

MSMEs Business Sustainability Models in Indonesia

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ABSTRACT

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Business environment is very uncertain. To remain competitive, the RBV theory suggests that human resource is the most important resource for sustainable competitive advantage. The current global competition and the constantly changing environment requires all businesses respond accordingly. The research emphasizes on the MSMEs business sustainability models in Indonesia that integrated Green HRM, personal values, green organizational culture and competitive strategy to business sustainability. The study will empirically test the model in the MSMEs creative industries in Daerah Istimewa Yogyakarta and Central Java Province, Indonesia. The respondents of this study are the owners and managers of creative Micro Small Medium Enterprises (MSMEs) chosen by purposive sampling method. The data analysis technique is using AMOS 23. The results show that business sustainability model in creative MSMEs by considering Green HRM, personal values, green organizational culture, and competitive strategy is not yet be able to be implemented.

1. INTRODUCTION

The creative industry in Indonesia has long been practiced but it was in 2006 that the government started to officially handle this sector by running “Indonesia Design Power”. The Government of Indonesia has commitment to increase the competitiveness and autonomy for this industry through sustainable approach. The creative industry that is dominantly run by Micro, Small & Medium Enterprises (MSMEs) provide the most job and becomes one of the main economic pillars. However, due to the vulnerability of this industry, the environmental change has significant impact on MSMEs sustainability. Not only MSMEs, but all businesses are facing difficulties and should find ways to adapt with different competitive environment. In this situation, all online and offline businesses are facing shortages of the products supplies thus unable to normally run productions and therefore unable to satisfy the demand of the customers. The lockdown policy from the government as a means to prevent the virus spread obstructed the value chain mechanism including the import and export activities. The behaviors of both consumers and producers keeps changing with the situation, where adaptation is a must to do strategy. Consumers are only shopping for basic needs and become more efficient. The drop of consumers spending in majority of products leads to economic downturn and producers should reduce the number of productions as well as operational spending. Efficiency is made in many sectors to sustain. Despite the increasing consumers awareness on environmental-friendly products, efficiency becomes important issue to both government and companies/producers, where economic system should emphasize the “circular economic” system, a business model that emphasize on reducing, reusing, and recycling the materials in production and consumption processes with the aim to accomplish sustainable development [1].

Focusing on MSMEs creative industry in the Province of DIY and Central Java, Indonesia, this study is aimed at analyzing and developing strategic human resource models that incorporated green practiced (green HRM, green organizational culture and personal values). The business sustainability is reflected by the business, social and environment performance. The green strategic human resource models are expected to create environmental quality, economic prosperity and social equity, to the benefit of current and future generations. In the global competitive environment, consumer markets are very dynamic and company’s sources of competitive success are becoming easily deteriorating. Competitive successes are determined by ability to sustain competitive advantage. The Resource-based View (RBV) points out that organization can develop sustained competitive advantage only by promoting value in a way that is rare and difficult to imitate by competitors [2-5]. According to Pringle and Kroll [6], intangible resources (e.g. human resource) are more likely lead to sustainable competitive advantage in the rapidly changing environment. The significant role of intangible resource increases the interest of scholars in human resource management study to further analyze its contributions since it is more likely to lead and retain a sustainable competitive business performance in the dynamic environment.

The RBV paradigm considers that human resource has the potential to create superior performance [7-10]. People are the ultimate source of sustained advantage since we cannot rely on other economic factors which changes easily and weakened the traditional sources (natural resources, technology, economies of scale) [11]. Competitive advantage emerges from distinctive resources or capabilities that firms able to control and firms are particularly do well in comparison with their competitors [5]. Considering the significant role of human resources, properly developed HRM-practices are

especially important as a source of sustained competitive advantage [7, 12]. Appropriate design of human resource management may influence company's strategy and competitiveness [13-16] thus increasing company's business sustainability [17, 18]. However, previous studies have shown mixed results on the HRM-practices and performance relationships. Ulrich [19], Lau and Ngo [20] suggests that the link between HRM-practices and organizational performance is positive, nonetheless, it is not necessarily a direct relationship. The HR literature has also found that HRM-practices rarely lead directly to a high level of firm performance [21]. Instead, HRM-practices influence other resources, which are finally linked to performance [20]. The RBV has also considered contingency approach when analyzing variables leading to organizational performance [7]. The RBV suggests that HRM-practices can contribute to sustained competitive advantage through facilitating the development of other capabilities that are firm specific [22].

By using RBV perspective, HRM-practices alone are believed not providing a sufficient resource for competitive advantage. There are other complementary and mediating resources necessary for superior performance. Other resources necessary for competitive advantage include personal value, the organization's green culture and competitive strategy [18, 23, 24]. Chan et al. [25] assert that human capital, organizational culture and competitive strategy can have possible direct and indirect sources to sustained organizational performance. Delery and Doty [26] found that organizational strategy remains the primary contingency factor in the strategic human resource management (SHRM) literature. Harris and Ogbonna [27] also found that HRM-practices have an indirect effect on organizational performance via market orientation. Similarly, Guest et al. [28] found that although there was an association between HRM and organizational performance, the causation effect was not existed.

The theories concerning HRM in large organization may apply in small and medium organizations. However, evidence suggests that MSMEs are different, and HRM may also different from large organization [29]. The performance of MSMEs is largely determined by the orientation and strategies adopted by their owner-managers. The choice of strategies implemented in MSMEs reflects the owner-manager's personal goals, orientation and desires which are characterized in managers' personal values [30]. As a consequence, since the role of managers' personal values is resilient in the MSMEs context, this study considers personal values as key variable important to affect organizational performance.

In the dynamic environment, the mechanism between Green HRM, personal values, competitive strategy and green organizational culture on business sustainability remain unclear. Regardless the limitation from previous findings, the strategic HR model that led to business sustainability needs to be explored and the exact causal mechanism that play an important role must be identified, particularly those concern with business sustainability (business performance, social performance and environmental performance) [31, 32]. Consistent with the RBV conceptual emphasizing on the intangible aspects of organization, this study will develop MSMEs business sustainability models in Indonesia.

Based on the existing problems, the purpose of this study is to examine and analyze:

- (1) The influence of Green HRM on business sustainability.
- (2) The influence of Green HRM on competitive strategy.

(3) The role of competitive strategy in mediating the relationship between green HRM and business sustainability.

(4) The influence of Green organizational culture on business sustainability.

(5) The influence of Green organizational culture on competitive strategy.

(6) The role of competitive strategy in mediating the relationship between green organizational culture and business sustainability.

(7) The influence of personal values on business sustainability.

(8) The influence of personal values on competitive strategy.

(9) The influence of personal values on green organizational culture.

(10) The role of competitive strategy in mediating the relationship between personal values and business sustainability.

(11) The influence of Green HRM on green organizational culture.

The influence of Green organizational culture in mediating the relationship between Green HRM and business sustainability.

2. LITERATURE REVIEW

2.1 Green HRM–Competitive strategy–Business sustainability

As critical part of the key intangible asset, HRM should be considered as a strategic factor, and be linked with the organizational strategy. The HRM literature has recorded many discussions on the relationship between HR-practices and organizational performance [33-35] and business sustainability [13, 14, 17, 18].

Considering the potentiality to become a source of sustainable competitive advantage, there was a growing interest among scholars that HRM should be placed as a strategic factor [36]. A significant body of research has suggested HRM-practices be treated as a bundle that can improve inimitable attributes (employee motivation and commitment) and further competitive advantage. As argued by RBV, the HRM-system is expected to promote such inimitable attributes in human capital that can help an organization to obtain a competitive advantage and enhance its performance [8, 35, 37]. However, as discussed above, the link between HR-practices and performance is nevertheless not necessarily a direct relationship [6, 19]. An increasing interest in indirect relationship between HR-practices and business sustainability [38-40]. The effect of the HRM-practices to organizational strategy was accentuated with the rise of the current RBV of the firm [4, 5, 13, 14, 41]. The indirect relationship through organizational strategy might better explain the HR-practices contribution to business sustainability. Most attempts to investigate these relationships have tend to focused on competitive strategies [42-44]. The effect of the relationship between competitive strategies and HRM-practices on firm performance is also consistent with value-chain theory [45], which highlighted the importance of HRM in supporting a firm's delivery of value.

H1. Green HRM relates positively with business sustainability.

H2. Green HRM relates positively with competitive strategy.

H3. Competitive strategy mediates the relationship between Green HRM and business sustainability.

2.2 Green organizational culture–competitive strategy–Business sustainability

Organizational culture refers to shared assumptions, values, and norms [46, 47]. Culture involves beliefs, values and behavior, exists at a different level, and reflected in a wide range of characteristics of organizational life [48]. Martins and Terblanche [49] argue that organizational culture has a critical factor in the success of any organization. Organizational culture has also been considered a form of organizational capital and source of competitive advantage [23]. The RBV posits that culture is extremely difficult to imitate or duplicate [50], due to its inherent tacitness, complexity and specificity [51]. Similar to HRM-practices, this research therefore believes that a valuable green organizational culture could have a direct influence on strategy and further indirectly impact on business sustainability [18].

Yang et al. [52] found that green organization culture could influence company's competitive strategy when the company wanted to improve business sustainability. This result is also supported by Muafi [53, 54] when there is fit between Apollo's organizational culture and the competitive defender's strategy, organizational performance will increase. On the contrary is findings on Athens organizational culture and prospector strategy. This condition was found in batik MSMEs in Pekalongan where batik MSMEs with higher fit between organizational culture (adhocracy vs. hierarchy) and organizational strategy (innovation Vs imitation) will have better business performance [55].

H4. Green organizational culture relates positively with business sustainability.

H5. Green organizational culture relates positively with competitive strategy.

H6. Competitive strategy mediates the relationship between green organizational culture and business sustainability.

2.3 Personal values–Competitive strategy–Business sustainability

Unlike large firms, strategy in small firms is less formal and largely determined by the owner-managers. Strategy is recognized more as a key aspect of management in large organizations [56]. As such, large organizations have written or formal statements of their strategies. On the other hand, strategies in MSMEs are less formal and originate from the owner-managers who are the key decision-maker [25, 57, 58]. Since MSMEs do not normally have formal statements of their strategies, strategies are inferred from evolving owner-managers behavior and orientation [25, 58]. Strategy in MSMEs may or may not be intentional and emerges from a series of incremental adjustments to face the opportunities and threats confronted by the organization over-time [25].

In the MSMEs, owner-managers' values determine the goals, influence management style, decision-making behavior as well as the structure and strategies employed [27, 59, 60]. Further, Delery and Doty [26] identify that a key factor in the creation and implementation of strategy in MSMEs is the determining influence of the owner-manager's values. The performance of MSMEs has been found to be contingent with the strategies adopted by the firms [61, 62]. This means that, the ability to effectively formulate and implement strategies

has a major influence on the survival or failure of small businesses. The literature indicates that owner-managers with entrepreneurial values who adopt proactive strategies exhibit stronger performance than those with less entrepreneurial values who are reactive in strategic orientation [56]. It turns out that the results of several studies prove that personal values can affect green organizational culture [63-65]. Kim and Stepchenkova [63] even emphasized that the importance of personal values owned by a person to support the perspective of green environment with considering economic mindset.

Muafi et al. [13] have identified that individual with a reactive personal value will tend to choose imitation strategies in improving business performance, vice versa. In general, when a person has a proactive spirit in managing the business, he/she will not be affected by hostile changes in the business environment because there is already a match between his personal values and the environmental pressures. There is possibility that one may be able to grasp the business opportunities [66-68]. Entrepreneurial managers increase their organizational performance when able to adjust with the hostile environment and running company's prospector strategy [53, 54].

H7. Personal values relates positively with business sustainability.

H8. Personal values relates positively with competitive strategy.

H9. Personal values relates positively with green organizational culture.

H10. Competitive strategy mediates the relationship between personal values and business sustainability.

2.4 Green HRM–Green organizational culture–Business sustainability

In order to gain a better understanding of HRM, Jackson, and Schuler [69] reviewed the context of HRM from various theoretical perspectives and considering both internal (e.g. technology, size, structure, and strategy) and external factors (e.g. labor market, unionization, and national culture). They further argued that green organizational culture and green HR-practices may not separable in an organization. Similar to strategy, as a valuable resource, organizational culture has a key role to link between HRM and organizational performance [25] and business sustainability [13, 14, 17, 18, 38].

More recently, Bowen and Ostroff [70] also supported the notion that the strength of organizational climate (similar to a shared organizational culture) can be an important mediator between HRM system and organizational performance. A strong climate is argued to have effect on how individuals share a common interpretation of what behaviors are expected and rewarded, and as a consequence a situation is created for better performance. Similarly, based on research conducted in some Asian firms, Khatri and Budhwar [71] suggest that HRM, strategy, and culture had to be better aligned in order to increase performance. Cabrera and Bonache [72] argue that HRM-practices provide information and shape the behaviors of employees. HRM-practices further provide the means of creating certain organizational culture. A strong HR- system could develop shared meanings among employees in promotion of collective responses which consistent with organizational strategies and the formation of organizational climate [70]. Roscoe et al. [73] research prove that green HRM can improve environmental performance mediated by a green organizational culture. This result was also confirmed by

Pham et al. [74], that when companies implement green HRM, employees will be able to have a commitment to implement green organization culture, so that they will have high commitment to improve organizational performance.

H11. Green HRM relates positively with green organizational culture.

H12. Green Organizational culture mediates the relationship between Green HRM and business sustainability.

3. METHODOLOGY AND RESEARCH DESIGN

3.1 Research design

This study uses quantitative research by focusing on the positivism approach in attempting to understand the relationship between variables. It is based on the logical positivism philosophy which operated by strict rules regarding the logics, truths, laws, and predictions. The reason is that in each research process such as hypothesis formulating and testing, data collecting, analyzing, drawing conclusions, until the writing, this study uses measurement, calculation, formulation, and numeric data certainty that is processed using statistical method. According to these processes, the significance of the relationship of each variable can be known [75].

3.2 Sampling and data collection

In the context of this research, the conceptual model relating to the relationships among Green HRM (GHRM), personal values (PV), competitive strategy (CS), Green organizational culture (GC) and business sustainability (BS) necessitate obtaining primary data, as it requires specific direct information for verifying the hypotheses proposed. Surveys are the most used method of collecting primary data by Kumar et al. [75]. Survey methods are often assigned to as quantitative methods in the sense that a large sample from the population of interest is collected to obtain a number of answers from questionnaires [76]. Since a large sample may represent the target population as a whole, it is believed that data collected from survey method can be used to make generalized conclusions regarding the defined target population [77]. This research adopts survey methods to gather personal opinions from the respondents. By conducting the survey, it is expected that researchers will be able to sample many respondents who answer the same structured questions. Based on the collected survey, empirical analysis can be examined, variables can be measured and the proposed hypotheses can be answered. The population in this research is the overall MSMEs in DIY and Central Java Province, Indonesia.

3.3 Research instrument and sampling

All key constructs (Green HRM/GHRM, personal values/PV, competitive strategy/CS, Green organizational culture/GC, and business sustainability/BS) were developed from existing scales. Some refinements were made to take account of the condition in the Indonesian MSMEs with export capabilities. The Green HRM measure is adopted from ref. [20, 78] scale. Personal values measurement is adapted from combination of ref. [59] and [56] scales. Competitive strategy is developed from ref. [79] measure. Fey and Denison [80]

scale is used to measure organizational culture and finally, business sustainability is measured using the scale developed by ref. [13, 14, 56, 81, 82].

Business sustainability is measured using three indicators, namely: (1) business performance (BP), (2) social performance (SP), and (3) environmental performance (EP). In order to improve the levels of measurement in the social research, Likert scale, which is a type of composite measure is used [83]. The response categories such as strongly agree, agree, disagree, and strongly disagree are used in this research to measure the attitudes or perceptions. Other scales include: highly dissatisfied (1) highly satisfied (7), no emphasis (1) – major emphasis (7) and not at all important (1) extremely important (7) are also adopted. Babbie [83] further explains that by standardizing response categories in survey questionnaires, the relative intensity of different items can be determined. Considering the proposed conceptual framework (testing the relationships), the nature of the data and complexity of the research model, the Structural Equation Modelling (SEM) methodology is considered to be an appropriate statistical method for this research. SEM as one of statistical techniques is basically an integration between path analysis and factor analysis [84]. SEM techniques are able to analyze a set of interrelated research questions simultaneously and systematically [85].

The population of this study is all creative MSMEs in DIY and Central Java Province. The target samples are 200 MSMEs, which is chosen by purposive sampling technique. The sampling criteria are: (1) MSMEs that use minimum two raw materials from the nature for the production process; (2) MSMEs which recruit employees with the consideration that the candidate has a knowledge regarding environmental aspect and has pro-environment interest; (3) MSMEs which have operated for at least 3 years and experience the COVID-19 pandemic; and (4) MSMEs with gross income of at least IDR 25 million per month. The total questionnaire returned is 186 questionnaires, and all participants answer it completely, thus it can be processed further. The data analysis technique is using AMOS 24.

4. RESULTS

4.1 Results

4.1.1 Respondent description

The majority of respondents in this study are the MSMEs owner and manager (85%), using 3 natural raw materials for production process (76%), have gross income of at least IDR 25 million (75%), male (87%), and have senior high school as their latest education (67%).

4.1.2 Classical assumption test

Structural Equation Modeling Analysis with AMOS 24 software is a multivariate analysis with maximum likelihood model estimation. In this analysis, the normality assumption must be met. Table 1 shows the results of normality test. The data that met the normality assumption is the data with multivariate c.r. value between -2.58-2.58 [77]. Table 1 shows that the multivariate c.r. value in this study is 1.720, which means that this study has met the normality assumption.

4.1.3 Confirmatory factor analysis (CFA)

CFA is a concept test that has been developed based on the

literature review and analysis of the previous study with several measurements. CFA consists of construct validity and reliability, and goodness of fit analysis. In the validity test, each indicator of a construct must have the loading factor value of >0.5 , and if not, the indicator item must be dropped from the analysis. The results of the analysis indicate that there are 2 indicators with a loading factor value below 0.5, namely EP1 and EP2 from the business sustainability variable. These two indicators must be dropped from the analysis. The results of validity and reliability test after dropping invalid items can be seen in Table 2.

Table 2 shows that all indicators have the loading factor value of > 0.5 , thus it can be said that all indicator items are valid. The CR value of > 0.7 and the VE value of > 0.5 mean

that all construct in this study is reliable. This is also supported by high mean value of the variable in this study, as all variable have the mean value above 4. The next analysis is goodness of fit (GoF) analysis. In GoF analysis, there are 6 criteria used, namely RMSEA, CMINDF, TLI, CFI, PGFI, and PNFI. The results of GoF analysis are presented in Table 3.

Table 3 shows that all criteria of GoF used in this study are met. Therefore, the research model in this study is fit.

4.1.4 Hypothesis test

Furthermore, Structural Equation Modeling (SEM) analysis in full model is carry out to test the hypothesis developed in this study. The regression weight test results in this study is presented in Figure 1 and Table 4.

Table 1. Normality test

Variable	min	max	skew	c.r.	kurtosis	c.r.
BP6	2.000	5.000	-.753	-4.182	.261	.726
SP7	2.000	5.000	-1.011	-5.613	.216	.600
SP6	2.000	5.000	-.689	-3.826	.253	.703
EP7	2.000	5.000	-.866	-4.810	.222	.616
EP6	2.000	5.000	-.792	-4.396	.072	.200
BP5	2.000	5.000	-.666	-3.698	-.195	-.541
BP4	2.000	5.000	-.536	-2.974	-.311	-.863
BP3	2.000	5.000	-.789	-4.383	.026	.071
BP2	2.000	5.000	-.822	-4.566	.159	.442
BP1	2.000	5.000	-.825	-4.582	.246	.683
SP5	2.000	5.000	-.788	-4.378	.181	.501
SP4	2.000	5.000	-.746	-4.140	.181	.503
SP3	2.000	5.000	-.613	-3.404	.226	.626
SP2	2.000	5.000	-.716	-3.977	.222	.616
SP1	2.000	5.000	-.689	-3.828	.385	1.070
PV6	2.000	5.000	-.856	-4.755	.978	2.714
GHR7	2.000	5.000	-.530	-2.941	.200	.556
GHR6	2.000	5.000	-.848	-4.710	.559	1.553
EP5	2.000	5.000	-.549	-3.051	-.121	-.337
EP4	2.000	5.000	-.820	-4.554	.319	.886
EP3	2.000	5.000	-.708	-3.929	.116	.321
EP2	1.000	5.000	-.815	-4.526	.475	1.317
EP1	2.000	5.000	-.728	-4.043	-.258	-.717
GC1	2.000	5.000	-.791	-4.390	.837	2.324
GC2	2.000	5.000	-.826	-4.585	.910	2.526
GC3	2.000	5.000	-.941	-5.226	.534	1.483
GC4	2.000	5.000	-.639	-3.550	-.419	-1.163
GC5	2.000	5.000	-.769	-4.272	.017	.046
CS5	2.000	5.000	-.767	-4.259	.887	2.461
CS4	2.000	5.000	-.718	-3.986	.146	.406
CS3	2.000	5.000	-.668	-3.707	.376	1.044
CS2	1.000	5.000	-.787	-4.370	.879	2.440
CS1	2.000	5.000	-.504	-2.796	-.123	-.343
PV1	2.000	5.000	-.619	-3.440	.021	.058
PV2	2.000	5.000	-.643	-3.572	.487	1.353
PV3	2.000	5.000	-.502	-2.788	.136	.377
PV4	2.000	5.000	-.545	-3.025	1.299	3.606
PV5	2.000	5.000	-.840	-4.666	.880	2.442
GHR1	2.000	5.000	-.580	-3.221	.068	.190
GHR2	2.000	5.000	-.635	-3.524	.327	.908
GHR3	2.000	5.000	-.601	-3.335	.892	2.477
GHR4	2.000	5.000	-.683	-3.790	.484	1.345
GHR5	2.000	5.000	-.794	-4.411	.670	1.860
Multivariate					15.734	1.720

Table 2. Validity and reliability test results

Variable	Indicator	Loading Factor	Mean	CR	VE
Green HRM/GHRM	GHRM1	0.682	4.21	0.9	0.6
	GHRM2	0.802			
	GHRM3	0.774			
	GHRM4	0.823			
	GHRM5	0.781			
	GHRM7	0.724			
Personal Value/PV	GHRM6	0.696	4.16	0.9	0.5
	PV1	0.708			
	PV2	0.714			
	PV3	0.792			
	PV4	0.723			
	PV5	0.741			
Competitive Strategy/CS	PV6	0.808	4.17	0.8	0.5
	CS1	0.806			
	CS2	0.754			
	CS3	0.69			
	CS4	0.628			
Green organizational Culture/GC	CS5	0.707	4.18	0.9	0.6
	GC1	0.815			
	GC2	0.712			
	GC3	0.705			
	GC4	0.796			
	GC5	0.764			
Business Sustainability/BS	EP3	0.747	4.16	0.8	0.5
	EP4	0.724			
	EP5	0.768			
	EP6	0.824			
	EP7	0.742			
	SP1	0.723			
	SP2	0.773	4.16	0.9	0.6
	SP3	0.769			
	SP4	0.777			
	SP5	0.787			
	SP6	0.764			
	SP7	0.628			
	BP1	0.805	4.19	0.9	0.5
	BP2	0.768			
	BP3	0.808			
	BP4	0.644			
	BP5	0.674			
	BP6	0.654			

Table 3. Goodness of fit test results

	RMSEA	CMINDF	TLI	CFI	PGFI	PNFI
Indicators	0.06	1.67	0.89	0.90	0.69	0.72
Critical Value	≤ 0.08	≤ 2.00	≥ 0.90	≥ 0.90	≥ 0.60	≥ 0.60

Table 4. Hypothesis testing

	Estimate	S.E.	C.R.	P	Note
GHRM – BS	.202	.185	1.094	0.274	H1 rejected
GHRM – CS	.347	.063	5.468	0.000*	H2 rejected
GHRM – CS – BS				0.254	H3 rejected
GC – BS	.183	.233	.785	0.433	H4 rejected
GC - CS	.483	.033	14.683	0.000*	H5 accepted
GC – CS - BS				0.381	H6 rejected
PV - BS	.425	.056	7.647	0.000*	H7 accepted
PV - CS	.062	.025	2.437	0.015*	H8 accepted
PV - GC	.078	.081	.964	0.335	H9 rejected
PV – CS – BS				0.184	H10 rejected
GHRM – GC	1.207	.174	6.920	0.000*	H11 accepted
GHRM – GC - BS				0.620	H12 rejected

Note: *sign=Significant<α 0.05.

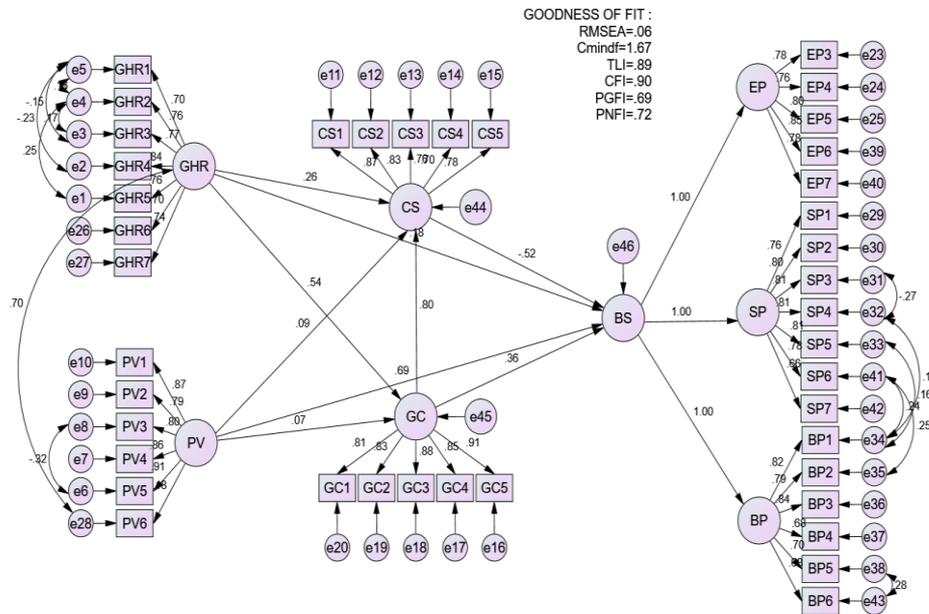


Figure 1. Path analysis results

To see whether the hypothesis is accepted or rejected, it can be done by looking at the critical ratio (CR) value and the probability (P) value from the results of data processing. If the results show the CR value above 1.96 and the probability value below 0.05, the hypothesis proposed in this study is accepted. The result of regression weight test is presented in Table 4.

5. DISCUSSION

This study finds that GHRM has an impact on business sustainability (BS) (**H1 accepted**). It supports the previous study from [38-40]. It is known that GHRM practice requires support system and green environmentally-friendly behavior from the employee for the creative MSMEs can improve their sustainable performance. The purpose of the company is not only to improve business performance, but also social and environmental performance. Arqawi et al. [86] also added that when a company can apply GHRM well, their social and environmental management becomes important. Thus, it is very important to have competitive strategy that is needed by the company while implementing GHRM. This is in accordance with the findings that GHRM is able to influence competitive strategy of the company (**H2 accepted**). This supports the previous studies conducted by ref. [13-14, 17, 18]. Creative MSMEs must have a good commitment and be discipline in implementing company strategy. This is because there are many MSMEs that are careless and do not have the ability to implement the strategy properly. This is due to the fact that on average they have limited resources, both tangible and intangible. Unfortunately, in this study, CS is still not able to mediate the relationship between GHRM on BS (**H3 rejected**). It can happen because based on the research results in the field, creative MSMEs in DIY and Central Java have several limitations from the aspect of human resource, technology, and raw materials during COVID-19 post-pandemic.

The results of this study prove that GC does not have any influence on BS (**H4 rejected**). It means that it does not support the statement and research from ref. [18, 23-25]. However, GC still becomes an important aspect in the increase of BS

implementation in creative MSMEs in DIY and Central Java. The findings in the field prove that not all MSMEs have greening culture towards its employee. The attitude and behavior of the employee still show that they are not aware and care enough about the environment. The work environment still looks unsanitary and unhygienic. Even waste disposal is still carried out in the surrounding environment. They do not have enough capital to manage their own waste and maintain a healthy working environment. If this condition is neglected in the long term, it is feared that it will have a significant impact on BS.

The results in this study indicate that GC does not have any influence on CS (**H5 rejected**). It does not support the statement and findings from ref. [18, 23-25]. It should be realized by the managers and owners of the MSMEs that GC is an important aspect for the improvement of CS implementation in creative MSMEs in DIY and Central Java. Greening culture during COVID-19 post-pandemic should be implemented well so that it eases and accelerate the implementation of CS in the field. CS becomes a crucial aspect because all creative MSMEs will compete to improve BS both through cost leadership strategies and product and service innovation. This finding does indeed support the subsequent finding that CS does not mediate GC on BS (**H6 rejected**). The results of this study also prove that PV can increase BS and CS (**H7 and H8 accepted**). Under abnormal conditions such as during COVID-19 post-pandemic, proactive personal values from the managers and owners of the company is required [58], and they need to have incremental behavior and strategic orientation in seizing opportunities as well as avoiding threats from outside the company [25]. The achievement of BS is strongly influenced by management style and agile decision making behavior, which is as important as organizational structure design [59, 87]. Nadkarni and Herrmann [61] added that proactive manager will always have a flexibility strategy. Waheed and Dastgeer [66], Ashton [88] also found that manager with proactive behavior tend to have radical creative soul, and vice versa. It needs to be understood that PV can shape motivation to achieve purpose in each individual [89]. When the owners and managers of creative MSMEs have agile and proactive PV, it can be helpful

to improve BS of the company. However, the findings of this study show that PV does not influence GC (**H9 rejected**). It does not support the previous study from ref. [64] that environmental awareness and PV can actually reduce wasteful habits and emphasize the importance of a broader understanding of the green environment. The owners and managers of MSMEs should support their company to have green culture orientation while maintaining economics mindset [63]. This reason also supports the results of this study that CS does not mediate PV on BS (**H10 rejected**).

The findings of this study prove that GHRM has an influence on GOC (**H11 accepted**). This supports the study from [73, 74] that Green HRM can influence GOC. The owners and managers of creative MSMEs in DIY and Central Java must have high commitment in the implementation of GHRM, starting from the recruitment and selection stage until the performance appraisal and compensation. All of the practice must emphasize the greening aspect in its business process. The GHRM system must support and promote consistent behavior and greening culture, so that the employee can have a proper mindset and behavioral orientation in the future [70]. Unfortunately, the findings of this study **reject H12**, in which GC does not mediate the relationship of GHRM on BS. This means that it rejects the study from ref. [74].

6. THEORETICAL AND MANAGERIAL IMPLICATION

The proposed research will be valuable specifically to HR practitioners and general managers in number of ways: First, the multidimensional measure in green HRM, personal values, competitive strategy and green organizational culture provides a more detail and comprehensive nature of dimensions that build all key variables. In addition, the measures are also in the forms of multiple item scales. The multidimensional and multi item scales provide HR-practitioners and managers in general clearer information on more detail resources and activities needed to be taken in order to enhance organizational performance. Becker and Gerhart [90] note that the use of multiple measures at multiple levels of analysis increases confidence in the causal direction between independent variables and dependent measures. This will assist managers in making decision which require cause and effect consideration.

Second, different types of HRM may generate different firm outcomes [19, 20]. This research assists managers to employ the bundle of HRM-practices to avoid inadequate or partial achievement of business sustainability. Third, the integrated model proposed is expected to provide HR-practitioners and general managers a more holistic view of the mechanism (causal relationships) in how organizational capabilities must complement each other in achieving business sustainability. Fourth, since governments and public in general have concern in macro-economic objectives with regards to MSMEs research, this research employed measures related to performance in macro-economic factors (e.g. job creation, business stability, contribution to community development, export performance). Organization performance in this research is translated into business sustainability covering business performance, social performance and environmental performance. Fifth, specific to MSMEs, this research offers information on the managers' personal values, whether they hold entrepreneurial value orientation (proactive, such as

risk taker, courageous, innovative) or only reactive. Managers' personal values facilitate the understanding on MSMEs high (low) performance. Sixth, the MSMEs business sustainability model offers efficient, proactive and innovative MSMEs to implement green business practices such as circular economic system which emphasize the zero waste production and better quality of life.

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