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Optimization of Business Sustainability Based on Green Human Resources Management in Jepara Furniture SMEs

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Abstract

Research aims: This study explores the effect of Green Human Resources Management (GHRM) practices on Business Sustainability through Green Work Engagement and Green Innovative Work Behavior in the context of furniture SMEs in Jepara. The research is underpinned by the AMO concept (Ability, Motivation, Opportunity) theory, with the objective of promoting pro-environmental business commitments and enhancing sustainable performance.

Design/Methodology/Approach: This descriptive quantitative research employs explanatory analysis using SEM-PLS (Structural Equation Modeling-Partial Least Squares). Data were collected through purposive sampling from 116 furniture SMEs in Jepara Regency. The factors were assessed on a Likert scale, and statistical analysis was performed to evaluate the proposed relationships.

Research findings: The findings reveal that GHRM practices significantly positively affect Green Innovative Work Behavior and Green Work Engagement. Furthermore, Green Innovative Work Behavior and Engagement significantly influence Business Sustainability. However, GHRM practices alone do not directly impact business sustainability; they demonstrate a significant indirect effect when moderated by Green Innovative Work Behavior and Engagement.

Theoretical Contribution/Originality: This study extends the application of AMO theory by demonstrating how GHRM practices contribute indirectly to business sustainability through green behavioral mechanisms. It highlights the critical role of employee engagement and innovation in achieving sustainability goals within environmentally focused SMEs.

Practitioners/Policy Implications: The results underline the significance of adopting GHRM practices, such as eco-friendly training and recruitment, to foster employee engagement and innovative behaviors. Policymakers and practitioners in SMEs should focus on strategies that align organizational goals with environmental sustainability to gain competitive advantages in the market.

Research Limitations/Implications: This study's limitation pertains to SMEs in Jepara Regency, perhaps constraining the generalizability of the findings. Future research may investigate the relevance of these findings in different areas or industries to deepen the comprehension of GHRM's wider ramifications.

Keywords: Business Sustainability; Green HRM; Green Work Engagement; Green Innovative Work Behavior; AMO Theory

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Introduction

Business sustainability has become an increasingly pressing issue in various industrial sectors. Companies must achieve economic profits and

integrate sustainability into their operations in an increasingly dynamic business environment. Business sustainability includes a balance between economic growth, social welfare, and environmental preservation, known as the Triple Bottom Line concept (Elkington, 1998). Companies that can implement sustainability strategies will increase their competitiveness in the global market and strengthen their business resilience in the face of regulatory changes and consumer expectations of more responsible business practices.

Concerns about sustainability are becoming increasingly complex in the industrial sector, particularly among Small and Medium Enterprises (SMEs). SMEs often face limitations in technology, financial resources, and managerial expertise required to implement sustainable business strategies (Gadenne et al., 2009). However, with the increasing demand for environmentally friendly products and strict regulations on sustainability, SMEs must be able to adapt to remain competitive. One approach that is receiving increasing attention is the implementation of Green Human Resource Management (GHRM), which focuses on managing human resources to support more environmentally oriented business practices (Chen & Zhang, 2024).

Although various studies have examined the influence of GHRM on improving environmental performance and employee engagement, most mostly focus on large firms or service sectors, such as hospitality and finance (Abbas et al., 2022; Mohammed & Ababneh, 2022). Green Human Resource Management (GHRM) applications in the manufacturing sector, particularly among small and medium-sized enterprises (SMEs), have garnered insufficient attention. Green Human Resource Management (GHRM) can strategically solve environmental concerns and enhance corporate competitiveness through sustainable innovation in the furniture industry.

Numerous prior research indicates that GHRM methods, including green recruitment, sustainable training, environmentally-focused reward systems, and green performance management, can enhance employee engagement and foster innovation in sustainability (Meraj et al., 2023; Munawar et al., 2022). However, there is still a gap in understanding how such mechanisms contribute to business sustainability in SMEs.

The study by Susanto (2023) highlights the positive influence of GHRM on green work engagement through job satisfaction as a mediator. Still, it does not specifically address how employees' innovative behavior can contribute to green product certification. Meanwhile, Gupta & Jangra (2024) examined employee engagement in GHRM through management support but have not examined how this practice can help companies obtain green certifications that are key to competitiveness in the global market. Thus, this research is required to fill the gap by investigating the relationship between GHRM, green innovative work behavior, green work engagement, and business sustainability, particularly in furniture industry SMEs.

The furniture industry is one of the leading sectors in Jepara Regency, Central Java, contributing more than 60% to the Regional Original Revenue (Murdiyani M., 2016). This industry is renowned for its high-quality products and has successfully entered the global

market. However, the primary challenge faced by this sector is the environmental impact resulting from its production processes.

Most Jepara furniture uses wood as the primary raw material, which, if not managed properly, can lead to deforestation and unsustainable exploitation of natural resources. In addition, the production process generates a large amount of waste that has the potential to pollute the environment. The demand for certified green furniture has increased in recent years. This certification guarantees that the products produced meet sustainability standards regarding the legality of raw materials, environmentally friendly production processes, and their impact on social welfare (Pringle et al., 2018).

To meet these standards, furniture companies must adopt more environmentally friendly business practices. One approach can be implemented through GHRM, where companies build a work culture that supports green innovation and increases employee awareness of the importance of sustainability. GHRM practices such as training employees in waste management, implementing an environmental performance-based reward system, and encouraging creativity in creating environmentally friendly products can help companies achieve green certification and increase their competitiveness in the global market.

However, implementing GHRM in the Jepara furniture industry still faces various challenges. One of them is the lack of understanding and awareness of industry players about the benefits of GHRM in the long term. In addition, limited access to environmentally friendly technology and the lack of incentives from the government are also obstacles in implementing sustainability strategies. Therefore, this study explores how GHRM can improve business sustainability through increased employee engagement, innovation in the production process, and achieving green certification, a competitive standard in the global market.

Literature Review and Hypotheses Development

AMO Theory (Ability, Motivation, Opportunity) as a Theoretical Framework

The *Ability-Motivation-Opportunity* (AMO) theory serves as a basis for understanding how *Green Human Resource Management (GHRM)* contributes to business sustainability (Hermiyenti & Wardi, 2019). This model suggests that employee performance in an organization is shaped by three key factors: ability, motivation, and opportunity (Limpo et al., 2018). In the context of GHRM, employee **ability** is enhanced through environmental training and sustainability-oriented learning programs, providing the skills and knowledge needed to support green initiatives (Ridwan, 2022). **Motivation** is strengthened by incentive systems that reward employees for engaging in environmentally friendly behaviors, fostering a culture of sustainability (Klasik, n.d.).

Opportunity is provided when firms provide an atmosphere that enables employees to apply their green talents and motivations, such as permitting active participation in decision-making linked to sustainability efforts.

By applying the AMO framework, organizations can design Human Resource Management (HRM) policies that enhance individual performance while aligning workforce behavior with corporate sustainability objectives (Noor Arifin, 2021). Since Green HRM (GHRM) influences employee engagement and innovative behavior in sustainability initiatives, it is expected to play a crucial role in ensuring long-term business sustainability (Awwad Al-Shammari et al., 2022). The hypothesis of this study is formulated based on the aforementioned argument.

H₁: *Green Human Resource Management (GHRM) positively influences Business Sustainability.*

Green Human Resource Management (GHRM) and Green Work Engagement

GHRM comprises HR strategies aimed at promoting pro-environmental behavior within the workplace. Companies implementing *green recruitment, environmental training, sustainability-focused performance management, and incentive-based green rewards* can create an engaged workforce that actively participates in green initiatives (Purba & Nurbasari, 2024).

Research suggests that employees exposed to sustainability-driven HRM policies tend to exhibit higher levels of **Green Work Engagement**, reflecting their energy, dedication, and immersion in sustainability-related tasks (Adha & Subambang, 2023). Employees who undergo ongoing environmental training and are acknowledged for their ecological contributions are more inclined to feel inspired and dedicated to sustainability initiatives (Al-Rahmi et al., 2022).
Since engaged employees are more proactive in implementing green work behaviours, it is expected that GHRM enhances Green Work Engagement, which fosters business sustainability (Amalia & Nurlinda, 2022). Thus, the following hypotheses are formulated:

H₂: *Green Human Resource Management (GHRM) positively influences Green Work Engagement.*

H₃: *Green Work Engagement positively influences Business Sustainability.*

Green Human Resource Management (GHRM) and Green Innovative Work Behavior

Beyond engagement, GHRM also roles an important basis in shaping **Green Innovative Work Behaviour (GIWB),** which alludes to employees' ability to recognize environmental challenges, generate eco-friendly ideas, and implement sustainability-driven solutions(Gyensare et al., 2024).

Organizations that integrate green HRM practices encourage a work environment where employees feel empowered to develop innovative ideas for improving sustainability (Panes & Galanta, 2021) (Yasin et al., 2023). Training programs focused on sustainability

increase employees' ability to think critically about green solutions, while performance management systems that reward innovation motivate employees to take proactive steps toward sustainability (Ari et al., 2020).

Studies have shown that employees in green-focused organizations tend to be more involved in idea generation, problem-solving, and implementation of environmental solutions (Zhu et al., 2022). Given that innovation is a critical driver of sustainability, it is expected that GIWB not only stems from GHRM but also positively contributes to business sustainability (ESEN & SÜRAL ÖZER, 2020). Hence, the hypotheses are proposed as follows:

H_4: *Green Human Resource Management (GHRM) positively influences Green Innovative Work Behaviour.*

H_5: *Green Innovative Work Behaviour positively influences Business Sustainability.*

The Mediating Role of Eco-Friendly Work Engagement and Sustainable Innovative Work Behaviour

While GHRM sets the foundation for sustainability practices, its impact on business sustainability may not always be direct. Instead, the effectiveness of GHRM in driving sustainability outcomes is often mediated by employee engagement and innovation (Chreif & Farmanesh, 2022). Employees who are highly engaged in sustainability initiatives contribute significantly to green organizational practices (Arifin et al., 2021), while those with strong innovative capabilities can develop breakthrough solutions that enhance business sustainability (Bon et al., 2018).

Thus, Green Work Engagement and Green Innovative Work Behaviour are expected to mediate the association between GHRM and business sustainability (Amjad et al., 2021). Therefore, the following possibilities are proposed:

H_6: *Green Human Resource Management (GHRM) positively influences Business Sustainability through Green Work Engagement.*

H_7: *Green Human Resource Management (GHRM) positively influences Business Sustainability through Green, Innovative Work Behaviour.*

Conceptual Framework

The conceptual model in this research describes the correlation between GHRM, green work engagement, green innovative behaviour, and business sustainability (Haque et al., 2024). The relationship between these variables was developed based on AMO theory and previous studies' results showing that environment-based human resource management increases employee engagement and innovation in supporting

organizational sustainability (Chen & Zhang, 2024). The conceptual model can be seen in the research method.

Thus, this study aims to empirically test how GHRM practices can contribute to improving business sustainability through green work engagement and innovative green behaviour. This study's findings are anticipated to offer insights for corporations in formulating human resource management strategies that prioritize environmental sustainability.

Research Methods

This study adopts a non-experimental quantitative research design utilizing a variance-based Structural Equation Modelling (SEM) approach combined with a survey method. The research focuses on owners and entrepreneurs of furniture SMEs in Jepara, with a purposive sample of 116 SMEs selected based on specific eligibility criteria. The selected businesses have been in operation for at least five years to ensure adequate experience in business management. Additionally, they have either implemented or demonstrated awareness of sustainability practices and environmental considerations in their operations. The study also includes owners or managers who play a key role in decision-making related to human resource policies and sustainability innovations. Furthermore, participating enterprises have a minimum of ten employees to ensure the existence of management systems relevant to the implementation of Green Human Resource Management (GHRM). This research examines the relationship between Green Human Resource Management (GHRM) and Business Sustainability, with Green Work Engagement and Green Innovative Work Behaviour acting as mediating variables. The study is grounded in the AMO (Ability, Motivation, Opportunity) theory, which provides a framework for understanding how HRM practices influence employee behavior and contribute to organizational sustainability.

Green Human Resource Management (GHRM) refers to human resource policies designed to promote environmentally friendly workplace behaviors. Its key components include recruitment, training, performance evaluation, and incentive systems that incorporate environmental considerations. Business Sustainability is the long-term viability of a business that integrates three key dimensions: economic (profitability and efficiency), social (corporate social responsibility and employee well-being), and environmental (waste management and resource efficiency). Green Work Engagement represents employees' active participation in sustainable workplace practices. It is characterized by enthusiasm for green initiatives, a sense of pride in contributing to sustainability efforts, and full attention to environmental responsibilities. Green Innovative Work Behaviour (GIWB) involves employees' creative efforts to develop environmentally sustainable solutions. It includes identifying environmental challenges, generating innovative ideas, sharing sustainability concepts, and implementing eco-friendly solutions. The study measured these research variables using a 5-point Likert scale, and data analysis was conducted using the Partial Least Squares (PLS) approach to examine both the structural and measurement models (Irwan & Adam, 2015).

Results and Discussion

Respondent Characteristics

This research engaged the participants of furniture SME proprietors in Jepara Regency who are engaged in environmentally sustainable business practices. Of the 116 respondents, 77.1% were male, and 23.7% were female, reflecting the gender composition in the industry. Regarding education, 49.2% had a high school diploma or equivalent, 21.2% had a diploma (D3), and 30.5% held a bachelor's degree, indicating varying levels of awareness and capability in adopting sustainable business practices.

Regarding business experience, 28% of respondents had been operating for less than 10 years, while 72% had been in business for over a decade, suggesting that many SMEs have long-standing industry experience. This is relevant to sustainability adoption, as companies with longer operational history may have more exposure to environmental regulations and green certification processes (Gyensare et al., 2024)Additionally, respondents were selected based on their involvement in sustainability-related initiatives, such as using certified wood, implementing waste management systems, or adopting energy-efficient production methods. These characteristics give insights into the role of *Green Human Resource Management* (GHRM) in maintaining business sustainability in Jepara's furniture industry.

Model Estimation

A loading factor of 0.50 or above is considered sufficiently valid to clarify latent constructs. Table 1 displays the initial outer loading values for the variables Green Human Resource Management, Green Innovative Work Behavior, Business Sustainability, and Green Work Engagement. Hair et al. (2019) assert that indicators with loading factor values between 0.5 and 0.6 are appropriate.

Table 1 Outer Loading

	Green (HRM)	Green Innovative Work Behavior	Sustainability Business	*Green* Work Engagement
X.1	0.824			
X.2	0.713			
X.3	0.816			
X.4	0.834			
Y.1			0.848	
Y.2			0.808	
Y.3			0.883	
Z1.1				0.768
Z1.2				0.899
Z1.3				0.868
Z2.1		0.862		
Z2.2		0.824		
Z2.3		0.853		
Z2.4		0.873		

The *GHRM* construct includes green recruitment, training, performance management, and rewards, with outer loading values ranging from 0.713 to 0.834. This suggests that these HRM practices effectively contribute to fostering pro-environmental behaviours among employees. The *Green Innovative Work Behaviour* (GIWB) construct, with loading values between 0.824 and 0.873, confirms that employees actively engage in problem identification, idea generation, and implementation of green solutions within their organizations.

Indicators for *Business Sustainability* provide robust validity, with loading values between 0.808 and 0.883, underscoring the significance of environmental, social, and economic elements in securing long-term business resilience. Likewise, *Green Work Engagement* exhibits robust validity (0.768–0.899), indicating employees' commitment and zeal in supporting environmental sustainability initiatives.

These findings highlight that green-oriented HRM strategies are crucial in shaping employee behaviors and organizational sustainability outcomes (Yasin et al., 2023). The indicators' strong validity supports the argument that integrating sustainability principles into HRM practices enhances employee engagement and innovative behavior, ultimately strengthening the environmental commitment of furniture SMEs in Jepara.

Reliability

Before analysing the actual model, the significance levels of the variables within the conceptual model will be assessed. This study measures the dependability of instruments following two criteria: composite reliability and Cronbach's alpha. The findings are displayed in Table 2 below.

Table 2 Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Green (HRM)	0.811	0.831	0.875	0.637
Green Innovative Work Behavior	0.875	0.877	0.915	0.728
Sustainibility Business	0.802	0.804	0.884	0.717
Green Work Engagement	0.802	0.823	0.883	0.717

Table 2 illustrates the composite reliability, and Cronbach's alpha values for entire constructions exceed 0.70. This indicates that the dependability of all constructs in this investigation is sufficient and satisfies the set requirements.

The *Green Human Resource Management* (GHRM) construct demonstrates strong internal consistency, with a composite reliability of 0.875 and a Cronbach's alpha of 0.811. This confirms that green-oriented HRM applications—such as green recruitment, sustainability training, performance evaluation, and reward systems—are consistently measured in this study. The *Green Innovative Work Behavior* (GIWB) construct, with a composite reliability of 0.915 and an AVE of 0.728, suggests that Jepara's furniture SMEs

actively recognize environmental problems, generate eco-friendly ideas, and implement sustainable solutions.

For *Business Sustainability*, the composite reliability value of 0.884 indicates that the measurement effectively captures the integration of economic, social, and environmental sustainability efforts in SMEs. Similarly, *Green Work Engagement* shows high reliability (0.883), reflecting employees' energy, dedication, and deep involvement in sustainability-driven tasks.

These results confirm that the constructs related to green management, innovation, and engagement are consistently measured, reinforcing the argument that sustainability-driven HRM policies enhance employee behavior and long-term environmental commitments in the furniture industry (Jerónimo et al., 2020).

Discriminant Validity

The discriminant validity test evaluates the relationship between a construct and alternative constructs to ensure that each construct is distinct. As shown in Table 3, all squared Average Variance Extracted (AVE) values surpass the correlations among other latent variables, both horizontally and vertically. Additionally, the squared AVE values exceed 0.50, which is the threshold for acceptable discriminant validity. According to Hair et al. (2019), an AVE value greater than 0.50 indicates that a construct adequately explains the variance of its indicators. When the square root of the AVE for each construct is higher than the correlation coefficients between that construct and others within the model, it confirms that the construct possesses strong discriminant validity.

Table 3 Discriminant Validity

	Green (HRM)	*Green* Innovative Work Behavior	Sustainability Business	*Green* Work Engagement
Green (HRM)	0.798			
Green Innovative Work Behavior	0.785	0.853		
Sustainibility Business	0.742	0.789	0.847	
Green Work Engagement	0.715	0.758	0.819	0.847

As presented in **Table 3**, a comparison of the **square root of AVE values** reveals that each value exceeds the correlations with other variables. This finding confirms that all **latent variables** in the study demonstrate **strong construct validity** and **discriminant validity**, ensuring that each construct is distinct and reliably measured within the research model.

The discriminant validity test confirms that each construct in the model is conceptually distinct. The results show that *Green Human Resource Management (GHRM)* is differentiated from *Green Innovative Work Behaviour (GIWB)*, *Business Sustainability*, and *Green Work Engagement*, ensuring that green HRM practices are uniquely measured.

Similarly, *GIWB* remains separate from other constructs, highlighting employees' ability to generate and implement eco-friendly innovations (Zhu et al., 2022). *Business*

Sustainability is distinct, reinforcing the differentiation of economic, social, and environmental sustainability aspects. *Green Work Engagement* also shows apparent validity, confirming that employees' enthusiasm and commitment to sustainability-driven tasks stand apart from other variables (ESEN & SÜRAL ÖZER, 2020).

These findings validate the model's ability to effectively measure sustainability-focused HRM, employee engagement, and green innovation in Jepara's furniture SMEs.

Coefficient of Determination (R²)

The **structural test model** is used to evaluate the relationships among constructs, the significance levels, and the **R-squared (R²) values** within the research model. The **R-squared value** indicates the extent to which specific independent variables influence the dependent variable, reflecting the model's explanatory power. The estimated **R-squared values** are presented in **Table 4** below.

Table 4 R-Square

	R Square	R Square Adjusted
Green Innovative Work Behavior	0.616	0.613
Sustainibility Business	0.748	0.741
Green Work Engagement	0.511	0.506

Table 4 shows that Green HRM influences Green Work Engagement by 51.1%, as evidenced by the R-square values. Conversely, the remaining 48.9% is affected by factors not included in the study. Green HRM impacts green Innovative Work Behaviour by 61.6%, leaving 38.4% attributed to other variables. Innovative Business sustainability is influenced by Green HRM by 74.8%, while the remaining 25.2% is due to other variables.

The structural model test assesses the robustness of links across green-oriented components and their efficacy in predicting sustainability outcomes. The findings reveal that Green Human Resource Management (GHRM) substantially affects Green Work Engagement (GWE), Green Innovative Work Behaviour (GIWB), and corporate Sustainability, underscoring its vital contribution to promoting environmentally sustainable corporate practices.

The findings indicate that Green Human Resource Management (GHRM) significantly influences Green Work Engagement, demonstrating that HR policies emphasizing sustainability—such as eco-friendly training, green performance management, and reward systems—effectively enhance employees' motivation and commitment to environmental initiatives (Noor Arifin, 2021; Al-Hadrawi et al., 2023).

Additionally, Green Innovative Work Behaviour is strongly shaped by GHRM, suggesting that well-structured HR strategies encourage employees to develop and implement sustainability-driven innovations (Bombiak & Marciniuk-Kluska, 2018). This highlights the crucial role of HR practices in fostering a culture of environmental responsibility and continuous innovation within organizations.

The strongest impact is observed in business sustainability, where GHRM is dominant in ensuring long-term ecological, social, and economic resilience (Amjad et al., 2021). This underscores that integrating sustainability principles into HRM can drive overall business success, particularly in industries like Jepara's furniture SMEs, where green certification, resource efficiency, and environmental responsibility are critical for competitiveness (Opatha & Arulrajah, 2014). These results highlight the essential function of green HR strategies in shaping workforce behaviours that lead to sustainable business outcomes.

Hypothesis Testing

The hypothesis testing formulated in this study is conducted and illustrated through the following figure:
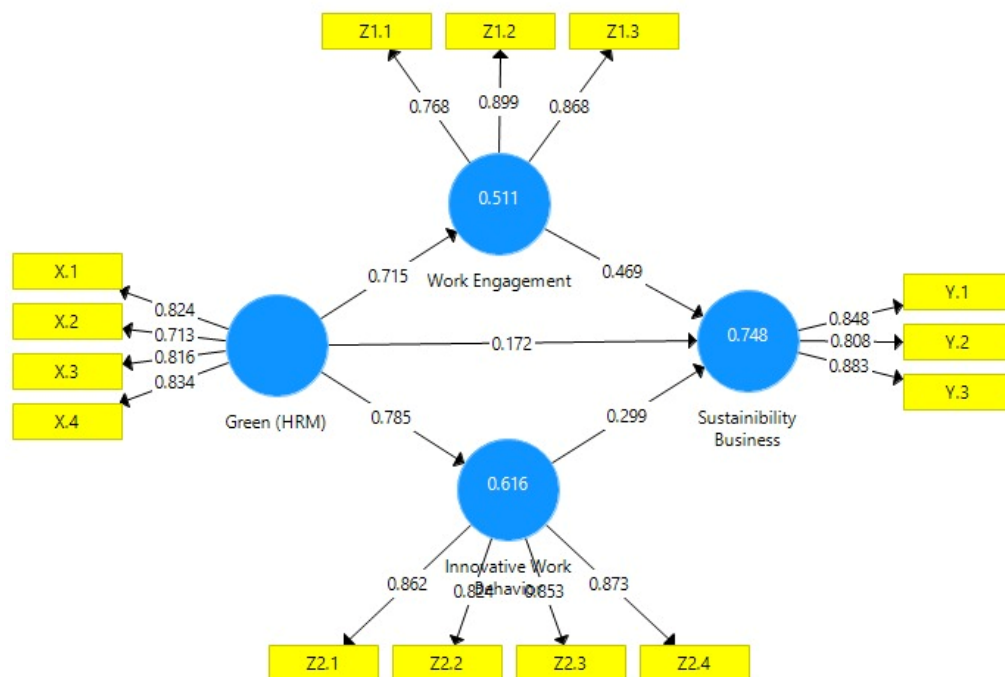
Figure 1 Outer Model

The outer model illustrates the representation of latent variables through manifest and observed variables for measuring purposes. This study delineates the links between latent variables and their corresponding indicators. A hypothesis is received if the significance degree is under 0.05 or the t-value surpasses its censorious value (Hair et al., 2014). The t-statistics crucial value for a 5% significance level is 1.65.

Table 5 Path Analysis Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV)	P Values
Green HRM -> *Green* Innovative Work Behavior	0.785	0.767	0.083	9.506	**0.000**
Green HRM -> Sustainability Business	0.172	0.171	0.112	1.531	**0.126**
Green HRM -> *Green* Work Engagement	0.715	0.700	0.095	7.549	**0.000**
Green Innovative Work Behavior -> Sustainability Business	0.299	0.289	0.117	2.545	**0.011**
Green Work Engagement -> Sustainability Business	0.469	0.475	0.105	4.478	**0.000**

As shown in Table 5, the impact of Green HRM on Green Innovative Work Behaviour yielded a T Statistic of 9.506, surpassing the 1.65 threshold, and a P value of 0.000, which is below 0.05. This indicates that Green HRM has a significant positive effect on Green Innovative Work Behaviour. However, the effect of Green HRM on Business Sustainability resulted in a T Statistic of 1.531, which is below the critical threshold of 1.65, and a P value of 0.126, exceeding 0.05. This suggests that Green HRM does not have a significant direct impact on Business Sustainability. On the other hand, the influence of Green HRM on Green Work Engagement was supported by a T Statistic of 7.549, exceeding 1.65, and a P value of 0.000, below 0.05. This confirms that Green HRM has a strong positive influence on Green Work Engagement. The relationship between Green Innovative Work Behaviour and Business Sustainability was confirmed by a T Statistic of 2.545, which surpasses the 1.65 threshold, and a P value of 0.011, which is below 0.05. This finding indicates that Green Innovative Work Behaviour significantly contributes to corporate sustainability. Furthermore, the effect of Green Work Engagement on Sustainable Business yielded a T Statistic of 4.478, exceeding 1.65, and a P value of 0.000, below 0.05. This suggests that Green Work Engagement positively influences Sustainable Business, highlighting the crucial role of employee involvement in fostering long-term business sustainability.

Table 6 Specific Indirect Effects

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Green (HRM) -> Green Innovative Work Behavior -> Sustainability Business	0.234	0.225	0.102	2.295	**0.022**
Green (HRM) -> Green Work Engagement -> Sustainability Business	0.336	0.331	0.082	4.088	**0.000**

As presented in Table 6, the indirect effect of Green Human Resource Management (GHRM) on Business Sustainability through Green Work Engagement resulted in a T Statistic of 2.295, exceeding the t-table value of 1.65, with a P value of 0.022, which is below 0.05. This confirms that Green Work Engagement mediates the relationship between GHRM and Business Sustainability, thereby supporting H6. Additionally, the influence of Green Human Resource Management (GHRM) on Corporate Sustainability is facilitated by Green Innovative Work Behaviour, as indicated by a T Statistic of 4.088, surpassing the 1.65 threshold, and a P value of 0.000, which is below 0.05. This finding establishes that Innovative Work Behaviour moderates the relationship between GHRM and Corporate Sustainability, leading to the acceptance of H7.

Impact of Green HRM on Green Innovative Work Behavior

The first hypothesis (H1) is accepted, indicating that Green HRM significantly enhances Innovative Work Behaviour. Improved Green HRM practices in environmentally conscious Furniture SMEs can elevate employee creativity and innovation. Green HRM approaches, including eco-friendly training, sustainability-focused recruitment and selection, and environmentally oriented performance evaluation, enhance employee knowledge of environmental concerns. This research on Jepara Furniture SMEs pushes them to develop creative ideas that lead to unique solutions concerning sustainability.

This study corroborates the findings of Amjad et al. (2021) and Renwick et al. (2013), asserting that Green HRM implementation can enhance employees' innovative behaviour in environmental contexts. When organisations consistently adopt Green HRM practices that increase employees' capacity (A), motivation (M), and opportunities (O), they foster green innovative behaviour, defined as individuals' capacity to devise creative and innovative solutions that foster environmental sustainability (Munawar et al., 2022 and Iftikhar et al., 2022).

Effect of Green (HRM) on Business Sustainability

The second hypothesis (H2) is denied, indicating that Green HRM does not significantly influence the business sustainability of Furniture SMEs. It is asserted that improved Green HRM practices do not enhance the commercial stability of Jepara Furniture SMEs. The implications of this research on Jepara Furniture SMEs, although Green HRM is expected to support business sustainability, the research results show that the direct effect is not strong enough. Increased business continuity and environmentally friendly business expansion cannot be influenced by sustainability-based recruitment and selection, environment-based performance appraisal, and increasing employee awareness of environmental issues. This study does not support the research of Longoni et al. (2016) and Abbas et al. (2022) stated that Green HRM practices affect the sustainability of business performance.

Effect of Green HRM on Green Work Engagement

Testing the third hypothesis (H3) is accepted, it is concluded that Green HRM possesses a remarkable positive effect on Green Work Engagement, meaning that better than the Green HRM practices implemented by Jepara furniture SME entrepreneurs can increase employee engagement in environmental care. The implications of this research on Jepara Furniture SMEs by complying with practices through green recruitment and selection, training and development, performance management, and rewards and rewards can increase work engagement; employees are more committed and responsible for the environment because they feel the environment values of the organization are in line with their personal values, this can create a stronger sense of belonging. This study corroborates the findings of Abbas et al. (2022) that effective Green Human Resource Management strategies significantly enhance the sustainability of corporate performance. Within the context of AMO theory, the practical application of Green HRM enables employees to possess the capability to perform environmentally sustainable tasks alongside intrinsic and extrinsic motivation and tangible opportunities for contribution, which correlates with elevated commitment and enthusiasm towards their work (Iftikhar et al., 2022).

Effect of Green Innovative Work Behavior on Business Sustainability

Accepting the fourth hypothesis (H4), it concludes that green innovative work behaviour significantly enhances business sustainability; thus, improved innovative behaviour among Furniture SME employees positively contributes to business sustainability. Research supports research by Alnaqbi et al. (2022), who state that green, innovative work behaviour affects sustainability in business. The implications of this research on Jepara Furniture SMEs is that employees can (A) implement creative ideas that support environmental sustainability in the workplace, for example, designing environmentally friendly products, energy efficiency, and waste reduction in business processes. Employees have the motivation (M) and opportunities (O) provided by the organization to develop innovations that strengthen the competitiveness and environmental responsibility of the organization—resulting in a positive impact on long-term sustainability (Iftikar et.al., 2022).

Effect of Green Work Engagement on Business Sustainability

The fifth hypothesis (H5) acceptance indicates that the Green Work Engagement variable significantly influences business sustainability; thus, emotionally and professionally engaged employees are more likely to contribute to the sustainability of Furniture SMEs.

The implication of this research on Jepara Furniture SMEs is that employees who engage in Green Work show high energy and dedication and focus on supporting the furniture business's sustainability goals. This research supports Aboramada's research (2022), which states that Green Work Engagement has a significant effect on Business Sustainability. When green work engagement is supported by ability, motivation, and opportunity, employees become more energetic, focused, and dedicated to work that

supports sustainability. The impact creates a more effective and comprehensive sustainability strategy (Bos-Nehles & Veenendaal, 2019).

Effect of Green (HRM) on Business Sustainability through Green Work Engagement

The sixth hypothesis (H6) analysis concludes that Green Human Resource Management (HRM) strongly influences corporate sustainability via Green Work Engagement. Enhanced implementation of Green Human Resource Management (HRM) significantly influences business sustainability via Green Work Engagement. The implications of this research on Furniture SMEs: Green HRM contributes to Business sustainability through increasing green work engagement (Awwad et.al., 2022); the ability of Employees to have green skills can develop sustainability solutions, Motivation incentives, and sustainability values in the organization to encourage emotional involvement and employee commitment, and Opportunity; Opportunities to engage in green enterprise strengthen employee contributions to sustainability goals (Saeed, 2022).

The effect of Green (HRM) on Business sustainability through Green Innovative Work Behavior

Accepting the seventh hypothesis (H7) concludes that Green Human Resource Management (HRM) notably influences business sustainability via green innovative work behaviour. Enhanced implementation of Green HRM correlates with a more pronounced effect on business sustainability through this behaviour. The implications of this research for small and medium-sized enterprises (SMEs) indicate that optimal support from Green HRM for green innovative work behaviour results in business sustainability that mitigates environmental impact while generating sustainable economic and social value. Effective Green HRM practices empower employees with the capability, motivation, and opportunity to engage in green, innovative work behaviour, thereby reinforcing business sustainability (Bos-Nehles & Veenendaal, 2019).

Conclusion

This study makes an essential contribution to the theory that Green HRM practices can strengthen business sustainability even though they have not been able to do so directly. however, This study donates to the Ability-Motivation-Opportunity (AMO) Theory by demonstrating that Green Human Resource Management (GHRM) plays a crucial role in fostering sustainable business practices through employee engagement and innovation. The findings confirm that while GHRM does not directly impact Business Sustainability, it significantly enhances sustainability outcomes when mediated by Green Work Engagement and Innovative Work Behavior.

This study expands upon AMO Theory by highlighting how Green HRM practices enhance employees' ability, motivation, and opportunity to engage in sustainable behaviors. Ability is strengthened through green training and skill development, ensuring that

employees acquire the necessary competencies for environmental sustainability. Motivation is fostered through rewards and performance management, encouraging employees to actively participate in green initiatives. Opportunity is provided by cultivating an environmentally supportive workplace, enabling employees to contribute to sustainability efforts effectively. These findings reinforce the idea that structured HRM strategies play a crucial role in promoting sustainability-oriented employee behaviors, particularly within SMEs, where resource constraints often challenge the implementation of sustainability initiatives.

This research possesses multiple limitations. The study primarily concentrates on furniture SMEs in Jepara, constraining the findings' applicability to other sectors or locales. Subsequent studies may broaden their focus to additional manufacturing sectors or geographical situations to corroborate the findings. Secondly, this study relies on self-reported data, possibly creating response bias. Future research may employ longitudinal or mixed-method approaches to gain a more profound understanding of the long-term effects of GHRM on business sustainability. Third, external issues, including governmental policies, market dynamics, and international environmental regulations, were not thoroughly examined. Future research should investigate the interplay between these elements and GHRM regarding sustainability results.

The implications of this research on Jepara Furniture SMEs, when Green HRM practices through sustainability-based recruitment and selection activities, environmentally friendly training, and environmentally-based performance appraisals contribute to Business sustainability in Jepara Furniture SMEs by encouraging green innovative work behavior and green work engagement of employees, which is reinforced by the AMO (Ability, Motivation, Opportunity) theory. Practices such as green training enhance ability, incentives motivate employees, and green work environments create opportunities for employees to innovate and be physically and emotionally engaged in supporting sustainability. Through this combination, employees can create innovative solutions and are dedicated to green tasks, strengthening business competitiveness, efficiency, and sustainability.

Suggestions for future researchers: First, for Furniture SMEs to be oriented towards business sustainability, it is necessary to strengthen physical and emotional commitment so that there is a sense of passion, dedication, and work involvement of furniture employees with environmentally friendly values in daily operations. second, Furniture SMEs can provide incentives and training to encourage innovative work behavior that focuses on developing creative, environmentally friendly solutions. Finally, collaboration with the government and international partners is also needed to expand support and increase the competitiveness of environmentally friendly products in the global market. With these steps, Furniture SMEs in Jepara are expected to achieve better business sustainability and strengthen their position in the international market while contributing to environmental conservation more broadly.

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