**IQTISHODUNA**
Vol. 22 No. 2, 2026
P-ISSN: 1829-524X, E-ISSN: 2614-3437

# Does Green Market Orientation and Green Supply Chain Affect Business Performance? The Mediating Role of Environmental Attitude

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Submitted: April 7th 2026 | Reviewed: May 21th 2026 | Revised: October 19th 2026 | Accepted: October 23th 2026

**Abstract:** Challenges related to the environment have become increasingly significant in recent years. For instance, depletion of the ozone layer, climate change, different forms of pollution and shortages of critical raw materials are only some of these challenges. Simultaneously, there has been an increasing demand for more environmentally friendly products. The uncertainty of markets and the instability of businesses have been challenges for all enterprises. This study evaluates the impacts of Green Market Orientation (GMO) and Green Supply Chain Management (GSCM) on Business Performance (BP), with Environmental Attitude (EA) as a mediating variable. Quantitative research was conducted with a sample of 200 MSMEs in East Lombok using purposive sampling. Partial Least Squares (PLS) has been applied for data analysis. Negative impacts of both GMO and GSCM on BP and a negative impact of GMO on EA were determined. In contrast, GSCM had a positive and significant impact on EA. Furthermore, EA had a positive and significant effect on BP. The findings also indicated that EA mediates the relationship between GSCM and BP. Hence, environmental attitudes of the MSMEs were transforming green supply chain practices into improved business performance.

**Keywords:** *Green Market Orientation; Green Supply Chain Management; Environmental Attitude; Business Performance*

***Abstrak:*** *Tantangan yang berkaitan dengan lingkungan menjadi semakin signifikan dalam beberapa tahun terakhir. Sebagai contoh, penipisan lapisan ozon, perubahan iklim, berbagai bentuk polusi, serta kelangkaan bahan baku penting merupakan beberapa di antara tantangan tersebut. Pada saat yang sama, terdapat peningkatan permintaan akan produk yang lebih ramah lingkungan. Ketidakpastian pasar dan ketidakstabilan dunia usaha telah menjadi tantangan bagi semua perusahaan. Studi ini mengevaluasi dampak Green Market Orientation (GMO) dan Green Supply Chain Management (GSCM) terhadap Kinerja Bisnis (Business*

*Performance atau BP), dengan Environmental Attitude (EA) sebagai variabel mediasi. Penelitian kuantitatif telah dilakukan dengan sampel 200 UMKM di Lombok Timur menggunakan metode purposive sampling. Analisis data dilakukan menggunakan teknik Partial Least Squares (PLS). Hasil penelitian menunjukkan adanya dampak negatif GMO dan GSCM terhadap BP, serta dampak negatif GMO terhadap EA. Sebaliknya, GSCM memberikan dampak positif dan signifikan terhadap EA. Selain itu, EA memiliki pengaruh positif dan signifikan terhadap BP. Temuan ini juga mengindikasikan bahwa EA memediasi hubungan antara GSCM dan BP. Dengan demikian, sikap terhadap lingkungan (environmental attitude) yang dimiliki oleh UMKM berperan dalam mengubah praktik rantai pasok ramah lingkungan (green supply chain practices) menjadi peningkatan kinerja bisnis.*

**Kata kunci**: *Orientasi Pasar Ramah Lingkungan, Rantai Pasok Ramah Lingkungan, Sikap Lingkungan, Kinerja Bisnis*

**Citation:**
Rahmatullah, A. Y., Anggraini, S. P., Fikri, M. A., & Diantoro, A. K. (2026). Does green market orientation and green supply chain affect business performance? The mediating role of environmental attitude. *Iqtishoduna,* 22 (2), 162-180. https://doi.org//10.18860/iq.v22i2.41781

## INTRODUCTION

Countries are facing multiple environmental challenges (Rahmatullah et al., 2024). Challenges of the 21st century include ozone depletion, climate change, pollution, and the scarcity of critical raw materials (Solekah et al. 2020; Yusuf et al., 2018, 2023). Overconsumption is the main factor to environmental problems, and the increasing rate of environmental problems has pushed Governments, Communities, organizations, and People to take preventive steps to combat environmental problems (Çankaya & Sezen, 2019). Environmental problems emphasize that achieving sustainable development is essential to serve the interests of present and future generations (Tjahjadi et al., 2022). This increased awareness of environmental issues led to the enactment of strict environmental laws. Since 1980, China has enacted environmental laws to protect the environment (Chan et al., 2016). On the other hand, effective management of Waste Electronic and Electrical Equipment (WEEE) and the Restriction of the use of certain Hazardous Substances (RoHS) Directives were implemented by European countries in 2006 (Dangelico & Pujari, 2010).

The Environmental Performance Rating System (PROPER), developed by the Ministry of Environment and Forestry of the Republic of Indonesia, is expected to help achieve UN 2030 goals as well as the 15-year framework of action on sustainable development in the field of responsible production and consumption of chemicals and waste. It can help businesses develop environmental strategies to strengthen their business (Tjahjadi et al., 2020). Small and medium enterprises (SMEs) contribute 45% to 48% of Gross Domestic Product (GDP) and provide jobs to 95% to 99% of the total labor force of Indonesia. In 2024, the SME sector contributed 60.5% to the Indonesian GDP and accounted for 96.9% of the workforce, or 117 million (Yolanda, 2024). East Lombok is one region with potential for the creative industry. SMEs in East Lombok include crafts from bamboo, leather, Agel fiber, water hyacinth, mending, and wood (Fikri et al., 2026). Consumers have also become more conscious of environmental safety, with 63% of Indonesian consumers saying they are willing to pay more for environmentally safe products (Firmansyah, 2018).

In fast-paced, competitive markets, the traditional reactive market orientation practices are likely insufficient (Muhammad et al., 2022). Continuously integrating sustainability across people, services, supply chains, and products drives the need for 'green' market orientation in the business activities process (Papadas et al., 2019). Green market orientation is the development of a market orientation strategy that focuses on value creation through sustainable business practices (Muhammad et al., 2022). Green market orientation also motivates firms to identify customers' environmental concerns and incorporate green aspects in their marketing strategies (Hojnik et al., 2023). An integrated market orientation and environmentally sustainable strategies positively impact environmental sustainability. Ultimately, the successful implementation of green strategies is likely related to the firm's ability to improve its sustainability. Innovation is critical to maintaining sustainability (Appiah et al., 2023). Green strategies, along with others, can help create strong, lasting competitiveness and profitability in the marketplace (Leonidou & Morgan, 2013). Improving business performance, through stronger competition and product differentiation, has also been attributed to green market orientation (Wang et al., 2021).

The literature has proven a positive and significant effect of green market orientation and green supply chain management on firm performance. Green market orientation positively and significantly affects firm performance (Muhammad et al., 2022). Positive and significant effects of green supply chain management on business performance have been documented in a number of studies (Khaleeli et al., 2021; Wang et al., 2020). This is, however, contrary to the findings Al Zaabi et al., (2013); Mehmet Tantan & Hatice Camgöz Akda˘g, (2023); and Novitasari & Agustia, (2021), where green supply chain management was found not to affect business performance. The same is the case for Peattie & Crane (2005), where green market orientation as found not to affect business performance. Green supply chain management, on the other hand, has the potential to lessen waste, optimize resource use, and improve collaboration with business partners to foster sustainability (Nureen et al., 2023). Green supply chain management helps reduce the ecological impact of industrial activities and improve energy efficiency and productivity (Sarkar, 2022). Green supply chain management provides companies an opportunity to gain an edge over competition and improve their financial returns (Jabbour et al., 2020).

Notwithstanding, the effectiveness of green market orientation and green supply chain management in improving business performance is dependent on the environmental attitudes of company leaders and employees (Chen et al., 2023). A good Environmental Attitude is likely to promote the adoption of advanced green policies and strengthen the relationship of green market orientation, green supply chain management and business performance (Appiah et al., 2023). Therefore, this study aims to assess the effects of green market orientation and green supply chain management on business performance and environmental attitude as a mediating variable.

## LITERATURE REVIEW

The research is focused on the Resource-Based View (RBV) theory. Barney (1991) indicated that companies gain competitive advantage through distinctive and rare company resources and capabilities, which include companies' capability to

adopt sustainable business practices. Green market orientation and green supply chain management are business strategies directed to meet the increasing demands of stakeholders for sustainable business practices. Kumar et al. (2022) argue that both GMO and GSCM serve as strategic resources and enhance business performance by creating added value for customers and stakeholders. Fernando et al. (2021) also justify the mediating role of environmental attitude in improving the business performance of a company. It is therefore prudent to integrate sustainability practices in business in order to retain and enhance a company's competitive edge.

## Hypothesis Development

### Effect of Green Market Orientation (GMO) on Business Performance (BP)

Green Market Orientation (GMO) is the development of market orientation which enables an organization to create customer value by means of sustainable business operations (Muhammad et al., 2022). GMO enables companies to understand the needs of environmentally conscious customers and to incorporate environmental concerns into their marketing. Customer orientation and competitor orientation, along with intra-functional coordination, allow an organization to respond to the demands of the green market and to develop products and services that address environmental concerns (Tjahjadi et al., 2022). As a result, product differentiation, customer loyalty, and a firm's competitive edge improve and positively impact firm performance (Muhammad et al., 2022; Tjahjadi et al., 2022).

From the Resource-Based View (RBV) perspective, GMO is an important organizational capability because it enables MSMEs to effectively utilize environmental resources and the supply chain, and provides competitive advantage and performance improvement (Nureen et al., 2023). A firm's ability to identify green market opportunities and to serve environmentally conscious customers can be viewed as a valuable firm capability that offers a competitive edge. Green-oriented marketing capabilities of MSMEs create customer value and differentiate MSMEs' products and services from the competition. This differentiation has the potential to increase MSMEs' sales and profits, improve customer retention, and overall business performance. Furthermore, the implementation of environmentally sustainable strategies of a firm can positively impact its competitive edge and profitability in the long term (Leonidou & Morgan, 2013).

*H1: Green Market Orientation has a positive effect on Business Performance.*

### Effect of Green Supply Chain Management on Business Performance

Green Supply Chain Management (GSCM) covers end-to-end integration of environmental considerations within the supply chain processes, such as waste reduction and resource and energy optimization, and improved partner collaboration within the supply chain. From an operational and strategic standpoint, GSCM improves a firm's competitiveness (Nureen et al., 2023). These practices can reduce environmental impacts while simultaneously improving operational efficiency and organizational competitiveness.

The integration of GSCM in the organization allows for efficient use of organizational resources and strengthening of relationships with suppliers and customers, and provides strategic benefits to the organization. Jabbour et al. (2020) argue that successful integration of GSCM within an organization provides a competitive edge and increases long-term profitability. Several studies have shown a

positive and significant effect of GSCM on business performance (Khaleeli et al., 2021; Wang et al., 2020). GSCM integrates environmental concerns in supply chain activities. Some practices include eco-design and green purchasing, collaboration with environmentally concerned customers, and investment recovery.

There are contradicting arguments in the literature, including the absence of a statistically significant effect of GSCM on firm performance (Al Zaabi et al., 2013; Tantan & Akdag, 2023; Novitasari & Agustia, 2021). It is, however, suggested that if a firm's environmental supply chain practices are adequate, this would result in value creation from the operations and supply chain perspective.

*H2: Green Supply Chain Management has a positive effect on Business Performance.*

**Effect of Green Market Orientation on Environmental Attitude**

Green market orientation focuses on the external market, but it can also strengthen companies' attention towards environmental issues. GMO embodies environmental issues within businesses and encourages firms to consider environmental sustainability in their strategies (Papadas et al., 2019). Environmental attitude reflects the extent to which employees in an organization acknowledge the importance of environmental concerns and support protective practices for the environment. It is important to emphasize that the rationale for using green marketing strategies and GMO in a business context is to instill environmental responsibility in the minds of the managers and employees. The objective of green marketing strategies and GMO is to attain a strong environmental attitude by restructuring the business organization in a way that supports the environment. These policies cannot and should not be used in isolation (Papadas et al., 2019).

*H3: Green Market Orientation has a positive and significant effect on Environmental Attitude.*

**Effect of Green Supply Chain Management on Environmental Attitude**

In the context of Supply Chain Management, green practices incorporate environmental issues at each stage of supply chain activities. Some such practices include eco-design, internal environmental management, green purchasing, cooperation with environmentally concerned customers, and investment recovery. These practices strengthen the link between environmental issues and a company's daily activities. Consequently, GSCM can increase employees' and managers' exposure to environmental issues and strengthen their attitude of environmental responsibility.

Implementation of GSCM is anticipated to foster environmental attitude among employees and management. As a result, organizational behavior will tend to be more environmentally friendly. GSCM, as mentioned by Cankaya & Sezen (2019) influences building an organizational culture more interested in environmental sustainability through the implementation of sustainable practices across the supply chain. Therefore, it is clear that GSCM is more than an operational mechanism; it is also a process through which environmental values are incorporated in the organization. From the viewpoint of RBV, environmental consideration in supply chain management is a capability that an organization can build and strengthen its environmental attitude and sustainability. Hence, GSCM is anticipated to positively influence environmental attitude.

*H4: Green Supply Chain Management has a positive and significant effect on*

*Environmental Attitude.*

**The Effect of Environmental Attitude on Business Performance**

Environmental attitude indicates the extent to which employees in an organization recognize and positively respond to the need for environmental protection and, thus, are ready to engage in efforts for environmental protection. A positive environmental attitude among MSMEs may help integrate environmental considerations into their business decisions and strategies, and thereby leading to the creation of green enterprises. This may stimulate the use of eco-friendly business practices, create eco-innovations, improve the efficiency of business processes, promote the use of sustainable business strategies, and increase competitiveness

A positive environmental attitude can enhance environmental innovations and create greater value for customers. Nureen et al. (2023) argue that MSMEs with higher levels of environmental attitude tend to be more innovative and better at creating customer value, ultimately increasing competitiveness and performance. Green innovations driven by environmental attitudes positively affect both the financial and operational performance of an organization. From an RBV perspective, environmental attitude is an intangible organizational resource that facilitates the development and implementation of organizations' sustainability capabilities.

*H5: Environmental Attitude has a positive and significant effect on Business Performance.*

**The Mediating Effect of Environmental Attitude on Green Market Orientation and Business Performance**

Green Market Orientation (GMO) changes how businesses address challenges posed by the environment. Although GMO helps companies find opportunities for businesses and customers who care about the environment, relying on market orientation alone can limit businesses' ability to enhance performance. Green market strategies require companies to embed environmental values in their businesses and turn them into sustainable competitive advantages.

Papadas et al. (2019) note that, without a strong internal environmental orientation, green marketing orientation is unlikely to benefit companies. Nureen et al. (2023) substantiate the claim by stating that a green market orientation is not viable for enhancing a company's performance without integrating environmental sustainability. This means that attitude, along with GMO, helps organizations to deliver green strategies and sustainability. Thus, understanding green market strategies and positive environmental attitude will likely motivate MSMEs to convert market information into eco-friendly strategies and sustainable business practices. As a result, customer value and business performance will be improved (Leonidou et al., 2013). Therefore, positive environmental attitude is expected to mediate the relationship between GMO and business performance.

*H6: Environmental attitude is expected to positively mediate the relationship between GMO and business performance.*

**The Mediating Effect of Environmental Attitude on Green Supply Chain Management and Business Performance**

Green Supply Chain Management (GSCM) encompasses strategies and policies a firm implements to improve the environmental performance of its supply chain.

Other competitive strategies that focus on the environment can also be integrated to enhance performance. GSCM enables and empowers employees to develop environmental awareness and behavioral changes towards environmental friendliness. Likewise, Cankaya & Sezen (2019) state that GSCM helps employees incorporate environmental friendliness in their day-to-day business activities. Effective GSCM provides the company with a competitive edge. Through effective GSCM practices, Tjahjadi et al. (2022) indicate that companies can enhance environmental friendliness in their supply chains, become greener, and be innovative in their supply chain strategies and activities.

Because of limited research on greener supply chains, it is imperative for researchers to explore greener supply chains to evaluate what strategies firms employ to gain a sustainable competitive advantage. As such, environmental attitude is the link between GSCM and business performance. If GSCM practices and environmental attitudes are strengthened among MSMEs, these practices will be internalized within the organization, stimulating green innovation and optimizing resources, thereby improving business performance. Implementing GSCM is anticipated to improve business performance through indirect effects on business and operational performance and the organization's environmental attitude. It is expected that environmental attitude will positively mediate the relationship between Green Supply Chain Management and business performance.

*H7: Environmental attitude positively mediates the relationship between Green Supply Chain Management and Business Performance.*

## RESEARCH METHOD

The research method used was the quantitative method (Sekaran, 2016). The population in the study is all SME managers in East Lombok Regency. The sample in this study is 200 SME managers in East Lombok, with a focus on SME managers who are oriented towards the environment. The sampling method was purposive sampling (Sekaran, 2016). The analysis of data in this study used Partial Least Squares PLS, a type of SEM analysis that is predictive (Ghozali, 2021). The Green Market Orientation (GMO) variable has three indicators that were adopted and developed, i.e., customer orientation, competitor orientation, and intra-functional coordination. To measure the above indicators, eight statements were developed. Green Supply Chain Management (GSCM) is measured along two dimensions, namely internal and external supply chain practices (Rahmatullah et al., 2024; Tjahjadi et al., 2022). The internal dimension encompasses eco-design and internal environmental management, whereas the external dimension includes green purchasing, environmental cooperation with customers, and investment recovery. To evaluate these indicators, five statements were formulated. The business performance variable consists of nine questions adopted Rahmatullah et al. (2024) & Tjahjadi et al. (2022), and the following items were developed: increase in sales, increase in cost-effectiveness and profit, and decrease in customer complaints; building a good image and reputation, gaining new and retaining old customers, and improving products and service innovation. The environmental attitudes variable consists of three indicators (Emekci, 2019; Jain & Kaur, 2006), namely consumption of resources and energy, emissions and pollution, and environmental policy and compliance. To evaluate this indicator, three statements were developed.

## RESULT AND DISCUSSION

### Result

### Convergent Validity

Testing of the measurement model (outer model) was conducted to confirm that each indicator represents the construct it is intended to measure. Results of variable measurements are shown in Table 1.

**Table 1. Outer Loading**

| Item | Outer loading | Description |
|---|---|---|
| GMO 1 | 0.821 | Valid |
| GMO 2 | 0.796 | Valid |
| GMO 3 | 0.854 | Valid |
| GMO 4 | 0.803 | Valid |
| GMO 5 | 0.899 | Valid |
| GMO 6 | 0.902 | Valid |
| GMO 7 | 0.805 | Valid |
| GMO 8 | 0.884 | Valid |
| GSCM 1 | 0.870 | Valid |
| GSCM 2 | 0.804 | Valid |
| GSCM 3 | 0.895 | Valid |
| GSCM 4 | 0.882 | Valid |
| GSCM 5 | 0.833 | Valid |
| EA 1 | 0.739 | Valid |
| EA 2 | 0.920 | Valid |
| EA 3 | 0.891 | Valid |
| BP 1 | 0.984 | Valid |
| BP 2 | 0.984 | Valid |
| BP 3 | 0.889 | Valid |
| BP 4 | 0.989 | Valid |
| BP 5 | 0.983 | Valid |
| BP 6 | 0.918 | Valid |
| BP 7 | 0.987 | Valid |

Source: Primary Data Processed (2026)

The table above shows that most indicator values are within the acceptable range for measuring the respective constructs. For Green Market Orientation (GMO), the values for the eight indicators GMO1 (0.821) to GMO8 (0.884) indicate that the respondents are environmentally conscious and sensitive to Green Market requirements. For Green Supply Chain Management (GSCM), the values of the three indicators GSCM1 (0.870) to GSCM3 (0.895) show that the respondents were of the opinion that management of the supply chain is more related to the environment. As for Business Performance (BP), it was found that the indicators BP1 (0.984) to BP7 (0.987) show positive performance of a business. For Environmental Attitude (EA), the indicator values EA1 (0.739) to EA3 (0.891) show that the respondents are generally sensitive to the environment. It can be summarized that most of the constructs have higher indicator values, reflecting the variable fairly well.

**Discriminant Validity**

Discriminant validity was calculated through the Heterotrait-Monotrait Ratio (HTMT). An HTMT below 0.90 suggests the constructs are empirically distinct. An HTMT of 1 or greater means that the constructs are indistinguishable. The HTMT results are in Table 2. The results show that the construct pairs have HTMTs less than 0.90. The HTMT between BP and GMO was 0.508, and between BP and GSCM was 0.586. The HTMT between GMO and EA was 0.718, and between GSCM and EA was 0.843. Accordingly, the values suggest that the construct pairs have good discriminant validity.

**Table 2. Heterotrait-monotrait ratio (HTMT) Test Results**

| | BP | EA | GMO | GSCM |
|---|---|---|---|---|
| BP | | | | |
| EA | 1.037 | | | |
| GMO | 0.508 | 0.718 | | |
| GSCM | 0.586 | 0.843 | 1.030 | |

Source: Primary Data Processed (2026)

Relevant to Table 3 of the analysis based on the Fornell-Larcker criterion, the degree to which a construct is different from the other constructs in the research model, that is, discriminant validity, can be evaluated. According to the Fornell-Larcker criterion, the square root of the Average Variance Extracted (AVE) of a construct (diagonal element) is to be greater than the correlation of that construct with other constructs (off-diagonal element). The AVE of the construct of Business Performance (BP) is 0.963, which is greater than its correlation with Environmental Attitude (EA) (0.932), Green Market Orientation (GMO) (0.509), and Green Supply Chain Management (GSCM) (0.565). The AVE of the construct of EA is 0.854, which is greater than its correlation with GMO (0.645) and GSCM (0.726). The AVE of the construct of GMO is 0.847, which is greater than its correlation with BP (0.509), EA (0.645), and GSCM (0.955). The AVE of the GSCM construct is 0.857, which is greater than its correlation with BP (0.565) and EA (0.726)

**Table 3. Fornell-Larcker Criteria**

| | BP | EA | GMO | GSCM |
|---|---|---|---|---|
| BP | 0.963 | | | |
| EA | 0.932 | 0.854 | | |
| GMO | 0.509 | 0.645 | 0.847 | |
| GSCM | 0.565 | 0.726 | 0.955 | 0.857 |

Source: Primary Data Processed (2026)

**Reliability**

Table 4 shows the values of Cronbach's alpha for the variables. For the Business Performance variable, all the elements that compose the construct indicate high consistency, which gives the variable a Cronbach's alpha value of 0.987. Green Market Orientation has a value of 0.944. Green Supply Chain Management has a value of 0.910. The Environmental Attitude variable has a Cronbach's alpha value of 0.808. This means the variable's elements fall within the good reliability category (above

0.7). The Composite Reliability (rho_c) values are above 0.7 in all construct. Therefore, it can be said that the model has excellent reliability. The highest value was obtained for the Business Performance variable, which is, 0.989. The other values are, respectively, 0.953 for Green Market Orientation, 0.933 for Green Supply Chain Management, and 0.889 for Environmental Attitude. All constructs in the model have an AVE value greater than 0.5. Therefore, it can be said that all constructs present excellent convergent validity. The highest value was obtained by the Business Performance construct, which is 0.927. The other values were obtained for Environmental Attitude (AVE = 0.729). Green Market Orientation (AVE = 0.717), and Green Supply Chain Management (AVE = 0.735).

**Table 4. Construct Reliability**

| | Cronbach's alpha | Composite reliability (rho_a) | Composite reliability (rho_c) | Average variance extracted (AVE) |
|---|---|---|---|---|
| BP | 0.987 | 0.987 | 0.989 | 0.927 |
| EA | 0.808 | 0.815 | 0.889 | 0.729 |
| GMO | 0.944 | 0.955 | 0.953 | 0.717 |
| GSCM | 0.910 | 0.921 | 0.933 | 0.735 |

Source: Primary Data Processed (2026)

**Model Fit Assessment**

With the measurement model evaluated, the next step is to assess the structural model. The R-squared value is an example of this assessment. The R-squared test results are shown in Table 4.

**Table 5. R-Square Value Testing Results**

| | R-square | Adjusted R-square |
|---|---|---|
| BP | 0.901 | 0.898 |
| EA | 0.554 | 0.544 |

Source: Primary Data Processed (2026)

As reported in Table 5, the coefficient of determination ($R^2$) for Business Performance (BP) is 0.901, with an adjusted $R^2$ of 0.898. Therefore, the combined effect of the predictors of the research model accounts for 90.1% of the variance in BP, and the remaining variation is due to factors that fall outside the scope of the model. For Environmental Attitude (EA), $R^2$ and adjusted $R^2$ are 0.554 and 0.544, respectively. As such, the model accounts for 55.4% of the variance in EA and the remaining 44.6% is attributed to other variables. Generally, the results show strong and clear results for Business Performance, and moderate results for Environmental Attitude. Thus, the research model's independent variables are able to explain approximately 55.4% of the variation in environmental attitude, and 44.6% is due to other factors that are not accounted for in the research model. Overall, with respect to the predictability of the business performance model, the results indicate a very high predictability.

Effect size (f2) analysis, also shown in Table 5, examines the relationship between Environmental Attitude and Business Performance. The results indicate an f2 of 5.790, therefore, the effect of Environmental Attitude on Business Performance

is exceptionally large. Furthermore, the results show that Green Supply Chain Management (GSCM) has a less significant effect on Business Performance, yet a more significant effect on Environmental Attitude. Hence, the benefits of implementing GSCM may be more salient in developing the organization's environmental attitude rather than in improving business performance**.** This means Environmental Attitude has a very strong effect on Business Performance. Therefore. Companies with high environmental attitude have better performance in the context of sustainable business. In addition. Green Market Orientation (GMO) has an F-Square of 0.062 on BP and 0.059 on EA. This shows a very small effect. This means even though Green Market Orientation is one of the indicators in improving environmental attitudes and business performance, its effect is relatively small. Green Supply Chain Management (GSCM) has an F-Square of 0.180 on BP and 0.308 on EA. This means that Green Supply Chain Management has a small effect on the improvement of business performance but a large effect on the improvement of Environmental Attitudes. Thus, the adaptation of Green Supply Chain Management is more focused on environmental improvement rather than improving business performance.

**Table 6. F-Square**

| | BP | EA | GMO | GSCM |
|---|---|---|---|---|
| BP | | | | |
| EA | 5.790 | | | |
| GMO | 0.062 | 0.059 | | |
| GSCM | 0.180 | 0.308 | | |

Source: Primary Data Processed (2026)

The relationships between variables in a structural model are described using path coefficients. The results of the path coefficient tests are shown in Table 7 below.

**Table 7. Hypothesis Test**

| **Panel A. Direct Effect** | Original sample | Standard deviation | T Stat | P values | Notes |
|---|---|---|---|---|---|
| GMO → BP | 0.270 | 0.194 | 1.392 | 0.164 | *Rejected* |
| GSCM → BP | -0.514 | 0.218 | 2.355 | 0.019 | *Rejected* |
| GMO →EA | -0.547 | 0.214 | 2.557 | 0.011 | *Rejected* |
| GSCM → EA | 1.249 | 0.228 | 5.483 | 0.000 | *Accepted* |
| **Panel B. Indirect Effect** | | | | | |
| EA → BP | 1.131 | 0.070 | 16.061 | 0.000 | *Accepted* |
| GMO → EA → BP | -0.619 | 0.253 | 2.445 | 0.015 | *Rejected* |
| GSCM → EA → BP | 1.412 | 0.299 | 4.726 | 0.000 | *Accepted* |

Source: Primary Data Processed (2026)

Results from the test for the direct effects of the four sectors are Green Market Orientation (GMO), Green Supply Chain Management (GSCM), Environmental Attitudes (EA), and Business Performance (BP). Results from the significance test are based on t-statistics > 1.96 and P-values < 0.05. In addition to the significance values, the direction of the coefficients must be considered in the acceptance of positively framed hypotheses. Results from the test show that the sample value of GMO is 0.270

for BP. The t-statistic for this effect is 1.392 (<1.96), and the p-value is 0.164 (>0.05). Hence, the effect of GMO on BP is not significant. Thus, the positive effect hypothesis of GMO on BP is rejected. Therefore, hypothesis 1 is rejected. The effect of GSCM on BP has a sample value of −0.514 and a t-statistic of 2.355 with a P-value of 0.019. Since the t-statistic is > 1.96 and the P-value is < 0.05, the effect is statistically significant. However, the direction of the effect is negative, as shown by the sample value of -0.514. Therefore, hypothesis 2 is rejected. The effect of GMO on EA has a sample value of −0.547. The t-statistic for this effect is 2.557, and the p-value is 0.011. Since the T-statistic is >1.96 and the P-value is <0.05, the effect is statistically significant. The effect is negative; therefore, hypothesis 3 is rejected.

The T-statistic for the effect of GSCM on EA is 5.483, and the P-value is 0.000. The original sample value is 1.249. Hypothesis 4 is accepted because the coefficient is positive, the T-statistic is greater than 1.96, and the P-value is less than 0.05. The effect of EA on BP has a T-statistic of 16.061, an original sample of 1.131, and a P-value of 0.000. Hypothesis 5 is also accepted because the coefficient is positive and the T-statistic is very high. In addition, the effect of GMO on BP through EA has an original sample of -0.619, a t-statistic of 2.445, and a P-value of 0.015. Moreover, Hypothesis 5 has a negative coefficient, and the T-statistic is greater than 1.96, and the P-value is less than 0.05. The effect of GSCM on BP through EA has an original sample of 1.412, a T-statistic of 4.726, and a P-value of 0.000. Lastly, Hypothesis 7 is also accepted because the coefficient is positive, the T-statistic is greater than 1.96, and the P-value is less than 0.05.

## Discussion

### Effect of Green Market Orientation on Business Performance

Test results show that green market orientation does not impact business performance. Most MSMEs focus on operational sustainability and efficiency. The short-term nature of sales also remains a priority. Thus, implementation of green marketing strategies to improve business performance remains low. Tjahjadi et al. (2022) suggest that green marketing strategies, when coupled with innovation and the communication strategy of the firm, can significantly impact the performance of a firm. A number of previous studies have found similar results, where green market orientation do not always impact business performance, but via mediating factors like green innovation or sustainable development (Papadas et al. 2019; Rahmatullah et al. 2024). The study by Rahmatullah et al. (2024) has found similar results, indicating that firms that adopt green marketing strategies, in the absence of green innovation and supply chain efficiency, are unlikely to experience improved business performance. In addition, Tjahjadi et al. (2022) also claim that green market orientation can enable an organization to identify environmentally conscious consumer needs, and monitor competitors and coordinate functions to respond to green marketing opportunities. This integrates with the RBV, as green market orientation is a strategic organizational resource. Although RBV suggests that resources, including green market orientation, do not automatically confer a competitive edge on the firm, studies find that green market orientation offers a competitive edge to the firm. Thus, in the absence of green marketing innovation and an efficient supply chain, green market orientation is unlikely to improve business performance

To be effective, resources must be appropriately combined, deployed, and transformed into desired capabilities. For MSMEs, green market orientation may help businesses obtain and utilize market information and strategic positioning, even when they do not immediately acquire superior business performance. This is because they may not have adequate complementary resources, including green innovations, adequate financial means, and effective communication.

Other explanations for the lack of effect may also be due to the characteristics of MSMEs. As mentioned earlier, MSMEs are more concerned with operational survival and efficiency, and meeting short-term commercial goals. Green marketing may necessitate additional investment in research and development and effective communication. Therefore, the full potential benefits of green market orientation may not be realized immediately. Rahmatullah et al. (2024) support this view, stating that green marketing requires collaborative and integrative efforts with other green innovations and effective communication to improve organizational performance. Other studies support this view Tjahjadi et al. (2022).

Green Market Orientation brings strategic value even if it does not have a direct effect. Rather, the strategic value of green market orientation lies in its ability to support and enhance other mechanisms or business performance capabilities. This view is also corroborated by Dangelico and Pujari (2010), who argue that positive effects of incorporating environmental strategies may be greater when integrated with other strategic and organizational capabilities of a firm. Other mechanisms include, green innovation and other environmental sustainability strategies (Rahmatullah et al., 2024; Papadas et al., 2019).

**Effect of Green Supply Chain Management on Business Performance**

The results of the research show that green supply chain management harms business performance. This finding indicates that the implementation of green supply chain management in MSMEs does not necessarily directly improve business performance, especially if it is not supported by adequate innovation and efficiency strategies. Limitations in capital, technology, and managerial capabilities mean that MSMEs must incur additional costs to procure environmentally friendly raw materials, manage waste, or adapt their production processes to make them more sustainable (Rahmatullah et al., 2024). In addition, the effectiveness of green supply chain management MSMEs in improving business performance is highly dependent on the company's readiness to integrate sustainability aspects into its supply chain (Nureen et al., 2023). According to Appiah et al. (2023), one of the main challenges in implementing green supply chain management is the high cost of implementing and adapting green technologies that can reduce operational efficiency in the short term. Asserted that the lack of awareness and involvement of suppliers in green strategies can hinder the successful implementation of green supply chain management. This is in line with Dangelico & Pujari's (2010) view that without a strong commitment from all stakeholders in the supply chain. Green supply chain management is unlikely to provide significant benefits to business performance.

Several other studies show that the positive impact of green supply chain management on BP will be observed only when the company has high innovation capabilities and a strong green marketing strategy (Kumar et al., 2022; Tjahjadi et al., 2022). This is reinforced by Li et al.'s (2018) research, which finds that companies implementing green supply chain management without a strong green innovation

strategy tend to struggle to achieve competitive advantage. The results of this study support previous findings that the effect of green supply chain management on BP is not always significant, especially when not balanced by green innovation, supplier involvement, and market readiness to accept green products (Papadas et al., 2019). Therefore, companies need to develop a more comprehensive strategy for implementing green supply chain management to achieve a positive impact on business performance in a sustainable manner.

Previous studies are consistent with these findings, which show that the performance implications of green supply chain management are not always positive or significant. Several studies have reported that green supply chain management does not directly affect firm performance (Al Zaabi et al., 2013; Tantan & Akdağ, 2023; Novitasari & Agustia, 2021). Kumar et al. (2022) and Tjahjadi et al. (2022) further suggest that the positive consequences of green supply chain practices are more likely to emerge when organizations possess strong innovation capabilities and green market strategies. Rahmatullah et al. (2024) also found that companies implementing green supply chain management without strong green innovation capabilities may experience difficulties in obtaining competitive advantage.

**Effect of Green Market Orientation on Environmental Attitude**

The test results show that green market orientation has no significant positive effect on environmental attitude, indicating that implementing green market strategies in this context is not always followed by an increase in environmental attitude. This shows that implementing green market strategies does not always increase environmental attitude in organizations. In addition, this may be because some MSMEs adopt green strategies more as a response to market demands than as a commitment to environmental sustainability. As stated by Rahmatullah et al. (2024), the success of green market orientation in increasing environmental attitude is highly dependent on internal and external factors of the company. In addition. Papadas et al. (2019) emphasize that green market orientation that focus solely on marketing strategies without integration into broader corporate policies may reduce their effectiveness in improving environmental attitudes.

From an RBV perspective, green market orientation represents an externally oriented strategic resource that enables organizations to respond to environmentally conscious markets. However, the possession of market-oriented environmental information does not necessarily mean that environmental values have been internalized by managers and employees. Green market orientation primarily emphasizes market responsiveness. Customer needs. Competitor activities. and internal coordination. Environmental attitude. In contrast, environmental attitude represents an internal psychological and organizational orientation toward environmental responsibility. Therefore, a gap may occur between an organization's external green market response and its internal environmental values.

One possible explanation is that some MSMEs may adopt green market practices primarily as a response to market pressure rather than as an expression of genuine environmental commitment. When environmental activities are motivated mainly by customer expectations, competition or market opportunities. They may remain tactical marketing activities rather than becoming embedded within the organization's internal values and decision-making processes. In such circumstances.

Green market orientation may not be sufficient to change the environmental attitudes of managers and employees.

This interpretation is consistent with Tjahjadi et al. (2022), who explain that the effectiveness of green market orientation in strengthening environmental attitude depends on internal and external organizational factors. Papadas et al. (2019) further argue that a green market orientation that focuses primarily on marketing activities, without integration into broader organizational policies may be limited in its effectiveness in strengthening environmental orientation. Therefore, the negative and significant result suggests that the external market orientation dimension of green market orientation does not automatically translate into internal environmental commitment.

**Effect of Green Supply Chain Management on Environmental Attitude**

The results indicate that green supply chain management has a positive effect on environmental attitude. Therefore, by strengthening the implementation of green supply chain management, MSMEs are expected to have a more positive effect on environmental attitude. This finding supports Rahmatullah et al. (2024), who found that applying green supply chain management in MSMEs improves employees' and managers' environmental attitudes and pro-environmental behavior in the workplace. In addition, Çankaya & Sezen (2019) also confirm that green supply chain management plays an important role in building an MSMEs culture that is more environmentally conscious through the implementation of environmentally friendly practices throughout the supply chain.

**The Effect of Environmental Attitude on Business Performance**

The test results indicate that environmental attitude positively affects business performance. This shows that the higher the environmental attitude in MSMEs, the better their business performance. These results support the findings of Jabbour et al. (2020), which state that MSMEs with a high environmental attitude tend to be more innovative and able to create added value for customers. thereby increasing their competitiveness and business performance. In addition, Tjahjadi et al. (2020) emphasize that high environmental attitude among MSMEs can encourage green innovation. This consequently enhances the financial outcomes and operational effectiveness of MSMEs.

**The Mediating Role of Environmental Attitude on the Effect of Green Market Orientation on Business Performance**

The results show that green market orientation had a positive effect on environmental attitude. Thus, the greater the use of environmentally responsive supply chain management practices, the better the environmental attitude of MSMEs. Additionally, the mediation analysis confirmed the positive mediating role of environmental attitude in the relationship between green market orientation and business performance. This is consistent with Rahmatullah et al. (2024), who examined the association between green market orientation and business performance and emphasized the role of environmental attitude in MSMEs. Papadas et al. (2019) reported similar findings and added that the effects of green marketing orientation may be restricted by the absence of strong environmental attitudes. Hence, Leonidou et al. (2013), suggest there is a need to integrate green marketing

initiatives and the development of environmental attitude and attitudes to obtain better improvements in business performance.

The findings indicate that green supply chain management positively influences environmental attitude. This suggests that greater adoption of environmentally responsible supply chain practices may strengthen environmental attitude among MSMEs. Furthermore, the mediation analysis confirms that environmental attitude positively mediates the relationship between green market orientation and business performance. This finding is consistent with Rahmatullah et al. (2024). Similarly, Papadas et al. (2019) found that the benefits of green marketing orientation may be limited when businesses lack strong environmental attitudes. These findings emphasize the need to align green marketing initiatives with the development of environmental attitude and attitudes to achieve more substantial improvements in business performance

**The Mediating Role of Environmental Attitude on the Effect of Green Supply Chain Management on Business Performance**

According to the mediation pathway analysis, environmental attitude mediates the relationship between green supply chain management and business performance. Thus, adopting a green supply chain can improve the environmental attitude of MSMEs. This, in turn, contributes to improved business performance (Rahmatullah et al., 2024). Tjahjadi et al. (2022) show that MSMEs implementing green supply chain strategies have a higher competitive advantage due to increased efficiency and sustainability. Furthermore, Cankaya & Sezen (2019) also support these findings, stating that effective GSCM implementation can strengthen environmental attitudes in MSMEs, thereby increasing green innovation and supply chain efficiency, leading to improved business performance. The higher the MSMEs' commitment to green supply chain practices. The stronger the environmental attitude that is formed, the more it ultimately contributes to improving overall business performance (Sarkar, 2012).

## CONCLUSION

From the perspective of the Resource-Based View (RBV), the findings suggest that green practices do not automatically translate into superior business performance. The RBV holds that competitive advantage arises from resources and capabilities that are valuable, rare, inimitable, and non-substitutable and that the mere possession of resources is insufficient unless they are effectively developed and deployed. In this study, both green market orientation and green supply chain management had negative effects on business performance. By contrast, environmental attitude emerged as the critical resource. Green supply chain management was positively associated with environmental attitude, and environmental attitude was in turn positively associated with business performance, with environmental attitude mediating the green supply chain management–performance relationship. Within the RBV logic, environmental attitude can be understood as an intangible, socially embedded resource that is built through organizational learning and accumulated experience with green practices. Such resources are path-dependent and causally ambiguous, which makes them difficult for competitors to imitate. Practices therefore function as inputs that build this

intangible resource, and it is the resource, rather than the practices themselves, that generates performance gains.

The study covers only MSMEs in East Lombok and uses purposive sampling with 200 respondents, which limits the generalizability of the findings. Future studies should cover other geographic locations and sectors and use larger samples. They could also use longitudinal designs to examine whether the negative effects of green marketing orientation and green supply chain management on business performance are short-term and fade as green investments mature, and examine moderating variables (e.g., firm size, sector, and government support) or additional mediators (e.g., green innovation and cost efficiency) that might explain the unexpected negative results. For the same reason, it is suggested that future studies cover other geographic locations, and perhaps other sectors of the economy.

The findings suggest that MSME owners and managers should treat environmental attitude as a strategic resource and combine green supply chain practices with deliberate efforts to build environmental awareness within the business, since it is attitude, rather than practice alone, that links green supply chain management to improved performance. Policymakers and support institutions, in turn, should offer training, incentives, or financing that reduce the cost burden of green practices for small enterprises, so that the initial negative effect on performance can be overcome. Finally, owners and managers should avoid adopting a green market orientation as a purely symbolic or market-driven move and instead integrate it with their internal values and operations, so that it can strengthen environmental attitudes rather than weaken them.

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