CAN GREEN MARKET ORIENTATION IMPROVE MSME MARKETING PERFORMANCE THROUGH ORGANIZATIONAL AMBIDEXTERITY?

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ABSTRACT

There are environmental issues in many nations, including Indonesia. The preservation of the environment must continue to be the focus of sustainable national development. Small, micro, and medium-sized enterprises (MSMEs) are among the commercial entities that play a significant role in national growth. This study aims to ascertain how innovation capacity and a green market orientation affect MSMEs' marketing success. 117 MSMEs in the city of Semarang make up the study's sample. The process involves using Smart PLS to analyze the outer and inner models and any intervening factors. Organizational Ambidexterity, Green Market Orientation, Innovation Capability, and Marketing Performance are the variables used in this study. The findings of this study indicate that Organizational Ambidexterity, Green Market Orientation, and Innovation Capability are all variables that impact Marketing Performance. Organizational Ambidexterity also has an impact on Marketing Performance to a lesser extent. Then simultaneously show that Green Market Orientation and Innovation capability affect Marketing Performance through Organizational Ambidexterity. Only Innovation Capability on Marketing Performance has no effect. The novelty in this study is an environmental issue associated with marketing performance.

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INTRODUCTION

Worsening environmental issues are in the spotlight in several countries. According to a study by the research firm Ipsos Global (2022), 46% of respondents believe that environmental issues are highlighted in their nation. Issues such as floods, heat, droughts, storms and wildfires received votes from 43% of respondents. On the other hand, issues such as waste and packaging received attention from respondents as much as 41%. In addition, the issue of air pollution by 37% and the problem of depleted water sources, soil problems, and forests received attention from 36% of respondents.

Ipsos Global (2022) states that Indonesia is included in the list of countries that have taken the issue of extreme climate change as an issue that has received great attention from respondents in Indonesia. Climate change and environmental issues have a reciprocal relationship to economic growth rates.

In an effort to achieve sustainable national development targets, the Government, through the Republic of Indonesia’s Ministry of Environment and Forestry (KLHK-RI), expects community participation in environmental conservation (KLHK-RI, 2020). This aligns with Semarang State University (UNNES) as a conservation-minded campus. UNNES (1) supports the Government’s efforts to participate in managing biological, non-biological natural resources and ecosystems, (2) protects, preserves, and utilizes natural resources through tri dharma activities and maintains ecosystem balance, and (3) fosters mental attitudes, behaviors, and responsible UNNES community in efforts to conserve biodiversity, preserve the environment, art, culture, and sports. UNNES (2021).

![Figure 1. Correlation between attention to the environment and economic growth.](source: IPSOS Global (2022))
Micro, Small, and Medium-Sized Enterprises (MSMEs) play a significant position in societal growth that is ecologically friendly and sustainable. In recent years, the emphasis on environmentally friendly products from the government, environmental activists, and customers has become a phenomenon in the MSME sector. Companies must develop a green-oriented management strategy that stresses sustainable environmental issues if they are to meet customer demands for environmentally friendly and sustainable products (Wu et al., 2011).

MSMEs are urged to contribute to environmental protection through their products, but they also face fierce corporate competition in the face of continuous environmental problems. MSMEs must be able to enhance their marketing performance if they are to compete successfully. Naturally, it is difficult for MSMEs to increase their marketing performance in the midst of such a crisis while keeping an eye on ongoing environmental challenges.

Some previous research related to marketing performance, has not linked to environmental conservation issues. Some of them are based on a study by Hanif et al. (2022), which considers marketing performance, market orientation, company innovation, and entrepreneurship. In addition, market orientation, creativity, product innovation, and marketing performance are factors that Harini et al. (2022) use. Rompis et al. (2022), whose research on entrepreneurial orientation, product innovation, competitive advantage, and marketing effectiveness did not address environmental challenges.

Research conducted by Hudha et al (2022) with variables of competitive advantage, digital marketing and marketing performance also does not mention environmental issues that are currently rife.

In contrast to earlier research, this one is innovative in that it addresses environmental challenges through the variables green market orientation, innovation potential, organizational ambidexterity, and marketing effectiveness.

Based on the background above, there are several problems that can be formulated, including the existence of global environmental issues that cause extreme climate change in several countries including Indonesia, environmental issues are the concern of the Government of Indonesia and the Indonesian people in general and how the role of MSMEs in sustainable national development in the midst of environmental issues as it is now seen from their marketing performance to win the competition effort.

Based on the problems above, the following research questions arise:

Does the green market orientation variable influence marketing performance?
Does the green market orientation variable influence organizational ambidexterity?
Does the innovation capability variable influence organizational ambidexterity?
Does the innovation capability variable influence marketing performance?
Does the organizational ambidexterity variable influence marketing performance?
Does the green market orientation variable influence marketing performance through organizational ambidexterity?
Does the innovation capability variable influence
marketing performance through organizational ambidexterity?

This research aims to analyze and test the influence of each variable on marketing performance both directly and indirectly in MSMEs, in detail the research objectives are as follows:

To find out whether the green market orientation variable effects marketing performance, to find out whether the green market orientation variable influences organizational ambidexterity, to find out whether the innovation capability variable influences organizational ambidexterity, to find out whether the innovation capability variable influences marketing performance, to find out whether the organizational ambidexterity variable influences marketing performance, to find out whether the green market orientation variable influences marketing performance through organizational ambidexterity, to find out whether the innovation capability variable influences marketing performance through organizational ambidexterity.

LITERATURE REVIEW

Environmental Management Theory

Economic growth is related to environmental pollution, as seen from the Kuznet Environmental Curve. This hypothesis was first put forward by Grossman and Krueger (1993). The per capita revenue from the production of products and services is used to highlight the relationship between environmental pollution and economic growth.

Judging from the curve above that at first, it was the exploitation of natural resources that resulted in environmental degradation continued to increase but as a result of these activities actually increased industrial income due to income from the production of goods and services. At some point where environmental degradation is severe and impacts environmental damage and depletion of natural resources, exploitation will be reduced and improved with additional environmental improvement costs. This will affect economic growth where incomes become smaller due to reduced natural resources exploited and efforts to improve the environment at a cost.

Green Market Orientation

Li et al. (2018) advise businesses to adopt green market orientation (GMO), demonstrating how companies are constantly looking to develop new goods, services, and environmental expertise to function better. In this instance, green market orientation, which encompasses eco-friendly procedures and practices, necessitates that staff members take ownership of enhancing client relationships and value.
Modern marketing tactics demonstrate that businesses align their operations with GMOs due to environmental challenges (Habib et al., 2020; Li et al., 2018; Mitchell et al., 2010). The marketing of environmentally-related services or goods that are valuable to customers and "corporate greening" are two areas where GMO acceptance is crucial (Chen et al., 2015).

**Innovation Capability**

In the modern day, all industries create inventions to compete. The concept of innovation capability is the focus of several studies on this subject (Romijn & Albaladejo, 2022; Lin, 2007; Calantone, Cavusgil, & Zao, 2002). According to Zheng, Liu, and George (2010), innovation capability can be defined as the capacity to develop novel and worthwhile products. Innovation capability is described by Lawson and Samson (2001) as "the capacity to continuously incorporate knowledge and ideas into new products, processes, and systems for the benefit of the organization." In light of this knowledge, innovation aptitude is crucial for small businesses and MSMEs to compete successfully against larger rivals.

**Ambidexterity Organization**

The optimum notion for evaluating the impact of strategy applications is ambidexterity (Trihudiyatmanto, 2021). The idea of organizational ambidexterity has been around for a while, and according to some studies (Adler and Hecksher, 2013; Birkinshaw and Gibson, 2004), many businesses have made an effort to apply it. According to Andriopoulos and Lewis (2009), organizational ambidexterity excels at utilizing current goods to foster further innovation and look into new possibilities to foster more radical innovation.

**Marketing Performance**

According to Suwarman et al. (2010), marketing performance is a gauge of how well the organization's whole marketing process activities are performing. According to Wahyono (2002), marketing performance is a concept used to gauge a product's success in the market. Every company aims to determine the market performance of its products.
as a gauge of its success in the business world. Meanwhile, Ferdinand (2014: 23) claimed that marketing performance is a metric that is frequently employed in assessing the effectiveness of the company’s strategy. To promote the improvement of marketing performance related to sales volume, market share, and sales growth rate, businesses must always implement a sound business plan.

**Hypotheses development**

The following are the hypotheses put out in this study:

**Relationship between green market orientation and organizational ambidexterity.**

Research conducted by Li (2008), Menguc and Auc (2008), Morgan and Berthon (2008), states that market orientation affects organizational ambidexterity.

H1: Green market orientation influences organizational ambidexterity

**Relationship between green market orientation and marketing performance.**


H2: Green market orientation affects marketing performance

**Relationship between innovation capability and organizational ambidexterity.**

Research that has been conducted by Tinoco (2009), Damanpour (1996), Daneels (2002), Duncan (1976), Utterback (1994), states that there is a relationship between innovation and organizational ambidexterity.

H3: Organizational ambidexterity is influenced by the innovation capability variable.

**Relationship between innovation capability and marketing performance.**

From research conducted by Ngamsutti and Ussawanitchakit (2016), Farida (2016), Najibeh (2015), stated that innovation capability has an influence on marketing performance.

H4: The variable of innovation capability influences marketing performance,

**Relationship between organizational ambidexterity and marketing performance.**

From research that has been conducted by Sudarti et al (2019), Stubner et al (2012), Tuan (2016) and Zhang et al (2016) states that organizational ambidexterity affects marketing performance.

H5: The variable of organizational ambidexterity influences marketing performance

**Relationship between green market orientation and marketing performance through organizational ambidexterity.**

Research conducted by Yang (2014), Boukamel (2017) and Strese (2016) states that green market orientation can be through organizational ambidexterity to influence marketing performance.

H6: The orientation of the green market variable influences marketing performance through organizational ambidexterity,

**Relationship between innovation capability and marketing performance trough organizational ambidexterity.**


Research conducted by Parida (2012), Teece (2017), and Chan (2018) states that innovation capability can affect marketing performance through organizational ambidexterity.

H7: The influence of the innovation capability variable on marketing performance also depends on organizational ambidexterity.

The framework of thought that can be described in this study is as follows:

![Research Framework of Mind](source: Data Processed by Author (2023))

**RESEARCH METHODS**

This study is quantitative. To estimate the impact of factors, the data used are primary data that was directly collected from respondents by distributing questionnaires. In this study, MSMEs in Semarang City make up the population. MSMEs that are aware of environmentally friendly business practices make up the study's sample. According to Hair et al. (2010), who believe that the number of samples should be 5–10 times the number of variables, 95 respondents are rounded up to at least 100 respondents from 19 indicators multiplied by 5. To obtain the necessary data, data collection techniques are utilized to gather data by study guidelines. By distributing surveys, data is collected. The MSMEs in Semarang City received the questionnaire. After the data is gathered, it is tabulated and then put through SEM PLS analysis to provide a clear image of the relationship and importance of the influence between variables. PLS is used to build relationships or test hypotheses (Ghozali, 2008). The steps taken are testing the outer model, inner model, and weight relation. In this study there are 4 variables consisting of 1 dependent variable, namely marketing performance, 2 independent variables, namely green market orientation and innovation capability, and 1 intervening variable, namely organizational ambidexterity. Multiple linear regression analysis was employed to examine the data to get a clear image of the link and importance of the influence between
the independent variable and the dependent variable using SEM PLS.

RESULTS AND DISCUSSION

The first test to be carried out is model measurement, the aim is to specify the relationship between latent variables and their indicators. After conducting an analysis with Smart PLS, we can see the results as follows:

Tabel 1. Outerloading Test

<table>
<thead>
<tr>
<th></th>
<th>Ambidexterity Organization</th>
<th>Green Market Orientation</th>
<th>Innovation Capability</th>
<th>Marketing Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>AO 1</td>
<td>0.818</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AO 2</td>
<td>0.904</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AO 3</td>
<td>0.774</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AO 5</td>
<td>0.783</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GMO 10</td>
<td></td>
<td>0.808</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GMO 2</td>
<td></td>
<td>0.792</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GMO 3</td>
<td></td>
<td>0.781</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GMO 5</td>
<td></td>
<td>0.766</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GMO 9</td>
<td></td>
<td>0.81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IC2</td>
<td></td>
<td></td>
<td></td>
<td>0.873</td>
</tr>
<tr>
<td>IC3</td>
<td></td>
<td></td>
<td></td>
<td>0.847</td>
</tr>
<tr>
<td>IC4</td>
<td></td>
<td></td>
<td></td>
<td>0.706</td>
</tr>
<tr>
<td>KP 1</td>
<td></td>
<td></td>
<td></td>
<td>0.859</td>
</tr>
<tr>
<td>KP 2</td>
<td></td>
<td></td>
<td></td>
<td>0.905</td>
</tr>
<tr>
<td>KP 3</td>
<td></td>
<td></td>
<td></td>
<td>0.812</td>
</tr>
<tr>
<td>KP 4</td>
<td></td>
<td></td>
<td></td>
<td>0.816</td>
</tr>
</tbody>
</table>

- Source Data processed by author (2023)

From the results of the outerloading test that has been rigidized, it shows that some indicators are below 0.7 so that only indicators that are more than 0.70 are used in this study. This is in accordance with the opinion of Ghozali (2016) who states that the minimum requirement is 0.70. In table 1 it can be seen that the indicators used already show values above 0.70, which means that these indicators can be used to measure this research model.

The next step is to determine a variable’s lowest value and verify its reliability. And at the same time test the validity of any relationship between the indicator and its latent construction or variable. The result of the calculation is as follows:
Tabel 2. Reliability and Validity Test

<table>
<thead>
<tr>
<th></th>
<th>Cronbach's Alpha</th>
<th>rho_A</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambidexterity Organization</td>
<td>0.837</td>
<td>0.845</td>
<td>0.892</td>
<td>0.674</td>
</tr>
<tr>
<td>Green Market Orientation</td>
<td>0.852</td>
<td>0.855</td>
<td>0.894</td>
<td>0.627</td>
</tr>
<tr>
<td>Innovation Capability</td>
<td>0.741</td>
<td>0.77</td>
<td>0.852</td>
<td>0.659</td>
</tr>
<tr>
<td>Marketing Performance</td>
<td>0.87</td>
<td>0.873</td>
<td>0.911</td>
<td>0.72</td>
</tr>
</tbody>
</table>

Source: Data processed by author (2023)

Given the preceding calculation's results, it can be determined that all constructs have high reliability because the composite reliability value is > 0.70 and the Cronbach alpha value is > 0.60. Since the extracted average variance value above 0.50 indicates validity, it follows that the validity has converged to the point where latent variables may account for more than half of the indicator variance in the mean (Ghozali, 2016).

Next is to test the hypothesis with path coefficients, to find out the direction of the relationship in the variable. The result of the calculation is as follows:

Tabel 3. Hipotheses Test

|                          | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|--------------------------|---------------------|-----------------|-----------------------------|-------------------------|----------|
| Ambidexterity Organization -> Marketing Performance | 0.629              | 0.625           | 0.06                        | 10.428                  | 0.000    |
| Green Market Orientation  -> Ambidexterity Organization | 0.675              | 0.669           | 0.062                       | 10.811                  | 0.000    |
| Green Market Orientation  -> Marketing Performance | 0.321              | 0.327           | 0.076                       | 4.216                   | 0.000    |
| Innovation Capability -> Ambidexterity Organization | 0.221              | 0.233           | 0.074                       | 2.976                   | 0.004    |
| Innovation Capability -> Marketing Performance | -0.066             | -0.062          | 0.056                       | 1.177                   | 0.241    |

Source: Data processed by author (2023)

The direction and direct relationship between the independent variable and the dependent variable are shown in Table 3. The test results above reveal that only Innovation Capability has no impact on marketing performance, whereas it has a favorable impact in all other areas. GMOs, Organizational Ambidexterity, Marketing Performance, and Innovation Capability all positively affect each other as well as Organizational Ambidexterity. Organizational Ambidexterity positively affects Marketing Performance. This indicates that as organizational ambidexterity, GMO, and innovation capability increase, marketing performance will as well.
Tabel 4. Hipotheses Test

|                          | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|--------------------------|---------------------|-----------------|---------------------------|-----------------------|---------|
| Green Market Orientation -> Ambidexterity Organisasi -> Marketing Performance | 0.425               | 0.419           | 0.06                      | 7.115                   | 0.000   |
| Innovation Capability -> Ambidexterity Organisasi -> Marketing Performance | 0.139               | 0.146           | 0.048                     | 2.88                   | 0.005   |

Source: Data processed by author (2023)

Table 4 displays the relationship between the independent variable’s direct and indirect effects on the dependent variable. According to the test results, GMO and innovation capability have a beneficial impact on marketing performance via organizational ambidexterity. This means that if GMO and Innovation Capability are improved through good Organizational Ambidexterity, it can improve Marketing Performance.

CONCLUSION

MSMEs have the chance to participate in environmental concerns that the government continues to be concerned about. The results of this study demonstrate that GMOs can enhance MSMEs’ marketing capabilities. This means that entrepreneurs who take part in environmental conservation through an environmentally friendly business orientation can actually improve the marketing performance of their products both directly and through the Ambidexterity of the Organization, which means that the Ambidexterity of this Organization encourages entrepreneurs / MSMEs to utilize their resources while seeing future business opportunities. One of these business opportunities is to continue to innovate to make environmentally friendly products and processes. The ability to innovate, green market orientation, and the capacity to recognize opportunities while utilizing available resources must work together to be able to improve marketing performance in a better direction. This capability can also support government programs and protect our environment from the threat of pollution. The hope is that MSMEs do not need to worry about environmental issues that are being faced and should instead take advantage of the existing momentum to continue to innovate to create and provide environmentally friendly services.

The limitation in this research is that there are not many reference sources because it is a new topic so it is necessary to collaborate on several references so that they can be used as a basis and the research object is only limited to SMEs.

Suggestions for further research on the same topic, it would be best to try with a broader research object, for example companies. because companies have a lot of impact on the environment.

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