



Business Sustainability Transformation in Creative Culinary SMEs in Surakarta City

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ABSTRACT

The creative industry is one of the strategic sectors that can significantly drive national economic growth. In this context, Micro, Small, and Medium Enterprises (MSMEs) operating in the creative industry, particularly the culinary sector, demonstrate great potential in creating economic value while also opening up employment opportunities. This study aims to develop a business sustainability model for creative industry MSMEs through business diversification and the implementation of environmentally friendly human resource management practices. The research focuses on culinary sector MSMEs in the city of Surakarta as a representation of the rapidly growing and highly competitive creative industry. Data collection methods include literature review, surveys, and interviews with culinary sector MSMEs in the city of Surakarta. The results of this study are expected to contribute theoretically to the development of a business sustainability model and serve as a practical guide for SMEs in enhancing the resilience and sustainability of their businesses amid the dynamic, competitive, and sustainable business environment

INTRODUCTION

The creative industry has become one of the key pillars supporting global and national economic growth. According to a UNESCO report (2021), the creative industry sector contributes approximately 3% to global Gross Domestic Product (GDP), while also playing a role in job creation and increasing export value for developing countries. In Indonesia, data from the Ministry of Cooperatives and SMEs (2023) shows that there are 65.5 million business units in the creative industry sector, an increase of 1.7% compared to the previous year. This indicates that the creative industry sector has significant potential as a driver of the national economy in the long term. The positive growth of this sector is also reflected in data from the Ministry of Tourism and Creative Economy (Kemendag) in 2023, which states that the number of creative industry SMEs in Indonesia has reached 15,898 business units. The city of Surakarta is one of the areas that has experienced significant development in this sector (Surakarta City Statistics Agency). According to data from the Cooperative, SME, and Industry Department of Surakarta City (2024), there are a total of 13,203 creative industry SMEs spread across the region, with the majority being micro businesses (11,138 units), followed by small businesses (18 units), and medium-sized businesses (3 units). Based on this data, approximately 75% of these businesses operate in the culinary sector, making culinary the flagship sub-sector in the local creative industry that remains a favorite amid changing consumer behavior trends (Widjaja et al., 2018).

The creative culinary industry encompasses various businesses that focus on the production and serving of food and beverages, which in practice requires adaptive and long-term business management strategies. (Purwadinata et al., 2021). In facing the challenges of an increasingly competitive market, culinary MSME players are required to be able to diversify their businesses in order to maintain business continuity (Nisa, 2023). Business diversification is an important strategy that aims not only to expand the market and increase revenue (Gunawan et al., 2021), but also as a risk mitigation measure in the event of a decline in demand for the main product line (Yusnidar & Amelyani, 2023). On the other hand, the application of sustainability principles in the culinary industry can also be integrated through green innovation and green human resource management (Green HRM) approaches. Green HRM practices encourage businesses to be more environmentally conscious in their production activities, such as efficient use of raw materials, waste reduction, and partnerships with suppliers who are committed to the environment (Ren et al., 2018). This is in line with findings showing that human resource management has a positive relationship with organizational performance (Sunarsi, 2019), especially in promoting sustainable operational efficiency and effectiveness. However, there are still many culinary MSME players in Surakarta who have not been able to optimize the potential of business diversification and the application of Green HRM in their business activities (Hamid et al., 2023). Common problems include low product innovation, lack of strategy in raw material management, and limited ability to strategically empower human resources (Andayani et al., 2021). These limitations contribute to low business

performance and hinder the achievement of business sustainability. Therefore, an integrated approach is needed to address these issues through the development of a business sustainability model (Tobing et al., 2024) which covers aspects of business diversification and optimal implementation of Green HRM, especially for creative culinary industry MSMEs in Surakarta City.

LITERATURE REVIEW

1. Business Sustainability

Business sustainability is a strategic approach that integrates economic, social, and environmental dimensions into the business decision-making process (Tobing et al., 2024). According to Lozano (2018), sustainable businesses focus not only on profitability, but also on social responsibility and environmental conservation in the long term (Marie et al., 2023). In the context of MSMEs, business sustainability is crucial to ensuring the resilience of businesses in the face of market dynamics and other external challenges (Romero-Colmenares & Reyes-Rodríguez, 2022).

2. Business Diversification

Business diversification is a growth strategy used to reduce risk, expand markets, and create added value through product or service variation (Nasution et al., 2025). Research by Santoso et al (2020) shows that diversification can increase the resilience of MSME businesses to crises and market fluctuations (Pada et al., 2022). Diversification can also boost innovation and encourage product creativity (Abbas et al., 2019) in an effort to meet increasingly dynamic consumer needs. Diversification is a strategic approach that helps companies identify growth opportunities in different markets and products (Nasution et al., 2025).

3. Green Human Resource Management (Green HRM)

Green Human Resource Management (Green HRM) refers to human resource management practices that support environmental sustainability goals (Gupta & Jangra, 2024), such as environmentally friendly recruitment, environmental awareness training, and green indicator-based performance management. According to Renwick et al. (2019), Green HRM has a significant impact on energy efficiency, waste reduction, and increased job satisfaction, which ultimately leads to improved organizational performance. Effective GHRM requires organizational commitment and employee participation (Dingra & Padmavathy, 2019). The GHRM implementation system is unique to each organization, and the impact of GHRM implementation leads to green managerial innovation and green HR process innovation that supports green management and sustainable green industry (Saptaria et al., 2022). Green Human Resource Management (GHRM) has emerged as a key strategic approach to aligning organizational practices with environmental sustainability goals. Although previous studies have largely focused on the direct influence of GHRM on sustainable development (Alfadel & Nalband, 2025). The organization implements Green Human Resource Management (GHRM) techniques to improve environmental performance (Veerasingam et al., 2023).

METHODOLOGY

1. Type of Research

This research is categorized as quantitative research with a descriptive-verification approach, which aims to develop and test a business sustainability model based on business diversification and Green Human Resource Management (Green HRM) on the performance of creative culinary industry MSMEs.

2. Research Location and Time

The research was conducted in Surakarta City, Central Java, one of the cities with significant growth in creative culinary SMEs. Data collection was conducted during the period of April–June 2025. The sampling method used non-probability sampling with purposive sampling techniques, targeting SME operators who have been in business for at least two years. Number of respondents: Pretest: 50 respondents, and Pilot test (main): 351 respondents

3. Data Collection Techniques

Data was collected through several methods: a closed-ended questionnaire based on indicators from the variables of business diversification, Green HRM, and sustainability performance. In-depth interviews with 15 culinary business operators to gather complementary qualitative data. Documentation and literature review to strengthen the conceptual foundation and theoretical analysis.

RESULT

1. Respondent Profile

This study involved a total of 351 MSME entrepreneurs in the culinary sector in Surakarta City as survey respondents and 15 entrepreneurs for in-depth interviews. The majority of respondents in this study were micro entrepreneurs (87.2%), with businesses aged between 3–10 years (68.4%), and dominated by businesses based on ready-to-eat food and contemporary beverages.

2. Survey Results Related to the Implementation of Business Diversification and Green Human Resources Management (GHRM).

Based on the results of the survey and interviews with randomly selected survey respondents, the following results were obtained:

- Food and beverage business owners in Surakarta City have motivation and awareness regarding sustainability, but are hindered by technical knowledge and access to training, particularly in the area of Green HRM.
- 72.1% of respondents have implemented product diversification (adding menu variations, value-for-money packages, seasonal products, toppings, and other diversification alternatives).
- 59.3% have developed diversification in promotional and distribution channels (both online and offline).
- Only 28.4% actively engage in innovative diversification based on market trends, adapting to market needs.

- The main finding in GHRM is that 63.7% do not yet have formal policies related to the environment in environmentally friendly human resource management.
- 21.1% have implemented waste reduction practices in the workplace (e.g., using reusable materials).
- A total of 17.9% of respondents provide training for employees related to environmental management and energy efficiency.
- Green HRM practices are still sporadic and have not become a systematic business policy.

3. Business Performance

Business performance indicators include revenue growth, customer loyalty, and operational efficiency. It was found that: MSMEs in the culinary sector in Surakarta City that implemented product diversification and good Green HRM management showed an average revenue growth of 15–20% higher than those that did not. SMEs with simple environmental practices (reduction of plastic, digitization of transactions) experienced a 23.6% increase in customer loyalty (in the last year).

DISCUSSION

The findings of this study reinforce the theoretical model that business diversification and the implementation of Green HRM have a positive effect on the sustainability of culinary MSME businesses (Tobing et al., 2024). Diversification helps create added value, expand markets, and increase resilience to fluctuations in demand (Wiralodra & Fadilah, 2023). Meanwhile, Green HRM contributes to cost efficiency, improved business image, and consumer loyalty (A. Samsudin, 2024). However, the implementation of Green HRM still faces structural challenges such as limited access to information and training, and the lack of integration between environmental aspects and internal MSME policies. This is in line with the findings of (Khan & Muktar, 2021) states that the implementation of Green HRM on a micro scale requires support from external actors such as local governments, training institutions, and MSME associations. (Fuad et al., 2025). The integrative model developed in this study is a combination of innovative business diversification strategies and environmentally friendly human resource management practices (Aurel et al., n.d.) can significantly boost sustainability performance, both economically (profit), socially (human resource commitment), and environmentally (resource efficiency).

CONCLUSION AND RECOMMENDATION

Based on the results of surveys, interviews, and analyses conducted on creative industry MSMEs in the culinary sector in Surakarta City, several key conclusions were drawn:

1. Business diversification has been carried out by most MSMEs in the culinary sector, including in the form of adding product variety, promotion channels, and distribution channels. However, this approach is still

traditional and not based on strategic innovation and creativity, and does not cover all market segments.

2. Green HRM has not yet been implemented optimally. Environmental-friendly practices remain limited and have not been formally integrated into the SME's human resource management system. Some SMEs have not implemented standard operating procedures (SOPs) for environmentally friendly human resource management.
3. SMEs that integrate business diversification and Green HRM simultaneously can achieve better business performance, characterized by increased revenue, profit margins, customer loyalty, and operational efficiency.
4. The main challenge for SME actors in achieving business sustainability lies in the lack of access to information, training, and technical assistance in implementing environmentally friendly HRM-based sustainability strategies and increasing product innovation as part of the optimal business diversification process.
5. The business sustainability model based on business diversification and Green HRM has proven to be relevant and has the potential to increase the competitiveness of culinary SMEs in the long term.

Based on the above conclusions, the following recommendations can be given to culinary MSME players:

1. It is recommended to start integrating innovative diversification strategies based on market data and to gradually implement Green HRM principles.
2. For Local Governments and Relevant Agencies, particularly the Cooperative and SME Agency of Surakarta City: it is necessary to conduct Green HRM training and certification programs, as well as provide business model mentoring based on diversification for SME operators.
3. For Academics and Researchers: Further development of this model is needed across other SME sectors (non-food) and using a longitudinal approach to assess long-term impacts..

FURTHER STUDY

This research can be further developed through broader and more in-depth studies using a multidimensional approach. Further studies can be directed at:

1. Testing business sustainability models in the non-culinary creative MSME sector.
2. Longitudinal analysis of the implementation of diversification and Green HRM strategies to determine their long-term impact on the growth and resilience of MSMEs amid market dynamics and economic crises.
3. Developing an adaptive model based on digitalization, integrating digital technology and green innovation variables.
4. Comparative studies between regions/cities with strong creative MSME ecosystems, such as Yogyakarta, Bandung, or Denpasar, to identify contextual factors and policies that influence the effectiveness of Green HRM and business diversification implementation.

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