

Research Article

Green Business: A Review based Green HRM

Agung Subono*, Uliya Kurnisa

Economics and Business Faculty, Universitas Muria Kudus, Indonesia

ORCIDAgung Subono: <https://orcid.org/0009-0007-1166-2172>**Abstract.**

The idea of a green company has been around since the 1980s. Thinking about the availability of high-quality natural and organic foods in a way that benefits the company, serves consumers, and preserves nature in business processes. “Green not (only) for profit” needs an understanding of related technological literacy in the era of society 5.0. by creating green product innovations. This review article identifies how corporations (Small and Medium Enterprises /SMEs) today develop human resource policies to support Green Business and create Green Product Innovations. There are six Propositions based on theory and research in this article: the direct and simultaneous effect of green HRM and green management on green business processes and green product innovations. Future research in this area also will be discussed.

Keywords: green business process, green HRM practices, green management, green product innovations

Corresponding Author: Agung

Subono; email:

agung.subono@umk.ac.id**Published:** 4 June 2024Publishing services provided by
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1. Introduction

The main purpose of green business is to increase the business value. The highest value is profit for the company, welfare for employees, trust stakeholders, benefits for many people and contribute to environmental sustainability (*kelestarian lingkungan*). The idea of this research is from the research by Cherian and Jacob (2012) about a study of green hr practices and their effective implementation in the organization, green human resource management -policies and practices (Ahmad, 2015); the importance of green management and its implication in creating sustainability performance on the small scale industries in India (Khare, 2023); and Green and sustainable business models (Najmaei & Sadeghinejad, 2022)

Most research on green management is related to research areas of environmental aspects, environment management systems, governmental policies (like AMDAL), and other green business processes to pursue maximum profit and reduce overall costs. According to research by Martinez-Fernandez and Hinojosa (2010), showed There is a great deal of increase in the level of environmental pollution and waste emerging

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from industries, which has resulted in an increase in the implementation of policies by governmental and private sector to reduce the rapid destruction to the non-renewable resources and the ultimate negative impact it would have on societal consequences. In other research, the corporate sector has enhanced the adoption of environment management systems (Boiral, 2006; González-Benito and González-Benito, 2006). This resulted in the emergence of a new strategic maneuver called **green management**.

According to Lee (2009), the approach was considered to be quite effective and profitable since early 2000. So, it's defined as green management, which is the strategy that is adapted by an organization to organize the environmental management strategies for protecting and measuring environmental aspects. Daily and Huang (2001) recommended that organizations essentially balance industrial growth and ensure that the environment where one lives is well preserved and promoted. The adoption of these practices has been presented with a number of different advantages which would ultimately benefit the firm, leading to the emergence of the "green and competitive" mantra (Wagner, 2007; Molina-Azorin et al., 2009). Some of the benefits associated with this adoption include improvements related to firm operational performance (Jackson et al., 2012), promotion of teamwork (Jabbar et al., 2010), improvements in organizational culture (Jabbar et al., 2012) and reduction in overall cost (Hart 1997).

Today, there is debate and different results of studies on the effects of green HRM practices and green management principles on green business process areas. **Why does green business need to be reviewed based on green HRM?**

Therefore, the main aim of this article is to explore the relationship dimensions of Green Human Resource Management (HRM) Practices -education level, recruitment, training-behaviour-development, compensations-, Green Management, and Green Business processes.

2. THEORETICAL BACKGROUND

2.1. Green Business

For common people or ordinary people, business is profit, and business is money. Human beings face the reality that humans are not only about big money but beyond the values of human life. There are sides to care, help, keep and save our environment and planet. Moreover, world life contains the family, little child, old man, and everything. So, green business is a valuable overall activity and choice.

TABLE 1:

Context	Business	Green Business
Goals/ Orientations	- Economic Values*	- Economic Values*
		- Environmental and Social Issues
Product	- For Net Profit Values	- Beyond Profit Values
Success	- Big Profit - All About Big Money - Normal with Employee	- Big Profit - All About Big Money - Respect for Employee
Strategy	- Winner Alone - Don't Care to Rival	- Winner Together - Objective and Sportive to Rival
Process	- For Profit* - Not For Profit	- For Profit* - Not For Profit
	Forever And Monopoly	Take Turn/ Alternate and Working Together
	Wasteful and old-fashioned Ineffective an inefficient	Effective and Efficient

*Same areas

2.2. Green Management

Green management is the enterprise-wide act of preparing creative procedures to achieve sustainability through waste reduction and by embracing environmental objectives and strategies that are fully integrated with the goals and strategy of the business (Kumar, 2019). Industries in the twenty-first century strive for a greener environment by providing environmentally friendly industrial systems and laws to compete in the national and international markets. They place a premium on technological advancements that safeguard the environment. Businesses affect their environment through their operations to continue to exist, grow their productivity, and maintain a profit margin while also being influenced by the environment. (Uygur & Musluk, 2015).

Green management is defined as the process inside a company that uses innovation to accomplish sustainability, waste reduction, social responsibility, and competitive advantage via continuous learning and improvement. Organizations should affect these changes by implementing environmental goals and strategies that align with the organization's goals and strategies. As a result, the organization's mission and vision will be more clearly defined (Matheus et al., 2023). Nowadays, businesses sell their products by emphasizing their environmental stewardship. Whether the message is broadcast on television or shown on a billboard, "go green" is virtually always included.

However, why are we choosing green? Green is more than a hue in the rainbow. Going green is a strategy for some organizations and the broader society to modify

their lifestyles. This entails implementing more eco-friendly improvements. It is worth noting that the plain truth is that when an individual does something that affects the globe, good or bad, they have the full ability to make decisions, allowing the individual to manage the influence caused.

Additionally, another critical point is the significance of turning green. Few businesses understand the value of turning green. Implementing a green management system ensures that it will exist in perpetuity (Khare *et al.*, 2023).

Many claims have been made for green management, including a happier, healthier, and more productive workforce and the recruitment of more talented and creative employees. Indeed, nearly every major business in the world today has recognized the claims of green management not just as a defensive mechanism to retain legitimacy and the right to operate but as a centrepiece of an organization’s ongoing mission and reason for being (Marcus & Fremeth, 2009).

TABLE 2:

Contexts	Management	Green Management
Plan Organizing Controlling	- Using Resources for Effective & Efficiencies	- Used Resources for Wisely and Responsibility - Pollution Prevention
	- Skill & Competencies	- Acquiring Green Skill & Competencies
	- Produce New Products & Services -Support Innovations	- Introducing New Products & Services -Support Go Green and Innovations
Leadership	- Lead to Success Organization/ Company	- Lead to Success Organization/ Company and Environmental Sustainability by Green Behaviour

The existence of green leadership is very important in creating a sustainable environment (Malik, Saleem & Naeem, 2015; Ali, 2019; Mittal & Dhar, 2015). The role of green leadership is rejected in green policies that are implemented and can be supported by organisation members. Norton *et al.* (2017); Lamm *et al.* (2016); Robertson and Barling (2015); Ones and Dilchert (2012) explained the relationship between leadership and green behaviour of employees, including support for environmental policy and eco-friendly behavior.

Malik, Saleem and Naeem (2015) explained the relationship between leadership and the green behavior of employees by placing several psychological variables as mediators and moderators. Furthermore, Kuenzi (2009) considered that leadership is a very good antecedent in influencing the behavior of employees (Khasawneh *et al.*, 2022). Discussion of the relationship between leadership and perceptions of pro-environmental policy by its members can be explained through the Leader-Member

- Exchange (LMX) theory proposed by Dansereau, Graen & Haga (1975). This theory explains the existence of a close relationship between the actions of members of an organization, which is based on the actions of leaders and the mechanism of exchange. Northouse (2018) explained that LMX subordinates receive more information, trust, influence, and role within the same work unit than outside groups. This pattern strongly emphasizes the good relations between leaders and their members (Khasawneh & Elrehail, 2022).

In contrast, social identity theory in leadership explains the opposite. This theory places social identity as a major factor influencing the behavior of organizational members (Hogg et al., 2005). This can be used to show that the social identity of good members also supports good leadership. In relation to environmental performance, leadership needs to be oriented to the leader-member exchange (LMX) model, where the exchange of information and influence between leaders and members is required to achieve the goal of a green environment.

2.3. Green Human Resource Management Practices

Green HRM can be defined as a set of people-centred practices oriented toward developing and maintaining the workforce's abilities, motivation, and opportunities to contribute to an organization's economic and environmental sustainability (e.g., Martínez-del-Río et al. 2012; Renwick et al. 2013). Lado and Wilson (1994) defined the HRM system as "a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm's human resources." HR practices are generally implemented with strategic systems that are in line with the culture and business strategy (Boselie, 2001). Various researchers support the HRM practices to effectively promote human capital, providing contributors with organizational performance and competitive advantage (Boselie, 2001; Paauwe and Boselie, 2003).

To implement an effective corporate green management system, it is important to promote a great deal of technical and management skills among all employees of the organization (Daily et al., 2012; Unnikrishnan and Hedge, 2007). Organizations look at the development of innovative tools and initiatives for environmental management, which will significantly impact the firm's sustainability and promote a competitive advantage (Hart, 1997; Lin et al., 2001). Therefore to develop such a framework, it becomes ideal to have effective human resource management practices, including the presentation of strict recruitment strategies (Grolleau et al., 2012), appraisal and reward systems

which include environmental awareness and implementation in their evaluation process (Jabbar et al., 2012) and training and empowerment programs (Unnikrishnan and Hedge 2007) which will enable the development of a new set of skills and competencies amongst the employees of “pro-green” firms.

TABLE 3:

Contexts	HRM Practices	Green HRM Practices
Selection & Recruitment	- Based Skill & Competencies*	- Based Skill & Competencies* - Support Green Employee
Education & Training	- Training & Development* Programs -Routine	- Training & Development Programs* -Routine – Support Environmental Sustainability
Compensation, Pay & Reward Systems	- Compensation Direct/ Indirect for HR Development*	- Compensation Direct/ Indirect for HR Development* - Offering Green Benefits (Transport/Travel) In Preference to Give Out Prepaid Cards to Purchase Green Products
Performance Appraisal	- Evaluation/ Assessment: Job Performance, Skills, Achievement & Contributions Employee*	- Evaluation/ Assessment: Job Performance, Skills, Achievement & Contributions Employee* - Some Green Initiatives for HRM Practices, In Simple Way (Greenery in Room/ Office Yard) And or Complicated Way (I.e. Reduce Global Warming).

*Same areas

Resource: adapted Fernández and Martínez (2019)

Green HRM is multidimensional and consists of diverse groups of best practices (Renwick et al. 2013; Tang et al. 2018). These best practices resemble the Ability–Motivation–Opportunity model (Appelbaum et al. 2000), suggesting that human resource practices enhance firm performance by increasing employee abilities, motivations, and opportunities. Applied to green HRM, the logic is similar. The goal is to achieve environmental sustainability through increases in employees’ abilities (i.e., attracting and training employees with relevant environmental skills), motivations (i.e., rewarding employees for environmental achievements, performance appraisals including environmental issues), and opportunities (i.e., communication of environmental ideas, teamwork applied to environmental goals).

Green Recruitment and Selection To manage the challenges associated with the natural environment, organizations should attract, recruit, and select people intrinsically motivated to display pro-environmental behaviors (Jabbour and Santos 2008), particularly high-quality recruits. Employees with greater environmental awareness will be more willing to apply their environmental knowledge in the operational process, in turn improving the environmental performance of their organizations (e.g., del Brío et al. 2007). Moreover, it is necessary to have employees who are willing to become involved

and volunteer in environmental management activities. Selection is crucial to selecting employees with environmental knowledge and training them to fit the organization's environment and culture (Vlachos 2009)

Green Education and Training Extensive employee training on environmental issues significantly affects overall environmental sustainability (e.g., Ramus 2001). Green education and training programs enhance employee awareness of the environmental impact of their organizations' activities (Bansal and Roth, 2000). Training involves employees intellectually and emotionally in environmental issues and informs them about possible solutions to current problems (Fernández et al. 2003). Environmentally aware employees are more likely to suggest ideas and initiatives to preserve the environment, such as recycling and reusing waste, finding solutions to environmental problems, or identifying pollution sources (Sammalisto and Brorson 2008). Employee-enhanced environmental awareness also facilitates a mass critique of employees embracing top-management plans and goals about environmental sustainability and decreases resistance to change regarding environmental issues. In addition to increasing employee awareness, green training programs can improve employees' specific knowledge and skills regarding environmental activities (Tang et al., 2018). Firms' environmental initiatives demand new practices and knowledge. Environmental management activities are usually complex and require specific skills that can only be acquired through specific training.

2.4. Proposition: Green Business and Green Product Innovations

The researchers of green HRM promote the ideology important for the proper alignment of human resource management principles with the objectives of green management in an organization. The green human resource management practice (recruitment, training, education/ development, compensations, and performance appraisal) affect green business processes (in the industry of service product, manufacture, and or retail) both by offline sales and online sales in the marketplace (*i.e.* Shopee, Bukalapak, Tokopedia, Lazada, Blibli, and others).

In the past few years, green product innovations have gained momentum because firms see green product innovations (GPIs) as an opportunity to remain competitive in the market (Porter & Van Der Linde, 1995). The terms "firms," "organisations," and "businesses" have been used interchangeably in this study. GPI refers to the application of ideas to design new products or to modify existing ones to reduce their negative effects on the environment (Ghisetti & Rennings, 2014).

Green product innovations involve the design of energy-efficient innovative products. Green product innovations are affected by green HRM and management directly or in multiple ways.

Proposition 1: There is an effect of green HRM on the green business process.

Proposition 2: There is an effect of green management on green business process.

Proposition 3: There are multiple effects of green HRM and green management on green business process.

Proposition 4: There is an effect of green HRM effects on green product innovations.

Proposition 5: There is an effect of green management effects on green product innovations.

Proposition 6: There are multiple effects of green HRM and green management on green product innovations.

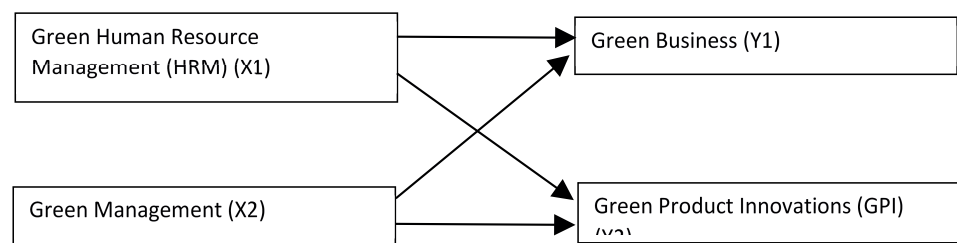


Figure 1: Variables Relations of Green Business and Green Product Innovations.

2.5. Definition of Variable

2.6. Conclusion and Future Research

Green businesses need Green Product Innovations as product excellence for environmental sustainability. It needs support from green management and green human resource management practices. Therefore, future research should explore the relations of this area. Green HRM practices and green management effect on green business. Green HRM practices and green management effect on green product innovations.

Future research in this area shows that green business activities are not simple. For example, it needs a business ethics approach. Reality shows that the COVID era and practices business in the Industrial Revolution 5.0 face emphasizes interaction and collaboration between humans, machines, and media. Learning business ethics is related to learning media to improve abilities (Sholihin *et al.*, 2020). Moreover, the green

TABLE 4:

Variable	Variable Definition	Indicators	Scala
Green HRM	GHRM practices include green recruitment and selection, green performance and compensation, and green training and development	- Green recruitment-based attitude and behaviour - Green selection -based attitude, behaviour, skills and knowledge - Green high performance-based job satisfaction for each employee and support firm performance - Green compensations -based welfare for employee - Green benefit for company and employee	Likert
Green Management	Green management reduces the costs (capital, labour, and materials used in green products and increases firm revenues) through green technologies (Ambec & Lanoie, 2008)	- Green capital - Green labour in organization/ company - Green material of products and service products	Likert
Green Business Processes	Business concept has evolved into an influential concept which describes how any business creates, delivers and captures value	- Green processes for profit - Green high technology era 5.0 - Green and friendly service process of business	Likert
Green Product Innovations (GPIs)	the application of ideas to design new products or to modify existing ones to reduce their negative effects on the environment (Ghisetti & Rennings, 2014)	- Green best products for customers - Green price of products for many people - Green innovation product that benefits society	Likert

business will be effective when organizational structure (especially size organizational) affects perceptions of procedural and interactional fairness (Subono, 2014).

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