

## Chapter 45

# The Role of Local Wisdom– Based E–Eco–Innovation to Promote Firms’ Marketing Performance

**Vincent Didiek Wiet Aryanto**  
*Universitas Dian Nuswantoro, Indonesia*

### ABSTRACT

*This study aims at investigating the effect of market orientation on local wisdom-based e-eco-innovation as mediating variable to the Small and Medium Enterprises’ marketing performance. Model and hypotheses testing were undertaken by means of SEM (Structural Equation Modeling) Amos version 23. A total of 250 questionnaires were distributed among the three industrial clusters, however, 189 was valid to be further followed up. The findings were market orientation has significant effect on local wisdom-based e-eco-innovation, market orientation has significant effect on firm’s marketing performance and local wisdom-based e-eco-innovation has significant effect on firm’s marketing performance. The study has provided some empirical evidence that the development of local wisdom-based e-eco-innovation particularly in developing countries, enhance the SMEs marketing performance.*

### INTRODUCTION

Currently, Batik is the Indonesian traditional textile, it is recognized by the UNESCO to be one of the world heritages that must be preserved. Batik itself is an art of hand-painting, formerly, by means of natural dyes, originated from leaves, tree bark, and root of a particular bush and tree. The way the Batik craftsmen carry out to produce their products used to be in accordance with the local wisdom. The waste disposal was treated in accordance with natural conservation, since they dye their batik products to adopt the do and don’ts of the local taboo and wisdom. In contrast, nowadays with the need to engage in mass production, the batik artisans prefer to use synthetic dyes that give more glaring effect of batik color.

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The batik craftsmen tend to abandon local wisdom and shift their production to mass and fast moving technique for coloring the batik. In result, the way they dispose the waste with the high toxic chemical substances, pollute the river and so the sea coastal area. Those generates externalities cost shouldered by people at the polluted area, for instance the fishermen, the peasants or even the society at large that use the public tap water, prone to have been exposed by hazardous substance direct or indirectly that could endanger their health and quality of life. Hermawan & Yoshanti (2016) conduct research in Jenes River in Surakarta Indonesia; they find out that the river totally deteriorated because of the waste disposal from the batik industries along the water stream. Therefore, the clamor to have green and clean production, needless to say is imperative. Local knowledge and wisdom that has been the tradition from time immemorial, inherited by the ancestors must be preserved, revived and carried out to produce the green and sustainable way of doing business.

So far, the development of green batik or batik with natural dyes is limited in small and medium enterprises clusters, however it is potential to be developed and disseminated to other batik craftsmen to shift their production to be more sustainable and green way of production, and marketing. Eco-Innovation is believed to enable to promote more greener and sustainable way in business practices. In so doing, SMEs tend to be less bureaucratic than large companies, concept and tools such as cradle to cradle, life-cycle-analysis are usually used systematically during the process of eco-innovation, the internal generation of ideas are often occurring in informal ways, allowing SMEs to try out their own the ideas of eco-innovation (Bocken et al, 2014).

Triguero et al (2013) on their study in European countries reveal that SMEs entrepreneurs who address importance collaboration with research institutes, agencies and universities to enhance market demand for green products are more effective in all types of eco-innovations. In addition, their findings mention that market share only has significant positive influence on eco-product and eco-organizational innovations, whereas, cost savings are significant for eco-process innovations. Brasil et al, (2016) on their eco-innovation study in textile sector in Brazil find out that each type of eco-innovation has its own attributes, determinants and contributions to business performance. Brasil's study confirms that implementing eco-innovation has significant effect on the promotion of business performance. Taking into account, research question of this study aims at revealing the effect for implementing local wisdom-based e-eco-innovation to the marketing performance as a part of business performance of the SMEs' Batik artisan industries in Central Java Indonesia.

## **THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT**

Conceptually, Eco-Innovation is still a dispersed topic in marketing studies; more studies are needed to address eco-innovation from an integrated point of view. Getting to know its application to the small and medium enterprises is lacking. The utilization of greener resources, its deployment and sustainable process of system (resources, actors, actions) to set up new method of sustainable way in doing business. To fill the gap with the previous studies undertaken by other researchers, we adopt the use of ICT (Information and Communication Technology) coupled with local wisdom. This research is not only contributed to the body of science, per se, but also dedicated as a community services approach to the batik industrial community.

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