

Sustainable Performance for Batik Small and Medium Enterprises Viewed from Dynamic Capabilities, Marketing Orientation and Green Marketing

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ABSTRACT

This research attempts to raise the issue of the sustainability of the micro-scale Batik industry in Indonesia, which is a subset of the textile industry, by utilizing a number of variables, such as 1) Dynamic capacity; 2) Marketing orientation with green marketing intermediaries, which can contribute to the sustainability of this sector. There has been much discussion about business sustainability in the textile sector. Still, research on the sustainability of small businesses in the batik sector by developing dynamic capabilities, marketing orientation, and green marketing still needs to be discovered. This research explores the development of the sustainability of the small-scale batik industry by paying attention to green marketing indicators as a mediator of the dynamic capabilities and marketing capabilities carried out by small-scale batik companies. This research framework was developed using three independent variables (X) and one dependent variable (Y). The methodology used is a case study in 41 small-scale batik companies in Bogor—data collection using questionnaires and interviews. The data obtained was processed using the SEM-PLS (Partial Least Squares Structural Equation Modeling) method. The study results show a significant influence between Dynamic Capabilities (DC) on Sustainable Industry Performance (SIP), Marketing Orientation (MO) on Sustainable Industry performance (SIP), and Green Marketing (GMM) on Sustainable Industry Performance (SIP). But there is no significant effect between DC, GMM on SIP and MO, GMM on SIP. The small-scale batik SME sector still needs increased knowledge about green marketing to keep up with changes in behavior from consumers who have started to pay attention to environmentally friendly products.

Keywords: Dynamic Capabilities, marketing Orientation, Green Marketing, Sustainable industry Performance.

Introduction

Sustainability has become a hotly discussed issue. Under the direction of economist John Elkington, a British company created the Triple Bottom Line technique in 1997 (Ana Paula Barbosa-Povoa, C´atia da Silva, 2017); (Todeschini *et al.*, 2017). The potential, models and difficulties of sustainability in the fashion industry have all been researched by several experts who also focus on broader themes related to industry sustainability. In addition, previous studies looked at sources of sustainability such as clothing, luxury, fast fashion and slow fashion (Brewer, 2019). Some critical international locations are Vietnam, the UK, Africa and India (Galli & Bassanini, 2020); (Zhang *et al.*, 2021); (Nayak *et al.*, 2019); According to the Environmental Audit Committee's "Improving Fashion" study from 2019, major fashion shops in the UK need to pay attention to sustainability.

The fashion industry has long attracted the interest of academics. The main reason for the increased interest in this topic is the complexity of dynamic connections. This can happen because of rapidly changing consumer demands, intense pressure from various directions, the latest trends, or the complexity of the goods and services that must be provided, necessitating a strategy to keep the company competitive. (Barbosa-p, 2017) Dynamic Capability (DC) is a strategy for capturing opportunities and implementing critical changes to drive innovative agility. Organizations must understand this (Todeschini *et al.*, 2017) Taking environmental, social and economic factors into account, research on the relationship between dynamic capacity and long-term sustainability has been

initiated (Brewer, 2019).

In addition to features of high-quality materials and durable designs, fashion buyers are now paying more attention to the social responsibility of the products supplied by manufacturers in the social sector. If technological advancements are necessary, policy-based encouragement of rising consumer demand levels for low-carbon emissions will be the key to maximizing overall societal welfare (Bhattacharyya et al., 2021). Dynamic Capability is positively correlated with Sustainable Industrial Performance, according to several previous studies (SIP), including that conducted by (Rauter *et al.*, 2018) and (O'Neil & Ucbasaran, 2016) which examine the relationship between dynamic capabilities and long-term sustainability. According to (Wilden, 2019) and (Mousavi *et al.*, 2018) active power (DC) is a strategy to move quickly and decisively to seize opportunities and implement changes that will help businesses remain sustainable.

In order to inspire business actors and improve their performance (profit growth, sales, other metrics, and market share; see (Aminu, 2016), market-oriented adoption (MO) is crucial in a highly competitive market with many assertive and aggressive competitors. Market needs might aid businesses in performing more efficiently (Udriyah *et al.*, 2019). The asymmetrical relationship between suppliers and retailers, which encourages product longevity and further lessens the environmental impact of fashion products, has a significant impact on sustainable product trends (Goworek, *et al.*, 2020).

Pride and Ferrell coined the phrase "green marketing" (also known as "environmental marketing" or "sustainable marketing") in 1993 to refer to organizational efforts to develop, advertise, and sell ecologically beneficial products (Jeevandas *et al.*, 2019). As a result, more and more businesses are adopting green marketing and product development strategies that are profitable in the long term, protect the environment and meet customer demands. As people become more aware of health and environmentally friendly products, as happened in Pakistan (Fatima *et al.*, 2018). Consumers when buying an item, especially those that are beneficial to their health and the environment, they consider a number of variables, one of which is the features products that significantly influence their intention to buy (Liu *et al.*, 2020). Warm light, self-expressive rewards, and natural experiences are examples of the psychological benefits of green that help mediate the relationship between customer value, attitudes toward green products, and green purchase intention (Liao *et al.*, 2020).

One of the various forms of Indonesian cultural heritage is batik. Batik is part of Indonesia's rich cultural heritage. It is beautiful and displays an artistic endeavor with various philosophical and transcendental elements (Alamsyah, 2018). As a result of the Covid-19 Pandemic, the demand for batik has dropped dramatically, so production in West Java has fallen by up to 70%. Only 37,914 of the 151,656 original Indonesian batik artisans are still operating, and some are temporarily closed, according to Komarudin Kudiya, Chairperson of the Association of Indonesian Batik Entrepreneurs and Craftsmen. The Ministry of Industry has undertaken several initiatives to promote the growth of batik in Indonesia, including modernizing the batik printing sector, utilizing regional natural resources in an effort to increase the use of natural dyes, maximizing the use of the batik database system, enhancing the role of BLK (Job Training Center), enhancing workforce competencies, enhancing the brand of stamped and written batik, and raising awareness of batik waste processing (Siregar *et al.*, 2020). With abundant job opportunities, Indonesia's home-based batik industry empowers the local population. In addition, many people are employed so that the variety of batik can be shown (Siregar *et al.*, 2020).

By utilizing a number of variables, such as 1) Dynamic capacity; 2) Marketing orientation with green marketing intermediaries, which can contribute to the sustainability of this sector, this research attempts to raise the issue of the sustainability of the micro-scale Batik industry in Indonesia, which is a part of the textile industry.

Research Questions

- What are the impacts of financial and management practices on the financial development of the small and medium sized forest enterprises?
- How the small and medium sized business contributes to the economy of any country?

This research adds to the body of knowledge in a number of important ways. To begin, this research has never been done before in this field and has huge implications for SMFE financial professionals, business owners, and accountants, as well as for legislators (Liang, 2022). This research will help them make informed decisions by revealing which methods of financial management will most positively impact their company' expansion and development. As a second benefit, it fills a gap in the literature by establishing a causal connection between financial management practices and SMFEs, for which there has been little to no previous study or proof. Finally, the research adds to the body of knowledge since it employs sophisticated econometric analysis.

Literature Review

Dynamic Capabilities

Dynamic capabilities enable organizations to exert influence by choosing what to do. Most academics studying dynamic capabilities analyze how companies adapt their resources to compete in their environment. However, each stage of the procedure is seen as a specific problem. Emotional intelligence enhancing activities influence each other and have a positive effect on the company's financial performance. Since opportunity seeking is a precursor and a significant factor influencing other activities in the process, findings suggest that managers should concentrate on improvement activities. Dynamic capacities include organizational strengthening, integration, and restructuring of internal and external capabilities to respond to rapidly changing circumstances (Teece *et al.*, 1997). Most academics studying dynamic capabilities focus on analyzing how organizations adapt their resources to compete. Organizations can exert influence by making decisions thanks to dynamic capabilities. Organizational support, integration and restructuring of internal and external capabilities to respond to rapidly changing circumstances are examples of emotional capacities (Teece *et al.*, 2009).

Dynamic capacities include organizational strengthening, integration, and restructuring of internal and external capabilities to respond to rapidly changing circumstances (Teece *et al.*, 1997) Dynamic capabilities enable organizations to exert influence by choosing what to do. By carrying out solid dynamic capabilities, a business can maintain consistency (evolution) in all parts of the system and follow the external business environment (Helfat & Raubitschek, 2018) namely: a) Coordination of resources and assets upholds coherence while aligning several of the company's internal systems. b) Transformational competencies become very important when the business model is changed. Based on several previous studies, a dynamic capability is the ability of a business to make a change or strategy to keep up with rapid consumer changes.

a. Sensing Capability

Businesses must possess the sensational capacity to perceive the market and recognize the products consumers desire to capture a sizeable market share and satisfy customer needs and demand (Lin *et al.*, n.d.). The ability to perceive the market, in addition to perceiving the consumer as a process of analyzing competitors, may also be claimed to be a process of examining the market for clients whom the client views as non-durable, which can lead to more significant sales and corporate profits. Reduce the growth of customer communications, market circumstances, and information used to evaluate companies. In order to improve our product and strategy, we implement strategies, updates, and enhancements (Alshanty *et al.*, 2019).

The key to business success is understanding consumer and market perception interactions while concentrating on the market and day-to-day operations (Sugiyarti & Ardyan, 2017). By examining all available data from the market, such as product prices, customer demographics, and sales figures, one is referred to as the market's administrator. Then, as a crucial factor in formulating business intentions, the situation mentioned above was brought up within business organizations. According to the source cited, market intelligence is a company's tool for interpreting the market to increase profits. If a sale is to increase, both active and passive market goods and pesaing must be inclusive of the customer (Alshanty *et al.*, 2019).

(Aslam, 2018) asserts that the company may estimate the value of its resources, including personnel and production materials, at a lower value level, preventing overspending (Affandi *et al.*, 2019). Businesses can identify markets where the sales of their products will generate significant revenues, allowing them to profit. Market awareness is the ability of tie-dye SMEs to identify and comprehend rival consumers and the strategy for selling tie-dye products to the correct market (Wulandari & Herman, 2019). The market exploration abilities of Batik SMEs are guided by all market exploration behaviours that have an effect on cognitively connected tasks and subsequently yield results. For this small and medium-sized tie-dye business to be profitable and for small and medium-sized tie-dye firms to occasionally advance in performance growth (Baden-fuller & Teece, 2019). The batik industry or SMEs that are the subject of this study are anticipated to be able to perform sensing capabilities, such as:

- Conducting global research before making new products.
- Conducting local consumer surveys.
- Conducting regional supplier surveys.
- Participating in batik business training.
- Cooperate with local companies.

b. Learning Capability

"Learnability" is a process/practice used in organizations that can facilitate learning, such as reviewing strategies, outcomes, and other topics, as well as the potential inherent in professional knowledge. Knowledge-based competencies that consist of elements that enhance production processes, such as information search and generation of new knowledge about products, processes, and services, are those that develop practices and capabilities that drive innovation (Janaina *et al.*, 2020) ; (Gomes *et al.*, 2022).

Learning ability is a component of dynamic ability, as evidenced by earlier research findings that show a correlation between technological advancement and incremental and fundamental process innovation (Nayeeri S., 2021). This paradigm states that three firm-level dynamic capabilities—technology sensing, alert market learning, and adaptive selling—correlate with financial success and technology-enabled selling capabilities (Badrinarayanan, 2022) sample of 164 internationalized SMEs in New Zealand provides evidence of the direct impact of EO on international performance and the intermediary roles of experiential learning and networking skills in this fundamental relationship (Karamy M., 2019). According to the findings of various researchers (Singh, Thorisdottir & Johannsdottir, 2019; Gonzalez, 2022) the Batik industry or SMEs can enhance knowledge in the following ways: 1). The necessity to commit to running the company well, 2. Conduct product-development trials, 3. Dare to manage risks, 4. Be open to the outside world, and 5. can exchange knowledge

c. Integration Capability

Integrative tools can be functional or operational, depending on their function, whether to enhance or expand on current operations. Integration is the ability to incorporate new knowledge into new ones. Increase operational effectiveness by implementing teamwork agreements (Pavlou, 2011). In the same vein, research has been done to determine how UKM manages its knowledge management strategies and creates a strong positive working relationship with other organizations (Hernández-linares *et al.*, 2020)

They can enable effective task coordination and communication, new product development, operational briefs, and business models. This capacity involves the ability to organize and change channels through the ongoing processes of coordination and communication. This refers to the capacity possessed to modify dynamic capabilities. This type of integrative competency promotes interaction and partnership with third parties and internal coordination within the organization, enabling companies to match their activities, products, resources and objectives with their partners (Gwinner *et al.*, 2017). The study's results (Virglerova *et al.*, 2020) claim a favourable correlation between a firm's capacity for knowledge integration and its short and long-term performance. According to the findings of various earlier researches, integration can be defined as the capacity to coordinate the creation of new resources, products, operational guidelines, and other elements that are a vital component of a company's dynamic capacities.

d. Reconfiguration Capability

To prevent strategic retail deviations in decentralized decision-making brought on by abuse of power, systematic controls are required (Teece, 2007). This is so that they can deal with various parties that are geographically distributed and offer various goods and services. The challenge faced by SMEs is a need for more resources, and can be prevented through modern and advanced automation in design, integration, operation and maintenance (Benitez G.B., 2020) (E. Abele, 2017). However, the longevity of SMEs in the market depends on the speed of sustainability of these SMEs.

5 Marketing Orientation

Market orientation and the performance of small and medium-sized manufacturing firms in Accra, Ghana Boachie-Mensah, Francis (2015). The findings showed that entrepreneurial orientation is a crucial factor in organizational performance and a driver of service innovation. Organizational learning capacity increases organizational efficiency while facilitating innovation. Another theoretical contribution to the potential of organizational learning is the study's validation of its mediation in service innovation and organizational success (Gomes *et al.*, 2022). For the private sector, an innovative and profitable environmental management strategy is more dynamic (Ramanathan *et al.*, 2017). The best course of action to maximize profits without sacrificing economic competitiveness is to adopt eco-innovation (Costantini *et al.*, 2017).

A microenterprise strategy has been identified by prior research that focuses on developing the core of the entire process: evaluation criteria (Wei Liang, 2018). Companies frequently take into account the company's goal and

mission, the realization of successes, the completeness of the end outcomes, and the integration of multiple business operations when evaluating planning (Rossi *et al.*, 2018). A comprehensive plan for the company's future initiatives must be created through an organized process of strategic planning (Mazzarol & Reboud, 2020). According to (Ismagilova *et al.*, 2020) microbusinesses who use social media as a channel for marketing competition often outperform their rivals thanks to increased customer satisfaction and online channel strategy matching. Through the use of constructive content created by other customers, promotions run through a well-managed Facebook page can create effective virtual customer relationships and encourage first visits (Antoniadis *et al.*, 2020). In order to mediate between market orientation and SME success, entrepreneurial marketing is crucial, according to research findings from 285 Batik SME managers in the Provinces of the Special Region of Yogyakarta and Central Java (Nuvriasari *et al.*, 2020). Based on the results of previous research, entrepreneurial orientation is an essential factor in organizational functioning that can encourage service innovation. This organizational capacity is intended to increase organizational effectiveness.

6 Green Marketing

Marketing, also known as "environmental marketing" or "sustainable marketing," was first defined by Pride and Ferrell in 1993 as an organizational endeavour to create, market, and sell ecologically friendly products (Jeevandas *et al.*, 2019). The United Nations Environment program system produces many export-focused market participants, some of which have sustainable management practices (ISO 14001) and attained environmental certification. Furthermore, export-oriented companies need help understanding environmental labels compared to local companies (Hayat *et al.*, 2019). Making environmentally friendly products is the main focus of green marketing. In that regard, green marketing is more in tune with the dynamism of operations and products. A tool for achieving the established marketing objectives is marketing. Based on the target market, positioning, and marketing mix, the marketing plan is created. A number of elements in the marketing mix have the potential to influence product demand. The quick development and growth of technology is explored by management and marketing, and innovation is essential for emerging technologies (Huang & Li, 2017). Research on "green marketing" is driven by concern for the organizational environment. This idea recognizes the need to coordinate the interests and benefits of customers or society to maintain survival. Green marketing involves several steps, including product adaptation, production process improvements, advertising, and packaging changes (Fatima *et al.*, 2018). Four strategies are demonstrated by Nyquist research to promote green supply chain collaboration through green industry marketing. There are four strategies to promote green supply chain collaboration through green industry marketing, as shown by (Nyquist, 2021). The first is promoting various forms of environmental knowledge and green market positioning; the second is improving the coordination and integration of green supply chains; the third is simplifying supplier evaluation; and the fourth is pushing.

The need for companies to overcome environmental challenges, especially in the twenty-first century and beyond, to significantly impact the market (Jones & Wynn, 2021; Li *et al.*, 2020). Many businesses are now beginning to understand that adopting consumer-acceptable green marketing methods will help them make money in the present environment by dominating fashion customers and affecting the reputation of the sector (Leonidou, N. Constantine S., 2013; Memon *et al.*, 2019). Any publicity effort that aims to promote a product or service by using natural messages is referred to as green advertising (Holkar *et al.*, 2016). Green marketing consists of green product, green price, green place, green promotion, green process, green physical evidence.

Sustainable Industry Performance

Three aspects of sustainable development economic, social, and environmental are balanced and implemented in an integrated, interdependent manner (UN, 2021). The cornerstone of sustainable development is the incorporation of three interest-seekable economic participation, environmental protection, social responsibility, and fairness—into all decision-making processes (Jing & Wang, 2020). Without involving numerous stakeholders, efforts were made to have a standard "worldview." Meeting current requirements without compromising those of future generations is known as sustainable development (Bhattacharyya *et al.*, 2021).

To meet the problems of sustainable development, governments, corporations, and society must move quickly and change. Green management, therefore, has a significant impact on sustainability performance, which in turn has a significant impact on stakeholder demand, resource availability, subject matter knowledge, and product differentiation (Jones *et al.*, 2017). Altruistic motives drive today's technology, and commercial reality and support for promoting circular economies can offer the best opportunities for digital technology to have a meaningful impact on

sustainability (Jones *et al.*, 2017). As a result, the commercial reality is driving companies' sustainability goals in the technology sector. Performance that is efficient, well-organized, and environmentally friendly can be attributed to new industrial models (Ana Paula Barbosa-Povoa, Cátia da Silva, 2017).

To innovate in the life cycle of batik products to improve the batik industry by utilizing sustainable, environmentally friendly designs (Yoshanti & Dowaki, n.d.). The mango tree (*Mangifera indica*) bark is extracted and dyed to create Ciwaringin batik cloth; however, the technique could be more efficient (Silmy Ni'mah, n.d.). This pattern can be used in many different contexts, including resource consumption, energy use, product design, product management (waste, primary, byproduct), and product quality (Mahardini, 2017; Junaedi *et al.*, 2017; Indrayani & Triwiswara, 2020) Because it can raise the efficiency of using natural resources and effective production, an industry can be viewed as tough, having strong performance, and being competitive (Sjalavetz, 2017). Making wise energy savings is one of the energy conservation efforts (Much Junaedi, n.d.).

7 Materials and methods

Hypothesis Models

In this study, 17 hypotheses can be developed, namely:

Hipotesis 1: Dynamic Capability's (DC) impact on sustainable industries' economic performance (SIP).

Hipotesis 2: Dynamic Capability's (DC) impact on sustainable industries' Environment performance (SIP).

Hipotesis 3: Dynamic Capability's (DC) impact on sustainable industries' social performance (SIP)

Hipotesis 4: Marketing Orientation (MO) impact on sustainable industries' economic performance (SIP)

Hipotesis 5: Marketing Orientation (MO) impact on sustainable industries' Environment performance (SIP)

Hipotesis 6: Marketing Orientation (MO) impact on sustainable industries' social performance (SIP).

Hipotesis 7: Dinamic Capabilities (DC) impact on Green Marketing (GMM)

Hipotesis 8: Marketing Orientation (MO) impact on Green Marketing (GMM)

Hipotesis 9: Green Marketing (GMM) impact on sustainable industries' economic performance (SIP)

Hipotesis 10: Green Marketing (GMM) impact on sustainable industries' environment performance (SIP)

Hipotesis 11: Green Marketing (GMM) impact on sustainable industries' social performance (SIP)

Hipotesis 12: Dinamic Capabilities (DM), Green Marketing (GMM) impact on sustainable industries' economic performance (SIP)

Hipotesis 13: Capabilities (DM), Green Marketing (GMM) impact on sustainable industries' environment performance (SIP)

Hipotesis 14: Dinamic Capabilities (DM), Green Marketing (GMM) impact on sustainable industries' social performance (SIP)

Hipotesis 15: Marketing Orientation (MO), Green Marketing (GMM) impact on sustainable industries' economic performance (SIP)

Hipotesis 16: Marketing Orientation (MO), Green Marketing (GMM) impact on sustainable industries' environment performance (SIP)

Hipotesis 17: Marketing Orientation (MO) Green Marketing (GMM) impact on sustainable industries' social performance (SIP)

Sampling technique

The population of the batik industry in Bogor is 45 SMEs. It determines the number of samples using the Krejcie & Morgan table benchmark (1970) and obtains 40 respondents from Batik SMEs in Bogor.

Table 1. Sample Criteria (Krejcie & Morgan, 1970)

N	S	N	S	N	S	N	S	N	S
10	10	100	80	290	165	850	265	3500	346
15	14	110	86	300	169	900	269	4000	351
20	19	120	92	320	175	950	274	4500	354
25	24	130	97	340	181	1000	278	5000	357
30	28	140	103	360	186	1200	291	6000	361
35	32	150	108	380	191	1300	297	7000	364
40	36	160	113	400	196	1400	302	8000	367
45	40	170	118	420	201	1500	306	9000	368
50	44	180	123	440	205	1600	310	10000	370
55	48	190	127	460	210	1700	313	15000	375
60	52	200	132	480	214	1800	317	20000	377
65	56	220	140	500	217	1900	320	30000	379
70	59	230	144	550	226	2000	322	40000	380
75	63	240	148	600	234	2200	327	50000	381
80	66	250	152	650	242	2400	331	75000	382
85	70	260	155	700	248	2600	335	100000	348
90	73	270	159	750	254	2800	338	----	----
95	76	280	162	800	260	3000	341	----	----

Note: N: Population Size; S: Sample Size

Data analysis technique

This study uses a questionnaire as a tool for data collection. Utilizing survey methods, data is collected to gain perspective on issues, monitor industry performance, and learn more about research subjects by viewing notes and other documents. Other information is collected from books, observations, tests and websites. Questions about the nature, scope, and perspective of social phenomena can be submitted to individuals or groups using a Likert scale. The Likert scale that was used was a 5-point scale. Other information is drawn from the subject.

Questionnaires will be distributed to predetermined samples. Then the results of the questionnaire will be processed using the PLS-SEM (Partial Least Squares Structural Equation Modeling) method. PLS-SEM is a soft modelling approach that makes no assumptions about data distribution. A multivariate statistical technique known as partial least squares, or PLS for short, may handle numerous explanatory and response variables simultaneously. Partial least squares structural equation modeling (PLS-SEM) is a different approach from covariance-based SEM. SEM which has historically been more popular. PLS-SEM can be used when the model being analyzed is very complex or in situations where most predictions are made within the test to mitigate external validity and the data does not meet the standard distribution assumptions. In addition, PLS-SEM can also be used when formative constructs are included and when higher-level constructs help better understand the theoretical model (Hair, 2022).

8 Results

Table 2. Coefficient of Determination (R²) And Predictive Relevance (Q²) Of Endogenous Variables PLS Structural Model

Variabel Laten Endogen	R ²	Q ²	Conclusion R ²	Conclusion Q ²
<i>Implementing Green Marketing Mix</i>	0.06	0.01	Very small	Good Prediction
<i>Sustainable Industry Performance (Economics)</i>	0.61	0.47	Currently	Good Prediction
<i>Sustainable Industry Performance (Environment)</i>	0.78	0.67	Big	Good Prediction
<i>Sustainable Industry</i>	0.82	0.68	Big	Good Prediction

<i>Performance (Social)</i>				
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Tabel 3. Effect size (f^2) dan Relative Predictive Relevance (q^2) variabel eksogen untuk variabel *Implementing Green Marketing Mix*

Variabel Laten Eksogen	f^2	q^2	Conclusion f^2	Conclusion q^2
<i>Implementation of Dynamic Capability</i>	0.01	0.01	Very Little Effect	Very Little Effect
<i>Implementation of Market Orientation</i>	0.00	0.00	No Effect	No Effect

Table 4. Effect size (f^2) and Relative Predictive Relevance (q^2) of exogenous variables for Sustainable Industry Performance (Economics) variables

Variabel Laten Eksogen	f^2	q^2	Conclusi on f^2	Conclusi on q^2
<i>Implementation of Dynamic Capability</i>	0.00	0.00	No Effect	No Effect
<i>Implementation of Market Orientation</i>	0.31	0.11	Very Little Effect	Very Little Effect
<i>Implementing Green Marketing Mix</i>	0.11	0.31	Small Effect	Moderate Effect

Table 5. Effect size (f^2) and Relative Predictive Relevance (q^2) of exogenous variables for Sustainable Industry Performance (Environment) variables

Variabel Laten Eksogen	f^2	q^2	Conclusion f^2	Conclusion q^2
<i>Implementation of Dynamic Capability</i>	0.44	0.44	Big Effect	Big Effect
<i>Implementation of Market Orientation</i>	2.35	0.27	Big Effect	Moderate Effect
<i>Implementing Green Marketing Mix</i>	0.27	2.40	Moderate Effect	Big Effect

Table 6. Effect size (f^2) and Relative Predictive Relevance (q^2) of exogenous variables for Sustainable Industry Performance (Social) variables

Variabel Laten Eksogen	f^2	q^2	Conclusi on f^2	Conclusi on q^2
<i>Implementation of Dynamic Capability</i>	0.00	0.01	No Effect	Very Little

<i>Capability</i>				Effect
<i>Implementation of Market Orientation</i>	2.53	0.14	Big Effect	Small Effect
<i>Implementing Green Marketing Mix</i>	0.17	2.23	Moderate Effect	Big Effect

Table 7. Fornell-Lacker

	DC	MO	GMM	SIP 1	SIP 2	SIP 3
DC	0.791					
MO	0.940	0.783				
GMM	0.252	0.233	0.662			
SIP 1	0.669	0.699	0.504	0.929		
SIP 2	0.429	0.315	0.813	0.559	0.954	
SIP 3	0.575	0.597	0.799	0.690	0.831	0.927

Based on the Fornell-Lacker table, the MO, SIP 1, SIP 2, and SIP 3 variables meet the Discriminant Validity requirements because their diagonal values (yellow highlights) are already larger for all the numbers below them. As for the DC and GMM variables still cannot meet the Discriminant Validity requirements because there are values under the larger diagonal.

Table 8. Results of hypothesis testing

Hipotesis	Hubungan	Path Coefficient	t-value	p-value	conclusion
H1	DC → SIP Eco	0.00	0.01	0.50	Rejected
H2	DC → SIP Env	0.92	4.35	0.00	Accepted
H3	DC → SIP Soc	-0.08	0.42	0.34	Rejected
H4	MO → SIP Eco	0.61	2.86	0.00	Accepted
H5	MO → SIP Env	-0.72	3.18	0.00	Accepted
H6	MO → SIP Soc	0.51	2.21	0.01	Accepted
H7	DC → GMM	0.28	0.78	0.22	Rejected
H8	MO → GMM	-0.03	0.07	0.47	Rejected
H9	GMM → SIP Eco	0.36	2.25	0.01	Accepted
H10	GMM → SIP Env	0.75	7.85	0.00	Accepted
H11	GMM → SIP Soc	0.70	7.05	0.00	Accepted
H12	DC → GMM → SIP Eco	0.10	0.73	0.23	Rejected
H13	DC → GMM → SIP Env	0.21	0.78	0.22	Rejected
H14	DC → GMM → SIP Soc	0.20	0.76	0.22	Rejected
H15	MO → GMM → SIP Eco	-0.01	0.07	0.47	Rejected
H16	MO → GMM → SIP Env	-0.03	0.07	0.47	Rejected
H17	MO → GMM → SIP Soc	-0.02	0.07	0.47	Rejected

Structural Equations

$$GMM = 0.28 * DC - 0.03 * MO + 0,94$$

$$SIP 1 = 0.00 * DC + 0.61 * MO + 0.36 * GMM + 0.39$$

$$SIP 2 = 0.92 * DC - 0.72 * MO + 0.75 * GMM + 0.22$$

$$SIP 3 = -0.08 * DC + 0.51 * MO + 0.70 * GMM + 0.18$$

DC: Variabel laten Implementation of Dynamic Capability

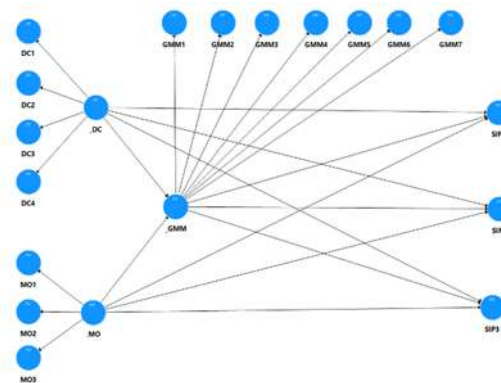
MO: Variabel laten Implementation of Market Orientation

GMM: Variabel laten Implementing Green Marketing Mix

SIP 1: Variabel laten Sustainable Industry Performance (Economics)

SIP 2: Variabel laten Sustainable Industry Performance (Environment)

SIP 3: Variabel laten Sustainable Industry Performance (Social)



Sem Output Chart Pls
(Smart Pls 3 Programs)

9 Conclusions

It can be significant that of the 17 hypotheses in this study, 7 have a considerable effect on Sustainable Industry Performance, and ten do not have a substantial impact on Sustainable Industry Performance, it can be seen in the table 8. Results of hypothesis testing. The small-scale batik SME sector still needs increased knowledge about green marketing to keep up with changes in behavior from consumers who have started to pay attention to environmentally friendly products.

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