

Market Orientation, Innovation and Its Impact on Environmental Sustainability Practices: Evidence from Indonesian Palm Oil Companies

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Abstract. This study aims to examine the effect of market orientation on innovation and then its impact on environmental sustainability practices. Data was obtained through questionnaires distributed to 178 respondents who were the top and middle managers of the palm company. Data then analyzed by SEM-PLS analysis techniques through WarpPLS 5.0. Results showed that market orientation has a significant effect on innovation and environmental sustainability practices. Further analysis found that innovation mediates the relationship between market orientation and environmental sustainability practices. This study suggests that environmental sustainability practices are important to ensure the sustainability of Palm Oil Company.

Keywords: Market orientation, innovation, environmental sustainability practices, palm company, Indonesia

1 Introduction

Environmental sustainability is a topic of international discussion in the context of sustainability development, a concept that directs the need to adjust goals that pay attention to economic development, environmental and social protection. Bruntland Commission (formerly: World Commission on Environment and Development) since 1983 has been building awareness of the importance of sustainability development. Consumer awareness of sustainability causes customer demand to place more emphasis on products and services that are environmentally friendly and are produced through processes that do not damage the environment [1].

Customers place their primary concern on sustainability, which requires market-oriented organizations to also make sustainability a major focus in determining their business strategies [2]. Market orientation is the activity of collecting and using market information and focusing the coordination of resources to provide superior customer value [3].

Market-oriented companies will better serve their customers based on market information [4]. Based on resource-advantage theory, market oriented companies will have a competitive advantage compared to companies that are not market-oriented. Furthermore, market-oriented companies recognize that demands and needs for environmentally friendly products, then encourage organizations to make efforts to preserve the environment. Market-oriented companies will quickly identify changes in customer demand and implement them in environmental sustainability practices [5].