



Cadre Development as A Mechanism for Human Capital Sustainability in *Pesantren*-Based MSMEs: A Model of Human Capital Management Grounded in *Pesantren* Values and Ethics

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Abstract

Background: Human resource management in Islamic boarding school MSMEs is not only oriented to competency development, but also to internalizing the values and ethics of Islamic boarding schools that support organizational sustainability. However, studies that integrate Human Capital Management (HCM), *pesantren* values, and regeneration in the context of *pesantren* MSMEs are still limited.

Objective: This research aims to analyze the practice of Human Capital Management, examine the role of values and ethics of *pesantren* in human resource management, and develop a conceptual model of HCM based on *pesantren* values and ethics.

Methods: The research uses a qualitative approach with a case study method on MSMEs of Riyadlul 'Ulum Wadda'wah Islamic Boarding School. Data were collected through interviews, observations, and documentation of three key informants, then analyzed using the Miles and Huberman interactive model.

Results: The results of the study show that the practice of HCM has included acquisition, development, maintenance, and integration functions which are carried out within the framework of the values of trust, sincerity, solemnity, discipline, responsibility, togetherness, and ukhuwah. These values are the foundation in the process of recruitment, development, evaluation, and workforce development. This study also found that regeneration plays a role in maintaining the transfer of competencies, experience, organizational culture, and *pesantren* values to the next generation.

Conclusion: Based on these findings, the research produced a conceptual model of HCM based on *pesantren* values and ethics that places regeneration as a Human Capital Sustainability mechanism in supporting the sustainability of *pesantren* MSMEs.

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INTRODUCTION

MSMEs are a strategic sector in national economic development and have a major contribution to the achievement of the Sustainable Development Goals (SDGs), especially in terms of job creation, poverty alleviation, and improving community welfare (Dasaraju & Tambunan, 2023; Edobor & Sambo-Magaji, 2025; Tambunan, 2023). At the micro level, MSMEs also play a role as economic driving forces that are able to survive in various crisis conditions. However,

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various studies show that the competitiveness of MSMEs is still hampered by fundamental problems in human resource (HR) management. These challenges include low levels of professionalism, unstructured training, and the absence of a standardized performance evaluation system (Rush et al., 2024). This problem shows that the human resource problem in MSMEs is not just an administrative problem, but also with the development of human capital as a strategic factor that determines the competitiveness and sustainability of the business. The research contribution is threefold: First, it demonstrates empirically how Islamic values and *pesantren* ethics distinctively shape all seven functions of human capital management in faith-based MSMEs. Second, it conceptualizes cadre regeneration as a strategic mechanism for sustaining organizational human capital while preserving organizational identity and mission. Third, it extends HCM theory by showing how values-based HCM practices differ fundamentally from conventional approaches emphasizing technical competencies and market-based incentives.

Similar problems are also found in MSMEs that develop in the *pesantren* environment. In addition to functioning as educational and da'wah institutions, *pesantren* develop various business units to support economic independence as well as become a means of learning, regeneration, and community empowerment. However, various studies show that human resource management in Islamic boarding school economic businesses still faces obstacles in the form of uneven quality of human resources, weak management systems, and suboptimal organizational governance (Iskandar et al., 2023). This condition shows the need for an HR management approach that is able to integrate the needs of business professionalism with the characteristics of *pesantren* values.

This phenomenon was also found at the Riyadlul 'Ulum Wadda'wah Islamic Boarding School, Tasikmalaya City, which manages various business units involving 336 workers consisting of alumni, students, students, and professionals. The results of initial observations show that some HR management practices are still taking place informally, such as recruitment based on internal recommendations, unstructured training, compensation systems that are not yet fully performance-based, and limited HR policy documentation. This condition shows that there is a gap in organizational capabilities that has the potential to affect the effectiveness of human resource management and the sustainability of business units.

According to *pesantren* administrative records (2024), the organization operates multiple business units within the *pesantren* complex, collectively employing 336 individuals across various roles. The workforce composition includes alumni (former students, 45%), current santri (Islamic boarding school students, 25%), permanent professional staff (20%), and contracted workers for specialized functions (10%). Employment status ranges from permanent full-time positions to part-time contract work. Most employees (70%) have attended *pesantren* educational programs at various levels, creating a workforce substantially aligned with *pesantren* values and organizational mission. This workforce composition represents a distinctive characteristic of *pesantren*-based MSMEs, where organizational members typically share religious commitment and familiarity with Islamic teachings that underpin organizational culture.

On the other hand, *pesantren* have distinctive values and ethics such as trust, sincerity, solemnity, discipline, responsibility, and ukhuwah which have the potential to become the foundation in human resource management. These values not only shape individual behavior, but also influence work culture, loyalty, commitment, and social relationships within organizations. However, in many *pesantren* business units, these values are still alive as an informal culture and have not been fully integrated into a structured human resource management system.

Specifically, trust (tawakkal) shapes recruitment and selection by emphasizing character assessment alongside competencies; sincerity (ikhlas) influences development practices through emphasis on selfless service and organizational commitment; dedication shapes performance management by evaluating not only task completion but also spiritual orientation and ethical conduct; discipline ensures consistent application of organizational values across all HR functions; responsibility cultivates accountability at all organizational levels; togetherness (silaturahmi) fosters collaborative organizational culture; and ukhuwah (brotherhood) underpins retention strategies based on familial organizational relationships rather than purely transactional employment contracts. These values, rooted in Islamic teachings and *pesantren* educational philosophy, distinguish HCM practices in *pesantren*-based MSMEs from conventional

HCM approaches.

In the development of management knowledge, Human Capital Management (HCM) is understood as a strategic approach that views humans as assets that are able to create value for the organization through competency development, engagement, and strengthening organizational capabilities (Armstrong & Taylor, 2014). Various studies show that effective HR management practices can improve organizational commitment, engagement, and sustainability (Amaliyah et al., 2025; Syahputri et al., 2025). However, HCM studies are still dominated by the theme of organizational performance, Talent Management, Employee Engagement, and digital HRM, while integrating religious values and spiritual capital in management Human Capital It is still relatively limited.

Based on these conditions, there is a research gap related to the development of a Human Capital Management model that can integrate HR management practices with *pesantren* values and ethics. Therefore, this study aims to analyze the practice of Human Capital Management in Islamic boarding school MSMEs, identify the role of Islamic boarding school values and ethics in human resource management, and develop a conceptual model of Human Capital Management based on Islamic boarding school values and ethics. This research is expected to make a theoretical contribution to the development of value-based Human Capital Management and provide a practical reference for human resource management in Islamic boarding school MSMEs. While previous studies have examined HCM practices in conventional organizations, talent management in MSMEs, and Islamic values in organizational contexts, research integrating HCM, *pesantren*-based organizational values, and cadre regeneration as a mechanism for human capital sustainability remains limited. This represents a significant gap in understanding how traditional Islamic educational values shape human capital management practices and contribute to organizational sustainability in faith-based enterprises. A systematic review of recent HCM literature reveals that studies predominantly focus on employee engagement, talent management, digital HRM platforms, and performance optimization in organizational contexts. Research on MSMEs' HCM practices has increased but remains concentrated on conventional business sectors, with limited attention to faith-based enterprises. Studies of *pesantren* organizations have primarily examined educational outcomes and religious instruction, with minimal investigation of human capital management practices. Islamic organizational ethics literature exists but has not been substantially integrated with HCM research. Consequently, the nexus of HCM, *pesantren*-based organizational values, and cadre regeneration as a sustainability mechanism represents a significant theoretical and empirical gap, particularly relevant for understanding management practices in faith-based organizations and traditional community enterprises across Islamic contexts.

Literature Review

Human Capital Management (HCM) is a development of the Human Resource Management (HRM) which places people not only as operational resources, but as strategic assets capable of creating value for the organization. Armstrong & Taylor (2014) explains that HCM focuses on how organizations acquire, develop, maintain, and optimize human capital in order to be able to support the achievement of organizational goals and sustainability. In this study, HCM practice is observed through the acquisition, development, maintenance, and Integration as a form of operationalization of human resource management (Ruky, 2017).

In perspective resource Based View (RBV) human capital is a strategic resource that can be an organization's advantage if it has valuable, rare, difficult to imitate, and difficult to replace. Knowledge, skills, experience, and commitment of the workforce are part of human capital that contributes to the creation of organizational value (Armstrong & Taylor, 2014). Therefore, human capital management not only aims to improve individual competencies, but also strengthens organizational capabilities in a sustainable manner.

In value-based organizations such as *pesantren*, Human Capital is not only shaped by technical competence, but also by the values and ethics that develop in the organization's culture. In perspective *Islamic Human Capital*, human resource management includes intellectual, moral, and spiritual dimensions that are reflected in the values of trust, honesty, responsibility, hard work, and devotion (Mutiarni et al., 2023). These values can be understood as social capital and

spiritual capital that strengthen work behavior, loyalty, and commitment to the organization (Johari et al., 2023).

Various studies show that human resource management in MSMEs still faces various limitations, such as weak recruitment systems, competency development, documentation, and HR governance (Biea et al., 2024). On the other hand, HCM studies are still dominated by the theme of organizational performance, Talent Management, Employee Engagement, and digital HRM, while the integration of religious values and spiritual capital in human capital management is still relatively limited (Novilia & Senen, 2023). In addition, research on cadre regeneration as a mechanism for human capital sustainability in Islamic boarding school MSMEs is also still rare. Based on this study, this study is directed to develop a model Human Capital Management based on the values and ethics of *pesantren* that integrates the practice of human resource management, *pesantren* values, and regeneration as a mechanism Human Capital Sustainability in supporting the sustainability of Islamic boarding school MSMEs.

METHOD

This study uses a qualitative approach with case study methods to understand the practice Human Capital Management (HCM), internalization of *pesantren* values and ethics, and the development of a conceptual model of HCM in MSMEs of the Riyadlul 'Ulum Wadda'wah Islamic Boarding School, Tasikmalaya City. The qualitative approach was chosen because it allows researchers to understand phenomena in depth in a natural context (Creswell, 2016). Meanwhile, the case study method is used to explore the practice of human resource management in one case comprehensively (Creswell, 2016). The research informants were selected purposively based on their involvement and understanding of human resource management in the *pesantren* business unit. Data were collected through in-depth interviews, observations, and documentation by applying Triangulation Techniques.

The three key informants (R1, R2, R3) were selected based on their extensive involvement in *pesantren*-based MSME management. R1, a senior administrator (15+ years experience), oversaw *pesantren* business strategic planning. R2, a middle-level manager (8 years experience), managed daily operations and staff development. R3, a human resource officer (10 years experience), directly supervised cadre recruitment, training, and succession planning. Data collection was conducted from January to March 2024, spanning eight weeks. Data collection methods included in-depth semi-structured interviews (3-4 hours per informant), direct observations of organizational practices (16 observation sessions), and document analysis of organizational records, personnel files, and training programs. Interviews were recorded, transcribed, and coded using Miles and Huberman's approach (data condensation, data display, conclusion drawing). Triangulation was conducted across data sources (interviews, observations, documents) and among informants. Member checking was performed by reviewing preliminary findings with informants and requesting their validation and feedback. The research focuses on the integrated human capital practices across the *pesantren*'s business ecosystem, which includes multiple revenue-generating units (*pesantren*-operated stores, agricultural programs, educational services, and training facilities) employing 336 staff across diverse roles.

This multi-unit structure enables examination of how HCM practices remain consistent across business activities while reflecting unified *pesantren* values and governance. To clarify conceptual boundaries: Human Capital Sustainability differs from organizational sustainability by specifically emphasizing the organization's capability to maintain and develop its human resource pool. Commitment refers to psychological attachment and willingness to contribute effort toward organizational goals. Loyalty, as used in this study, encompasses both affective commitment and behavioral consistency over time. Organizational culture comprises shared values, norms, and behavioral patterns, while organizational sustainability encompasses long-term viability and mission continuation. Work relationships, in the *pesantren* context, are framed as familial (*ukhuwah*) rather than purely contractual, creating different accountability and commitment dynamics than conventional employment relationships. These conceptual distinctions are critical for understanding how values-based HCM operates distinctively in faith-based organizations.

Data analysis was carried out interactively referring to the Miles and Huberman model which includes data reduction, data presentation, and conclusion drawn/verification (Sugiyono,

2018). The analysis process is carried out through stages Open Coding to identify important concepts, axial thematic coding based on Miles and Huberman's analytical approach. This included data condensation (selecting relevant data, creating codes), data display (organizing data into matrices and narratives), and conclusion drawing/verification (identifying patterns and relationships). While this approach is distinct from grounded theory's open-axial-selective coding procedure, it provides systematic means for organizing qualitative data and deriving themes from empirical evidence without imposing a priori theoretical categories. The analysis proceeded iteratively: initial codes were developed through careful reading of interview transcripts, codes were reviewed against observational and documentary evidence, refined codes were organized into broader themes, and themes were validated through member checking. to group code into categories and themes, and Selective Coding to determine the core theme on which the conceptual model development is based. The validity of the data was tested through source triangulation, triangulation techniques, and member checking to increase the credibility.

RESULTS AND DISCUSSION

Results

Human Capital Management Practices in Islamic Boarding School MSMEs

The results of the data analysis demonstrate through the empirical evidence that the practice of HCM in MSMEs at the Riyadlul 'Ulum Wadda'wah Islamic Boarding School includes four main dimensions, namely acquisition, development, maintenance, and integration. The findings were obtained through the process of open coding, axial coding, and selective coding on the data from interviews, observations, and documentation. Although the main functions of HCM have been implemented in human resource management, its implementation is still evolving from an informal system to a more formal and structured system. This finding contrasts with conventional HCM literature, which typically emphasizes technical competencies and market-based compensation. In *pesantren*-based MSMEs, values-driven HCM practices create organizational cohesion and employee commitment through mechanisms aligned with Islamic principles rather than purely instrumental incentives. As noted by R1: 'We prioritize not just technical skills but character and commitment to *pesantren* values when recruiting new staff. This ensures that new members will contribute positively to organizational culture.' Similarly, R2 stated: 'Our cadre development process emphasizes spiritual growth alongside professional competencies, reflecting our belief that sustainable human capital must be grounded in moral principles and Islamic ethics.'

On the dimensions Acquisition, the labor recruitment process is carried out based on the needs of the business unit by considering competence, loyalty, trust, commitment, and character suitability with the *pesantren* culture. Most of the workforce is recruited through internal regeneration involving students, alumni, and individuals who are active in *pesantren* organizations. R2 explained that recruitment is prioritized for individuals who are ready to contribute, have high loyalty, and can carry out the mandate given by the *pesantren*. These findings suggest that the process Acquisition It is not only oriented to technical ability, but also to the alignment of values between individuals and organizations. The findings are in line with Armstrong (2014) which emphasizes that acquisition aims to acquire individuals who are in accordance with the needs of the organization while being able to adapt to the organization's culture. Interestingly, internal cadre regeneration makes the recruitment process not only function to meet the needs of human resources, but also becomes a regeneration mechanism that supports organizational sustainability. From a Resource-Based View perspective, cadre regeneration functions as a strategic mechanism for sustaining human capital as a distinctive organizational resource. By systematically developing and nurturing individuals through *pesantren*-based values and ethics, the organization ensures not only workforce continuity but also preservation and enhancement of organizational capabilities grounded in Islamic principles. This mechanism is particularly important in *pesantren*-based MSMEs where organizational identity is inseparable from Islamic educational mission. Unlike conventional HCM practices that emphasize technical competencies and individual performance, cadre regeneration in this context emphasizes value alignment, spiritual commitment, and long-term organizational sustainability through the cultivation of individuals who embody *pesantren* ethics and contribute to

organizational culture preservation.

On the dimensions *Development*, human resource development is carried out through work orientation, mentoring, mentoring, routine coaching, and direct learning in the workplace. R2 and R3 explained that the workforce received an introduction to the work system, division of tasks, and assistance from a more senior workforce. These findings suggest that competency development takes place more through experiential learning and social interaction than through structured formal training. This condition is in line with the theory of Experiential Learning which places direct experience as the main source of learning and development of individual competencies (Kolb, 1984). In the context of Islamic boarding school MSMEs, the development process is not only aimed at improving work competence, but also strengthening the understanding of the workforce towards organizational culture and values.

In the maintenance dimension, the organization implements performance evaluation through meetings, coaching, and direct communication between leaders and the workforce. Assessments are not only based on the results of the work, but also loyalty, contribution, and commitment to the organization. In addition, organizations provide compensation and bonuses as a form of reward for the performance of the workforce. These findings show that the human resource maintenance system in Islamic boarding school MSMEs is not only oriented towards productivity, but also considers aspects of character and attachment to the organization. Thus, the success of the workforce is understood as a combination of performance, loyalty, and contribution to the sustainability of the organization.

On the dimensions *Integration*, the values and ethics of *pesantren* are internalized through routine coaching, periodic evaluations, leadership briefings, and daily social interactions. R2 explained that the values of *pesantren* were introduced from the beginning of the workforce joining and strengthened through the process of habituation in the work environment. These findings show that integration not only serves to align individual and organizational goals, but also serves as a means of internalizing *pesantren* values and ethics into work behavior. This condition is in line with Schein's view (2010) which states that organizational culture plays a role in shaping behavior patterns and strengthening a common identity.

Overall, the results of the study show that the practice of HCM in Islamic boarding school MSMEs has reflected the main functions of HCM which include acquisition, development, maintenance, and integration. However, its implementation is still developing towards a more formal system, especially in the aspects of governance, documentation, and standardization of procedures. Interestingly, all dimensions of HCM are carried out within the framework of strong *pesantren* values and culture and supported by the regeneration process as an organizational regeneration mechanism. These findings show that human resource management in Islamic boarding school MSMEs is not only oriented to the current organizational needs, but also to the sustainability of the organization through sustainable human capital development.

Internalization of Islamic Boarding School Values and Ethics in Human Capital Management

The results of the study show that the values and ethics of *pesantren* have a central role in the practice of Human Capital Management in MSMEs of the Riyadlul 'Ulum Wadda'wah Islamic Boarding School. Values such as trust, sincerity, solemnity, discipline, responsibility, togetherness, and ukhuwah not only function as moral guidelines, but also become the foundation in the process of recruitment, development, evaluation, and workforce development. R2 explained that these values are sourced from the pillars of struggle, the five souls, and the five term of the *pesantren* which emphasizes sincerity, simplicity, devotion, and responsibility. These findings show that human capital in Islamic boarding school MSMEs is not only formed by technical competence, but also by character, integrity, and commitment to organizational values.

The process of internalizing values is carried out through routine coaching, monthly evaluations, leadership briefings, senior labor examples, and social interaction in the work environment. R2 and R3 explained that the values of *pesantren* were introduced from the beginning of the workforce joining and strengthened through habituation in daily activities. These findings suggest that the internalization of values takes place more through exemplary processes and social experiences than structured formal training. These conditions are in line with Social

Learning Theory which explains that individuals learn values and behaviors through observation of the surrounding social environment (Bandura, 1986). This finding is also in line with Umiarso's research (2022) which shows that the internalization of values in Islamic boarding school organizations takes place through examples, habituation, and organizational culture that is built sustainably.

In addition to forming individual character, the values and ethics of *pesantren* also function as an organizational glue that strengthens work relationships between workers. The value of togetherness and *ukhuwah* is the basis for building solidarity, communication, and conflict resolution through deliberation and family approaches. R2 and R3 explain that conflicts that arise are generally resolved through two-way communication and the search for joint solutions. These findings show that the value of togetherness and *ukhuwah* not only functions as a social guideline, but also as an integration mechanism that maintains organizational stability. This condition is in line with Schein's view (2010) which places organizational culture as a means of forming a common identity and organizational stability.

Overall, the results of the study show that human capital in *pesantren* MSMEs not only consists of individual knowledge, skills, and abilities, but also includes the dimensions of character and spirituality formed through the internalization of *pesantren* values and ethics. The values of trust, sincerity, solemnity, discipline, responsibility, togetherness, and *ukhuwah* play a role in shaping work behavior, strengthening loyalty, increasing commitment, and maintaining organizational sustainability. These findings show that the effectiveness of human capital management in Islamic boarding school MSMEs is greatly influenced by the organization's ability to integrate Islamic boarding school values and ethics into daily work practices.

Gaps and Needs for *Human Capital Management Development*

The results of the study show that the practice of Human Capital Management in MSMEs of the Riyadlul 'Ulum Wadda'wah Islamic Boarding School has included acquisition, development, maintenance, and integration functions and is supported by the internalization of *pesantren* values and ethics. However, human resource management still faces a number of limitations, especially in the aspects of governance, documentation, competency development, and standardization of procedures. Most HR policies are still carried out based on experience, organizational habits, and informal communication, so the HR management process is still highly dependent on specific individuals. This condition has the potential to cause difficulties when there is a change in the workforce or changes in organizational structure.

These findings are in line with Marimuthu et al. (2009) which explains that the development of Human Capital requires a system that is able to ensure knowledge transfer and sustainability of organizational competencies. In the context of Islamic boarding school MSMEs, these challenges become more complex because organizations not only need to transfer work competencies, but also values, culture, and organizational identity to the next generation. In addition, even though organizations have implemented mentoring, coaching, and mentoring, the HR development process is still dominated by experiential learning and has not been supported by a structured competency development system.

On the other hand, the results of the study show that regeneration is a strategic need in maintaining organizational sustainability. R2 explained that regeneration needs to be carried out early so that the workforce is able to continue their duties and responsibilities when there is a change of personnel. The informant also emphasized that the sustainability of the *pesantren* business unit is highly dependent on the success of the regeneration process. These findings show that regeneration not only functions as a process of workforce regeneration, but also as a mechanism for the transfer of knowledge, experience, organizational culture, and *pesantren* values to the next generation.

The findings expand Armstrong and Taylor's perspective (2014) that emphasizes the importance of development *Human Capital* on an ongoing basis. In the context of Islamic boarding school MSMEs, the sustainability of human capital is not only determined by improving the competence of the workforce, but also by the success of the organization in transferring organizational values and culture through the regeneration process. Thus, *pesantren* require a system that can integrate HCM functions with *pesantren* values and ethics and support sustainable

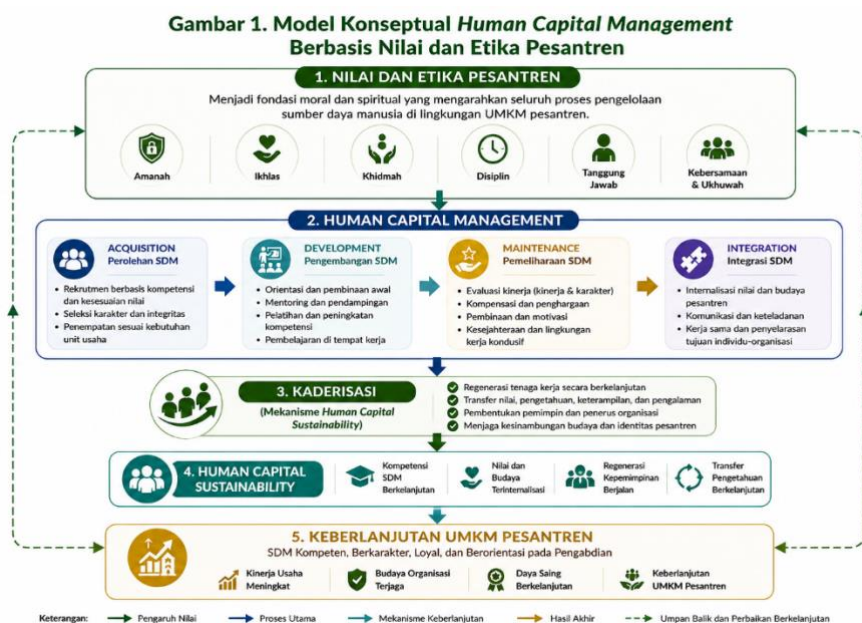
regeneration. This need is the basis for the development of conceptual models Human Capital Management based on the values and ethics of the *pesantren* proposed in this study.

Development of a Conceptual Model of Human Capital Management Based on Values and Ethics of Islamic Boarding Schools

Based on the results of the analysis of *Human Capital Management* practices, the internalization of *pesantren* values and ethics, and the identification of gaps in human resource management, this study produced a conceptual model of *Human Capital Management* based on *pesantren* values and ethics in MSMEs of Riyadlul 'Ulum Wadda'wah Islamic Boarding School. This model was developed to explain the relationship between *pesantren* values and ethics, Human Capital Management practices, regeneration, and organizational sustainability.

The results of the study show that the values and ethics of *pesantren* which include trust, sincerity, solemnity, discipline, responsibility, togetherness, and *ukhuwah* are the foundations that affect the entire Human Capital Management process, namely acquisition, development, maintenance, and integration. The findings of the study also show that regeneration has a strategic role in maintaining the transfer of competencies, experience, organizational culture, and *pesantren* values to the next generation. Thus, regeneration not only functions as a process of workforce regeneration, but also as a Human Capital Sustainability mechanism that connects the practice of Human Capital Management with the sustainability of the organization.

In contrast to previous research that generally places regeneration as part of human resource development, this study shows that regeneration has a broader function as a mechanism for human capital sustainability. Based on the synthesis of these findings, this study proposes a conceptual model of Human Capital Management based on the values and ethics of *pesantren* as shown in Figure 1.



The model shows that the values and ethics of *pesantren* serve as the foundation that influences all Human Capital Management practices in Islamic boarding school MSMEs. The values of trust, sincerity, solemnity, discipline, responsibility, togetherness, and *ukhuwah* are the moral and spiritual foundations that shape individual behavior while directing the process of acquisition, development, maintenance, and integration. Thus, human resource management in Islamic boarding school MSMEs is not only oriented to competency development, but also to the formation of character that is in harmony with the organizational culture of the Islamic boarding school.

On top of this foundation, the organization carries out the functions of Human Capital

Management to acquire, develop, maintain, and integrate human resources. The results of the study show that these functions produce a workforce that not only has work competencies, but also loyalty, commitment, and understanding of organizational values. These findings show that the values and ethics of *pesantren* do not stand separately from the practice of Human Capital Management, but are integrated in the entire human resource management process.

The model also shows that the success of Human Capital Management needs to be supported by a sustainable regeneration process. In this study, cadre regeneration is not only understood as a process of workforce regeneration, but as a mechanism for transferring competencies, knowledge, experience, organizational culture, and *pesantren* values to the next generation. Through regeneration, organizations can reduce dependence on certain individuals while maintaining the continuity of leadership and business unit operations.

Furthermore, regeneration functions as a Human Capital Sustainability mechanism that ensures the sustainability of human capital in the organization. Human Capital Sustainability is characterized by the maintenance of human resource competence, the sustainability of knowledge transfer, leadership regeneration, and the preservation of organizational culture and values. Through this mechanism, organizations can maintain the quality of human resources in a sustainable manner despite the change of workforce.

In the end, Human Capital Sustainability contributes to the sustainability of Islamic boarding school MSMEs as shown through the maintenance of organizational culture, increased competitiveness, the sustainability of business units, and the ability of organizations to carry out their economic and social functions. Thus, the resulting model describes the continuous relationship between *pesantren* values and ethics, *Human Capital Management practices*, regeneration, Human Capital Sustainability, and the sustainability of *pesantren* MSMEs.

The main contribution of this research lies in the placement of regeneration as a mechanism of Human Capital Sustainability in the Human Capital Management model based on Islamic boarding school values and ethics. In contrast to previous research that generally places regeneration as part of human resource development, this study shows that regeneration functions as a link between the values and ethics of *pesantren*, the practice of Human Capital Management, and organizational sustainability.

CONCLUSION

This study examined human capital management practices in a *pesantren*-based MSME, revealing how Islamic values and *pesantren* ethics fundamentally shape HCM processes. The empirical findings demonstrate that seven core HCM functions (recruitment, selection, placement, development, compensation, performance management, and retention) are deeply influenced by seven *pesantren*-rooted values (trust, sincerity, dedication, discipline, responsibility, togetherness, and *ukhuwah*). The primary contribution of this research is the development of a conceptual framework illustrating how *pesantren*-based organizational values create distinctive HCM practices that prioritize values alignment, long-term commitment, and cultural continuity over purely market-based efficiency. Cadre regeneration emerges as a critical mechanism through which human capital sustainability is achieved in faith-based organizations, enabling continuous organizational renewal while preserving core organizational values and mission.

This study is limited by its single-organization case study design with three key informants, constraining generalization to broader *pesantren*-based MSME contexts or other faith-based organizations. Future research should employ comparative case studies across multiple *pesantren*-based enterprises, examine long-term effects of values-based HCM on organizational performance and employee outcomes, and investigate whether this model applies to other Islamic or faith-based organizational contexts. Additionally, longitudinal studies examining cadre regeneration over extended timeframes would clarify mechanisms through which values-based HCM contributes to organizational sustainability. Practitioners in *pesantren*-based MSMEs can leverage this framework to intentionally design HCM practices that align with organizational values and support cadre development for long-term organizational viability.

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AUTHOR CONTRIBUTION STATEMENT

Conceptualization, Rizqi Syaroh Amaliyah and Fanny Nurfadillah; methodology, Rizqi Syaroh Amaliyah and Mahmud Farid; data collection and investigation, Siti Syarah Az-Zahra and Muhammad Malikul Ihsan Hufwaidi; data analysis and interpretation, Rizqi Syaroh Amaliyah and Fanny Nurfadillah; writing original draft preparation, Rizqi Syaroh Amaliyah. All authors have read and agreed to the published version of the manuscript.

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