

The Role of Strategic Orientation, Government Regulation on Green Supply Chain Management to Improve Business Performance

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Abstract

The increasing challenges of economic competition and issues related to environmental maintenance require business actors to consider the actions that will be taken in order to survive and exist in the recovery after the co-19 pandemic while still paying attention to the surrounding environmental conditions, the application of Green Supply Chain Management (GSCM) is a topic that is being echoed in the industrial world today. The population of this study were Semarang Batik MSME players. While the sampling technique used in this research is purposive sampling method. The number of research samples was 100 samples. The research technique used is linear regression analysis and Moderation Regression Analysis using SPSS version 25. The output model in this study is expected to make a positive contribution to MSME actors in an effort to realize their business continuity, both in the form of managerial implication suggestions and the formulation

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of scientific articles and measurement instruments. Managerial advice is aimed at the local government in formulating program policies to maintain the existence of Semarang batik entrepreneurs who are currently being affected by issues related to environmental friendliness.

Keywords: *Strategic orientation, Government regulation, Green Supply Chain Management, Business Performance*

INTRODUCTION

The development of the business industry is currently getting tighter due to globalization and the rapid development of information technology. The increase in business activities in addition to increasing profits for companies and the country's economy also has an impact on several losses such as increased waste, pollution and other pollution to the environment. so that the priority environmental issues of Central Java Province are determined as follows: Water Quality, Waste Management and Hazardous Waste, Climate Change, Land Use Change and Land Degradation, and Coastal Area Management (Setyawan, 2023).

(Wibowo, 2024) One of the business sectors that really needs handling regarding environmental impacts is the Semarang Batik business, where in its production the use of chemicals is inevitable, especially when MSMEs gather, so that it has a high environmental pollution contribution which causes low environmental performance. This study wants to test and explore further the environmental impacts contributed by Semarang batik MSMEs.

Competition between business actors is becoming increasingly fierce. Business actors are expected to be able to increase their competitive advantage, including by increasing integration and information exchange between organizations and effective business processes along the supply chain using Supply Chain Management (SCM). Strategic orientation is an important prerequisite for green supply chain management, which ultimately leads to improved organizational performance (Kirchoff, Tate, & Mollenkopf, 2016). Strategic orientation also serves to assist managerial decision making including the form of the company's relationship with the environment, (Desarbo, Benedetto, & Song, 2007). The indicators that must be met in strategic orientation are: 1) Environmental orientation (Environmental awareness in every operation, environmental conservation actions in the company and awareness of environmental developments and changes), 2) Supply Chain Orientation (Companies fully rely on supply chain members with trust, there is a desire to maintain continuity between supply chain partners, there



are rules between members to achieve common goals and there is compatibility between companies (Aruan & Wirdania, 2020).

The government is a strong stakeholder of the green supply chain, as it can easily discipline companies by influencing their internal and external resources (Nezakati, Fereidouni, & Rahman, 2016). The government can also encourage the media to increase the legitimacy of green companies, as well as impose taxes on companies that do not practice sustainability in their supply chain management (Clemens & Douglas, 2006). 1) The company has an official environmental license. 2) Controlling and facilitating environmental practices and 3) The company complies with and makes maximum use of government facilities.

Supply Chain Management (SCM) is a method for managing the flow of products, information, and money involving various parties from upstream to downstream consisting of suppliers, factories, and distribution networks and logistics services (Antin Rakhmawati, et al., 2019). Furthermore, SCM is the concept of considering the environmental influence of business activities on the process from raw materials to finished products, (Ninlawan et al., 2010). The indicators used in Supply Chain Management (SCM) are 1) Green purchasing, 2) Green distribution, and 3) Reuse.

Business Performance is the result of work that can be achieved by a person or group of people in a company or group of people in a company in accordance with their respective authorities and responsibilities in an effort to achieve company goals legally, not against the law and not against morals and ethics. (Rivai & Basri, 2004: 16). Business performance has been tested as the main dependent variable in empirical terms (Aggarwal, 2001; Durand & Coeurderoy, 2001). There has been a new trend towards suggesting that financial performance is at the core of business performance. Still, in order to measure business performance some researchers nowadays adopt market performance measures that define a broader conceptualization of business performance and focus on factors that ultimately result in financial performance (Vorhies & Morgan, 2005). In Business Performance are: 1) Financial and sales perspectives, 2) Customer perspective, 3) Internal process perspective, and 4) Learning and Growth perspective.

LITERATURE REVIEW

STRATEGIC ORIENTATION

Strategic orientation, as an important prerequisite for green supply chain management, is a key factor that leads to improved organizational performance. This concept assists management



in decision-making and shapes the company's relationship with the surrounding environment (Kirchoff, Tate, & Mollenkopf, 2016; Desarbo, Benedetto, & Song, 2007). In this context, there are two main aspects of strategic orientation that have been identified by several researchers (Kirchoff, Tate, & Mollenkopf, 2016; K. M. Chu, 2017; Nadeem & Siddiqui, 2018):

a. Environmental Orientation

This involves recognition by management of the importance of caring for the environment for the survival of their business. Some of the elements in environmental orientation include the existence of strict regulations regarding environmental awareness in every operation of the company, appreciation of environmental conservation actions, awareness of the impact of changes in the natural environment on business, and pressure from external stakeholders for the company to take environmental conservation actions (Banerjee, 2002).

b. Supply Chain Orientation

This is a supply chain management philosophy that classifies the relationships between levels in the supply chain. Supply chain orientation focuses on the operations of the organization and creates a strong concentration throughout the supply chain. Some elements of supply chain orientation include the company's full trust in supply chain members, the desire to maintain continuity of relationships with partners in the supply chain, the existence of rules among members to achieve common goals, and compatibility between companies (Min & Mentzer, 2011; K. M. Chu, 2017).

GOVERNMENT REGULATION

Governments play a key role in green supply chains, having the authority to regulate companies by influencing their internal and external resources. They can also increase the legitimacy of green companies through the media, imposing taxes on companies that do not follow sustainability practices in the supply chain (Nezakati, Fereidouni, & Rahman, 2016; Clemens & Douglas, 2006). The government regulation indicator involves official rules, and this research refers to Semarang City's local regulation that requires companies to have an official environmental license. These regulations also include government appeals on waste management as well as facilities provided by the government for reuse and recycling programs. The results show that companies that comply with government regulations obtain official environmental permits and utilize government facilities for environmental practices (Setyawan, 2024)



GREEN SUPPLY CHAIN MANAGEMENT

Green supply chain management is a concept that considers environmental influences from the raw material stage to the finished product (Ninlawan et al., 2010). Indicators of this research variable include:

a. Green Purchasing

Companies minimize purchases to comply with environmental regulations and customer expectations. This includes avoiding harmful substances in products and reducing environmental impact in the purchasing process (Chun, Hwang, & Byun, 2015).

b. Green Distribution

Consists of two main activities, namely green logistics and green packaging (Ninlawan et al., 2010). Indicators include the timeliness and quantity of customer purchases, the efficient use of transportation fuel, and the use of optimal capacity in distributing products.

c. Reuse

This involves the reuse and reprocessing of end-of-life products. These actions include utilization or treatment of liquid waste, treatment of solid waste, and use of defective or damaged organic vegetable waste (Chun et al., 2015).

BUSINESS PERFORMANCE

Business performance is the result of individual or group work in a company in accordance with their responsibilities and authority, which achieves company goals legally, ethically, and morally (Rivai & Basri, 2004). In the context of research, business performance has been measured as a key variable and can be defined through various dimensions. Researchers adopt a broader view, linking market performance with financial performance (Vorhies & Morgan, 2005). This research measures business performance through several perspectives, including:

- a. Financial and Sales Perspective, involves increasing revenues, profits, and sales growth. This is the more traditional dimension of measuring business performance.
- b. Customer Perspective, measures customer satisfaction, loyalty, achievement of service targets, and branding activities. Customers are the main focus in business performance assessment.
- c. Internal Process Perspective, involves identifying business processes to provide the best service to customers. Focus on the efficiency and quality of internal processes.
- d. Learning and Growth Perspective, related to internal satisfaction such as employee

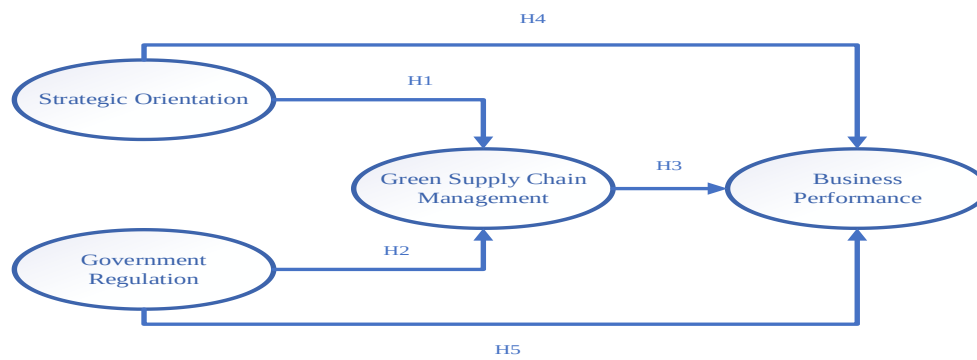


satisfaction, employee productivity, new technology adoption, and training. It assesses organizational growth and learning.

This study uses market performance measures, such as sales, growth, and market share, to represent small business performance, in line with current trends in measuring business performance (Homburg & Pflessner, 2003; Hooley et al., 2005; Wong & Merrilees, 2007).

Framework Of Thinking

The following is a model as a theoretical framework for this research:



Picture 2. Framework of Thinking

RESEARCH DESIGN

The type of research conducted is quantitative descriptive research which takes the basis on the view that reality is something concrete, can be seen with the human senses, can be grouped by type, form, and behavior, does not change, and can be measured and verified (Sugiyono, 2020).

The population in this study consists of MSMEs in the culinary and fashion sectors operating in the Central Java region. As a sampling method, based on the guidelines provided by Hair (2022) which suggests using a minimum of 100 samples, this study chose to use 100 respondents who are owners or managers of MSMEs in a number of cities in Central Java. These cities include Pati, Rembang, Kudus, Semarang Regency, Boyolali, Salatiga, Semarang City, Demak, Kendal, Surakarta, Wonogiri, Karanganyar, Pemalang, Brebes, and Tegal.

The data collected in this study came from using a questionnaire as a tool, using both closed and open questions. The statements in this questionnaire are scored using a scale of 1-5 to produce data that has an interval nature and is given a score or value according to the guidelines provided by Hair et al. (2022). In this study, the collected data were analyzed using the path

analysis method. Path analysis, as explained by Ghozali (2013), is used to test the effect of variables that act as intervening variables. This path analysis is an extension of multiple linear regression analysis and is used to evaluate the causal relationship between variables (causal models) that have been previously determined.

RESULT AND DISCUSSION

Validity Test

The testing technique for the validity test in this study is to use the p value. The research results are said to be valid if the calculated p value is lower than the alpha (0,05). In this study, Based on the validity test results, the question items for all variables are declared valid.

Reliability Test

The decision making for reliability testing is that a construct or variable is said to be reliable if it provides a Cronbach's Alpha value > 0.7. In this study, the reliability test results were obtained as follows:

Table 1. Reliability Test

No	Variable	Chronbach Alpha	Result.
1	Strategic Orientation (X1)	0,772	Reliable
2	Government Regulation (X2)	0,779	Reliable
3	Green Supply Chain Management (Z)	0,830	Reliable
4	Business Performance (Y)	0,751	Reliable

Source: processed data, 2023.

Based on the reliability test results, all variables can be declared reliable.

Normality Test

The normality test aims to test whether in the regression model, the dependent variable and the independent variable both have a normal distribution or not. where the sig value must be > 0.05 in order to be said to be normally distributed. The following are the results of the normality test:

Table 2. Normality Test

Test	Sig.	Alpha	Result
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Kolmogorov-Smirnov	0,200	0,05	The data is normally distributed
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Source: processed data, 2023.

Based on the results of the normality test, it can be concluded that the data is normally distributed.

Multicollinearity Test

The multicollinearity test is intended to test whether the regression model finds a correlation between independent variables. The multicollinearity test results can be seen in the following table:

Table 3. Multicollinearity Test

No	Variable	Tolerance	VIF	Result
1	Strategic Orientation (X1)	0,863	1,159	Multicollinearity does not occur
2	Government Regulation (X2)	0,461	2,170	
3	Green Supply Chain Management (Z)	0,486	2,059	

Source: processed data, 2023.

Judging from the test results above, the three variables have a tolerance value of more than 0.10 and a VIF value of less than 10, it can be concluded that the data does not occur multicollinearity.

Heteroscedasticity Test

This test aims to test whether in the model there is an inequality of variance from the residuals of one observation to another. The results of the heteroscedasticity test can be seen in the following scatterplot graph:



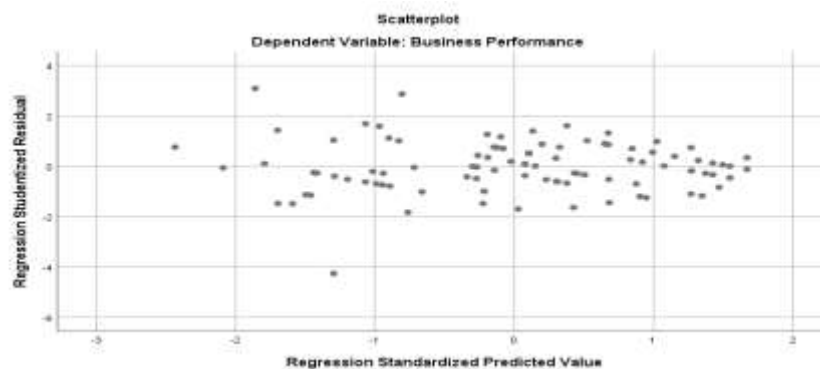


Figure 2. Heteroscedasticity Test Results

Source: processed data, 2023.

Based on the picture above, it can be seen that the plots contained in the image spread randomly, so it can be concluded that the data does not occur heteroscedasticity.

Moderation Regression Analysis

Moderated Regression Analysis (MRA) is a special application of linear multiple regression where the regression equation contains an element of interaction. berikt is the result of MRA testing:

Table 4. MRA Test

	Model	Coeff.	T	Sig.
1	Constant	1,501	1,624	0,108
	Strategic Orientation (X1)	0,231	5,374	0,000
	Government Regulation (X2)	0,442	3,499	0,001
	Green Supply Chain Management (Z)	0,228	2,174	0,032
2	Constant	-8,775	-1,444	0,152
	Strategic Orientation (X1)	0,444	2,110	0,037
	Green Supply Chain Management (Z)	2,061	3,160	0,002
	Strategic Orientation (X1)* Green Supply Chain Management (Z)	-0,033	-1,533	0,129
3	Constant	15,994	3,578	0,001
	Government Regulation (X2)	-1,031	-	0,014

	Model	Coeff.	T	Sig.
			2,498	
	Green Supply Chain Management (Z)	-0,471	-1,013	0,314
	Government Regulation (X2)* Green Supply Chain Management (Z)	0,128	3,377	0,001

Source: processed data, 2023.

Based on the results of regression analysis and MRA in table 7, it can be seen that the regression equation model 1 shows that Strategic Orientation affects Business Performance. It is known that the regression coefficient value of 0.231 with a sig. value of 0.000 less than 0.05 indicates that Strategic Orientation has a positive and significant effect on Business Performance. While the effect of X2 on Business Performance shows that the regression coefficient value of 0.442 with a sig. value of 0.001 less than 0.05 indicates that X2 has a positive and significant effect on Business Performance. Meanwhile, the effect of Green Supply Chain Management on Y shows that the regression coefficient value of 0.228 with a sig. value of 0.032 less than 0.05 so it can be seen that Green Supply Chain Management has a positive and significant effect on Business Performance.

The results of the Moderating Regression Analysis (MRA) model 1 test in this study indicate that the effect of Strategic Orientation on Business Performance obtained a regression coefficient value of 0.444 with a sig. value of 0.037 smaller than 0.05 which means that Strategic Orientation has a significant effect on Business Performance and the results of the effect of Green Supply Chain Management on Business Performance have a regression coefficient value of 2.061 with a sig. value of 0.002 smaller than 0.05 which means Green Supply Chain Management has a significant effect on Business Performance. The effect of Strategic Orientation with Green Supply Chain Management on Business Performance has a regression coefficient value of -0.033 with a sig. value of 0.129 greater than 0.05, which means that Strategic Orientation with Green Supply Chain Management has no significant effect on Business Performance.

The results of the Moderating Regression Analysis (MRA) model 2 test in this study indicate that the effect of Government Regulation on Business Performance obtained a regression coefficient value of -1.031 with a sig. value of 0.014 smaller than 0.05 which means that Government Regulation has a significant effect on Business Performance and the results of the



effect of Green Supply Chain Management on Business Performance have a regression coefficient value of -0.471 with a sig. value of 0.314 greater than 0.05 which means Green Supply Chain Management has no significant effect on Business Performance. The effect of Government Regulation with Green Supply Chain Management on Business Performance has a regression coefficient value of 0.128 with a sig. value of 0.001 smaller than 0.05, which means that Government Regulation with Green Supply Chain Management has a significant effect on Business Performance.

HYPOTHESIS TEST

- a) Based on the results of the data analysis above, it can be seen in this study that Strategic Orientation does not have a positive and significant influence on Green Supply Chain Management. The results of this study prove that hypothesis 1 in this study which states that Strategic Orientation has an effect on Green Supply Chain Management is not proven true. The results showed that strategic orientation did not have an impact on green supply chain management. The strategy made or owned by a business must of course be adjusted to certain considerations regarding the environment of these business activities.
- b) Based on the results of the data analysis above, it can be seen in this study that Government Regulation has a positive and significant influence on Green Supply Chain Management. The results of this study prove that hypothesis 2 in this study which states that Government Regulation has an effect on Supply Chain Management is proven to be true. The results showed that government regulation has a significant impact on green supply management. This is because a good business environment can certainly run smoothly if the regulations that surround it are maximized.
- c) Based on the results of the data analysis above, it can be seen in this study that Green Supply Chain Management has a positive and significant influence on Business Performance. The results of this study prove that hypothesis 3 in this study which states that Green Supply Chain Management has an effect on Business Performance is proven to be true. A good business environment will certainly have a good impact on the performance of a company. a growing business is certainly due to the right business environment.
- d) Based on the results of the data analysis above, it can be seen in this study that Strategic Orientation has a positive and significant effect on Business Performance. The results of this study prove that hypothesis 4 in this study which states that Strategic Orientation has an



effect on Business Performance is proven true. The results showed that a strategy in doing business is needed to improve company performance. This strategy must of course be tailored to the needs and business environment.

- e) Based on the results of the data analysis above, it can be seen in this study that Government Regulation has a positive and significant effect on Business Performance. The results of this study prove that hypothesis 5 in this study which states that Government Regulation has an effect on Business Performance is proven true. The results showed that government regulations or regulations have a big impact on company performance. The right and profitable policy will certainly bring maximum results for the company.

CONCLUSION

In this study, it can be concluded that strategic orientation and government regulation have a positive and significant impact on business performance. However, the moderating effect of green supply chain management weakens strategic orientation on business performance and strengthens government regulation on business performance.

In this study, it is limited to analyzing strategic orientation, government regulation, green supply chain management and business performance, the relationship and correlation that exists between one variable and another on business performance can still be influenced by variables or things other than the variables analyzed. In addition, the objects studied were only Batik MSMEs in Semarang. For this reason, future research needs to conduct research with different objects with a broader scope so that the results obtained are maximized.

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