Digital HR Sustainability Model in Indonesian MSMEs and Employee Performance: Compensation, Leadership and Employee Retention

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ABSTRACT

This study looks into the connection between worker performance in Indonesian Micro, Small, and Medium-Sized Enterprises (MSMEs) and the Digital HR Sustainability Model (DHSM). The study uses partial least squares (PLS) path modeling to examine the direct and mediated impacts of employee retention, leadership, and compensation on the link between the DHSM and employee performance. It draws on a sample of 241 HR managers and senior management staff. The findings show that there is a strong positive correlation between employee performance and the DHSM and that this correlation is mediated by leadership, remuneration, and employee retention. The results highlight how crucial it is to adopt employee-centric and sustainable digital HR practices to improve organizational performance. By offering empirical proof of the mechanisms by which digital HR initiatives affect employee performance in the context of Indonesian MSMEs, the study adds to the body of current knowledge.

INTRODUCTION

Micro, Small, and Medium-Sized Enterprises (MSMEs) in Indonesia are vital to the nation's economy, however, they face obstacles from globalization, disruptive technologies, and shifting consumer tastes. MSMEs, particularly those in Indonesia, have been severely damaged by the COVID-19 pandemic worldwide, underscoring the necessity of providing extra care and assistance to this industry (Afifah, 2023; Judijanto, Destiana, et al., 2024; Maurina & Rusdianto, 2023). The pandemic and the Fourth Industrial Revolution (IR4) have sped up Indonesian MSMEs' digital transformation, drawing attention to readiness-related concerns and the need for knowledge transfer initiatives to solve the country's financial, human resource, and marketing shortcomings (Anatan & Nur, 2023; Sutanto et al., 2024). Furthermore, MSMEs in areas such as Rancabungur District are concentrating on digital marketing tactics to improve their competitiveness and adjust to changing market conditions (Harsono, Indrapraja, et al., 2024; Sari et al., 2023). Creative MSMEs are attempting to take advantage of possibilities and government policies in the post-COVID-19 transition phase to maintain and expand their operations (Harsono, Armin, et al., 2024; Saputri et al., 2023).

To succeed in the cutthroat economic environment of today, organizations—especially Micro, Small, and Medium Enterprises (MSMEs)—must incorporate digital technologies into their Human Resource Management (HRM) procedures. (Dongsen, 2023; Gardner et al., 2003; Shukla et al., 2023; Zareen & Khan, 2023) These technologies help HR departments make better hiring, training, retention, and decision-making processes. Examples of these technologies include cloud platforms, analytics, artificial intelligence, and the Internet of Things (IoT). Businesses may make data-driven decisions, increase operational efficiency, and enhance labor processes by utilizing digital tools. Furthermore, the implementation of digital HRM methods, such

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as strategic HRM and employee well-being practices, can greatly enhance MSMEs' overall performance and distribution efficiency. Adopting digital HR strategies helps MSMEs succeed in the global market by attracting top talent and fostering employee loyalty and satisfaction.

Micro, Small, and Medium-Sized Enterprises (MSMEs) play a critical role in Indonesia's economic growth, generating jobs and expanding the country's GDP (Astuti et al., 2023; Maurina & Rusdianto, 2023; Yose, 2023). These businesses confront several obstacles, such as scarce financial resources, unstable markets, and difficulty with personnel management (Abidin et al., 2023; Judijanto, Mendrofa, et al., 2024; Marwanto et al., 2023). Empowering MSMEs with funding, technical help, and advice on business development is essential to overcoming these challenges. Additionally, important elements in improving MSME performance and their capacity to hire a sizable local workforce are networking, work culture, and reputation. Notwithstanding these obstacles, the government is essential in promoting MSME development and competitiveness to secure their long-term viability and expansion.

Many MSMEs are rapidly turning to digital HR strategies as a way to improve organizational performance, talent acquisition, and operational efficiency as they see the transformative potential of digitization. The purpose of this study is to investigate the topic of Digital HR Sustainability in Indonesian MSMEs and determine how it affects worker performance. The study specifically looks at the complex interactions that exist between the Digital HR Sustainability Model (DHSM) and three important factors that affect employee performance: pay, leadership, and employee retention.

The primary goal of this study is to clarify the complex relationships between employee performance and the Digital HR Sustainability Model (DHSM) in Indonesian MSMEs.

The project is driven by the following specific goals: first, to elucidate the elements and methods of application of the Digital HR Sustainability Model (DHSM) in Indonesian MSMEs; second, to investigate the impact of the DHSM on employee performance in Indonesian MSMEs; third, to delineate the roles of remuneration, leadership, and employee retention as mediating factors in the relationship between the DHSM and employee performance; and, lastly, to derive useful lessons and suggestions to enhance the efficacy of digital HR practices in Indonesian MSMEs, encouraging long-term expansion and organizational resilience.

1. Digital HR Sustainability Model (DHSM)

To promote innovation and continuous development, the Digital HR Sustainability Model (DHSM) is a complete framework that incorporates digital technology into a range of HR tasks like hiring, training, and employee engagement. It does this by coordinating these activities with organizational objectives (Mehedintu & Soava, 2023; Universtiy, 2023). The main elements of DHSM, which are designed to optimize HR procedures, improve employee experience, and boost organizational performance, are social media platforms, mobile applications, cloud-based systems, and HR analytics (Jora et al., 2023). Organizations can accomplish sustainable growth through talent management, green HR practice promotion, and alignment of HR strategies with sustainability goals by utilizing emerging technologies like data-driven HR practices (Jora et al., 2023; Safruddin et al., 2024; Shneikat et al., 2023). In addition to enhancing HR operations, this smart use of digital tools helps firms remain viable and competitive in a market that is constantly changing.

2. Employee Performance in MSMEs

In MSMEs, employee performance—which is impacted by many factors—is a crucial indicator of organizational success. Studies emphasize the significance of hiring, training, and motivation (Perkasa et al., 2023), as well as the complex connection between worker motivation and business performance (Akerele, 2023). Furthermore, research highlights how employee performance is impacted by motivation, leadership, work environment, organizational culture, and job performance (Muzaki et al., 2023). Recruiting and selection, reward programs, performance reviews, and other high-performance work methods greatly increase worker productivity and improve corporate results (Jančiauskaitė & Lalienė, 2023). Individual characteristics like motivation and abilities, as well as organizational components like HR procedures, leadership, and culture, all have an impact on worker performance in MSMEs (Diamantidis & Chatzoglou, 2018). Improving employee performance and boosting competitiveness in MSMEs require effective HR interventions, such as performance rating systems, training, and rewards.

3. Compensation, Leadership, and Employee Retention

Employee motivation and performance are significantly impacted by compensation practices (Adanlawo & Nkomo, 2023; Zayed et al., 2022). Non-financial incentives like recognition programs and professional development opportunities also greatly affect job satisfaction and performance, even while money pay has a beneficial impact on motivation and performance (Setiawan et al., 2023; Thapa, 2023; Wahyuni et al., 2022). Effective compensation plans are also essential for Micro, Small, and Medium-Sized Businesses (MSMEs) to draw in top people, improve engagement, and lower turnover intentions. According to the research, a well-thought-out compensation plan that includes both monetary and non-monetary benefits will improve worker retention, job satisfaction, and motivation. This will increase organizational resilience and competitiveness in the MSME sector.

Transformational leadership is a critical factor in influencing organizational culture and promoting performance excellence in MSMEs. It is typified by visionary communication, inspiring motivation, and individual consideration (Karp, 2022; Syarifuddin, 2023; Vieyra-Reyes et al., 2022). Employee performance is eventually improved by this leadership style, which inspires and encourages workers by building commitment, trust, and a shared vision (Baig et al., 2021). Furthermore, servant leadership fosters a culture of sustained performance and organizational citizenship behavior by fostering an environment of trust, collaboration, and empowerment. It is based on the principles of selflessness, empathy, and stewardship (Locke, 1999). Within MSMEs, transformational and servant leadership are acknowledged as powerful enablers of innovation, organizational change, and the creation of a supportive workplace that fosters employee dedication and high performance.

For MSMEs dealing with a talent shortage and high staff turnover costs, employee retention is a crucial issue. Various interventions, including raising employee engagement, offering chances for professional advancement, and creating a positive work atmosphere, are all part of retention strategies (Phillips & Connell, 2004; Silpa et al., 2023). A committed staff is essential for fostering organizational growth and establishing a competitive edge, and MSMEs can develop this kind of culture by fostering a sense of autonomy, purpose, and belonging in their workforce (Gorde, 2019; Swami, 2022). Scholarly investigations underscore the significance of tackling attrition via inventive strategies that give precedence to the welfare and

advancement of employees, given that conventional tactics like monetary rewards have demonstrated restricted efficacy (Pillay, 2011). This all-encompassing approach to retention is consistent with the changing environment of personnel management, where sophisticated methods like machine learning and feature selection are used to assess the variables that affect employee turnover.

METHOD

1. Research Design

The present investigation employs a quantitative research approach to examine the correlation between employee performance in Indonesian Micro, Small, and Medium-Sized Enterprises (MSMEs) and the Digital HR Sustainability Model (DHSM). More specifically, data from a sample of MSMEs in operation in Indonesia is gathered using a cross-sectional survey approach. The purpose of the survey questionnaire is to gather data regarding the DHSM's implementation, employee performance metrics, pay policies, leadership philosophies, and tactics for keeping employees.

2. Sample and Sampling Technique

MSMEs operating in a variety of Indonesian industries and sectors make up the study's target population. Because MSMEs in Indonesia are so diverse, a stratified random selection technique is applied to guarantee sufficient representation from various industry sectors and geographic areas. Using suitable statistical techniques, the sample size is established to guarantee adequate power for analysis. To identify moderate effect sizes with a 95% confidence level and a 5% margin of error, a sample size of 241 MSMEs is considered sufficient.

3. Data Collection

A systematic questionnaire is used in this study to gather data from HR managers or senior management staff that oversee HR operations in the chosen MSMEs. The questionnaire is divided into several sections, each of which corresponds to one of the main constructs being studied. Respondents are asked to use a Likert scale that goes from 1 (strongly disagree) to 5 (strongly agree) to indicate how much they agree with certain statements. Pre-testing the questionnaire guarantees its comprehensibility, clarity, and relevance to the study's goals.

4. Measurement Instrument

The measurement instrument used in this study consists of validated scales adapted from existing literature. The key constructs under investigation include:

a. Digital HR Sustainability Model (DHSM): This construct is assessed using items adapted from prior research on digital HR practices and organizational sustainability (Bondarouk et al., 2017; Marler & Boudreau, 2017).

b. Employee Performance: Employee performance is measured using indicators such as task performance, contextual performance, and adaptive performance, adapted from established scales in the organizational behavior literature (Schuh et al., 2018).

c. Compensation: Compensation practices are evaluated using items assessing the perceived fairness, competitiveness, and effectiveness of compensation packages within MSMEs (Khan et al., 2018)

d. Leadership: Leadership styles are assessed using scales capturing transformational and servant leadership behaviors, including visionary communication, inspirational motivation, empathy, and stewardship (Avolio et al., 2018; Sendjaya et al., 2019).

e. Employee Retention: Employee retention strategies are evaluated based on perceptions of organizational support, career development opportunities, and work-life balance initiatives (Hom et al., 2019; Zhao et al., 2019)

4. Data Analysis

This study's data analysis makes use of Partial Least Squares (PLS) route modeling in Structural Equation Modeling (SEM), which was selected for its capacity to handle complex models with smaller sample numbers and its appropriateness for exploratory research. There are multiple steps in the analysis: Firstly, the measuring model is tested, evaluating reliability and validity through internal consistency (Cronbach's alpha), convergent validity (average variance extracted, composite reliability), and discriminant validity (cross-loadings, Fornell-Larcker criterion). Second, the structural model is examined, employing path analysis to investigate the connections between the DHSM, pay, leadership, employee retention, and employee performance. The significance and strength of the findings are evaluated using bootstrapping techniques and path coefficient estimation. Thirdly, using bootstrapping approaches to estimate indirect effects and test for significance, mediation analysis is carried out to investigate the mediating effects of leadership, employee retention, and remuneration on the DHSM-employee performance connection. Lastly, goodness-of-fit metrics including the normed fit index (NFI), standardized root mean square residual (SRMR), and goodness-of-fit index (GoF) are used to evaluate the overall fit of the structural model.

RESULTS AND DISCUSSION

5. Descriptive Statistics

To provide an overview of the major variables examined in the study, descriptive statistics were computed. HR managers and senior management staff from Indonesian Micro, Small, and Medium-Sized Enterprises (MSMEs) provided a total of 241 replies. Table 1 below displays the descriptive statistics for the important variables:

Table 1. Descriptive Statistics

Variable	Mean	Standard Deviation
Digital HR Sustainability	4.23	0.75
Employee Performance	4.56	0.68
Compensation	4.12	0.80
Leadership	4.35	0.72
Employee Retention	4.18	0.78

Source: Results of data analysis (2024)

The average score for each variable is shown in Table 1 as the mean, and the variability or dispersion of responses around the mean is shown as the standard deviation. The average values represent the respondents' average degree of agreement or perception concerning each study-measured construct. For example, the mean score for "Digital HR Sustainability" is 4.23, indicating that respondents believe digital HR practices to be relatively sustainable. Similarly, among Indonesian MSMEs, the mean scores for "Employee Performance," "Compensation," "Leadership," and "Employee Retention" show favorable opinions across these dimensions.

6. Measurement Model Assessment

To make sure the constructs being measured in the study were robust, the validity and reliability of the measurement model were evaluated. The following were assessed: discriminant validity (cross-loadings, Fornell-Larcker criterion), convergent validity (average variance extracted, AVE), and internal consistency (Cronbach's alpha). Table 2 below provides a summary of the measurement model assessment results:

Table 2. Measurement Model Assessment

Construct	Cronbach's Alpha	AVE	CR
Digital HR Sustainability	0.875	0.651	0.893
Employee Performance	0.883	0.717	0.915
Compensation	0.826	0.603	0.852
Leadership	0.861	0.685	0.885
Employee Retention	0.838	0.622	0.868

Source: Results of data analysis (2024)

Table 2 displays the internal consistency reliability of each construct as represented by Cronbach's alpha values. Values greater than 0.70 are usually regarded as satisfactory since they show that each construct's components consistently measure the same underlying notion. The amount of variance collected by the construct's indicators to measurement error is indicated by the Average Variance Extracted (AVE) values. Ample convergent validity is generally indicated by AVE values greater than 0.50. The construct's reliability as determined by a variety of metrics is reflected in the Composite Reliability (CR) numbers. Values over 0.70 are usually regarded as appropriate, meaning that the construct's indicators measure it with reliability. All of the study's measured constructs have satisfactory validity and reliability, according to the results. For every construct, Cronbach's alpha values are greater than 0.70, indicating strong internal consistency. Furthermore, all constructs have AVE values greater than 0.50 and CR values greater than 0.70, indicating sufficient convergent validity and reliability.

7. Loading Factors of Indicators

To evaluate the strength of the correlations between each indicator and its related latent construct, the loading factors of the indicators were looked at. The loading factors offer valuable information regarding the degree to which each indicator aids in the assessment of its corresponding construct. Table 3 below lists the loading factors of the indicators for each latent construct:

Table 3. Loading Factors of Indicators

Construct	Indicator	Loading Factor
Digital HR Sustainability	Utilization of HRIS	0.876
	Adoption of Digital Recruitment	0.843
	Integration of E-learning	0.766
	Implementation of PM Software	0.791
Employee Performance	Employee productivity	0.915
	Job satisfaction	0.892
	Task completion rate	0.854
	Employee engagement	0.877
Compensation	Fairness of salary and benefits	0.829
	Competitive salary packages	0.791
	Performance-based incentives	0.743
	Recognition and rewards	0.768
Leadership	Transformational leadership	0.864

Construct	Indicator	Loading Factor
	Inspirational communication	0.836
	Supportive leadership style	0.788
	Visionary leadership qualities	0.835
Employee Retention	Employee turnover rate	0.837
	Length of employment tenure	0.801
	Employee satisfaction	0.755
	Intent to stay with the org.	0.788

Source: Results of data analysis (2024)

The standardized regression coefficients between each indicator and the associated latent construct are represented by the loading factors in Table 3. The intensity and direction of the association between the indicator and the underlying construct are shown by these coefficients. Stronger correlations are shown by higher loading factors, which imply that the indicator contributes more significantly to the construct's assessment. In general, loading factors more than 0.70 are regarded as satisfactory, meaning that the indicator accurately depicts the construct. Strong loading factors are shown for each indication across all latent constructs in Table 3's results. Each indicator shows a strong correlation with its corresponding construct, supporting the measurement model's construct validity.

8. Structural Model Analysis

To evaluate the links between the Digital HR Sustainability Model (DHSM), salary, leadership, employee retention, and employee performance, the structural model was analyzed using Partial Least Squares (PLS) route modeling. The path analysis's findings are given in Table 4 below:

Table 4. Structural Model Analysis

Path	Path Coefficient	t-value	p-value
DHSM → Employee Performance	0.686	9.232	< 0.001
DHSM → Compensation	0.523	7.868	< 0.001
DHSM → Leadership	0.487	7.426	< 0.001
DHSM → Employee Retention	0.451	6.984	< 0.001

Source: Results of data analysis (2024)

The standardized regression coefficient between each predictor variable (DHSM) and its matching outcome variable (employee performance, compensation, leadership, and retention) is represented by the path coefficient in Table 4. The degree and direction of the correlations between the predictor and outcome variables are shown by these coefficients. The path coefficient's importance is shown by the t-value, where larger t-values denote more relevance. The chance of getting the observed outcome if the null hypothesis—that there is no relationship—is true is indicated by the p-value. A statistically significant p-value is less than 0.05 and indicates a high probability that the observed link is not the result of chance. Table 4 shows that there are significant positive relationships ($\beta = 0.686$, $t = 9.232$, $p < 0.001$), compensation ($\beta = 0.523$, $t = 7.868$, $p < 0.001$), leadership ($\beta = 0.487$, $t = 7.426$, $p < 0.001$), and employee retention ($\beta = 0.451$, $t = 6.984$, $p < 0.001$) with the Digital HR Sustainability Model (DHSM). These results imply that MSMEs adopting digital HR methods will probably see improvements in leadership, remuneration, and employee retention strategies in addition to improved employee performance.

9. Mediation Analysis

To calculate the indirect effects of leadership, remuneration, and employee retention on the relationship between employee performance and the Digital HR

Sustainability Model (DHSM), bootstrapping approaches were utilized. Table 5 below provides a summary of the mediation analysis's findings:

Table 5. Mediation Analysis

Mediating Variable	Indirect Effect	Standard Error	95% Confidence Interval	p-value
Compensation	0.256	0.063	[0.14, 0.36]	< 0.001
Leadership	0.213	0.054	[0.12, 0.31]	< 0.001
Employee Retention	0.187	0.042	[0.10, 0.26]	< 0.001

Source: Results of data analysis (2024)

The estimated impact of each mediating variable (remuneration, leadership, and employee retention) on the relationship between the Digital HR Sustainability Model (DHSM) and employee performance is shown in Table 5 as the indirect effect. The mediation processes by which the DHSM affects employee performance are shown by these indirect impacts. Greater precision in the predicted indirect effect is indicated by fewer standard errors, which are a reflection of the accuracy of the estimate. The range that the genuine indirect effect is most likely to fall inside with a 95% confidence level is represented by the 95% confidence interval. A statistically significant p-value is less than 0.05 and indicates a high probability that the observed indirect effect is not the result of chance. With compensation (indirect effect = 0.256, SE = 0.063, p < 0.001), leadership (indirect effect = 0.213, SE = 0.054, p < 0.001), and employee retention (indirect effect = 0.187, SE = 0.042, p < 0.001) mediating the relationship between the DHSM and employee performance, Table 5's results show significant indirect effects for all three mediating variables. These results imply that the beneficial effects of digital HR sustainability on employee performance within Indonesian MSMEs can be partially explained by advancements in leadership, remuneration, and employee retention strategies.

10. Model Fit Assessment

Several goodness-of-fit metrics, such as the normed fit index (NFI), standardized root mean square residual (SRMR), and goodness-of-fit index (GoF), were used to evaluate the overall fit of the structural model. The following outcomes were obtained from the model fit assessment: First off, the hypothesized model and observed data fit each other well, as evidenced by the GoF value of 0.85, which suggests that the model adequately explains the relationships between the Digital HR Sustainability Model (DHSM) and its effects on employee performance, compensation, leadership, and retention within Indonesian MSMEs. Second, the model's validity and dependability are supported by the SRMR value of 0.07, which indicates a tight match between the model's predictions and the actual data. Last but not least, the model's great fit to the observed data is demonstrated by the NFI value of 0.90, which highlights the model's capacity to accurately depict the interactions between various variables and provides insights into the dynamics of HR procedures and worker performance in Indonesian MSMEs.

The structural model adequately represents the links between the Digital HR Sustainability Model (DHSM), remuneration, leadership, employee retention, and employee performance within Indonesian MSMEs, according to the overall results of the model fit evaluation. The model fits well and offers insightful information on the processes by which digital HR practices affect organizational results.

Discussion

The study's conclusions offer insightful information about the connection between worker performance in Indonesian Micro, Small, and Medium-Sized Enterprises (MSMEs) and the Digital HR Sustainability Model (DHSM). The following discussion summarizes the main conclusions, explores their ramifications, and suggests directions for additional study.

1. The Impact of Digital HR Sustainability on Employee Performance

An important positive correlation between employee performance in Indonesian MSMEs and the Digital HR Sustainability Model (DHSM) was found by the structural model analysis. This research emphasizes how crucial it is to adopt digital HR strategies that support employee-centricity and sustainability to improve organizational performance. MSMEs may foster an atmosphere that maximizes employee performance and propels corporate success by utilizing digital technologies to expedite HR procedures, empower staff, and foster a culture of innovation and continuous development. Micro, little, and medium enterprises (MSMEs) can establish a business environment that is favorable for optimizing employee performance and propelling corporate success by utilizing digital technology in HRM. Talent management, organizational behavior monitoring, and data-driven insight-driven decision-making are all made possible by digital transformation in HRM (Shukla et al., 2023; Yuan, 2023). The enhancement of sustainable competitiveness and employee empowerment necessitates the digitization of talent abilities, performance management systems, and HR processes (Endrawati et al., 2022). Technology-based HR management strategies can help small business marketing flourish while guaranteeing sustainability and promoting economic expansion (Kahfi, 2022). Employee productivity, efficiency, and flexibility are all increased by the effective use of digital technology, which eventually improves company performance as a whole. As a result, integrating digital tools into HR procedures can promote an innovative, continuous development, and employee-empowering culture that will boost MSMEs' commercial results.

2. Mediating Role of Compensation, Leadership, and Employee Retention

The mediating analysis clarified even more how the DHSM affects worker performance. It was discovered that the DHSM and employee performance were mediated by pay, leadership, and employee retention, underscoring their critical roles in converting digital HR initiatives into observable results. Effective employee retention methods, transformational leadership behaviors, and fair and competitive remuneration practices are critical components in improving employee engagement, motivation, and productivity—all of which in turn improve organizational performance. Research highlights the noteworthy influence that equitable compensation, a cooperative company culture, and transformative leadership have on worker engagement (Setyawati et al., 2023; Sofiyanti & Najmudin, 2023). Furthermore, it is emphasized that work engagement acts as a mediator between transformational leadership, motivation, remuneration and employee performance (Susilowati et al., 2022; Zen, 2023). Additionally, the relationship between motivation as an intervening variable and leadership style, compensation, and performance is highlighted, demonstrating their significant impact on worker performance (Jus'at & Indrawati, 2022). All of these observations emphasize how crucial it is to coordinate employee engagement programs, pay policies, and leadership practices to maximize organizational effectiveness.

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3. Implications for Practice

The study's conclusions have several useful ramifications for MSMEs in Indonesia and elsewhere. First and foremost, MSMEs must to give top priority to investments in digital HR capabilities and technology to establish a strong HR foundation that fosters long-term organizational expansion. Through the use of digital solutions for learning and development, performance management, and talent acquisition, MSMEs may streamline HR procedures, lessen the amount of paperwork, and free up HR professionals to concentrate on strategic projects that improve performance and employee engagement.

Second, MSMEs should embrace a comprehensive strategy for HR management that combines digital HR techniques with employee-focused retention tactics, equitable and transparent pay structures, and motivating leadership. MSMEs can establish a productive workplace where staff members feel appreciated, empowered, and inspired to work hard to achieve shared objectives by coordinating HR policies and procedures with corporate values and goals.

4. Limitations and Future Research Directions

Even though this study produced insightful information, there are a few limitations that should be noted. First off, because the data are cross-sectional, it is difficult to conclude causality. This emphasizes the necessity of longitudinal research designs to determine the long-term effects of digital HR sustainability on worker performance.

Second, because the study's exclusive focus was on MSMEs in Indonesia, its conclusions could not be applied to other organizational settings or geographic areas. To improve the Digital HR Sustainability Model's external validity, future studies could examine how well it applies to various businesses, sectors, and cultural situations.

Last but not least, using self-report measures could lead to common method bias and inflate the associations that are found. Subsequent research endeavors may utilize many sources and multiple methodologies to address this constraint and provide more substantial proof.

CONCLUSION

The study concludes by highlighting the vital role that sustainable digital HR plays in promoting organizational success and worker performance in Indonesian MSMEs. According to the research, MSMEs can use digital HR tools and procedures to establish a productive workplace that encourages worker motivation, engagement, and output. MSMEs may realize sustainable growth and unleash the full potential of their staff by embracing a comprehensive approach to HR management that incorporates employee-centric retention methods, equitable remuneration schemes, and inspiring leadership into their digital HR initiatives. It is imperative to recognize the limitations of this research, such as its cross-sectional design and dependence on self-report measures. Subsequent investigations may examine longitudinal designs and multi-method techniques to furnish more substantial evidence and augment the generalizability of the results. The study highlights the significant impact that digital HR sustainability can have in reshaping the nature of work and enhancing organizational performance within the ever-changing context of MSMEs in Indonesia.

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