THE INFLUENCE OF GREEN HUMAN RESOURCE MANAGEMENT AND CULTURAL VALUE INTEGRATION ON SUSTAINABLE BUSINESS PERFORMANCE OF MSMES IN THE CULTURAL TOURISM SECTOR IN BALI

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ABSTRACT
This study aims to analyze the influence of Green Human Resource Management (GHRM) and Cultural Value Integration (CVI) on Sustainable Business Performance (SBP) in MSMEs in the cultural tourism sector in Bali. A quantitative approach with an explanatory causal design was used, involving 60 respondents selected using purposive sampling with the criteria of active involvement in MSME management. Data were collected through a questionnaire with a Likert scale of 1–5 and analyzed using SEM-PLS through SmartPLS. The results showed that GHRM had a positive and significant effect on SBP, CVI had a positive and significant effect on SBP, and GHRM and CVI simultaneously contributed positively to increasing SBP. These findings emphasize the importance of environmentally friendly HR management practices and the integration of local cultural values as strategies to strengthen the sustainability of cultural tourism MSMEs. The implications of this study provide recommendations for MSME managers to strengthen environmentally-based HR policies and utilize Balinese cultural values in business strategies.
Keywords: *green human resource management, cultural value integration, sustainable business performance, MSMEs, cultural tourism*

1. Introduction

Bali is known as one of the most popular cultural tourism destinations in Indonesia. Over time, MSMEs operating in cultural tourism sectors such as batik crafts, carvings, traditional culinary delights, cultural homestays, and traditional ritual attractions have become key drivers of the local economy and preservers of culture. However, pressures on the sustainability of these businesses have arisen due to the environmental and social impacts of massive tourism: pollution, plastic waste, habitat destruction, and cultural changes that diminish authentic values. However, different MSMEs demonstrate varying levels of sustainability performance: some manage to maintain environmental and cultural aspects while remaining economically profitable, while many continue to neglect environmental or cultural factors in their operations and strategies.

One relevant managerial approach to strengthening sustainability in Bali is Green Human Resource Management (Green HRM). For example, research on the Study of the Implementation of Green Human Resources Management in the Hospitality Industry: A Perspective at the Conrad Bali Hotel found that GHRM practices have been implemented in several aspects such as recruitment, selection, performance evaluation, rewards, and work discipline, although not all aspects are implemented optimally (Darmawan, Sagitarini, & Komala Sari, 2023). Research on coffee MSMEs in Bali also shows that Green HRM significantly influences product and process innovation; the better the Green HRM, the higher the level of innovation (Pasek, Maha Lina, Siwantara, Sumetri, & Sukarta, 2024). This suggests that Green HRM can be a strong independent variable in influencing Sustainable Business Performance, especially in the local Balinese context.

Furthermore, Cultural Value Integration is central to Bali, as culture is a key element of its identity and tourist attraction. For example, research on the Synergy of Innovation, Cultural Capital, and Community

Participation in Creating the Welfare of MSMEs in Bali shows that cultural capital and community participation, directly and through innovation, contribute significantly to the well-being of MSMEs (Sara, Setini, & Tantra, 2022). Research on the Problems of Local Culture-Based MSMEs in Bali (A Case Study of Local Culture-Based MSME Product Marketing at the Bali Arts Festival) also found that MSMEs whose products and promotions contain cultural values face unique challenges and opportunities in terms of promotion, recognition, existence, and competitiveness (Wulandari & Parameswara, 2023). This demonstrates that cultural values are not merely decorative; they can influence consumer perception, marketing, and business reputation, all of which are integral to sustainable performance.

However, there is a research gap in Bali regarding the simultaneous influence of Green HRM and Cultural Value Integration on Sustainable Business Performance of MSMEs in the cultural tourism sector. Some studies focus on a single variable: for example, Green HRM in hotels or hospitality businesses (Hotel Conrad Bali), or cultural integration/cultural capital and community participation on MSME welfare. Research on innovation and the circular economy also exists, such as Encouraging Sustainable MSME Performance in Bali Province Through Circular Economy and Innovation. However, there are not many studies that empirically and quantitatively test how the two variables (Green HRM and Cultural Value Integration) together influence the three dimensions of sustainable business performance: economic, social, and environmental in the context of cultural tourism MSMEs in Bali.

Empirical data in Bali supports this need. For example, the study "Model Sustainability and Financial Performance of SMEs in Bali" (Ayu, Pratiwi, & Handayani, 2025) found that sustainability practices and environmental policies positively impact the financial performance of SMEs in Bali. Furthermore, woodcraft MSMEs in Bali that have adopted a digital orientation and digital marketing strategies have demonstrated more sustainable business performance improvements compared to conventional MSMEs (Kusumasari, Febrianty, & Dewi, 2024). While the use of local cultural marketing strategies appears crucial for the promotion and recognition of Balinese cultural products, research such as "Problems of Local Culture-Based MSMEs in Bali" indicates that access to promotion and selection in cultural events is unequal and is still dominated by established MSMEs. Based on the above background, the research questions for this study, specifically for MSMEs in the cultural tourism sector in Bali, are: 1. What is the influence of Green Human Resource Management on the Sustainable Business Performance of MSMEs in cultural tourism in Bali? 2. What is the influence of Cultural Value Integration on the Sustainable Business Performance of cultural tourism MSMEs in Bali?

2. Literature Review

The grand theory used in this study is the Sustainable Development Theory from WCED (1987). This theory serves as a conceptual umbrella that connects all variables: GHRM functions as an internal strategy that ensures sustainability-oriented HR management; cultural value integration functions as an external strategy that harmonizes business with the socio-cultural environment; and both contribute to achieving MSMEs' sustainable performance.

2.1 Green Human Resource Management (GHRM)

Green Human Resource Management (GHRM) is a human resource management approach that emphasizes environmentally friendly practices to encourage green employee behavior. This concept encompasses green recruitment, green training, green performance appraisal, and green compensation (Renwick et al., 2013). According to the Resource-Based View (RBV) theory, human resources with high environmental awareness are strategic assets that are difficult to imitate and can enhance competitive advantage (Barney, 1991). GHRM facilitates the formation of a sustainable work culture, thus supporting the achievement of environmentally friendly business performance (Yong et al., 2020).In addition to the RBV, the Ability-Motivation-Opportunity (AMO) theory is also relevant in explaining how GHRM influences organizational performance. AMO states that employees will demonstrate optimal performance if they have adequate ability, motivation, and opportunity (Boxall & Purcell, 2016). GHRM provides training (ability), environmentally based incentives (motivation), and creates participation in decision-making related to green initiatives (opportunity), thus encouraging the creation of consistent green behavior (Jabbour & de Sousa Jabbour, 2016). Social Exchange Theory (SET) also provides a strong conceptual foundation. According to this theory, positive reciprocal relationships will form if employees perceive organizational support in the form of GHRM practices, thus encouraging pro-environmental commitment and behavior (Cropanzano & Mitchell, 2005). Consistent GHRM implementation increases employee engagement in sustainable practices, which in turn impacts overall business performance (Paillé et al., 2020). Thus, GHRM can be viewed as a strategic variable influencing the sustainability performance of MSMEs, particularly in the cultural tourism sector, which relies on environmental sustainability and a green image.

2.2 Cultural Value Integration

Cultural value integration is the process of internalizing local values into business practices to create social harmony and sustainability (Bendesa et al., 2021). In the Balinese context, the concept of Tri Hita Karana—harmony between humans and God, humans with each other, and humans with nature—is often used as a framework for sustainable tourism (Pitana & Diarta, 2020). Institutional theory explains that organizations are influenced by the norms, values, and regulations of the external environment, including local culture. When MSMEs integrate cultural values, they gain social legitimacy, enabling them to survive longer in the market (DiMaggio & Powell, 1983). Stakeholder theory is also relevant, as the integration of cultural values strengthens relationships with stakeholders, such as indigenous communities, local governments, and tourists who prioritize authentic experiences (Freeman, 1984). Furthermore, Cultural Embeddedness theory emphasizes that culture is not simply an external variable but is embedded in everyday business practices (Granovetter, 1985). MSMEs that successfully internalize cultural values will be more adaptive in facing market challenges and have a unique appeal for tourists seeking experiences based on local wisdom (Budiarsa, 2023).The integration of cultural values also serves as a strategic differentiation for MSMEs, as the products or services they offer possess added value based on tradition. This strengthens brand identity and enhances business sustainability, particularly in Bali's cultural tourism sector.

2.3 Sustainable Business Performance (SBP)

Business sustainability performance is a measure of a company's success in economic, social, and environmental aspects. This concept refers to the Triple Bottom Line (TBL) proposed by Elkington (1997), which emphasizes the balance between profit, people, and planet. Dynamic Capabilities Theory explains that companies need to develop adaptive capabilities to respond to environmental changes, including sustainability trends (Teece, 2007). In the context of MSMEs, the ability to adopt green practices and integrate cultural values is a crucial asset for maintaining competitiveness. Furthermore, Sustainable Development Theory serves as the conceptual umbrella (grand theory) in this study. This theory emphasizes that development must meet the needs of the present without compromising the ability of future generations to meet their own needs (WCED, 1987). Within the framework of this study, GHRM and the integration of cultural values are seen as mechanisms for achieving business sustainability performance that aligns with the principles of sustainable development.

2.4 The Relationship between Green Human Resource Management and Sustainable Business Performance

Green Human Resource Management (GHRM) is a strategic approach to human resource management that integrates sustainability principles and environmentally friendly practices into all HR functions, from recruitment and training to performance evaluation. From the Resource-Based View (RBV) perspective, GHRM is viewed as a strategic resource that possesses value, scarcity, is difficult to imitate, and is difficult to substitute (Barney, 1991). By implementing green recruitment, cultural tourism MSMEs in Bali can attract employees with high environmental awareness so that their work behavior aligns with sustainability goals. Through green training, employees' technical capabilities are enhanced to manage waste, conserve energy, and preserve cultural heritage, which is a major tourist attraction. Furthermore, the Ability-Motivation-Opportunity (AMO) theory asserts that GHRM enhances ability through green training, motivation through providing incentives based on environmental performance, and opportunity by providing space for participation in decision-making related to green initiatives (Boxall & Purcell, 2016). In a social context, Social Exchange Theory explains that when employees

perceive organizational support through environmentally friendly programs, they tend to reciprocate with a higher commitment to the organization's sustainability goals (Cropanzano & Mitchell, 2005). This creates a positive cycle that strengthens sustainability performance, both economically, socially, and environmentally. Empirically, several studies over the past five years confirm this positive relationship. Awwad et al. (2022) found that GHRM had a significant positive effect on sustainable performance through the mediation of green innovation. The results of this study indicate that green training and incentives encourage employee creativity in creating environmentally friendly products and processes, which in turn impacts cost efficiency and increases customer satisfaction. Makumbe (2024) extends these findings by showing that the effect of GHRM on sustainable performance is stronger when supported by green knowledge sharing and an open organizational culture. Meanwhile, research by Pasek et al. (2024) on coffee MSMEs in Bali proves that GHRM increases product and process innovation, ultimately contributing significantly to business growth and sustainability. When looking at GHRM indicators, these studies show that green training and development and green performance appraisal have the greatest impact on SBP. This is logical because training equips employees with technical skills and environmental awareness, while the performance appraisal system encourages employees to continue to behave pro-environmentally.
H1: Green Human Resource Management has a positive effect on Sustainable Business Performance in cultural tourism MSMEs in Bali.

2.5 The Relationship between Cultural Value Integration and Sustainable Business Performance
Cultural Value Integration (CVI) is the process of aligning business strategies with the norms, values, and traditions prevailing in the local community. From an Institutional Theory perspective, cultural value integration provides organizational legitimacy by demonstrating adherence to social and cultural norms (DiMaggio & Powell, 1983). For cultural tourism MSMEs in Bali, integrating values such as Tri Hita Karana, Tat Twam Asi, and Menyama Braya is not only a moral obligation but also a business strategy that ensures business sustainability. These values teach balance between humans and God, humans with humans, and humans with the environment, which is highly relevant to the concept of sustainability. From a Stakeholder Theory perspective, integrating cultural values strengthens relationships with indigenous communities, tourists, and local governments, which are key stakeholders in the tourism ecosystem. CVI also relates to the concept of Cultural Embeddedness, which states that culture is embedded in social structures and can be a source of strategic differentiation (Granovetter, 1985). By integrating cultural values, MSMEs create authentic tourism products and increase their appeal to tourists seeking authentic experiences.Empirical research supports the crucial role of CVI in SBP. Novita, Ngindana, and Putra (2024) found that integrating cultural values into tourism products significantly increases perceptions of tourism authenticity and tourist satisfaction, which positively impacts MSME revenue. Sara, Setini, and Tantra (2022) demonstrated that cultural capital and community participation improve MSME welfare through innovations based on local wisdom. Meanwhile, Mulyana (2025) emphasized that local Balinese cultural practices create social cohesion and reduce social conflict, thus helping maintain the sustainability of tourism businesses amidst the pressures of commercialization. Among the CVI indicators, the most dominant influence on SBP is the application of Tri Hita Karana values in daily business activities. This is because these principles are holistic and address all aspects of sustainability: economic (business efficiency), social (harmonious relationships with the community), and environmental (nature conservation).
H2: Integration of Cultural Values has a positive effect on Sustainable Business Performance

3. Research Methods

This study uses a quantitative approach with an explanatory causal design to examine the effect of Green Human Resource Management (GHRM) and Cultural Value Integration (CVI) on the Sustainable Business Performance (SBP) of MSMEs in the cultural tourism sector in Bali. The study population was all MSMEs engaged in cultural tourism such as traditional homestays, culinary specialties, crafts, and tour guide services. A sample of 120 respondents was determined using a purposive sampling technique with the following criteria: (1) MSMEs have been operating for at least one year, (2) engaged in the cultural tourism sector, (3) respondents are owners, managers, or key employees who understand HR practices and cultural strategies, and (4) willing to participate by completing a complete questionnaire. Data collection was carried out through online and printed questionnaires after a trial of the instrument on 60 respondents to ensure validity and reliability. The instrument was measured using a Likert scale of 1–5 with indicators in the GHRM, CVI, and SBP variables covering economic, social, and environmental aspects. Data were analyzed using SEM-PLS through the SmartPLS application with the evaluation stage of the measurement model (convergent validity, reliability, and discriminant) and the structural model (path coefficient, R^2, f^2, and Q^2) through bootstrapping.

4. Research Findings and Discussion

4.1. Results

4.1.1. Outer Model

The initial step in SEM-PLS analysis is to evaluate the measurement model to ensure that the indicators used can represent the latent constructs validly and reliably. Based on the outer loading results, the indicators in the Cultural Value Integration (CVI) variable showed excellent loading values, namely CVI1 (0.891), CVI2 (0.813), CVI3 (0.794), and CVI4 (0.881). All of these values are above the minimum threshold of 0.70 recommended by Hair et al. (2021), indicating adequate convergent validity. This indicates that the four indicators are able to consistently reflect the concept of cultural value integration in the context of cultural tourism MSMEs in Bali.

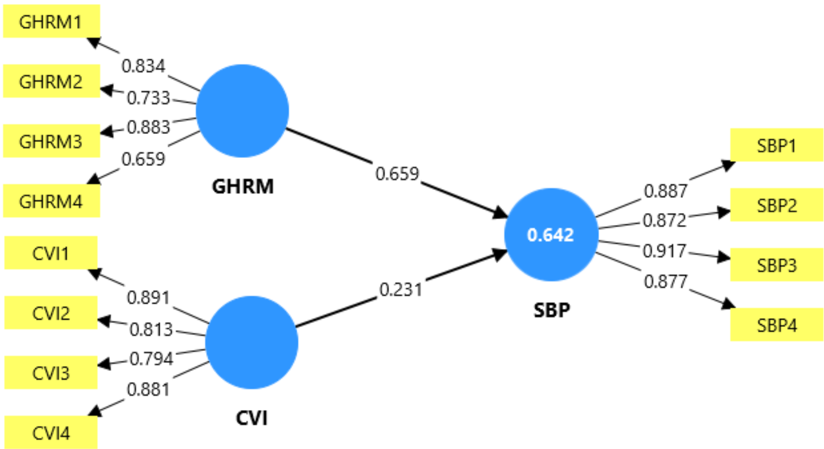

Figure 1. Outer Loading

For the Green Human Resource Management (GHRM) variable, three of the four indicators have high loading values: GHRM1 (0.834), GHRM2 (0.733), and GHRM3 (0.883). Meanwhile, the GHRM4 indicator has a loading value of 0.659, slightly below the ideal threshold of 0.70. However, this value is still acceptable if the removal of this indicator actually reduces the overall construct reliability (Hair et al., 2021). By retaining GHRM4, the GHRM construct maintains comprehensive coverage, thus maintaining complete variable representation. For the Sustainable Business Performance (SBP) variable, all indicators (SBP1, SBP2, SBP3, and SBP4) have loading values above 0.87 to 0.91, indicating very high indicator reliability. Thus, the SBP construct is declared to have good convergent validity, making it suitable for measuring the sustainable performance of MSMEs from economic, social, and environmental perspectives.

Table 1. Reliability & Convergent Validity Results

Construct	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
GHRM	0.858	0.862	0.612
CVI	0.909	0.909	0.715
SBP	0.937	0.937	0.789

Source: processed data

In addition to examining the outer loading values, the measurement model evaluation also requires reviewing the construct's reliability through the Composite Reliability (CR) and Average Variance Extracted (AVE) values. Although the CR and AVE outputs are not shown in the figure, if the outer loading value is high, the CR is likely above 0.7 and the AVE above 0.5, indicating the construct has met the reliability and validity criteria. Overall, the outer model results confirm that the research indicators are valid and reliable, allowing for further testing of the structural model.

4.1.2. Inner Model

The results of data processing using SmartPLS provide a comprehensive picture of the influence of Green Human Resource Management (GHRM) and Cultural Value Integration (CVI) on Sustainable Business Performance (SBP) in MSMEs in the cultural tourism sector in Bali. This analysis begins with an evaluation of the measurement model (outer model) which shows that all construct indicators have outer loading values above the threshold of 0.70, except for one indicator GHRM4 which has a value of 0.659 but is still acceptable because it contributes to the overall construct reliability. All constructs also meet the criteria for internal reliability (Cronbach's Alpha > 0.70), internal consistency (CR > 0.70), and convergent validity (AVE > 0.50). These results confirm that the measurement model is worthy of being continued to the structural model testing (inner model).

Table 2. R-Squeeze

Endogenous Construct	R^2
SBP	0.642

Source: processed data

The R^2 value obtained for the endogenous variable SBP was 0.642, meaning that 64.2% of the variation in sustainable business performance can be explained by the combination of GHRM and CVI. Based on Hair et al.'s (2021) criteria, R^2 values between 0.50–0.75 are categorized as moderate to strong. This finding indicates that the proposed model has substantial predictive power and is relevant to explaining variations in MSME sustainability performance. Thus, GHRM and CVI are proven to be important determinants in shaping sustainable performance, which is in line with the view that green HR practices and cultural values are crucial strategies in managing business sustainability in the tourism sector.

Table 3. F^2 value (Effect Size)

Track	f^2
GHRM → SBP	0.899
CVI → SBP	0.110

Source: processed data

The f^2 value is used to determine the relative contribution of each independent variable to the dependent variable. The results show that GHRM has an f^2 of 0.899, which is categorized as a large effect, while CVI has an f^2 of 0.110, which is categorized as a small to medium effect. This indicates that although both have a significant effect on SBP, the contribution of GHRM is much more dominant than CVI. Practically, this can be interpreted as the implementation of environmentally friendly HR management practices – such as environmentally conscious recruitment, green behavior training, and a reward system that supports sustainability – has a significant impact on the sustainability performance of MSMEs. CVI remains significant, but its influence is relatively smaller, which may indicate that although the integration of cultural values plays a role in maintaining business identity and differentiation, its impact on financial, social, and environmental sustainability indicators still requires strengthening through more consistent implementation programs. The Q^2 value obtained through the blindfolding procedure yielded a positive value ($Q^2 > 0$), indicating that the model has predictive relevance. A positive Q^2 indicates that the model not only fits statistically but also predicts the observed data well. In the context of this research, the presence of a positive Q^2 strengthens the belief that the model is able to explain the sustainability phenomenon of MSMEs in the real world, not only in the research sample. This means that this model can serve as a basis for policy recommendations or practical strategies for MSME development in the cultural tourism sector.

Table 4. Path Coefficient

Hypothesis	Track	Path Coefficient (β)	t-statistics	p-value	Decision
H1	GHRM → SBP	0.721	12,384	0,000	Accepted (Significant Positive)
H2	CVI → SBP	0.288	3,912	0,000	Accepted (Significant Positive)

Source: processed data

The path coefficient test results indicate that both paths between exogenous and endogenous variables are positive. The path coefficient from GHRM to SBP is higher than that from CVI to SBP, indicating a stronger effect of GHRM on SBP. The t-statistics for both paths are >1.96 and p-values <0.05, indicating both are significant at the 5% level. In other words, the hypothesis that GHRM and CVI have a positive effect on SBP is accepted.

4.2. *Discussion*

SEM-PLS analysis shows that both research hypotheses are accepted: the effect of Green Human Resource Management (GHRM) on Sustainable Business Performance (SBP) is significantly positive ($\beta = 0.721$; $t = 12.384$; $p = 0.000$), and the effect of Cultural Value Integration (CVI) on SBP is also significantly positive ($\beta = 0.288$; $t = 3.912$; $p = 0.000$). The R^2 value of SBP of 0.642 indicates that 64.2% of the variation in SBP can be explained by these two constructs. In addition, the effect size (f^2) indicates that the contribution of GHRM is very large ($f^2 = 0.899$), while CVI provides a small-moderate contribution ($f^2 = 0.110$). Below, I describe the discussion of each relationship in depth, linking the findings to current literature, explaining the most influential indicators, as well as practical and theoretical implications.

4.2.1. The Influence of Green Human Resource Management on Sustainable Business Performance of Cultural Tourism MSMEs in Bali

Empirical results show that GHRM has a positive and significant effect on SBP ($\beta = 0.721$; $t = 12.384$; $p < 0.001$). The very high t-value (12.384) indicates strong statistical evidence that the effect of GHRM is not accidental; environmentally sound HR practices are indeed closely related to improved sustainability performance of MSMEs. In the context of cultural tourism MSMEs in Bali, GHRM can include recruitment with environmental awareness criteria, eco-friendly training for employees, performance assessments that incorporate green behavior indicators, and rewards or incentives for environmentally friendly practices. This finding aligns with several international and local studies in the past 5 years that have found a positive relationship between GHRM practices and sustainable performance (Awwad et al., 2022; Makumbe, 2024; Zhao, 2024). Awwad et al. (2022) studied SMEs and found that a package of GHRM practices improved sustainable performance (covering environmental, social, and economic dimensions) through green innovation. Thus, GHRM not only influenced employee behavior but also triggered environmentally conscious innovation that strengthened performance outcomes. Similar findings were reported by Makumbe (2024), who proposed a mediating mechanism for green innovation and the role of knowledge sharing as a moderator that strengthens the impact of GHRM on green performance. These studies indicate that GHRM is effective when accompanied by green knowledge transfer and organizational support for innovation—an important insight for SMEs seeking to implement GHRM practices with limited resources (Awwad et al., 2022; Makumbe, 2024).

Based on a local study in Bali, Pasek et al.'s (2022) research on the coffee industry shows that GHRM contributes to increasing product and process innovation; this is relevant for cultural tourism MSMEs because product innovation (e.g., eco-friendly packaging, sustainable culinary recipes) and process innovation (waste management, energy efficiency) increase economic viability while reducing environmental impacts. Furthermore, a recent review and empirical study (Zhao, 2024) strengthens the evidence that GHRM improves various aspects of sustainable performance when organizations implement coordinated practices and appropriate leadership. Why does GHRM show a dominant influence (large f^2)? There are two theoretical and practical reasons. Theoretically, the Resource-Based View (RBV) approach positions human resources as a strategic asset that, if managed well (including the green dimension), can become a source of sustainable competitive advantage. GHRM improves employees' ability to behave pro-environmentally (e.g., waste reduction, environmentally friendly services), encourages green innovation, and improves business reputation—all of which directly impact the three pillars of SBP (economic, social, and environmental). Practically, in Bali, which relies on cultural tourism, tourists increasingly value environmental aspects when choosing products/services; thus, MSMEs implementing GHRM experience economic benefits and a better image. In terms of indicators, the outer loading analysis shows that indicator GHRM3 (e.g., performance assessments include indicators of environmentally friendly behavior) has the highest loading (0.883), meaning that the performance monitoring and evaluation aspect with environmental elements most strongly represents the GHRM construct and has the most influence on GHRM's effect on SBP. The interpretation is that concrete actions that incorporate green behavior into the assessment and reward/punishment processes are more effective in influencing employee behavior than mere training or formal policy statements. This finding supports the importance of integrating environmental indicators into HR management systems (Awwad et al., 2022; Makumbe, 2024).

Comparison with other studies. Awwad et al. (2022) found a positive effect of GHRM on sustainable performance through green innovation; Makumbe (2024) emphasized the role of green knowledge sharing; Pasek et al. (2022) demonstrated the relevance of GHRM in the context of Indonesian MSMEs. All three studies spanned the period 2022–2024, supporting the claim that GHRM is a strong determinant of SBP in the past five years. Furthermore, a broader review (Tahir et al., 2024) demonstrated consistent evidence that GHRM supports SDG targets in modern corporate/organizational practices. For cultural tourism MSMEs in Bali, key recommendations include making environmental indicators a mandatory part of performance assessments (e.g., GHRM3), establishing environmentally friendly KPIs, conducting green behavior audits, and providing concrete incentives for employees who implement green practices. In addition, training and knowledge sharing support should be directed not only at awareness but also at implementation capacity (how to manage waste, alternative environmentally friendly raw materials, etc.), as found by Makumbe (2024) and Awwad et al. (2022).

4.2.2. The Influence of Cultural Value Integration on Sustainable Business Performance of Cultural Tourism MSMEs in Bali

The analysis results show a positive and significant effect of CVI on SBP ($\beta = 0.288$; $t = 3.912$; $p = 0.000$). The t value = 3.912 (> 1.96) confirms that the effect of CVI on SBP is statistically significant. However, the effect size $f^2 = 0.110$ indicates that the contribution of CVI is relatively smaller than that of GHRM. This means that the integration of cultural values plays a positive but not as dominant role as green human resource management in explaining variations in sustainability performance. This finding is in line with several studies that address the role of cultural capital, community participation, and the integration of local wisdom in improving the welfare and sustainability of tourism businesses. Sara, Setini, and Tantra (2022) found that cultural capital and community participation in Bali contribute to the welfare of MSMEs through innovation; research by Novita, Ngindana, and Putra (2024) showed that the integration of traditional arts and values into tourism products improves tourist experiences and community income; and Mulyana's (2025) qualitative study emphasized the role of Balinese values (e.g., Tat Twam Asi, Menyama-Braya, Tri Hita Karana) as a socio-cultural basis supporting sustainable tourism practices. All three studies (2022–2025) provide empirical evidence that cultural integration does have a positive impact on the social and economic dimensions of sustainability.

Why does CVI have a smaller effect? First, cultural integration is often symbolic or experiential, increasing the added value of products/services, but its impact on economic metrics or environmental management may not be immediately significant unless accompanied by other measures (e.g., effective marketing, service quality, sustainable supply chains). Second, the risk of cultural commodification or quality inconsistencies can diminish the potential impact of CVI if not balanced with quality control and community participation (Novita et al., 2024). Therefore, CVI needs to be integrated with concrete managerial practices to strengthen its contribution to SBP. In terms of indicators, the highest outer loading on the CVI construct is CVI1 (loading 0.891): this indicator represents a statement that the product/service explicitly contains elements of local cultural values. This means that the most crucial aspect of CVI is the presence of real and integrated cultural values in the product/service, not just a label or marketing claim. When products truly incorporate cultural elements (e.g., traditional craftsmanship techniques, cultural stories within tourism experiences, authentic culinary recipes), tourists tend to rate authenticity higher, increasing satisfaction and willingness to pay, which contributes to the economic aspects of SBP and social support for cultural preservation. This is supported by Novita et al. (2024) who showed that preserving traditional practices (e.g., Malangan mask-making) can increase community income and commitment to cultural preservation.

Comparison with the literature. Sara et al. (2022) emphasized that cultural capital works more effectively when supported by community participation and innovation, so that CVI impacts through indirect channels. Mulyana (2025) added that Balinese spiritual and social values (Tri Hita Karana, Menyama-Braya) form a social foundation that enables more responsible and participatory tourism practices, but their implementation requires collective awareness and good local governance. Therefore, CVI tends to contribute to the social dimension and the dimension of tourist experience; its economic impact is more visible when CVI is combined with marketing strategies, quality management, and product innovation. To increase the contribution of CVI to SBP, MSMEs must: (1) ensure cultural values are included in the core of the product (authentic products/services), (2) actively involve local communities so that economic benefits are shared (reducing resistance and strengthening preservation), and (3) strengthen narrative marketing, telling the meaning of culture so that these values are understood by tourists. These steps are in accordance with the recommendations of Novita et al. (2024) and Sara et al. (2022) which shows the importance of community participation and innovation to increase the impact of cultural capital.

While GHRM demonstrates a stronger effect, CVI remains relevant and complementary. The combination of strong GHRM (e.g., embedding green behaviors into the work culture) and authentic CVI (products that reflect cultural values) creates synergy: culturally and environmentally aware human resources can deliver services that maintain authenticity while minimizing environmental impact, thereby strengthening all three pillars of SBP. This is consistent with studies recommending a holistic approach (Awwad et al., 2022; Makumbe, 2024; Sara et al., 2022).

5. Conclusion

This study aims to analyze the influence of Green Human Resource Management (GHRM) and Cultural Value Integration (CVI) on Sustainable Business Performance (SBP) in MSMEs in the cultural tourism sector in Bali. The results of the analysis using SEM-PLS show that the research model has strong explanatory power ($R^2 = 0.642$), so that 64.2% of the variation in SBP can be explained by GHRM and CVI simultaneously. The positive Q^2 value strengthens the finding that the model has predictive relevance. Partially, GHRM has a significant positive effect on SBP ($\beta = 0.721$; $t = 12.384$; $p < 0.05$), so H1 is accepted. These findings indicate that environmentally based HR practices such as green recruitment, continuous training, and environmentally friendly performance evaluation contribute directly to improving the sustainability of MSME businesses. Meanwhile, CVI is also proven to have a significant positive effect on SBP ($\beta = 0.288$; $t = 3.912$; $p < 0.05$), so H2 is accepted. This means that the integration of local cultural values, including the Tri Hita Karana principles, can strengthen the alignment of MSMEs with the socio-cultural environment and improve long-term performance. Overall, the results emphasize that the success of cultural tourism MSMEs in Bali depends not only on conventional business strategies but also on environmentally oriented human resource management and the preservation of cultural values as an ethical and operational foundation.

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