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THE EFFECT BETWEEN GREEN PRODUCT INNOVATION AND GREEN
MARKETING ON COMPETITIVE ADVANTAGE
AND BUSINESS PERFORMANCE

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ABSTRACT

Based on the Resource Based View Perspective, a purpose for this research study was to examined and explained by the effect between Green Marketing, Green Product Innovation, towards competitive advantage and business performance. This study also uses an explanatory approach to explain the causal relationship between variables through hypothesis testing. The research data were collected using a questionnaire distributed to 95 business actors who are members in the Small and Medium Enterprises assisted by PLUT East Java. For the data analysis also used with the Partial Least Square (PLS) approach. The research findings shown that Green Marketing and Green Product Innovation have a significant effect on Business Performance. Additionally, green marketing and green product innovation have a significant effect on competitive advantage. In conclude, competitive advantage has a significant effect on business performance.

INTRODUCTION

Nationally, Small and Medium Enterprises have a very important and strategic position, potential and role in realizing the goals of national development in general and the goals of economic development in particular. The important role of Small and Medium Enterprises for economic development includes contributing to the growth of employment at a faster rate compared to large companies, and in the long run, giving the economy greater flexibility in providing services and manufacturing a variety of goods consumers, enhancing the competitiveness of the marketplace, and preventing the monopolistic position of large companies, acting as a place for the development of entrepreneurial capacity and innovation, then

also make important contribution to the regional development programs (Asian Development Bank, 2001).

However, in its development, Small and Medium Enterprises (UKM) have several obstacles, including in terms of capital, marketing, human resources, product innovation, and product quality, as well as sales volume (Karsidi and Irianto, 2005). Based on this statement, SMEs can face competition in the global market, they must be able to improve their quality, so their products have an advantage to compete. So, the solution of SMEs is product innovation that different from competitors, such by creating environmentally friendly products. This needs to be done considering that currently campaigns to save the environment are increasingly being carried out by the community, so it has become a separate trend in the midst of people's lives. The movement to save any environment is a manifestation of public awareness to preserve the environment, which is currently getting worse and even more chaotic weather patterns on earth. Products that are environmentally friendly can be identified as having 3R criteria, such as (1) Reduce, like reducing everything that causes waste (2) Reuse, which is the activity of reusing waste that can still be used for the same function or function other. (3) Recycle, such as processing waste into new products.

In general, the goal of green product innovation is environmentally friendly in the creation of new or modified products to reduce environmental impact. Green product innovation is environmentally friendly includes the introduction and improvement in products through the use of environmentally friendly materials or materials that can be recycled. Because it can reduce the environmental impact of using production inputs, this also includes product modifications aimed at reducing energy conservation, prevention pollution during product use. (Horbach, Rammer and Rennings, 2012)

Green products have many benefits for the environment, including reducing pollution and air pollution resulting from production process. Green product packaging is environmentally friendly and can be recycled can reduce the amount of waste that is around us. In addition, green products can also save energy during the production process (Deuze, Mark., 2008) and (Okada, 2010).

Porter (1985) founded that if an organization can reduce production costs and increase economic efficiency by implementing environmental initiatives, increased sales of green products will be achieved by focusing on products with a significant reduction in environmental impact, throughout their life cycle. Murar's (2012) study shown that green product innovation has a significant positive effect on competitiveness and company performance. Furthermore, Ardyan et al., (2017) in their study found evidence of the ability of green innovation to significantly increase sustainable competitive advantage and sustainable competitive advantage to significantly improve the performance of SMEs. Reguia (2014) stated that the company's capacity to develop competitive advantage through product innovation is related to the sustainability of the company.

In contrast to the results of Chang's (2011) study which examined three variables, including corporate environmental ethics, green innovation, and competitive advantage. It shown that a green process innovation has no significant effect on competitive advantage. Lukitaruna and Sedianingsih (2018) also founded evidence that green product innovation has a negative and insignificant effect on company performance, while green process innovation has a positive and significant effect on company performance. Dermott & Prayogo (2011) stated that neither of the

innovation orientations showed a significant direct relationship with firm performance.

One of the things by MSMEs related to product results in the form of green products is the marketing aspect. This marketing aspect is often overlooked in various studies on environmentally friendly products, so any failure of this program in the long term is due to the market's unpreparedness in accepting green products. Although, for many various studies shown that public awareness of environmental sustainability is increase, the real action related to direct activities such as changing consumption patterns from conventional products to environmentally friendly products is still very low. Therefore, it was very important to know the attitudes and behavior of consumers related to green products, so any producers can design the right environmentally friendly marketing. Given, the importance of environmental aspects to be included in the marketing section, environmentally friendly marketing factors become an element in improving the performance of small businesses.

Sehgal (2017) stated that green marketing is one of such strategies which marketers are using these days as a key strategy for sustainable competitive advantage. A decade back, most of the businesses had the perception that consumers are willing to buy products at best competitive prices and attach no value to green and economic friendly products. Lozada (2000) stated that green marketing has two different perspectives. The first perspective, green marketing as a solution in understanding people's needs and as an opportunity to gain excellence in the industry. The second perspective, green marketing can be as a threat or something that has the potential to increase company spending, where green marketing is only rhetoric rather than substance. According to Schaefer (2005) said that green marketing has been considered a failure because it is not proven to be able to overcome the crisis, only as a myth, and not designed to make fundamental changes. Based on these opinions and research results, it appears that green marketing is still a contradiction in terms of the implications of green enlargement, on the one hand green marketing is a demand and has a positive impact, that do not lead to fundamental changes. This is very interesting to study further.

The results of a study by Hasan and Ali (2015) discussed that green promotion has a positive effect on company performance. The success of green promotion is a factor affecting to the company performance as measured by financial returns, market share, and sales growth and operational performance. Furthermore, the results of the study by Eneizan and Wahab (2016) founded an evidence of green products, green prices, green distribution, green promotion of people, green processes, and green physical evidence to have a positive effect on the firms' performance. Wu and Lin (2015) founded evidence that organic agriculture is able to improve corporate image through green marketing strategies, thereby increasing business performance.

Based on the RBV theory (Barney, 1991) which stated that one way to analyze the strengths and weaknesses of a company (internal) is to use a Resource-Based View (RBV) framework which focuses on the resources and capabilities of the company where the exploitation of these resources and capabilities can generate competitive advantage for the company. Furthermore, the Resource Based View (RBV) proposed by Wernerfelt (1984) stated that an organization or company is a set of resources to build capabilities as a source to achieve superior business performance. Additionally, it to achieve marketing performance, a company must be able to manage its marketing resources and capabilities properly. Marketing

capabilities are a set of resources and skills in the field of marketing, which are the result of any process of accumulating knowledge and integration with values, then norms developed by organizational processes.

Resources are input to the production process of a company, that have valuable, rare, inimitable and non-substitutable resources, have the potential to achieve competitive advantages and superior performance (Barney, 1991). This approach is carried out to study companies based on two basic assumptions, such as first, the diversity of resources (Penrose, 1959) which assumed that each company has a series of resource ties-different productive resources, and second, resources that are not can move, which assumes that some of these resources are very expensive when duplicated or that supply is inelastic (Barney, 2001).

Referring to several previous research results and existing theories, this study seeks to develop a more representative model of each variable identified as a variable that has an influence on competitive advantage and business performance. Furthermore, research is motivated to examine and explain the effect of green product innovation, green marketing on competitive advantage and business performance in Small and Medium Enterprises assisted by PLUT East Java.

TEORITICAL FRAMEWORK

Green Product Innovation

Rennings (2000) stated that green innovation is a change made in a company with all aspects and development in a sustainable manner, but its development must be seen from an environmental aspect. Furthermore, Rennings and Rammer (2009) stated that green innovation has two dimensions, such as green product innovation and green process innovation. Green product innovation has the ultimate goal to improve a product in order to increase consumers and new markets. A product is designed in an environmentally friendly manner, while green process innovation is carried out to increase productivity and cost efficiency. Because the production process is designed with an environmentally friendly process.

Green product innovation is a multi-phase process in which the three main environmental focuses including materials, energy, and pollution, which are highlighted based on the major impact on the environment at different stages of the product life cycle although not all products have a significant environmental impact at each stage of the life cycle. So, physical products from all aspects (materials, energy, and pollution) but almost all products have a significant environmental impact in at least one of the stages of the life cycle (Dangelico, et al., 2010).

According to Kammerer (2009) said that a green product innovation is beneficial for customers because besides having environmentally friendly benefits, green products will also produce personal environmental benefits for customers, such as energy savings. So, this will indirectly create more demand and companies will be motivated to carry out better innovations. Murar (2012) stated that green product innovation were includes environmentally friendly materials, environmentally friendly packaging, products with recycled and the use of environmentally friendly labels.

Green Marketing

One of the main objectives on marketing is to influence customer purchasing decisions. Marketing apart from promoting with selling goods and services also aims to educate and influence to society. The term "green marketing" is also

referred to as sustainable marketing, ecological marketing, or environmental marketing. Green marketing was first used in the late 1970s and gained prominence in the late 1980s and early 1990s (Yan and Yazdanifard, 2014).

Green marketing is an activity carried out by a company that cares about environmental problems by distributing goods or services, which are environmentally sound to satisfy the needs of consumers and society (Soonthonsmai, 2007). Currently, for green marketing is considered an important trend in business (Kassaye, 2001).

The importance of green marketing according to McTaggart, Findlay and Parkin (2005), which refers to economic principles, which stated that economics is a form of one's learning in trying to satisfy unlimited desires by using limited resources. According to Lozada (2000) said that companies will be able to obtain solutions to environmental challenges through marketing strategies, products, and services in order to remain competitive. This includes are new technologies to treat waste and air pollution, product standardization to ensure environmentally friendly products, providing products that also truly natural, then product orientation through resource conservation and health care.

Worthington and Patton (2005) explained that the implementation of green marketing includes five factors, including economic benefits, financial incentives, stakeholder demand, laws, resources, motivation, and knowledge.

Competitive Advantage

Competitive advantage has two different but related definitions. The first insight views are the resource base and the second views competitive power (Day and Wensley, 1988). The first definition, emphasizes are excellence or superiority in terms of resources and expertise owned by the company. Companies also have competence in marketing, manufacturing, and innovation can use them as sources to achieve competitive advantage. Through these three competency areas, companies can develop strategies, so they can produce any products to accepted in the market. Meanwhile, the second definition emphasizes excellence in achieving performance so far. This definition relates to the company's position compared to what its competitors are doing. Companies also continue to pay attention to performance developments and strive to improve performance. There are any opportunity to achieve a good competitive position, so the company actually has strong capital to continue to compete with other companies (Droge et al., 1994).

Competitive advantage from understanding competitive strength can also be in the form of company performance. Porter (1990) explained that competitive advantage is the heart of marketing performance to face competition. Competitive advantage is defined as the benefit strategy of companies collaborating to create a more effective competitive advantage in their market. This strategy must be designed to create a competitive advantage continuously, so the company can dominate both new markets and markets. Basically, competitive advantage also grows from the values or benefits created by the company for customers. Customers also prefer to buy some products that have more value than what they want or expect. However, this value will also be compared with the price offered. Product purchases will occur if the customer considers the price of the product according to the value it offers.

According to Kotler (2003) said that it explains competitive advantage, such as choosing one or more competitive advantages to be communicated and positioned in the minds of consumers. The indicators are something important for consumers,

distinctive and unique, which has a superior value, easy to communicate, something new / pioneer. Additionally, affordable (purchasing power) and can provide benefits.

Barney (1991) stated that sustainable competitive advantage occurs when the efforts of other parties fail to imitate these advantages. Competitive advantage can only emerge if the company has heterogeneous resources and immobility. Unique resources may not or should not be transferred to competing companies, provide positive value for the company, unique or rare traits, difficult to imitate, and cannot be replaced with other types of resources. In relation to these four criteria, Barney (1991) stated that in the RBV perspective, a company cannot buy or take a sustainable competitive advantage owned by another company. Because this advantage is an invaluable asset that the owner company will not release.

Performance of Small and Medium Enterprises

Performance is the success rate of achievement by the company during a certain period time. In essence, every company always strives to achieve the goals set from it is operating activities. Performance has an important value for the company because in addition to being used as a measure of success in a certain period. It can also be used as input for improvements or enhancement of company performance in the future. Performance is still a difficult concept, both by definition and in its assessment, in addition there is still controversy about the right approach to conceptualizing and measuring company performance.

(2013) said that business performance also includes product volume, product added value, increasing the number of workers, business diversification, market expansion, total sales, and also capital.

Resource-Based View Theory

RBV theory considers the company as a bond of various resources that will have a significant effect on the company's competitive advantage and have an impact on company performance. A company that has unique resources, cannot be imitated by other companies, will make the company survive in the competition. RBV emphasizes on the competitive advantage strategy and internal company resources (Barney, 1991).

Grant (1991) classifies resources into six major groups, including financial resources, physical resources, human resources, technological resources, reputation, and organizational resources. Furthermore, Grant (1999) stated that the five main dimensions of resource-based strategy are financial resources to identify the ability of a business to calculate funds and income, as well as internal risk of loss, which is determined based on the entire product manufacturing process. Physical resources were explained that the results of business products have efficiency and accuracy in determining expected costs and revenues as an indication of the selling price to consumers. Human resources are aimed at achieving any production effectiveness, by giving employees responsibility for calculating product costs and revenues during production. Technological resources aim at efforts to achieve the effectiveness on the manufacturing process and product development to achieve better quality based on their capabilities. Lastly, the organization's reputation resource provides good customer relations for acceptable product results and supplier trust for sustainable purchases.

Resource Based View (RBV) proposed by Wernerfelt (1984), stated that an organization or company is a set of resources to build capabilities as a source to achieve superior business performance. To achieve marketing performance, a company must be able to manage its marketing resources and capabilities very well. Marketing capabilities are a set of resources and skills in the field of

marketing, which are the result of the process to accumulation some knowledge and integration with values, then norms developed through organizational processes.

This study is a development of the results on previous research related to the variables that are determinants of the interaction for green product innovation, green marketing on competitive advantage, then business performance in Small and Medium Enterprises assisted by PLUT East Java.

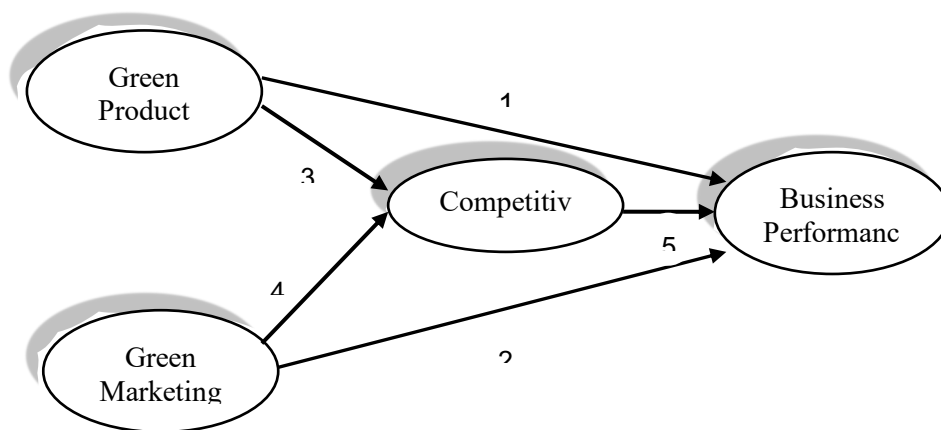


Figure 1. Framework of Thinking

METHODOLOGY

Sample and Data Collection

This research study was used by a quantitative approach with this type of explanatory research, which is conducted to explain the causal relationship between the research variables through hypothesis testing. The population in this study is the small and micro enterprises engaged in manufacturing. The unit of analysis is the Micro and Small Business Center assisted by PLUT in Surabaya City totaling 362 MSEs, 146 UMK PLUT Kota Batu, and 130 UMK PLUT Kota Kediri. Overall, any existing population of the manufacturing businesses studied was 638 businesses. The sample is based on predetermined criteria, such as the number of MSEs that have participated in training on green products, as many as 106 business actors. In this study, the sampling technique also used was non-probability sampling with the technique taken, like saturated sampling (census).

This study uses primary data collected through questionnaires. To the owners or managers of Small and Medium Enterprises, the industrial centers assisted by PLUT East Java. This study uses a basic scale of measurement using a scale of five with the criteria: Strongly Agree (ST) = 5, Agree (S) = 4, Enough = 3, Disagree (TS) = 2, Strongly Disagree (STS) = 1.

The research study was uses the Partial Least Square (PLS) approach, which is a model that connects a response variable with a set of predictor variables with the aim of forming components that can capture information from predictor variables to predict the response variable. The significance test aims to select predictor variables for constructing PLS components and determine the number of PLS components formed.

RESULTS

HYPOTHESIS TESTING

Hypothesis testing in the WarpPLS analysis uses the t-test. For the rule of hypothesis testing decisions were used by the re-sampling method, and carried out by t-test. The rule for any decision to test some hypothesis is carried out as follows, if the p-value is ≤ 0.10 (alpha 10%) it is said to be weakly significant, if the p-value is ≤ 0.05 (alpha 5%) it is said to be significant and if the p-value is ≤ 0.01 (alpha 1%)) then it is said to be highly significant.

Table 1. Analysis on Direct Effect

TEST					
Relationship between Variables (General Variable → Impact Variables)		Path Coefficient Analysis	<i>p-value</i>	Results	
Green Product Innovatiaon	Business Performance	0318	<0.001	Significant	
Green Marketing	Business Performance	0266	<0.001	Significant	
Green Product Innovatiaon	Competitive advantage	0316	0.005	Significant	
Green Marketing	Competitive advantage	0417	0.002	Significant	

	Competitive advantage	Business Performance	0.343	<0.001	Significant
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Hypothesis 1: Green Product Innovation has a significant effect on Business Performance

The effect between green product innovation and business performance also resulted in a path coefficient of 0.318 with a p-value <0.001. This influence is very significant statistically with a positive sign, which means any increasing in green product innovation to business performance. The effect between green product innovation and business performance is in accordance with the original prediction like a significant effect. These results indicated that green Product Innovation is a determining factor for Business Performance.

Hypothesis 2: Green Marketing has a significant effect on Business Performance

The effect between green marketing and business performance resulted in a path coefficient of 0.266 with a p-value of 0 <0.001. This influence is statistically significant with a positive sign, which means any increasing for green marketing will increase business performance. So, these results are also indicated that green marketing is a determining factor for business performance.

Hypothesis 3: Green Product Innovation has a significant effect on Competitive Advantage

The direct effect between green product innovation and competitive advantage resulted in a path coefficient of 0.316 with a p-value of 0 <0.001. This effect is statistically significant with a positive sign, which means any increasing green product innovation, so it will increase competitive advantage as well. These results are indicated that the green product innovation is a determining factor for competitive advantage

Hypothesis 4: Green Marketing has a significant effect on Competitive Advantage

The effect between green marketing on competitive advantage produces a path coefficient of 0.417 with p-value 0 <0.001. This effect is statistically significant with a positive sign, which means that any increasing for green marketing will increase competitive advantage. So, these results are also indicated that green marketing is not a determining factor for green marketing and have a significant effect on competitive advantage.

Hypothesis 5: Competitive Advantage has a significant effect on Business Performance

The effect between competitive advantage on business performance resulted in a path coefficient of 0.343 with p-value <0.001. This influence is statistically significant with a positive sign, which means that any increasing competitive advantage to business performance. So, these results are also indicated that competitive advantage is a determining factor for business performance.

DISCUSSION

The Effect Between Green Product Innovation and Business Performance

Green product innovation variable has a significant influence to the performance of Small and Medium Enterprises at PLUT East Java Assisted Centers. It can merely that green products innovations are new or modified processes, techniques, systems, and products to avoid or reduce environmental damage. For other side,

green product innovation refers to new or modified products aimed at reducing environmental impact and green process innovation refers to new production or modification of equipment, along with methods and procedures that minimize environmental loads. Additionally, there are any compare to other types of innovation, which has green innovation significant externalities impact, because it can lead to a cleaner and safer world.

The results of this study are in line with the opinion of Rennings and Rammer (2009) which stated that green innovation has two dimensions, such as green product innovation and green process innovation.

Green product innovation has the ultimate goal to improve a product in order to increase consumers and new markets because the product is designed in an environmentally friendly manner. While, green process innovation is carried out to increase productivity and cost efficiency, because the production process is designed with an environmentally friendly process.

According to Larsen, and Lewis (2007) discussed that one of the most important characteristics from an entrepreneur is the ability to innovate. Without innovation, the company will not last long. This is because the needs, wants, and demands from customers change. Customers will not always consume the same product, they will look for other products from other companies that are feel can satisfy their needs. For this reason, it is necessary to have continuous innovation if the company wants to go ahead and stand up to its business. Besides companies that continue to innovate their products are companies that are ready to face competition with superior products. In conclude, more product innovations the company makes, so the higher level of competitive advantage on company.

According to the theory of RBV Theory from Grant (1991) said that resources can be considered as inputs with allow companies to carry out their activities. Internal resources and capabilities determine strategic choices made by companies when competing in their external business environment. In this case, some company's capabilities also allow several companies to add value to the customer value chain, develop innovations or develop into new markets. LaBahn and Krapfel (1996) argued that product innovation capabilities are highly expected by small manufacturing businesses to be able to produce the creation and introduction of superior products, or other modifications to existing products.

Product innovation were provides a focus on attention to be able to develop SMEs in Indonesia on achieving any competitive advantage which can be realized together with product innovation (Salim, 1999). The ability to innovate will result in the ability in 2 (two) things, such as the ability to identify markets, and the ability to create products to meet market needs. It is hoped by any customers that will not leave and fulfill the desired taste (Hariadi, 2002).

The Effect between Green Marketing and Business Performance

The Green marketing variable has a significant influence to any performance of Small and Medium Enterprises at PLUT East Java Assisted Centers. These results are in line with the opinion of Allen (2011) that green marketing is not only about offering environmentally friendly products to consumers, but also about the production and distribution process. Based on environmental sustainability, marketing is a new development in the field of marketing, and a potential with some strategic opportunity. It has a multiplier effect for both business people and the community as users.

Ratnawati (2016) was argued that any increasing for public awareness on the importance of preserving environment, which has made many producers for some various products start to switch to using materials. It does not damage any environment and also required by producers to apply environmental-related aspects in every activity-business activities, such as green environment, green products, green branding, green labels, green packaging, green advertising, and so on, are known as green marketing.

Furthermore, Langerak, Peelen and Van der Veen (1998) noted that companies have been voluntarily adoption for green marketing will be able to explore green marketing opportunities and improve any business performance. This also shown that adoption for green marketing carried out on internal company initiatives will have a positive impact on company performance by providing better relationships with consumers in the long run.

Porter (1985) founded that if an organization can reduce production costs and increase economic efficiency by implementing environmental initiatives, increased with sales of green products. It will be achieved by focusing on products with significant reductions in environmental impact throughout their life cycle. The concept of green marketing itself is an environmentally friendly business activity that affects the performance of SMEs.

The Effect between Green Product Innovation and Competitive Advantage

Green product innovation variable has a significant influence to the competitive advantage on Small and Medium Enterprises at PLUT East Java Assisted Centers. The role of green product innovation can make a positive contribution to the competitive advantage in UKM. The role of SMEs in responding to a surging environment requires green product innovation which in itself has a central role in the movement towards comparative advantage. Khin et al. (2010) explained that competitive companies no longer continue to offer similar products or only compete on traditional reasons such as price and quality. For technical firms especially, the inevitable trend is to differentiate product offerings with innovation in order to gain a competitive edge over competitors. There are many explanation that innovation is related to strategy and resources. In the strategic approach, innovation is something differentiates itself from competitors.

Green product innovation will enable SMEs to meet customer needs by launching new products that will become trends in the future. Innovation is understood as an individual and collective learning process that aims to find new ways of solving problems. Green product innovation carried out with creativity is an important factor for the success and competitive advantage of SMEs.

The study results support from previous research by Chen et al. (2006) that explained about companies can gain a competitive advantage through green product innovation. Companies are also devoted to develop some environmental corporate ethics cannot only meet environmental regulations, but also build barriers for other competitors so that companies can increase their competitive advantage through increasing intangible assets (Chen et al., 2008).

The Effect between Green Marketing and Competitive Advantage

Green marketing variable has a significant influence to the competitive advantage on Small and Medium Enterprises in the Assisted Centers of PLUT East Java. Any changes in environmental issues into business issues make SMEs understand the area and focus on competitive advantage in accordance with environmental conditions. Business actors adaption, create, and develop competitive green

products through a marketing mix program. SMEs are required to produce products

that not only pursue economic benefits, but also take into account environmental problems as demanded by consumers. So, for all production processes must follow environmentally friendly criteria. SMEs must be able to implement green marketing strategies to increase their competitive advantage.

Green marketing as a solution in understanding people's needs and as an opportunity to gain excellence in the industry (Lozada, 2000). Marketing based on environmental sustainability "environmental marketing" is a new development in the field of marketing, it is a potential and strategic opportunity that has a multiplier effect for both business people and the community as users. The green marketing approach in the product area is believed to increase the integration of environmental issues in all aspects of company activities, from strategy formulation, planning, preparation, to production, and distribution with customers.

Ferrell (1993) stated that green marketing is described as an organization or company effort that designs, promotes, prices, and distributes products that are not detrimental to the environment. Therefore, marketers also need to see this phenomenon as a potential business opportunity. Chang, (2011), which stated that corporate environmental ethics is considered as one type of corporate culture, which is superior to achieve any sustainable development. Some responsiveness to the environment for businesses is a boost to an increasingly competitive economic environment. The benefits can be achieved with existence of green marketing for SMEs are reducing waste, saving costs, increasing customer satisfaction, increasing employee commitment, improving products, improving public relations, and increasing comparative advantage. In addition, by shown that SMEs are caring and responsible for the environment can maintain, increase market share, and differentiate the organization from its competitors. Overall, some actions of SMEs who participate in environmentally friendly behavior in their production processes can increase the business profits of SMEs.

The Effect between Competitive Advantage and Business Performance

Competitive variable has a significant influence on the business performance of Small and Medium Enterprises at PLUT East Java Assisted Centers. The research results are in line with the resource-based view, if SMEs have resources that are difficult to imitate or replace. So, it can be applied as a competitive strategy, where other SMEs cannot implement the same strategy because they do not have access to the equivalent set of resources. With the implicitly, this argument assumes that SMEs have certain processes for their resources, so they can be used effectively to achieve strategic goals. More over, a core postulate of the resource-based view theory is the core resources and capabilities of SMEs to be able to produce competitive sustainability advantages that can improve on company performance.

Furthermore, Day & Wensley (1988) emphasized that in the global arena, the company's competitive advantage is enhanced through the company's unique resources and capabilities, so it can be expected to demand management to produce superior performance. Competitive advantage has at least two different meanings but is related to the first meaning, namely focusing on superiority in skills or resources, while the second meaning is about competitive advantage from performance results. For other hand, it to measure competitive advantage in research. Two steps in achieving competitive advantage, first is resource advantage which consists of superior expertise and superiority in raw materials, then the second one is position advantage which consists of relative cost advantage and value advantage for customers.

Competitive advantage was includes how SMEs maintain their competitive advantage, and how barriers to entry, and creating profits are. To be successful, SMEs must do their job more than competitors in satisfying target consumers. So, adjusted according to consumer needs and competitor strategies. Designing a competitive strategy starts with analyzing competitors. So, SMEs continuously compare customer value and satisfaction with the value their product, price, distribution, and promotion in part againsts to their close competitors. In this way, SMEs can see how big the potential benefits and losses are.

According to Porter (1995) concluded that competitive advantage is a search for a favorable competitive position in an industry, as an arena for competition. He further stated that any competitive advantage aims to determine a profitable and sustainable position against in the forces that determine about industrial competition. Actually, any definition put forward by Porter gives a broad and long-term orientation. It was called broad, because some competitive advantage is defined as a search for competitive positions. The search for a competitive position is how an SME seeks to position itself in the industry by having superior values that are different or better than its competitors. So, with these superior values, UKM gets its own place which forms a good image in the minds on the target community. In addition, some definition of sustainability put forward by Porter shown that the competitive advantage of an SME is not intended for a moment or the short term, but how various efforts must be made by UKLM so that this competitive advantage is long term or sustainable. Thus, the competitive advantage orientation is not only aimed at creating satisfaction for stakeholders, but more than that it creates loyalty for stakeholders in the long run.

In contrast side, any ability of SMEs to develop the skills for their workers in creating green product innovations and the ability to do green marketing well will make these SMEs superior. So, the implementation of human resource-based strategies will be difficult for competitors to imitate. While, unique assets or resources are real resources needed by SMEs to carry out their competitive strategies. These two resources should be directed to support the performance creation of SMEs that are low cost and that are different from other SMEs.

CONCLUSION AND RECOMMENDATION

CONCLUSION

The research context was indicated that the relationship between green product innovation variables on the business performance from each managers or owners at Small and Medium Enterprises assisted by PLUT East Java can be proven (there is a significant effect). The results of this study also indicated that green product innovation by using environmentally friendly materials, environmentally friendly packaging, products that can be recycled and environmentally friendly labels, in quality and quantity. So, as to increase the standards of products produced by PLUT East Java both in local and foreign markets.

The second hypothesis which stated that the effect of the green marketing variable on the business performance of Small and Medium Enterprises fostered by PLUT East Java is proven (there is a significant effect). The results of this study indicated that green marketing which consists of economic benefits, financial incentives, stakeholder demand, resources, and knowledge motivation contributes to business performance.

The third hypothesis which stated that green product innovation has a significant effect on proven competitive advantage (there is a significant effect). The results are also indicated that green product innovation carried out with creativity is an important factor for the success and competitive advantage of SMEs.

The fourth hypothesis which stated that there is an effect between green marketing variable and the competitive advantage at the SMEs assisted by PLUT East Java, which is proven (there is a significant effect). The results are shown that business actors adaption, create, and develop competitive green products through green marketing programs in the marketing mix that contribute positively to increasing competitive advantage.

The fifth hypothesis which stated that competitive advantage has a significant effect on the Business Performance of SMEs assisted by PLUT East Java (there is a significant effect). The results also shown that the ability of SMEs to develop the skills for their workers in creating green product innovations, and the ability to do green marketing properly will improve business performance.

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