resource management and innovation capability are important internal factors in improving MSME performance in West Java. These findings are consistent with the Resource-Based View, which argues that internal resources and capabilities can serve as foundations for achieving competitive advantage and improving organizational performance.

10. Discussion

The results show that human resource management had a positive and significant effect on MSME performance. This finding indicates

that MSMEs with better human resource management practices tend to achieve higher business performance. In the MSME context, human resource management practices are not always implemented through formal systems as found in large corporations. Instead, these practices may be reflected in the ability of business owners to allocate tasks, provide work direction, develop employee skills, establish effective work communication, and evaluate work outcomes continuously.

This finding strengthens the argument that human resources are strategic assets for MSMEs. Employees with skills, discipline, responsibility, and adaptability can help MSMEs

improve productivity and service quality. From the Resource-Based View perspective, human resources are not merely production inputs, but strategic resources that can create value for the firm. When MSME owners are able to manage human resources effectively, the firm's ability to survive and grow becomes stronger.

Human resource management also plays an important role in shaping productive work routines. MSMEs with clear task allocation, adequate training, and effective internal communication are more likely to maintain product or service quality. This is particularly important because many MSMEs in West Java operate in sectors such as food and beverages, fashion, handicrafts, and services, which are highly dependent on employee skills and quality consistency. Therefore, good human resource management practices can help MSMEs improve operational efficiency and customer satisfaction.

The results also show that innovation capability had a positive and significant effect on MSME performance. The coefficient of innovation capability was higher than that of human resource management, indicating that innovation is a highly important factor in driving MSME performance. This finding is understandable because MSMEs in West Java operate in an increasingly competitive business environment. Changing consumer preferences, digital technology development, price competition, and the emergence of new business actors require MSMEs to continuously innovate.

Innovation capability enables MSMEs to create more attractive products, improve production processes, enhance service quality, and develop marketing strategies that are more aligned with market needs. MSMEs with strong innovation capability are better able to respond to changes in consumer demand and take advantage of market opportunities. Innovation can also improve product differentiation, allowing MSMEs to compete not only through price but also through value, quality, uniqueness, and customer experience.

From the Resource-Based View perspective, innovation capability is an internal capability that can transform existing resources into competitive advantage. Resources such as employee skills, owner experience, market knowledge, and customer networks will have greater performance implications when they are managed through innovation capability. In other words, innovation serves as a mechanism that connects internal resources with business performance outcomes. Therefore, MSMEs that develop innovation capability continuously have greater opportunities to improve their performance.

The simultaneous test results show that human resource management and innovation capability jointly had a significant effect on MSME performance. This finding confirms that improving MSME performance cannot rely on only one internal aspect. Effective human resource management needs to be supported by innovation capability so that human resources can be directed toward creating new value for the business. Conversely, innovation requires competent human resources so that new ideas can be implemented effectively in business activities.

The relationship between human resource management and innovation capability is also reflected in the correlation results, which show a positive association between the two variables. This suggests that MSMEs with better human resource management tend to have stronger innovation capability. Trained, motivated, and market-oriented employees can contribute to generating new ideas, improving work processes, and enhancing product or service quality. Thus, human resource management can serve as a foundation for innovation capability development.

These findings further indicate that MSME performance in West Java is strongly influenced by internal business capabilities. Although external factors such as government support, market access, technology, and capital remain important, this study emphasizes that internal capabilities play a strategic role in determining

competitiveness. MSMEs that rely solely on external assistance without strengthening internal capacity may face difficulties in sustaining their performance over time.

Theoretically, the findings support the Resource-Based View. Human resource management and innovation capability can be considered valuable resources and capabilities because they contribute to improved business performance. Both variables can become sources of advantage when developed in ways that reflect the unique characteristics of each MSME. In the MSME context, competitive advantage does not always originate from large-scale resources or advanced technology, but may emerge from the ability to manage employees, understand the market, build creativity, and implement simple innovations that meet customer needs.

Practically, the findings provide implications for MSME owners and managers in West Java. MSMEs need to strengthen human resource management practices through training, clear task allocation, skill development, internal communication, and performance evaluation. In addition, MSMEs need to build an innovation-oriented culture through new product development, service improvement, digital technology adoption, and marketing strategy adjustment. These efforts are important to ensure that MSMEs are not only able to survive but also grow in a competitive business environment.

For local governments and MSME development institutions, the results indicate the need for empowerment programs that go beyond financial assistance. Support programs should also focus on strengthening internal capabilities, including human resource training, product innovation assistance, digital marketing, packaging design improvement, and service quality enhancement. Such an approach can help MSMEs build competitiveness based on internal resources and capabilities.

Overall, this study confirms that human resource management and innovation capability are two complementary strategic factors in

improving MSME performance in West Java. From the Resource-Based View perspective, both factors can serve as important foundations for sustainable competitive advantage. MSMEs that consistently develop human resources and innovation capability are more likely to improve sales, expand markets, retain customers, and strengthen business sustainability.

Conclusion

This study examined the relationship between human resource management, innovation capability, and MSME performance in West Java from the perspective of the Resource-Based View. The findings show that human resource management has a positive and significant effect on MSME performance. This indicates that MSMEs with better practices in employee management, training, competency development, work coordination, motivation, and performance evaluation tend to achieve stronger business performance. In the MSME context, human resource management does not always need to be highly formalized, but it must be consistently directed toward improving productivity, work quality, adaptability, and organizational effectiveness.

The results also demonstrate that innovation capability has a positive and significant effect on MSME performance. MSMEs that are able to develop new products, improve business processes, enhance services, adopt new marketing practices, and respond to market changes are more likely to achieve better performance. Innovation capability enables MSMEs to strengthen product differentiation, improve customer value, increase operational efficiency, and adapt to increasingly competitive business conditions. Among the variables examined, innovation capability showed a stronger contribution to MSME performance, indicating that innovation is a critical internal capability for MSME competitiveness in West Java.

Furthermore, the findings confirm that human resource management and innovation capability simultaneously influence MSME performance. These results support the Resource-Based View,

which argues that firm performance is shaped by valuable internal resources and capabilities. Human resources provide knowledge, skills, experience, and work commitment, while innovation capability enables MSMEs to transform these resources into business value. Therefore, the integration of human resource management and innovation capability is essential for strengthening MSME performance and building sustainable competitive advantage.

This study contributes theoretically by extending the application of the Resource-Based View in the MSME context, particularly by positioning human resource management and innovation capability as strategic internal resources. Practically, the findings suggest that MSME owners and managers should strengthen employee development, task coordination, work motivation, and performance evaluation while also encouraging product, process, service, and marketing innovation. For policymakers and MSME development institutions, the findings highlight the importance of empowerment programs that focus not only on financial

support but also on human resource development, innovation assistance, digital adoption, and managerial capacity building.

This study has several limitations. First, the research was conducted only among MSMEs in West Java, so the findings may not fully represent MSMEs in other regions with different economic, social, and institutional characteristics. Second, the study used a quantitative survey approach based on respondents' perceptions, which may be affected by subjectivity. Third, the model only examined human resource management and innovation capability, while other factors such as digital transformation, access to finance, entrepreneurial orientation, market networks, and government support may also influence MSME performance. Future studies are encouraged to expand the research area, use longitudinal or mixed-method approaches, and include additional variables to provide a more comprehensive understanding of MSME performance.

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