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Towards Developing a Framework of Enviropreneurial Marketing Strategy for SMEs in Malaysia

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Abstract: Enhancing business performance is the most desired goal among businesses. Currently, corporate businesses are moving towards enviropreneurial marketing (EM) strategy to gain competitive advantage by introducing green products to the consumer market. However, this strategy is not well exposed among SME entrepreneurs in Malaysia. Considering this, the purpose of this paper is to provide new theoretical viewpoint on marketing in regard to business and environmental sustainability, particularly for dealing with the environmental issues from the perspective of SME entrepreneurs in Malaysia. Four marketing strategies (product, price, promotion and place) have been conceptualized in EM strategy to achieve superior SMEs’ performance. A conceptual framework is developed and justified in order to make a novel contribution to marketing theory and practice. Directions for future research conclude the discussion.

Keywords: Enviropreneurial Marketing, Product, Price, Place, Promotion

Introduction
The environmental degradation has become a major attention since 1960s where people begin to aware on the environmental issues such as land degradation, animal extinction and atmospheric pollution (Fisk, 1973; Kinnear et al., 1974; Leonidou et al., 2013) that become severe from time to time. These issues have received significant research attention and various actions have been implemented to control the damages towards the environment. From the side of business organizations, the development of Corporate Environmental Responsibility (CER) is one of the prior efforts in controlling these issues by considering green elements in the product development (Sony and Ferguson, 2017). The awareness on the environmental degradation creates a revolution on marketing activities where ecological and sustainability practices become a major concern for the marketers. Furthermore, the concept of contemporary marketing has expanded vigorously and directs it focus on the issue of natural environment and merges the marketing activities into environmental sustainability practices (Anwar and Jan, 2016).
The terms of eco-marketing (ecological marketing) has been introduced to the market in the mid of 1970s and the researches on marketing and human physical environment have been conducted tremendously until today (Katrandjiev, 2016; Park and Lee, 2016). A lot of researches have been conducted to explore various environmental marketing perspective such as the relationship between environmental and; consumer behavior (Diamantopoulos et al., 2003; Davari and Iyer, 2005), marketing strategy (Menon and Menon, 1997) and organization sustainable enterprise (Zollo et al., 2013). The merging concept of marketing and environment not only being practiced by the large firms, however, extensive exposure from the academicians and practitioners and also positive government support on this issue has trigger the awareness among Small to Medium Enterprise (SME) entrepreneurs (Oxborrow and Brindley, 2013). Later, the concept of enviropreneural marketing has been introduced by Varadarajan (1992) that focus on the entrepreneurial approach from the perspectives of ecological and marketing.

Enviropreneural marketing (EM) can be defined as a marketing practice conducted by the business that focus on environmental-friendly activities in order to gain competitive advantage and also fulfill their obligation to serve the citizen and environmental well (Vadarajan, 1992). It means that the firms need to balance its organization and societal concerns simultaneously (Polonsky and Song-turner, 2016). Therefore, by practicing EM strategy, this will lead to green practices by the firms in terms of developing new product, procurement and supply chain activities, distribution process and creating sustainable development which in turn crafting the firm’s competitive advantage. Indeed, prior researches on the innovation and development of sustainability practices are more focus on larger organization in developed countries (Doyle, 1998; Oxborrow and Brindley, 2013; Polonsky and Song-turner, 2016). Furthermore, a significant body of literature found that environmental marketing is not influence by the awareness on this environmental issue, however, the commitment to construct right marketing strategies is the crucial thing that balance the organizational and social concern (Baker and Sinkula, 2005; Kim et al., 2016; Richey et al., 2014). Therefore, the implementation of EM strategy in small and medium enterprises at developing countries contributes to positive business growth as well as contributes to the environmental and society well being (Polonsky and Song-turner, 2016). Considering this matter, this paper attempts to shed some light in the marketing literature by developing a framework of enviropreneural marketing and develop an understanding for SMEs in developing countries, which is Malaysia to implement this strategy in their business operations.

According to past researches, the adaptation of green values in business operations is not only fulfill the obligation for corporate social responsibility, however, successful plan will enhance the firms’ performance and create competitive advantage to ensure the sustainability of the firms in the long run (Fraj et al., 2011; Hasan and Ali, 2015; Leonidou et al., 2013). Additionally, the marketers should engage in EM due to it can brings to new market opportunity, become a social concern, doing the right thing and comply with the law (Baker and Sinkula, 2005; Polonsky and Song-turner, 2016). However, there is a dearth of research that analyze the impact of environmental from firms’ perspective (Fraj et al., 2011; Mcdonagh and Prothero, 2014). Furthermore, the acceptance of enviropreneural marketing strategy is not well accepted in Malaysia. Even though the awareness on the environmental issues are
rising globally, however, the implementation of EM strategy is still minimum among Malaysian SMEs where most of them are still reluctant to implement green practices in their marketing strategies (Musa and Chinniah, 2016). It is proven by empirical research conducted by Hasan and Ali (2015) stated that, many SMEs in Malaysia are not respond to environmental enforcement and having inconsistent efforts towards implementation of environmental marketing strategy in their business operations (Hasan and Ali, 2015). Considering this, the purpose of this paper is to develop a framework pertaining to enviropreneurial marketing strategy as a guideline for SME to implement this strategy in order to enhance their business performance as well as contributes to the society and environment.

The next section will review the literature on underlying theories that develop the framework of this study. This is followed by a description and justification of EM constructs, the significant role of resources commitment in the relationship between EM strategy and SME performances, a discussion, including this paper’s limitations and suggestions for future research, concluding comments and managerial implications.

Literature Review

Theory of Natural Resource-Based View

Natural Resource-Based View (NRBV) theory has been introduced by Hart (1995) where it is an expansion from existing theory (Resource-Base View) by adding the element of natural environment in this theory. A summary of NRBV theory is shown in Table 1 below:

<table>
<thead>
<tr>
<th>Strategic Capability</th>
<th>Environmental driving force</th>
<th>Key Resource</th>
<th>Competitive advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pollution Prevention</td>
<td>Minimize emissions, effluents and waste</td>
<td>Continuous improvement</td>
<td>Lower costs</td>
</tr>
<tr>
<td>Product Stewardship</td>
<td>Minimize life-cycle cost of products</td>
<td>Stakeholder integration</td>
<td>Pre-empt competitors</td>
</tr>
<tr>
<td>Sustainable Development</td>
<td>Minimize environmental burden of firm growth and development</td>
<td>Shared vision</td>
<td>Future position</td>
</tr>
</tbody>
</table>

Source: Hart (1995)

Table 1 describes the conceptual framework of NRBV that consists of three stages of strategic capability, which are pollution prevention, product stewardship and sustainable development. Pollution prevention emerged when there is a lot of pressure from companies to reduce emissions, effluents and waste from their production (Hart, 1995). Here, the companies realized that the natural deterioration is happen due to the inefficient use of resources. With regards to this matter, an effective strategy should be developed to control the emission and effluent processes and prevent it through proper housekeeping, look for substitute materials, recycling and innovation process (Cairncross, 1991; Frosch and Gallopoulos, 1989; Willig, 1994). Through these processes, the companies able to gain cost-effective strategy and also create a positive business reputation that enhance their business performance (Hart and Ahuja, 1994).
Product stewardship put a focus on innovating the manufacturing and operation works to avoid any pollution activities (Hart, 1995). The firms ask for opinion from the external experts such as from stakeholder to assist in the product development and design in order to produce products with green elements (Fiksel, 1993). The firms use Life Cycle Analysis (LCA) to analyze the damage created by the products from beginning of the process until the products ready to the market (Keoleian and Menerey, 1993). Furthermore, sustainable development aims to dissolve the negative relationship between business and environmental issues and the relationship between environment and economic in developing markets. Two indications appear once the firms opt for the strategy of sustainable development, which are gain substantial investment and long-term commitment to market development (Hart, 1995). As the basis for market entry and development, developing market required minimum impact of technology and products to create long-term vision in influencing its environmental strategy (Schmidheiny, 1992).

These three strategic capabilities were interconnected to gather sustainable competitive advantage. It contains two dimensions which are path dependence and embedded (Hart, 1995). In path dependence, the firms required to conduct pollution prevention strategy before implement the next strategy that is product-stewardship. However, embedded dimension suggested that both strategies of pollution prevention and product-stewardship must be conducted simultaneously in order to protect the environment (Makower, 1993). Relatedly, all these three strategies were applicable when the shared vision was link to the sustainable development and only usable as commitment to a common direction (Senge, 1990). Therefore, the firms that carry sustainability shared vision will quickly gather the resources and build capability in pollution prevention and product-stewardship.

Resource-Advantage (R-A) Theory
The Resource-Advantage (R-A) theory emerged to focus on the importance of the market segment and the resources (Hunt, 1997). Market segment can be described as a group of customers recognized by marketers that having homogeneous taste and preferences in similar market but posed heterogeneous characteristics through other markets. Meanwhile, resources can be classified as the firms’ tangible and intangible things that can be transformed into valuable products or services served to several markets (Kotler and Amstrong, 2016; Hart, 1995). This theory highlights three criteria, which are the resources, market position and financial performance. Here, the comparative advantage or disadvantage becomes the main components in resources and market position to achieve superior, parity or inferior financial performance. To achieve superior financial performance, the firms need to combine the heterogeneous and imperfectly mobile resources that are costly and limited information gathered (Bicen and Gudigantala, 2014). Moreover, R-A theory suggested that the customers might have little information regarding the products or services they intended to buy and required more time, efforts and money to recognize their chosen items or services (Hart, 1997).

Consequently, in business environment, R-A theory suggested that financial performance extensively become the main objective of the firms where the information about the customers, competitors, suppliers and manufacturing method are minimum and costly to be paid by the firms (Hart, 1997). The term “superior” in financial performance not
only indicates the amount of profit, return on investment, earning per share or capital appreciation, however, it measures more than that such as the performance against its' competitors and stock market average and etc. Thus, R-A theory is a very powerful in conveying performance in terms of financial and nonfinancial measurements.

Enviropreneurial Marketing Strategy in Malaysia

In Malaysia, Small and Medium Enterprises (SMEs) have been categorized under two major sectors which are manufacturing sector with sales turnover not exceeding RM50 million or full-time employees not more than 200 workers and services and other sectors with sales turnover not exceeding RM20 million or full time employees not more than 75 workers (SME Corporation Malaysia, 2019). SMEs in Malaysia are classified as the backbone of the Malaysian economy since 98 percent of the businesses establishment in Malaysia is SMEs (Khan and Khalique, 2014). Therefore, transforming SMEs business activities into enviropreneurial marketing strategy that comprise of product, price, promotion and place strategies would enable the businesses achieve its corporate and social responsibility and move towards green sustainability. In Malaysia, the acceptance of environmental marketing has been growth dramatically in recent years. However, the implementation of sustainable marketing is still minimum especially among SMEs not only in Malaysia, however, throughout the world. Based on the study conducted by Musa and Chinniah (2016), most SMEs are reluctant to apply EM strategy in their business operations due to several reasons such as lack of technology-oriented, lacked of skilled workers, limited economy of scale, have minimum research and development (R&D) on new products and having problem in changing the traditional work process.

Contrastingly, it is proved that, by applying EM strategy, it gives positive feedback on the firms’ performance to be more competitive in the marketplace and increased the profitability and productivity of SMEs in the long run (Musa and Chinniah, 2016). Consequently, by adapting green concept in the product development, the firms not only gain competitive advantage against their competitors (Markley and Davis, 2007), however, this strategy contributes to the society and consumers well being and indirectly foster environmental sustainability in the long run (Polonsky, 2011). Additionally, firms can enhanced its environmental and business performances by applying ISO 14001 EMS (Hasan and Ali, 2015). Through this effort, firms able to gain many benefits from Malaysian certification ISO 14001 EMS such as presenting high corporate image, minimizing waste and cost of production, enhance customer satisfaction and productivity, better goodwill, increase market share, and also profitability (Hasan and Ali, 2015). Thus, it can be concluded that, a good management of EM strategy will result in superior SMEs’ performance and gain business sustainability in high competition environment.

Relationship between EM Strategies towards SME Firms’ Performance

Based on previous justification, this study proposes a conceptual framework (Figure 1) explaining the relationship between the constructs of EM strategy and firms performance. This paper highlights the significant functions of 4Ps in delivering EM strategy in achieving superior firms’ performance.
Polonsky and Song-turner (2016) examined the traditional 4Ps (product, price, place/distribution and promotion). The product is considered as a value offered by the firms to their targeted consumers. Thus, the destruction effects from products’ creation are something that must be concerned by the firms (Polonsky, et al. 2003). To critically manage the destruction effects, firms should re-examine their product features and redesign their products by considering green characteristics such as produce natural, organic, eco-savings and eco-friendliness products, and also look for the other companies’ environmental R&D efforts. On the other hand, price is a value offered to the consumers that influence the market demand and a key-positioning driver against competitors. Fishman (1998) identified the price of products reduced when firms applied sustainability process due to the lower costs in production process. However, contradict results found by Polonsky and Song-turner (2016) stated that most companies set a higher price to project image of high quality and performance of green product offerings.

In terms of promotion strategy, Belz and Peattie (2009) recommended twofold focuses for sustainability marketing communications, which are to communicate with the consumer about the sustainability solutions the company provides through its products, and to communicate with the consumer and other stakeholders about the company as a whole. Here, the communication about the characteristics of green formulation in products innovation must be delivered simultaneously to the customers as well as to the other stakeholders. Then, the last EM strategy, which is place, plays an important function by delivering the product or service available for use or consumption without destructing the environment. Thus, it is needed to remain physical distribution activities involving optimal resource planning for inbound, outbound, and reverse logistics (Neto et al., 2008).

The key concept of the implementation of EM strategy is a good management of resources. The firms must ensure the execution process of EM strategy will be transformed into positive return (profit) in the future. The performance of the firms in gaining competitive advantage is closely related on how they manage the resources effectively (Richey et al., 2014). Therefore, the present study confirm both theories of Natural Resource-Based View (NRBV) and Resource-Advantage Theory (R-A) that indicate the firm’s competitive advantage can be sustained when the firm continuously meet or exceed the expectations and demands of customers (Hunt and Morgan, 1996). Hence, the proposed model is a necessary condition for marketers to optimally drive sustainability marketing and accelerate more sustainable consumption that is a marketplace norm rather than a niche.
Conclusion
The environmental issues direct the marketers to restructure their marketing strategy in more suitable manner. Business sustainability is not only focuses on satisfying the market demand and respond to the competitions, however, delivering social value by securing the environment is the current necessary businesses’ objectives. Given the importance of sustainability in today’s competitive marketplace, this study develop conceptual framework of enviropreneurial marketing strategy to enhance the SMEs’ performance in terms of business sustainability as well as delivering environmental value towards the society.

In this paper, two theories are justified to understand the concept of enviropreneurial marketing from the perspective of managing resources effectively. The literature is beneficial to gain additional insight and add knowledge for this conceptual paper. The previous justifications explained on the theories of Natural Resource-Based View (NRBV) and Resource-Advantage (R-A) theory. NRBV theory was focused on the need of managing the resources effectively for the purpose to achieved strategic competitive advantage by concerning on the importance of natural environment and social obligations (Hart, 1995). Three main strategies have been highlighted in order to incorporate the business operations and environmental sustainability that consist of ,i) pollution prevention, ii) product stewardship and iii) sustainable development. All these three strategies must be conducted based on existing business condition that align with the environmental driving forces.

The second theory, which is R-A theory critically explains on the way of managing resources effectively in segmenting the right target market through market segmentation in order to gain competitive advantage (Hunt, 1977). This theory confirms on the need of well management of resources to create unique resources and enhance capabilities with the aim to create competitive advantage in the marketplace. With the integration of these two theories, SMEs are expected to conduct marketing strategies that focus on product strategy, pricing strategy, promotion strategy and place or distribution strategy that align with the environmental strategy and careful management in terms of resources. Based on the literature, it was found that careful execution plan of EM strategy into marketing strategies (product, price, promotion and place) give positive remark on the firms’ performance in terms of enhancing customer satisfaction and increase the profitability of business in the long run. The sustainability of the business remains stronger when adapting environmental approach in marketing activities (Hasan and Ali, 2015; Polonsky and Song-turner, 2016). From an inductive perspective, taken together, the proposed conceptual framework provides a theoretical rationale that goes beyond competitiveness and profitability and will result in increase sustainability, or value for society at large.

Thus, this paper suggests to incorporate other elements of environmental capabilities in marketing perspective by emphasizing the role of EM strategy in SMEs’ business activities in terms of its product, price, promotion and place. The present study provides the platform for other researchers to provide more in-depth understanding of EM strategy. Therefore, it is suggested for future research to expand the concept of 4Ps in different contexts in other developing countries. The expansion of 4Ps is necessary to resolve future marketing constraints in achieving sustainability in business and meet future market demand (Pomering, 2017).
Theoretical Contributions and Managerial Implications

This study contributes to the body of knowledge by integrating two theories in developing conceptual framework of enviropreneurial marketing strategy. More specifically, this study incorporates Natural Resource Based View (NRBV) theory and Resource-Advantage (R-A) theory in four marketing strategies of product, price, promotion and place. The integration of these two theories resulted in managing the marketing strategies in effective and efficient way by adapting the innovation procedures to conduct sustainability practices by optimizing and recycling the natural resources. Prior studies focus on the innovation and development of sustainability practices in larger organization in developed countries (Doyle, 1998; Oxborrow and Brindley, 2013; Polonsky and Song-turner, 2016). Therefore, this paper attempts to fill the contextual gap by addressing the implementation of enviropreneurial marketing strategy in developing countries, which is Malaysia from the perspective of SMEs operations. The focus on SMEs is due to past studies identified that the implementation of environmental strategy in business operations is still low among SMEs (Hasan and Ali, 2015; Musa and Chinniah, 2016). Thus, this study contributes to the existing literature and shed some lights by narrowing this issue in small and medium enterprises.

Practically, the findings of this study draw the attention of managers and marketers on the impact of environmental marketing strategy towards the growth of SMEs in terms of gaining competitive advantage and well management of the resources (Markley and Davis, 2007). The existing literature demonstrates the important role of environmental practices in business operations and gives awareness to SMEs’ managers on the importance of achieving corporate environmental goal. It is proven that, the success factor of business is derived by the positive commitment of top management in delivering their environmental strategy (Banerjee et al., 2003). Therefore, the managers and marketers in SMEs need to explore new segmentation and positioning strategy by delivering environmental values in their production strategy such as adapting green formulation, eco-labeling, green packaging and green promotion to gain competitive business advantage in the long run.

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