



# Correlation between Green Marketing Strategy and Organization's Performance in Malaysia

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## Abstract

This research sought to unearth how the green marketing strategy drives business success. Specific insights were gained from the context of Malaysia. Based on the current literature and the financial performance trend obtained, mixed results were obtained. Indeed, most of the studies concurred that for multinational corporations, there is an increasing trend in the green marketing strategy. These findings were confirmed by the data obtained for the case of Malaysia whereby the number of its firms around the world has increased steadily; implying that it is keen to exploit any potential markets that remain untapped. It has been established that through the green marketing strategy, business success tends to be driven by the provision of lower prices to consumers, having utilised specialised labor in different countries in which companies establish operations. Also, the practice leads to increased global productivity due to the capacity to access international funds; eventually attracting the establishment of the state-of-the-art facilities.

**Keywords:** Organizational Performance, Sustainability, Green Marketing

## 1. Introduction

In organizational contexts, green marketing reflects sequences of administrative and other processes that allow a piece of work to pass from the point it is initiated to that at which it is completed. According to Alexander, Madsen and Miller et al. (2017), green marketing plays a crucial role in the business sector. Particularly, the business sector continues to face growing pressure relative to the need for alterations in business processes, as well as the manner in which electronic information flows are managed (Abramson, McGinnis & Moore et al., 2014). It is also worth noting that the business sector forms one of the trillion dollar industries, but significant losses of revenues continue to be reported. As avowed by Adler-Milstein, DesRoches and Furukawa et al. (2014), a significant amount of the lost revenues are attributed to aspects such as inefficiency and wastes in the manner in which information is handled. Some of the specific trends that account for the growing pressure in the industry include the demand for the use of information technology and operating expenses accruing from some of the systems' heavy reliance on paper records (Feldman, Schooley & Bhavsar, 2014). In this paper, the main focus is on a specific sector, business. Particularly, the current study's central objective is to identify some of the problems facing the workflow process in the business sector, as well as the relationship between green marketing and organizational performance. The research context is Malaysia.

Narver and Slater (1990) and Kohli and Jaworski (1990) are some of the early pioneers who strived to investigate the practice of green marketing. In the former study, it was established that green marketing constitutes company decisions to integrate firm functions towards the creation of a customer value that is deemed superior, translating into a state of inter-functional coordination. In a related study, Beck, Janssens, Debruyne and Lommelen (2011) highlighted that green marketing entails a company's intimate understanding of its intra-industry and inter-industry competitors while Burgstaller and Wagner (2015) highlighted that the practice (of green marketing) stretches further to focus on customers, with the latter aspect yielding customer orientation. Narver and Slater (1990) avowed further that the achievement and provision of superior customer value forms a key predictor of the maximization of long-term profit among companies, with Cambra-Fierro, Florin, Perez and Whitelock (2011) concurring that the trend is complemented by the quest to steer sustainable competitive advantage. Therefore, the literature or most of the existing scholarly contributions have made an extensive consideration regarding green marketing; with the past two decades on focus. However, most of these studies, as affirmed by Capello and Lenzi (2014), have strived to understand the correlation between green marketing as a business strategy and firm performance. A specific example entails the insights gained from Chang and Hughes (2012). With the study examining 36 studies, 33 of them revealed a positive correlation between the above variables. Hence, it was concluded that green marketing forms a major predictor of improved firm performance. As the evidence highlighting the aforementioned correlation grows and generates increased interests, researchers have sought to establish a better understating of green marketing versus performance in relation to other phenomena. Indeed, this trend has led to the quest to understand the manner in which green marketing shapes innovativeness (Han, Kim and Srivastava, 1998; Hult, Hurley and Knight, 2004). In this section, the main aim is to provide a critical literature review regarding the evolution of the subject of green marketing versus innovation, gaining insights from seminal work to the current state. In so doing, the section will identify major gaps characterizing the existing literature.

### 1.1. Reason for Inquiry

The proposed study's interest lies in the understanding of the connection between green marketing and the type of innovation that a family-owned business adopts. Cheng and Krumwiede (2012) defined innovation as the adoption of something new. In another examination, Classen, Carree, Van Gils and Peters (2013) asserted that innovation entails the adoption and the creation of new services, products, processes, and ideas that seek to foster an increase in customer value. Deng, Hofman and Newman (2012) concurred that innovation occurs if the new behavior or product adopted aims at contributing to firm effectiveness or performance. Imperative to note is that innovation exhibits a notable difference from innovativeness, with the latter referring to the characteristic of an organization or individual, rather than a practice (Gerni, 2013). In the study by Heimonen (2012), it was reported that a company that is market-oriented tends to be more innovative and, thus, experience improved performance. Kraus, Pohjola and Koponen (2012) explained this correlation by stating that market-oriented companies are better prepared to better adapt to the dynamic nature of the business environment while providing room for the achievement of incremental environment. In a similar observation, Laforet (2016) noted that green marketing yields a customer-centric culture. In turn, this culture yields opportunities through which innovation can be exercised via expressed needs and customer ideas. Hence, these studies are important because they point to the existence of green marketing and innovation, with these variables exhibiting a direct relationship. However, the affirmations falter in such a way that they fail to give an insight into the relationship between green marketing and specific approaches to innovation. For example, a customer-centric culture emerging in the form of customer orientation is seen to yield opportunities for innovation through expressed needs and customer ideas but the manner in which this culture relates with practices such as exploitative and explorative innovation is yet to receive an in-depth analysis.

### 1.2. Supportability

Liu (2013) focused on the attribute of competitor orientation. The main aim of the study was to find out the role played by the analysis of competitors (as a green marketing strategy) in shaping innovation. Findings indicated that firms that closely follow their competitors' moves are likely to understand and meet the innovations that the competition adopts, facilitating the innovation. The study established further that the presence of inter-functional coordination as a strategy of green marketing leads to the flow of ideas across the firm. In turn, the ability of such a company to bring new service and product concepts to fruition is bolstered (Newman, Prajogo and Atherton, 2016). Therefore, competitor orientation is avowed by these scholarly contributions to facilitate innovation via the understanding of the innovation the competition brings. However, these assertions can be criticized in such a way that they do not highlight the potential role that competitor orientation plays in shaping the specific forms of innovation. For instance, the extent to which competitor orientation may or may not be a predictor of successful exploitative or exploratory innovation remains unaddressed. It is also worth noting that the above studies fail to explain whether the relationship between competitor orientation and innovation holds when companies such as family-based businesses operating in the low-end market are compared to the incumbents operating in the up-market.

### 1.3. Green industry in Malaysia

As a creating nation, the Malaysian government has shown a genuine activity and duty to grasp the manageability motivation. Numerous organizations from various divisions have been urged to include in green practice. The Green Technology Policy depicted five vital regions in actualizing the 'Green Malaysia' system, including undertaking advancements to build the general population mindfulness and strengthening the examination and developments. Moreover, the Green Technology Financing Scheme was declared offering RM1.5 billion in delicate credits for organizations in the vitality, building, transportation, water and waste areas keen on putting resources into green advancements as a feature of the 2010 spending plan. Be that as it may, other than the genuine activities and acknowledgment from the legislature, in view of the ISO 2012 study, the aggregate number of Malaysian organizations affirmed for ISO 14001 Environmental Management System from 1999 to 2012 were 11, 706 organizations. Contrasted and other Asian nations, the quantity of organizations ensured for ISO 14001 EMS in Thailand is 17, 519, Singapore with 9, 740 organizations, and Indonesia is 7, 233 organizations pursued by Philippines with 5,084 organizations. Japan is by all accounts driving and classified as best three nations for the aggregate number of development in the quantities of endorsements issued in 302, 480 organizations. In Malaysia, in spite of the gradual quantities of organizations confirmed for the ISO 14001 EMS, it tends to be reasoned that the pattern is very unverifiable, as in 2002, there were no organizations ensured in ISO 14001 EMS, trailed by in 2006 a lessening number of organizations of 14.55% from 2005, and furthermore a decline of 1.45% in 2012. Tan (2005) contends that Malaysian firms appear to have a moderate development towards the ISO 14001 EMS reception as just 370 organizations were ensured in 2003, which is 0.6% of the aggregate guaranteed organizations on the planet. Along these lines, this paper increases the value of the writing through examine on how the associations in Malaysia are truly worried about green showcasing. The primary commitment of this paper centers around further supporting the connection between green advertising methodology and firms' execution. The higher rate of progress will urge different organizations to receive the best method to pick up the advantages. In this way, the best technique, ideas, and aftereffects of the results, might be used by others advertisers and administrators to enhance the execution of the organizations.

## 2. Theoretical Overview

Hurley and Huit (1998) conducted an empirical study of organizational learning, innovation, and green marketing. With the context of the study being the US federal government's large agency, it was found that green marketing and learning form critical antecedents associated with innovation. Specifically, it was avowed that market-oriented firms offer a platform for generating new ideas that seek to change and improve, as well as steer the motivation towards responding to the business environment. Therefore, the relationship between green marketing and innovation was deemed complementary in such a way that market-oriented firms would form a source of new idea generation (innovation), with the latter aiding in responding to the environment in which the business operates. Hence, the observations were insightful because they recognized the supportive role that innovation plays in ensuring that the goal of green marketing towards responding to dynamism in the business arena is achieved, with the new ideas reflecting the response to these environments. However, this study focused on a large agency in the US. As such, the authors did not explain whether the complementary correlation between green marketing and innovation holds for organizations in other sectors of the economy. An example is the case of family-owned

businesses. Whether innovation complements market innovation in fostering the response to the environment was not addressed. Similarly, Nieto, Santamaria and Fernandez (2015) acknowledged the role of varying socio-cultural, political, and economic conditions in shaping the relationship between green marketing and innovation. In the latter study, it was documented that demographic and geographical factors account for variations in consumer needs, wants, and preferences. In turn, these variations form the moderating factor relative to the relationship between green marketing and innovation. Therefore, the findings established by Hurley and Huit (1998) were insightful but failed to consider these variations and their potential role in shaping the relationship, if any.

Omri (2015) examined the relationship between green marketing and innovation from the perspective of firm maturity. As such, the principal motivation was not only to determine the relationship between the two variables but also establish whether or not parallels can be drawn when the relationship is investigated among matured companies and startups. From the perspective of startups, findings revealed a positive relationship between strong competitor orientation and innovation (incremental). Regarding mature companies, the study indicated that the relationship is contra productive. A similar study conducted by Ozer and Zhang (2015) avowed that when the relationship is examined from the perspective of customer-oriented firms (among mature companies), green marketing ends up exhibiting a positive relationship with radical innovation. Therefore, it can be inferred that green marketing exhibits different relationships with the types of innovation, with the nature of firm maturity playing the moderating role. Indeed, these insights are important to the proposed study because they point to the relationship between specific forms of green marketing and their impact on different types of innovation. What remains unaddressed is whether the relationship is likely to change based on the type of business ownership (such as family-owned businesses), as well as the prevailing geographical and demographic conditions.

According to Price, Stoica and Boncella (2013), green marketing is likely to improve innovation if it combines with firm capabilities. This study points to the existence of an indirect relationship between the selected variables by introducing the conditional nature of the association, with organizational capabilities playing a predictive role. Whereas green marketing involves the materialization of commercial relationships and the recognition of market opportunities, Raj and Srivastava (2016) avowed that company abilities to acquire, disseminate, and use information determine the degree to which green marketing fosters innovation. The implication is that when intelligence is generated in a better way (adoption of new products, behaviors, or ideas), aspects of responsiveness and dissemination (implementation of the new products, processes, or ideas) are likely to be successful. These findings are important because they suggest that when companies exhibit greater capacity, they are likely to realize greater innovative potentiality. However, these contributions overemphasize the role of firm capacity in shaping the relationship between green marketing and innovation but do not explain whether the same degree of capacity could produce similar or different results when green marketing is analyzed based on its relationship with different types of innovation. In addition, the observations emphasize the role of firm capacity is the determinant of successful alignment of innovation to green marketing but do not acknowledge internal issues such as firm size and type of ownership, yet Salman (2015) argued that the latter features play a leading role in shaping the relationship.

A section of the literature contends that companies that focus on changing markets (green marketing) experience fresh ideas and remain better placed to respond to the needs associated with the development of innovative solutions (Wang & Miao, 2015). However, other scholars argue that when a company focuses on its competitors and customers, it is likely to discourage frame-breaking innovations (Salman, 2015). The majority of the studies focusing on some of the factors determining the degree of success (or otherwise) of innovations have also concluded that green marketing plays a significant role. In the investigation by Raj and Srivastava (2016), the central objective was to determine or investigate the impact posed by various green marketing strategies on incremental and radical innovation, focusing on mature companies and startups. This study was different from the majority of the existing literature whereby its quest to distinguish between mature companies and startups was poised to give new insights into the correlation between specific types of green marketing relative to their corresponding forms of innovation. In the findings, it was highlighted that organizations that advocate for competitor orientation are likely to steer radical innovations. These findings concurred with those established by Price, Stoica and Boncella (2013). In the latter study, it was reported that competitor orientation is likely to yield incremental innovations and “me-too” products. From the perspective of customer orientation, the study revealed that the value of innovation is dependent on the degree to which companies understand customers. In particular, it was noted that the understanding of customers or the aspect of customer centricity is associated with increased innovation in terms of service and product development processes. Explaining similar outcomes, Ozer and Zhang (2015) highlighted that sections of customers are likely to be ahead of the prevailing trends. As such, the organizations that rely on their wants, needs, and preferences to foster new product development tends to experience a reduction of “me-too” products and an increase in new-to-the-world products. The implication is that the study was important because customer orientation exhibited a relatively positive association with radical innovation among mature companies but, for startups, the hypothesis was rejected. Overall, the selected findings indicate further that startups and mature companies exhibit differences regarding aspects of innovation and green marketing.

## 4. Conclusions

Based on the results obtained from this research, mixed outcomes accrue. On the one hand, most of the findings concur with the literature reviewed earlier whereby most of the scholarly investigations had contended that there is a significant positive relationship between the green marketing strategy and improvement in the affected companies' performance; including financial performance, the ability to increase stock, the capacity to attract and retain talented employees, and the ability to secure more customer bases in untapped, yet potential market zones. On the other hand, some of the findings obtained by this study concur with some of the studies' findings that were found to point to the existence of a negative correlation between the green marketing strategy and business success; a trend pointing to the existence of and the need to consider other possible moderating factors that shape the correlation. For example, Figure 4 suggests that through the green marketing strategy, Malaysia had a steady improvement in its revenue during the initial times as it progressed toward the 2010s before declining; with the period between 2014 and 2018 reflecting a worrying trend. Despite the decline, the green marketing strategy is seen to drive business success at Malaysia due to positive indicators on most of the parameters. Some of the parameters revealing the latter, promising trend include the net worth, PE ratio, profit margin, total assets, and gross profit.

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