JBTI : Jurnal Bisnis : Teori dan Implementasi
Website: https://journal.umy.ac.id/index.php/bti/index
Vol. 16 No. 2 (2025): August 2025, page: 122-138 DOI: https://doi.org/10.18196/jbti.v16i2.26968

Sustainability transformation: The impact of GHRM and sustainable dynamic capability on sustainable business performance

Retno Purwani Setyaningrum[1], Tri Ngudi Wiyatno[2] and Erina Rulianti[1]
**Correspondence Author: retno.purwani.setyaningrum@pelitabangsa.ac.id*
[1] Department of Management, Faculty of Economics and Business, Universitas Pelita Bangsa, Bekasi, Indonesia
[2] Department of Industrial Engineering, Faculty of Engineering, Universitas Pelita Bangsa, Bekasi, Indonesia

I N F O
Article History
Received:
2025-05-16
Revised:
2025-07-09
Accepted:
2025-08-15

A B S T R A C T
This study aims to examine the influence of Green Human Resource Management (GHRM) and sustainable dynamic capability on sustainable business performance, while analyzing the moderating role of organizational inertia. A quantitative research design was applied, using survey data collected from 120 manufacturing companies in West Java, Indonesia. Data analysis was conducted using SEM-PLS to test the hypothesized relationships among variables. The results indicate that both GHRM and sustainable dynamic capability significantly and positively affect sustainable business performance. Moreover, organizational inertia was found to moderate the relationship between GHRM and sustainable business performance, where higher levels of inertia weaken the positive effect of GHRM on business sustainability outcomes. This study is limited to manufacturing companies located in West Java, Indonesia, which may affect the generalizability of the findings to other regions or industries. Future research could broaden the scope by including different sectors and geographic areas to validate and extend these results. Additionally, longitudinal studies are recommended to observe the dynamic effects of GHRM and sustainability capabilities over time. This study offers novel insights into the interaction between GHRM, sustainable dynamic capability, and organizational inertia in achieving sustainable business performance, contributing to both sustainability and HRM literature.

Keywords: Green human resource management; Organizational inertia; Sustainable business performance; Sustainable dynamic capability

INTRODUCTION

Currently, competition between companies in the manufacturing sector in the industrial environment has increased significantly along with technological developments, globalization, and changes in market needs (Carballo-Penela et al., 2023; Setyaningrum & Muafi, 2023). The increasing number of manufacturing companies, both large-scale and SMEs, has driven increasingly intense competition (Johan et al., 2025). Factors such as production efficiency, product innovation, digitalization of business processes, and environmental sustainability are important aspects that determine a company's competitiveness (Aggarwal et al., 2023; Ribeiro et al., 2022). According to Johan et al. (2025) pressure from government policies, regulatory changes, and consumer demands for quality and competitive prices are increasingly strengthening the dynamics of competition in this sector. In order to remain sustainable, companies need to adopt environmentally friendly business practices to increase operational efficiency so that they can maintain their

sustainability (Renwick et al., 2016). The green human resource management (GHRM) practice approach has become an important strategy for companies in facing challenges regarding environmental responsibility (Perez et al., 2023). This concept integrates environmentally friendly principles into human resource policies and practices, including recruitment, training, performance management, and a work culture that supports sustainability.

According to Lee (2009) and Meidute-Kavaliauskiene et al. (2021), implementing GHRM practices not only contributes to environmental conservation but can also improve operational efficiency by reducing waste and creating an inclusive work environment. Currently, the concept of sustainable business practices has become the focus of many companies in facing environmental, social, and economic challenges. A business is no longer only focused on profit, but also on considering the long-term impact (Yunaningsih et al., 2024). In addition, consumers and stakeholders are also increasingly demanding that companies be more responsible in running business operations. As stated by Lindgren & Ek (2023), the green concept approach can be a factor that increases competitive advantage by paying attention to economic, environmental, and social aspects through the application of GHRM. However, prior research also found that firms that fail to adopt GHRM may face several problems, such as inefficiencies in energy and resource usage, higher operational costs due to waste and non-compliance with environmental regulations, and reputational risks among environmentally conscious consumers (Bhadra et al., 2024; Tsymbaliuk et al., 2021). These issues can undermine their competitiveness in the long run.

In contrast, companies that implement GHRM tend to benefit from higher operational efficiency, stronger employee engagement, and improved alignment with sustainability demands. Companies are now advised to proactively build their intrinsic resources with a long-term view to create substantial triple-bottom-line impact (Johan et al., 2024). While the routines of organizations that have achieved previous success consider that an environmentally friendly business practice approach is unnecessary, they still adhere to conventional strategies that have proven effective in achieving profitability (Bhadra et al., 2024). In this perspective, the implementation of green business practices is often considered an additional burden that increases operational costs without providing direct benefits. Most previous studies have focused on the implementation of GHRM in large or multinational companies. In fact, SMEs in the manufacturing sector also have an important role in environmental sustainability. Still, not many have studied the extent of the implementation of GHRM practices in small and medium-sized companies. In addition, many studies have examined the impact of GHRM on the environment and sustainability, but there is still limited research that empirically links GHRM implementation with sustainable business performance (Dwianika & Gunawan, 2020; Haeruddin et al., 2023).

In addition to the GHRM aspect, this study also adopted the sustainable dynamic capability approach. In some developed countries, the sustainable dynamic capability (DSC) approach has been widely used to support sustainable business transformation by ensuring that companies have the adaptive capacity to face changes in the environment, regulations, and market demands. However, in developing countries, the application of DSC in the manufacturing industry, especially in the SME sector, is still in its early stages due to the ever-changing socio-cultural and political environment (Bhadra et al., 2024). This study is

supported by the Natural Resource-Based View (NRBV) theory. Hart (1995) emphasized that firms can achieve sustained competitive advantage by developing rare, valuable, and inimitable capabilities that align with environmental sustainability. In this context, GHRM and sustainable dynamic capability can be seen as strategic internal resources that enable companies to create value while responding to environmental challenges.

In this study, there is a lack of understanding of how sustainability capabilities influence various dimensions of sustainability performance. Given that sustainability capabilities are dynamic, companies not only need to implement environmentally friendly practices but also have the flexibility to continuously adapt to changes in technology, regulations, and market expectations. Therefore, this study attempts to re-explore and follow the suggestions in previous studies to examine how GHRM practices and sustainable dynamic capability can improve sustainable business performance in the manufacturing industry sector in Indonesia. This study also adopts the role of organizational inertia as a moderator that can affect the relationship between GHRM, DSC, and sustainability performance. Organizational inertia refers to the level of organizational resistance to change, which can come from structural inertia, culture, or habits in long-standing business processes.

LITERATURE REVIEW

Natural Resource-Based View

The Natural Resource-Based View (NRBV), proposed by Hart (1995), extends the traditional resource-based view by focusing specifically on how firms can gain competitive advantages through the strategic use of natural resources and sustainable practices. Unlike traditional views, which mainly consider physical assets as the source of advantage, the NRBV suggests that firms can develop valuable, rare, and inimitable capabilities that align with environmental sustainability. This perspective emphasizes the integration of environmental considerations into the firm's resource base, enabling the creation of unique value propositions that are sustainable in the long run (Hart, 1995). In the context of this study, the NRBV is particularly relevant because both Green Human Resource Management (GHRM) and sustainable dynamic capability (DSC) are key strategic resources that allow companies to not only comply with environmental regulations but also create innovative solutions that meet market demands for sustainability. GHRM practices, for instance, foster the development of human capital that can drive environmental performance. At the same time, DSC provides the flexibility and adaptive capacity needed to respond to shifting market and regulatory landscapes (Bhadra et al., 2024; Renwick et al., 2016). Together, these resources help firms build capabilities that are difficult for competitors to replicate, thus contributing to a sustained competitive advantage based on environmental sustainability (Hart, 1995).

The NRBV also emphasizes that the pursuit of sustainability should not be seen as a separate or secondary concern but as an integral part of a firm’s core strategy. It aligns well with the objectives of this study, which investigates how GHRM and DSC contribute to sustainable business performance. By embedding sustainability into the firm’s resources and capabilities, companies can achieve higher levels of operational efficiency, improve

employee engagement, and enhance their overall market positioning, all of which are vital in a competitive and resource-constrained environment (Hart, 1995; Renwick et al., 2016).

The Influence of GHRM on Sustainable Business Performance

GHRM is a concept in human resource management that focuses on the implementation of environmentally friendly practices in organizations (Ahmad, 2015). The goal is to create a more sustainable work culture by integrating HR policies and practices that support environmental sustainability (Aktar & Islam, 2019; Tsymbaliuk et al., 2021). Currently, GHRM practices are considered a prerequisite for increasing awareness of environmental issues, consisting of economic, social, and environmental performance. Setyaningrum and Muafi (2023) stated that GHRM practices can help companies align their business strategies to reduce environmental issues. In practice, companies can emphasize green values by emphasizing recruitment and selection to meet sustainable performance builders. In addition, environmentally friendly business process training, which is part of GHRM, is an important factor in encouraging employees to support business operations towards sustainability (Aggarwal et al., 2023). These GHRM practices and policies demonstrate the company's commitment to sustainable development so that it can guide employees to act in accordance with organizational policies. Previous studies have stated that GHRM practices play an important role in creating more adaptive, innovative, and sustainability-oriented organizations (Coffee Jr. et al., 1988; Yusoff et al., 2020). Thus, employees in every functional aspect have a crucial role in implementing sustainability principles in business operations. Through the implementation of Green Human Resource Management (GHRM), they are encouraged to adopt more efficient, innovative, and environmentally friendly work practices (Alfadel & Nalband, 2025; Mousa et al., 2025).
H1. GHRM has a positive influence on sustainable business performance.

The Influence of Sustainable Dynamic Capability on Sustainable Business Performance

The sustainable dynamic capability approach is rooted in the understanding that issues regarding competitiveness depend not only on the superiority of a company's internal resources and capabilities, but also on the organization's ability to respond dynamically to environmental changes and sustainability challenges (Bhadra et al., 2024). Organizations with sustainable dynamic capability are in a better position to quickly monitor and respond to direct and indirect stakeholders (Coppola et al., 2023). DSC can be stimulating in meeting the need for organizations to have strategic sustainability alignment and sustainability partnership tendencies, which helps to extract more benefits (de Almeida et al., 2021). According to Ramachandran (2011), sustainable dynamic capability can minimize risks in meeting stakeholder expectations over time through innovation, learning, trust, and positioning resources when needed in different configurations. In a constantly changing business environment, organizations are required to have adaptive and innovative capabilities to maintain competitiveness in achieving long-term sustainability (Wu et al., 2014). Sustainable dynamic capability plays an important role in helping organizations manage environmental changes so that they can support sustainable business practices. Previous studies have found that DSC reflects an organization's ability to integrate, build,

and reconfigure internal resources and sustainability competencies to address environmental challenges. Thus, the following hypothesis is proposed:

H2. Sustainable dynamic capability has a positive influence on sustainable business performance.

The Moderating Role of Organizational Inertia

Organizational inertia refers to a tendency for organizations to continue operating in established ways, even when facing environmental change (Schreyögg & Sydow, 2011). High inertia reflects resistance to strategic or structural change (Barney et al., 1987), which can hinder adaptability. Conversely, low inertia allows greater responsiveness and flexibility, enabling organizations to adjust more readily to dynamic environments (Joshi & Dhar, 2020; Zuzul & Tripsas, 2020). However, adaptive change is often gradual, not automatic (Huang et al., 2013). In Green Human Resource Management (GHRM), organizational inertia can act as a barrier to the effective implementation of sustainability practices, due to entrenched routines, cultural rigidity, and lack of urgency (Zuzul & Tripsas, 2020). Inertia manifests at various levels, namely the individual, organizational, and industry levels (Mikalef et al., 2018, 2021). Even with well-designed GHRM systems, high inertia may blunt their impact on sustainable business performance. Conversely, lower inertia may enhance the effectiveness of GHRM by supporting behavioral change and strategic innovation (Liu et al., 2024).

H3. Organizational inertia moderates the influence of GHRM on sustainable business performance, where the influence will be weaker when the organizational inertia is high.

Similarly, sustainable dynamic capabilities (SDC) require active resource orchestration and continuous alignment with environmental shifts (Joshi & Dhar, 2020; Sillic, 2019). When inertia is high, firms may rigidly cling to outdated routines, limiting the execution of sustainable initiatives (Godkin & Allcorn, 2008). This rigidity can reduce the adaptability needed to respond to ecological demands and undermine long-term sustainability goals (Gilbert, 2005). On the other hand, excessively low inertia may cause instability and inconsistency in strategy execution, as organizations shift directions too easily without anchoring their actions (L. Liu et al., 2024; Mikalef et al., 2021). Therefore, a balanced level of inertia is necessary to optimize the link between SDC and performance outcomes.

H4. Organizational inertia moderates the influence of sustainable dynamic capability on sustainable business performance, where the influence will be weaker when it is high.

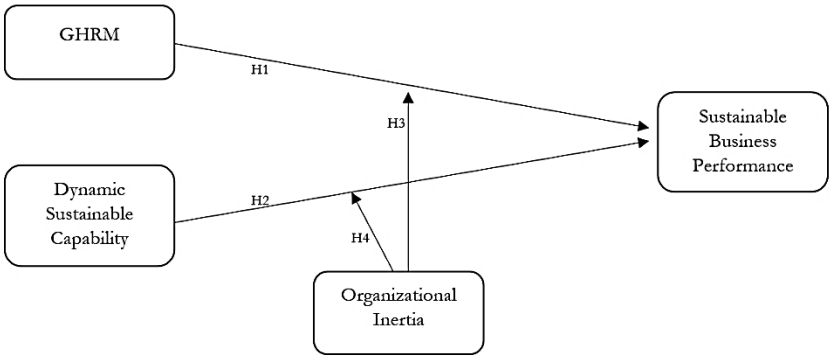

Figure 1. Research Framework

Based on the various literature review, Figure 1 presents the research framework of this research.

RESEARCH METHOD

This study used a quantitative analysis approach to test the relationship between research variables and to determine the extent to which the relationship between variables influences the dependent variable. In addition, this study uses a survey approach, which is considered the most effective data collection method, because it allows large amounts of data to be collected in a short time (Sekaran & Bougie, 2013). A purposive sampling procedure was used to determine the sample, focusing on certain criteria relevant to the research. The population of this study was manufacturing companies in the city of Cikarang, West Java. Then the sample was randomly selected from as many as 120 companies that reflected the characteristics proportionally. The selection of this sample considered various factors such as business scale (small, medium, and large), type of manufacturing industry, and geographical location in the Cikarang area. Thus, the sample taken is expected to represent the actual conditions of the population of manufacturing companies in the area, so that the results of the study can be generalized with a high level of confidence. The data was then collected using a structural equation model with the Partial Least Squares (PLS) approach.

Table 1. Variable Measurement

Variable	Indicator	Item	Scale
Green Human Resource Management (GHRM) A set of HR practices that integrate environmental management into recruitment, training, employee participation, policy implementation, and skill development to support sustainability goals.	Green Recruitment	Implementation of Green Recruitment helps companies reduce operational costs related to recruitment.	5-point Likert scale
	Green Training	Green Training programs help companies reduce excessive use of resources.	
	Employee Participation in Sustainability	My company encourages employees to participate in environmentally friendly activities.	
		Implementation of sustainability policies has helped companies reduce waste and carbon emissions.	
	Green Competency Development	The development of skills and knowledge helps employees work more efficiently and productively.	
Sustainable Dynamic Capability The organization's ability to sense, seize, and transform in response to sustainability-related opportunities and challenges through monitoring, strategy, and adaptability.	Environmental Monitoring & Data Utilization	The company's environmental monitoring system helps identify opportunities.	5-point Likert scale
		Data collected from the environmental monitoring system is used for decision-making in business sustainability.	
	Sustainability Opportunity Management	My company actively identifies and exploits business opportunities that support sustainability.	
		The company has a mechanism that allows for quick decision-making in responding to sustainable business opportunities.	
	Sustainability Strategy & Business Model Adaptation	The company's business strategy reflects awareness of sustainability trends and innovations.	
		My company is able to adapt its business model to support sustainable practices.	

Table 1. Continued

Variable	Indicator	Item	Scale
Organizational Inertia The tendency of the organization to resist change and maintain existing patterns in strategy, operations, and investment, even when adaptation is necessary.	Unwillingness to Change	The company is unwilling to seek new development directions	5-point Likert scale
		The company is unwilling to change its current business model	
		The company is unwilling to change its investment pattern	
	Inability to Change	The company is unable to seek new development directions	
		The company is unable to change its current business model	
		The company is unable to change its investment pattern	
Sustainable Business Performance The extent to which the organization achieves positive financial, social, and environmental outcomes through sustainability-oriented practices.	Financial Performance	Sustainability initiatives help the company lower environmental-related costs and improve operating efficiency.	5-point Likert scale
	Social Performance	The company actively communicates sustainability initiatives to the public and business partners.	
		The company's sustainability commitment strengthens its reputation and stakeholder trust.	
	Environmental Performance	The company prioritizes eco-friendly raw materials to reduce the exploitation of natural resources.	
		The company complies with applicable environmental regulations and agreements.	

This study also employed variables from GHRM, Sustainable dynamic capability, Organizational inertia, and Sustainable business performance (Table 1). GHRM was measured by five items adopted from the study of (Yin, 2023). Then, sustainable dynamic capability was measured by six items adopted from the research of Bhadra et al. (2024). Organizational inertia was measured by six items adopted from the research by Liang et al. (2017). Finally, sustainable business performance was measured by five items adopted from the research of Rehman et al. (2022) and Yin (2023).

RESULTS AND DISCUSSION

Respondents' Characteristics

After analyzing the respondents' profiles (Table 2), the next stage is to test the validity and reliability of the construct (Table 3) of the study to ensure that the instrument used can measure the intended concept well. The convergent validity test was carried out by looking at the outer loading (OL) value of each indicator. In contrast, the reliability test was measured through the Cronbach's Alpha (α) and Composite Reliability (CR) values. The results of the convergent validity test show that all indicators have an outer loading value above 0.70, indicating that these indicators have a fairly strong contribution in representing their respective constructs. Meanwhile, the Average Variance Extracted (AVE) value for all constructs is above 0.50, indicating that more than 50% of the indicator variance can be explained by the measured construct, so that convergent validity is met. From the reliability side, the Cronbach's Alpha value (α) and the Composite Reliability (CR) value for all constructs exceed the threshold values of 0.70 and 0.80, which indicates that the research

instrument has good internal consistency. Thus, the construct used in this study can be said to be valid and reliable for further analysis.

Table 2. Demographic Information of Respondents

Category	Frequency	Percentage (%)
Industry type		
Food and Beverage	39	32.5
Creative Industry	38	31.7
Textiles and Convection	20	16.6
Plastics and Packaging	23	19.2
Total	**120**	**100.00**
Firm age		
5 - 10 years	28	23.4
10 - 15 years	58	48.3
15 - 20 years	34	28.3
Total	**120**	**100.00**
Income per year		
50 - 100 million	38	31.7
100 - 150 million	53	44.2
150 - 200 million	29	24.1
Total	**120**	**100.00**

Table 3. Convergent Validity and Reliability

Constructs		Mean	SD	OL	α	CR	AVE
Green Human Resources Management	GHRM1	4.23	0.84	0.779	0.811	0.843	0.531
	GHRM2	3.88	0.98	0.866			
	GHRM3	4.20	0.78	0.879			
	GHRM4	4.48	0.70	0.792			
	GHRM5	4.38	0.75	0.747			
Sustainable dynamic capability	DSP1	4.06	1.04	0.909	0.963	0.970	0.843
	DSP2	4.22	1.01	0.945			
	DSP3	3.93	1.11	0.919			
	DSP4	4.12	1.10	0.929			
	DSP5	3.98	1.16	0.896			
	DSP6	4.18	1.06	0.912			
Organizational Inertia	OI1	4.45	0.73	0.802	0.874	0.897	0.595
	OI2	3.92	1.10	0.768			
	OI3	3.98	0.99	0.848			
	OI4	3.95	0.89	0.828			
	OI5	4.50	0.73	0.787			
	OI6	4.48	0.72	0.779			
Sustainable Business Performance	SBP1	3.74	1.05	0.870	0.956	0.966	0.850
	SBP2	3.53	1.20	0.944			
	SBP3	3.32	1.26	0.938			
	SBP4	3.27	1.27	0.923			
	SBP5	3.54	1.24	0.933			

Note: OL = Outer Loading; SD = Standard Deviation; α = Cronbach's Alpha; CR = Composite Reliability

After ensuring convergent validity and construct reliability, the next step is to test discriminant validity. Discriminant validity testing is carried out to ensure that each construct in this study is truly different from the other and that there is no overlap in measuring different concepts. The two methods used in this study are the Fornell-Larcker Criterion and the Heterotrait-Monotrait (HTMT) Ratio. Based on the results of the Fornell-Larcker Criterion test (Table 4), the AVE square root value of each construct (diagonal number) is higher than the correlation between other constructs in the same column. Each construct has

good discrimination, where each construct is better able to explain the variance of its own indicators compared to the variance shared with other constructs. Meanwhile, the results of the HTMT Ratio test show that all HTMT values are below the threshold of 0.85, which indicates that there is no multicollinearity problem between the constructs tested. Thus, the discriminant validity in this study has been fulfilled, so that each construct in the model can be considered to have clear differences from the other and can be used for further analysis.

Table 4. Fornell Larcker Criterion and HTMT Ratio

	Fornell-Larcker Criterion				Heterotrait Monotrait		
	DSC	**GHRM**	**OI**	**SBP**	**DSC**	**GHRM**	**OI**
DSC	0.918						
GHRM	0.333	0.728			0.353		
OI	0.601	0.480	0.771		0.641	0.612	
SBP	0.694	0.282	0.456	0.922	0.721	0.264	0.418

Note: The diagonal number in the Fornell-Larcker Criterion is the square root of AVE.

Furthermore, hypothesis testing is conducted to evaluate the relationship between variables in the research model (Table 5 and Figure 2). The results of the hypothesis test indicate that Green Human Resource Management (GHRM) has a positive and significant influence on Sustainable Business Performance (SBP) ($\beta = 0.354$; $t = 3.832$), thus supporting H1. Likewise, Sustainable dynamic capability (DSC) has a positive and significant influence on SBP ($\beta = 0.668$; $t = 7.262$), thus supporting H2.

Table 5. Path Coefficient Evaluation

Hypothesis	Exogenous	Moderator	Endogenous	R^2	β	t-value	Status
H1	GHRM		SBP	0.552	0.354	3.832**	Supported
H2	DSC		SBP		0.668	7.262**	Supported
H3	GHRM	OI	SBP		-0.182	2.746**	Supported
H4	DSC	OI	SBP		-0.265	4.565**	Supported

*Note: ** Significant < 0.05*

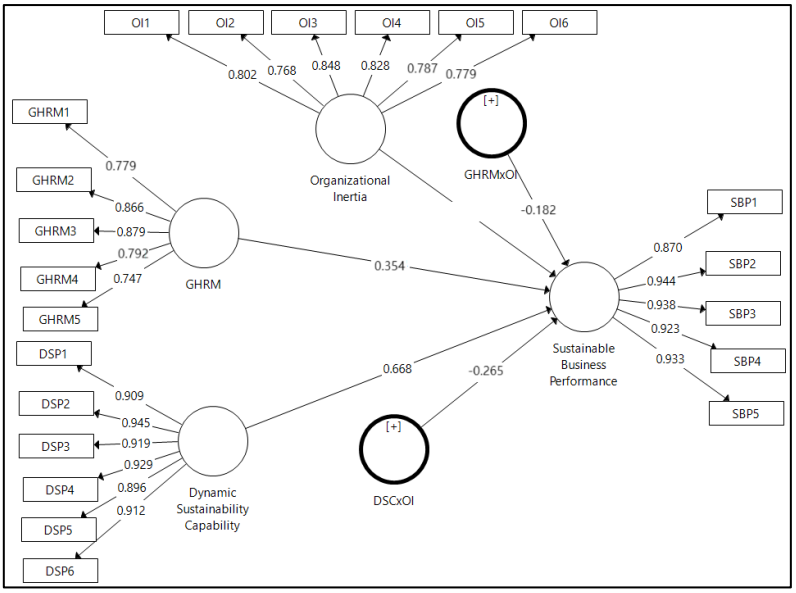

Figure 2. Output of Structural Model Evaluation

Environment-based human resource management strategies and dynamic capabilities in sustainability play an important role in improving sustainable business performance. In

addition, Organizational Inertia (OI) was found to have a negative moderating effect on the relationship between GHRM and SBP (β = -0.182; t = 2.746), also on the relationship between DSC and SBP (β = -0.265; t = 4.565), thus supporting H3 and H4. That is, as the OI level increases, the influence of GHRM and DSC on SBP becomes weaker.

This moderation effect can also be observed in the interaction graph (Figure 3). In the graph DSC × OI on SBP, three lines show the relationship between DSC and SBP at different OI levels (-1 SD, Mean, and +1 SD). These three lines are not parallel, indicating a moderation effect. The blue line represents low OI, the red line represents average OI, and the green line represents high OI. The difference in slope between the lines indicates that the effect of DSC on SBP varies depending on the level of OI, confirming that the moderation effect in this study is acceptable.

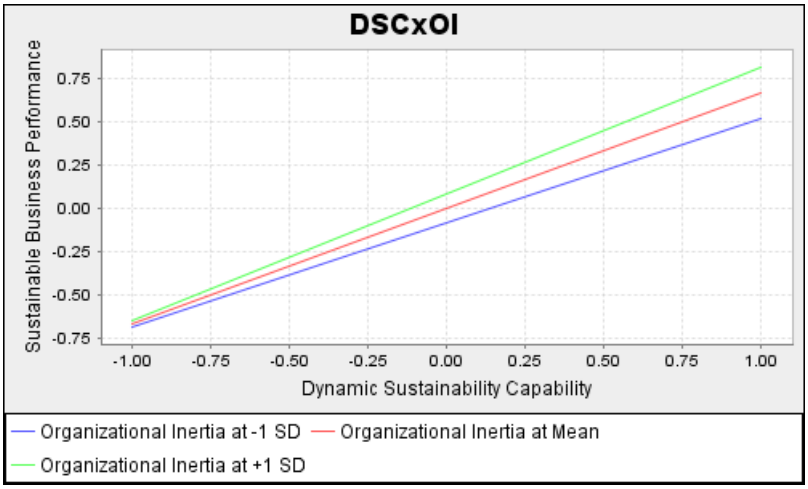

Figure 3. Interaction between DSC and OI on SBP

Likewise, on the graph GHRM × OI on SBP (Figure 4), it can be seen that the relationship between GHRM and SBP weakens as OI increases. The blue line (low OI) shows a nearly flat relationship, indicating that when OI is low, increasing GHRM has little effect on SBP. In contrast, the green line (high OI) shows a steeper slope, indicating that at high levels of OI, the effect of GHRM on SBP increases. However, overall, this pattern still suggests that the effect of GHRM on SBP is more limited when OI is high compared to when OI is low or moderate.

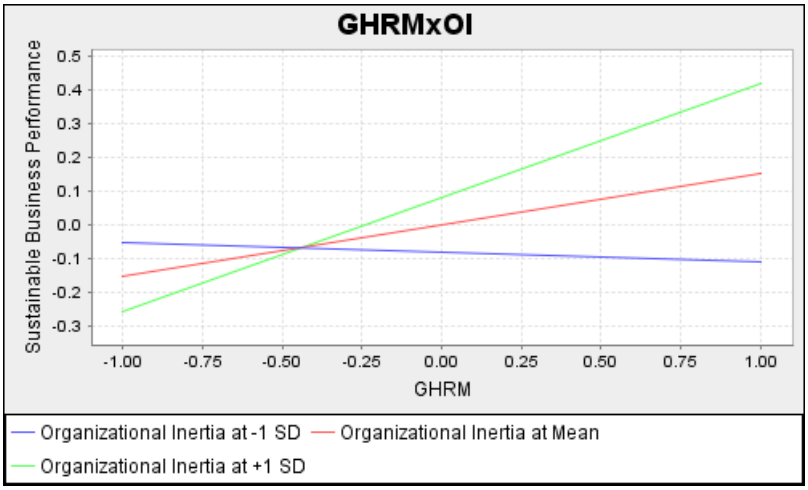

Figure 4. Interaction between GHRM and OI on SBP

In addition, the R^2 value of 0.552 indicates that the GHRM, DSC, and interaction variables with OI are able to explain about 55.2% of the variability in SBP. The model has quite good explanatory power in understanding the factors that influence sustainable business performance.

Besides testing the relationship between variables in the research model presented in Table 6., predictability analysis (blindfolding) is conducted to assess the extent to which the model can predict endogenous variables. The criteria used in this analysis are the Q^2 predictive relevance values, where a Q^2 value greater than zero indicates that the model has predictive relevance to endogenous variables. The results of the analysis show that Sustainable Business Performance (SBP) has a Q^2 value of 0.445, indicating that the model has strong predictive ability. This value indicates that the exogenous variables in this study, namely Green Human Resource Management (GHRM) and Sustainable dynamic capability (DSC), can effectively explain the variability in SBP. Thus, the research model not only shows a significant relationship between variables but also has good predictive power in explaining sustainable business performance.

Table 6. Predictability Analysis

Construct	Q^2 Predictive Relevance
Sustainable Business Performance	0.445

Discussion

This study aims to determine the influence of GHRM and Sustainable dynamic capability on sustainable business performance by looking at the role of organizational inertia as a moderator. The results of the study indicate that the practice of GHRM has a positive influence on sustainable business performance. In this study, sustainable business performance is an important element for businesses that can determine the impact on the environment, employee health, and customers. The results of the study are in accordance with previous studies conducted by R. Liu (2023), stating that GHRM and the company's continued success can foster an atmosphere that encourages employees to be motivated to act pro-environmentally. As stated by Aktar and Islam (2019), effective GHRM, such as environmental training, green incentives, and sustainability-based recruitment policies, not only increases employees' awareness of environmental issues but also strengthens their engagement in green practices in the workplace.

Furthermore, this study also showed that an organizational culture that supports green initiatives plays an important role in building more environmentally conscious employee behavior. R. Liu et al. (2023) emphasized that companies that actively integrate GHRM principles into their operations tend to have employees with higher levels of environmental concern. Thus, strategic GHRM implementation can contribute to the achievement of a company's overall sustainability goals.

Then this study also found that sustainable dynamic capability has a positive influence on sustainable business performance. The results of this study found that companies that are able to develop and adjust their sustainability capabilities dynamically tend to have better business performance in the long term. In accordance with the study from Bhadra et al. (2024), sustainable dynamic capability enables companies to be more responsive to changes in the business environment, regulations, and market demands that increasingly emphasize

sustainability aspects. With the ability to continuously innovate in green business practices, companies can improve operational efficiency, reduce environmental impacts, and strengthen their image and competitiveness in the market.

However, it is important to recognize that in the West Java context, companies face specific challenges and opportunities related to sustainable business performance. Many manufacturing firms in this region are still adapting to the evolving expectations around sustainability practices, and the implementation of GHRM is often hindered by local economic pressures, limited access to green technologies, and a lack of awareness about the long-term benefits of such practices. These obstacles could influence how GHRM and sustainable dynamic capability contribute to performance improvements, and why some companies in this region may not fully capitalize on the potential advantages of GHRM.

In addition, this study also uses organizational inertia as a moderator of the relationship between GHRM and sustainable business performance and sustainable dynamic capability on sustainable business performance. This study shows that organizational inertia can weaken or strengthen the relationship between GHRM and sustainable business performance, depending on the level of flexibility and adaptability of the organization to environmental changes. As shown in the study of Zuzul and Tripsas (2020), organizations with high levels of inertia are characterized by resistance to change, rigid structures, and work patterns. Conversely, in organizations with low levels of inertia, the impact of GHRM on sustainable business performance becomes more significant. More adaptive organizations tend to be able to integrate GHRM policies into their business strategies effectively, thereby increasing innovation and competitiveness (Joshi & Dhar, 2020). Huang et al. (2013) highlighted the importance of managing organizational inertia in an effort to improve organizational effectiveness in developing sustainability capabilities. By reducing structural and cultural barriers that inhibit change, organizations can be more responsive to external environmental demands and more adaptive in implementing sustainable business policies and practices.

In West Java, the challenge of organizational inertia is particularly relevant, as many firms in the region may still be entrenched in traditional manufacturing practices, which can resist shifts toward more sustainable approaches. This resistance to change is often due to historical industry practices, limited resources, and a lack of institutional support for green transitions. Therefore, reducing inertia is critical for companies in this region to implement GHRM and enhance their dynamic sustainability capabilities successfully.

In addition, effective management of organizational inertia enables companies to create a more innovative work environment, where employees are more motivated to participate in green initiatives and implement environmentally friendly work practices (Zuzul & Tripsas, 2020). Thus, companies not only need to improve sustainable business performance but also strengthen their competitiveness in facing global market dynamics that increasingly emphasize sustainability aspects. Therefore, companies need to implement strategies that can reduce resistance to change, such as increasing employee involvement in decision-making related to sustainability, providing ongoing training, and encouraging visionary leadership in managing the transition to a greener business.

CONCLUSION

This study contributes to the development of sustainability and organizational management literature by empirically demonstrating that green human resource management (GHRM) and sustainable dynamic capability (DSC) are significant drivers of sustainable business performance (SBP). Importantly, the study adds to the theoretical understanding by introducing organizational inertia (OI) as a moderating factor that can either inhibit or enable the positive impact of GHRM on SBP. By showing that organizational flexibility and adaptability are critical in realizing the benefits of GHRM, this study advances existing theories of sustainability, dynamic capabilities, and organizational behavior. Furthermore, by combining GHRM, DSC, and OI in one model, this study bridges gaps in the sustainability management literature, offering a more comprehensive understanding of how internal organizational dynamics affect sustainable outcomes.

From a practical standpoint, this study emphasizes the importance of adopting strategic GHRM practices—including environmental training, green incentives, and sustainability-based recruitment—to foster employee engagement in pro-environmental behaviors. Companies are encouraged to develop Dynamic Sustainable Capabilities to remain responsive to shifting environmental, regulatory, and market demands. Additionally, managers should focus on reducing organizational inertia by cultivating flexible structures, open communication, and employee involvement in sustainability initiatives. Organizational inertia, which manifests as resistance to change, can undermine the successful implementation of GHRM and sustainability strategies. Therefore, managers must be aware of how organizational routines, structures, and entrenched cultural habits can hinder the adaptation to more sustainable business practices. Reducing structural and cultural resistance to change will enhance the effectiveness of GHRM and sustainability strategies. In practical terms, managers should implement strategies that actively counter inertia, such as fostering a culture of continuous learning, encouraging collaboration across departments, and involving employees at all levels in sustainability decision-making processes. Firms that proactively address inertia and strengthen their adaptive capacity will not only improve sustainable business performance but also boost competitiveness in an increasingly sustainability-focused global market.

This study concludes that both green human resource management (GHRM) and sustainable dynamic capability (DSC) play critical roles in enhancing sustainable business performance (SBP). GHRM practices motivate employees to adopt environmentally friendly behaviors, while dynamic sustainable capabilities enable firms to innovate and adapt to evolving environmental demands. Furthermore, organizational inertia (OI) is identified as a crucial moderating factor that can weaken the positive influence of GHRM on SBP if not properly managed. Firms with high inertia tend to face structural and cultural resistance that hinders the effective implementation of GHRM. On the other hand, companies that demonstrate organizational flexibility and adaptability can maximize the benefits of GHRM and DSC, leading to stronger sustainability outcomes and improved long-term performance.

Although this study provides valuable insights, it is not without limitations. The research was limited to manufacturing companies in West Java, Indonesia, which may affect the generalizability of the findings to other sectors and geographic contexts. Future research

could extend the model to other industries, such as services or technology sectors, and different cultural settings to validate and enrich the findings. Additionally, longitudinal studies are recommended to examine how GHRM, DSC, and organizational inertia interact over time in influencing sustainable business performance. Further studies could also explore other moderating variables, such as leadership style, organizational culture, or technological readiness, to provide deeper insights into organizational pathways for achieving sustainability goals.

REFERENCES

Aggarwal, M., Dutta, M., Madaan, V., Pham, L. T., & Lourens, M. (2023). Impact of Green Human Resource Management on Sustainable Performance. *E3S Web of Conferences*, *399*. https://doi.org/10.1051/e3sconf/202339907005

Ahmad, S. (2015). Green Human Resource Management: Policies and practices. *Cogent Business & Management*, *2*(1). https://doi.org/10.1080/23311975.2015.1030817

Aktar, A., & Islam, Y. (2019). Green Human Resource Management Practices and Employee Engagement: Empirical Evidence from RMG sector in Bangladesh. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.3363860

Alfadel, A., & Nalband, N. (2025). Green creativity as a mediator between green human resource management practices and sustainable development: insight from Saudi Arabia. *Discover Sustainability*, *6*, 416. https://doi.org/10.1007/s43621-025-01297-4

Barney, J. B., Nelson, R. R., & Winter, S. G. (1987). An Evolutionary Theory of Economic Change. *Administrative Science Quarterly*, *32*(2), 315. https://doi.org/10.2307/2393143

Bhadra, K. V., Kamalanabhan, T. J., & Singh, S. K. (2024). Evolution of dynamic capabilities for business sustainability performance: Evidence from the Indian manufacturing sector. *Business Strategy and the Environment*, *33*(6), 5583–5605. https://doi.org/10.1002/bse.3767

Carballo-Penela, A., Ruzo-Sanmartín, E., Álvarez-González, P., & Paillé, P. (2023). How do GHRM practices influence firms' economic performance? A meta-analytic investigation of the role of GSCM and environmental performance. *Journal of Business Research*, *165*, 113984. https://doi.org/10.1016/j.jbusres.2023.113984

Coffee Jr., J. C., Lowenstein, L., & Rose-Ackerman, S. (1988). *Knights, Raiders, and Targets: The Impact of the Hostile Takeover* (N. York (ed.)). Oxford University Press. https://scholarship.law.columbia.edu/books/274/

Coppola, C., Vollero, A., & Siano, A. (2023). Developing dynamic capabilities for the circular economy in the textile and clothing industry in Italy: A natural-resource-based view. *Business Strategy and the Environment*, *32*(7), 4798–4820. https://doi.org/10.1002/bse.3394

de Almeida, J. M. G., Gohr, C. F., Morioka, S. N., & Medeiros da Nóbrega, B. (2021). Towards an integrative framework of collaborative capabilities for sustainability: A systematic review and research agenda. *Journal of Cleaner Production*, *279*, 123789. https://doi.org/10.1016/j.jclepro.2020.123789

Dwianika, A., & Gunawan, J. (2020). SME'S Green Entrepreneurial Intellectual Capital. *International Journal of Business, Economics and Law*, *23*(1), 322–332. https://ijbel.com/wp-content/uploads/2021/01/IJBEL23-K21-241.pdf

Gilbert, C. G. (2005). Unbundling the Structure of Inertia: Resource Versus Routine Rigidity. *Academy of Management Journal*, *48*(5), 741–763. https://doi.org/10.5465/amj.2005.18803920

Godkin, L., & Allcorn, S. (2008). Overcoming organizational inertia: A tripartite model for achieving strategic organizational change. *The Journal of Applied Business and Economics*, *8*(1). http://www.na-businesspress.com/Godkin.pdf

Haeruddin, M. I. M., Natsir, U. D., Aswar, N. F., Aslam, A. P., & Salam, R. (2023). Here Comes the Sun: Green hrm Implementation Toward SME's Sustainability in Tourism Industry. *International Journal of Professional Business Review*, *8*(4), e01227. https://doi.org/10.26668/businessreview/2023.v8i4.1227

Hart, S. L. (1995). A Natural-Resource-Based View of the Firm. *The Academy of Management Review*, *20*(4), 986. https://doi.org/10.2307/258963

Huang, H.-C., Lai, M.-C., Lin, L.-H., & Chen, C.-T. (2013). Overcoming organizational inertia to strengthen business model innovation. *Journal of Organizational Change Management*, *26*(6), 977–1002. https://doi.org/10.1108/JOCM-04-2012-0047

Johan, A., Sriwardani, Hidayat, M., & Satriawan, B. (2025). Menilai Peran Tekanan Institutional Terhadap Eco-Innovation Serta Dampaknya Pada Kinerja Bisnis UMKM. *Jurnal Darma Agung*, *30*(3), 584–596.

Johan, A., Sriwardani, S., & Oktavian, R. F. (2024). Exploring succession in small business growth in Bandung: Mediating role of strategic change. *Jurnal Siasat Bisnis*, *28*(2), 209–224. https://doi.org/10.20885/jsb.vol28.iss2.art5

Joshi, G., & Dhar, R. L. (2020). Green training in enhancing green creativity via green dynamic capabilities in the Indian handicraft sector: The moderating effect of resource commitment. *Journal of Cleaner Production*, *267*, 121948. https://doi.org/10.1016/j.jclepro.2020.121948

Lee, K. (2009). Why and how to adopt green management into business organizations? *Management Decision*, *47*(7), 1101–1121. https://doi.org/10.1108/00251740910978322

Liang, H., Wang, N., Xue, Y., & Ge, S. (2017). Unraveling the Alignment Paradox: How Does Business—IT Alignment Shape Organizational Agility? *Information Systems Research*, *28*(4), 863–879. https://doi.org/10.1287/isre.2017.0711

Lindgren, P., & Ek, E. (2022). Green Business Model Innovation in Symbiosis Business Value Networks: Bridging Green Business Model Innovation to Different Green Symbiosis Business Value Networks with Future Wireless Technologies. *Journal of Mobile Multimedia*, *19*(1). https://doi.org/10.13052/jmm1550-4646.1918

Liu, L., Cui, L., Han, Q., & Zhang, C. (2024). The impact of digital capabilities and dynamic capabilities on business model innovation: the moderating effect of organizational inertia. *Humanities and Social Sciences Communications*, *11*(1), 420. https://doi.org/10.1057/s41599-024-02910-z

Liu, R., Yue, Z., Ijaz, A., Lutfi, A., & Mao, J. (2023). Sustainable Business Performance: Examining the Role of Green HRM Practices, Green Innovation and Responsible Leadership through the Lens of Pro-Environmental Behavior. *Sustainability*, *15*(9), 7317. https://doi.org/10.3390/su15097317

Meidute-Kavaliauskiene, I., Çiğdem, Ş., Vasiliauskas, A. V., & Yıldız, B. (2021). Green Innovation in Environmental Complexity: The Implication of Open Innovation. *Journal of Open Innovation: Technology, Market, and Complexity*, *7*(2), 107. https://doi.org/10.3390/joitmc7020107

Mikalef, P., van de Wetering, R., & Krogstie, J. (2018). Big Data Enabled Organizational Transformation: The Effect of Inertia in Adoption and Diffusion. In *Business Information Systems: 21st International Conference, BIS 2018, Berlin, Germany, July 18-20, 2018, Proceedings 21* (hal. 135–147). Springer. https://doi.org/10.1007/978-3-319-93931-5_10

Mikalef, P., van de Wetering, R., & Krogstie, J. (2021). Building dynamic capabilities by leveraging big data analytics: The role of organizational inertia. *Information & Management*, *58*(6), 103412. https://doi.org/10.1016/j.im.2020.103412

Mousa, S. K., Fernandez-Crehuet, J. M., & Thaher, Y. A. Y. (2025). Advancing Sustainable Performance in Healthcare: Mediating Roles of Green HRM and Green Innovation Under Green Transformational Leadership. *Business Strategy and the Environment*, *34*(5), 5260–5282. https://doi.org/10.1002/bse.4238

Perez, J. A. E., Ejaz, F., & Ejaz, S. (2023). Green Transformational Leadership, GHRM, and Proenvironmental Behavior: An Effectual Drive to Environmental Performances of Small- and Medium-Sized Enterprises. *Sustainability*, *15*(5), 4537. https://doi.org/10.3390/su15054537

Ramachandran, V. (2011). Strategic corporate social responsibility: a 'dynamic capabilities' perspective. *Corporate Social Responsibility and Environmental Management*, *18*(5), 285–293. https://doi.org/10.1002/csr.251

Rehman, S. U., Bresciani, S., Yahiaoui, D., & Giacosa, E. (2022). Environmental sustainability orientation and corporate social responsibility influence on environmental performance of small and medium enterprises: The mediating effect of green capability. *Corporate Social Responsibility and Environmental Management*, *29*(6), 1954–1967. https://doi.org/10.1002/csr.2293

Renwick, D. W. S., Jabbour, C. J. C., Muller-Camen, M., Redman, T., & Wilkinson, A. (2016). Contemporary developments in Green (environmental) HRM scholarship. *The International Journal of Human Resource Management*, *27*(2), 114–128. https://doi.org/10.1080/09585192.2015.1105844

Ribeiro, N., Gomes, D. R., Ortega, E., Gomes, G. P., & Semedo, A. S. (2022). The Impact of Green HRM on Employees' Eco-Friendly Behavior: The Mediator Role of Organizational Identification. *Sustainability*, *14*(5), 2897. https://doi.org/10.3390/su14052897

Schreyögg, G., & Sydow, J. (2011). Organizational Path Dependence: A Process View. *Organization Studies*, *32*(3), 321–335. https://doi.org/10.1177/0170840610397481

Sekaran, U., & Bougie, R. (2013). *Research Methods for Business*. Wiley & Sons Ltd. https://digilib.politeknik-pratama.ac.id/assets/dokumen/ebook/feb_f006f52b62a646e28c8c7870aa1112fbcd0c49ca_1650455622.pdf

Setyaningrum, R. P., & Muafi, M. (2023). Green Human Resources Management on Business Performance: The Mediating Role of Green Product Innovation and Environmental Commitment. *International Journal of Sustainable Development and Planning*, *18*(1), 209–220. https://doi.org/10.18280/ijsdp.180122

Sillic, M. (2019). Critical impact of organizational and individual inertia in explaining non-compliant security behavior in the Shadow IT context. *Computers & Security*, *80*, 108–119. https://doi.org/10.1016/j.cose.2018.09.012

Tsymbaliuk, S., Vasylyk, A., & Stoliaruk, K. (2021). Green human resource management policies and practices in Ukraine. *IOP Conference Series: Earth and Environmental Science*, *915*(1), 012010. https://doi.org/10.1088/1755-1315/915/1/012010

Wu, Q., He, Q., & Duan, Y. (2014). Dynamic capabilities for CSR management: towards identifying common processes. *Society and Business Review*, *9*(3), 276–297. https://doi.org/10.1108/SBR-01-2013-0010

Yin, Q. (2023). The Impact of Green Human Resource Management on Organizational Performance. *Frontiers in Business, Economics and Management*, *11*(3), 112–115. https://doi.org/10.54097/fbem.v11i3.13198

Yunaningsih, A., Johan, A., & Rahmayanti, R. (2024). Fostering innovation through green HRM: The mediating role of organizational support and green commitment. *Asian Management and Business Review*, *4*(2), 293–307. https://doi.org/10.20885/AMBR.vol4.iss2.art8

Yusoff, Y. M., Nejati, M., Kee, D. M. H., & Amran, A. (2020). Linking Green Human Resource Management Practices to Environmental Performance in Hotel Industry. *Global Business Review*, *21*(3), 663–680. https://doi.org/10.1177/0972150918779294

Zuzul, T., & Tripsas, M. (2020). Start-up Inertia versus Flexibility: The Role of Founder Identity in a Nascent Industry. *Administrative Science Quarterly*, *65*(2). https://doi.org/10.1177/0001839219843486