

The Mediating Effect of Firm Characteristics on the Relationship Between Green Marketing and Sustainability Performance: A Critical Review of the Literature and Research Agenda

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Abstract

Firms are beginning to determine how the adoption of green marketing can benefit or harm their sustainability performance. The application of green marketing which implies numerous changes in approach, which primarily relate to the modification of the basic elements of the marketing mix have taken strategic importance. This study paper aims to conceptualize and examine the empirical literature, theoretical and methodological gaps and propose conceptual framework for implementation of relationship between green marketing and sustainability performance. The theories underpinning the study are; Social Marketing theory, stakeholder's theory and agency theory. The study proposes positivism philosophy as the most suitable philosophy in a bid to quantify the relationship between the constructs under the study. Descriptive research design will be used. Semi structured questionnaire will be used for data collection. Multiple linear regression model will be used for data analysis. Factor analysis will also be employed for testing indicators of green marketing and sustainability performance. Both descriptive and inferential statistics will be proposed for data analysis. Though the study was conducted on green marketing and sustainability performance, similar studies should be conducted on other variables apart from the ones discussed to show their relationship and also include various contextual aspects. Further studies should also consider other mediating and moderating variables apart from the ones proposed under this study

Keywords: Green marketing, sustainability performance and firm characteristics

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1. Introduction

The beginning of green marketing dates back to the 1960s, when ecological perspective of marketing was developed. Although the green marketing concept has evolved since 1960s and early 1970s with increasing concern about the impact of consumption and production patterns on the environment it has received significant attention from late 1980s with an increase in the level of green consumerism.

According to Çankaya and Sezen, (2019), green marketing practices implies cooperation between suppliers and sellers, partners as well as rivals, in order to achieve environmentally sustainable development throughout the entire value chain, while at the same time, it internally calls for the cooperation of all business functions in finding the best possible solutions for two major guiding principles: profit and long-term, positive contributions to the environment society and the natural surroundings. To raise organizations sales turnover and profitability, the age and size of the firm which are encompasses parts of internal environmental aspects is a factor of consideration (Gakii & Maina, 2019).

Over the last decade alone, consumption of goods and services has increased tremendously across the world, leading to depletion of natural resources and severe damage to the environment (Annamalai, Kumar, Jothikumar, & Hung, 2018). Consequently, the role of business in society has been a concern both of scholars and practitioners for a long time (Salzmann et al., 2005) as firms also begin to determine how the adoption of "green" marketing can benefit or harm their sustainability performance (Leonidou, Wahab, Zainon, & Obaid, 2016). Though there is an increasing trend and demand for organizations to demonstrate transparency and accountability, firms have been unable to show their sustainability performance hence fail to maintain their position in societies on good terms with all stakeholders.

The purpose of the study was to conceptualize the literature on the constructs of green marketing and sustainability performance. Secondly, empirical literature on the relationship between green marketing and sustainability performance was critically reviewed. Lastly the study proposed a methodology, conceptual model on the relationship between green marketing and sustainability performance and recommended hypothesis formulated

2. Conceptualization of key constructs

The main constructs conceptualized on this section that are emerging from this study include green marketing and sustainability performance.

2.1 Green Marketing

The concept of green marketing concerns protection of ecological environment. Brands illustrate how they change their missions and practices from revenue-driven to environmentally aware by business processes that have the least impact on the environment as possible (Banerjee, 2013). In the tradition of green marketing, brands launch eco-friendly products or create the corresponding environment around them by using eco-friendly packaging or refuse from it, make products recyclable and reusable, use green energy for product production, design products from recycled materials to reduce waste, choose local selling to reduce transportation energy, and more.

The marketing concept is guided by 4Ps namely; product, price, promotion, place. Chan, (2013) noted that in the extended marketing mix, however, three additional Ps comprise the framework, namely, people, physical evidence, and process; thus, the structure is termed as the 7Ps framework. As underscored by the green marketing philosophy, each element in the marketing mix must convey “greenness” at every step of the process from product development to product launch.

2.2 Sustainability performance

Fund, (2012), indicated sustainability performance as being the process of managing an organization by considering three different aspects; economic, social and environmental metrics. It may also be referred to as the triple bottom line approach. Vezzoli and Manzini (2008), proposed a sustainable value creation framework based on a notion that business can create shareholder value by addressing sustainability challenges. They discussed four dimensions of a sustainable business strategy as being preventing pollution, product stewardship, clean technology and base of the pyramid. Banerjee (2013), emphasized that the concept of sustainability is based on long-term thinking, not a short-term perspective. Thus, any data used to reflect the relationship between sustainability and financial performance may not reveal any significant insights. This is not only about appreciating the need for social or environmental consciousness, it is about paradigm shift in the mind-sets of managers (Rich, 2014).

3. Theories anchoring the study

The study was anchored using social marketing theory, stakeholder’s theory and the agency theory;

- a) Social marketing theory was developed by Snyder in the early 1970s. SMT posits that people will adopt the new behaviour or idea if they are convinced that they stand to gain something of value by doing so (Wiebe, 1951; Kotler and Zaltman 1971). The theory is an attempt to clearly understand how societal and psychological factors work to successfully manipulate them in order to increase how effective mass media information campaigns are. The theory focuses on helping identify the various social and psychological barriers that hinder the flow of information through the mass media and offers ideas and ways to overcome these barriers. These strategies range from being indigenous to the use of saturation advertising. The theory key concepts include; behavioral change, exchange (profit and customer satisfaction) and consumer orientation.
- b) The stakeholder theory was introduced in 1963 by Edward Freeman. Originally, the stakeholder concept was defined to include those persons who without their support a company would cease to exist (Donaldson, 1995). Stakeholder theory is business ethics and organizational management theory that addresses the values and morals in organization management. A stakeholder analysis process was defined by Mansell (2013) as a process of giving insights into understanding of the interaction between stakeholder and a project. The stakeholder analysis is a tool that helps project members categorize and prioritize stakeholders who play an important role in project success. The theory is important to the study as it demonstrate that every legal person or group taking part in green marketing, does so to get benefits, and that the priority of the interests of all legal stakeholders is not obvious (Mansell 2013). He further argues that, even though stakeholder theory is instrumental and descriptive, it is more profoundly normative. Stakeholders in firms in Kenya are well-defined by their interests and all interests of stakeholders are said to be fundamentally valuable. Stakeholder theory is managerial and can be used to recommend attitudes, structures, and practices in Kenya and needs that coinciding attention be accorded to the interests of all authorized stakeholders.
- c) Agency theory was developed by Jensen and Meckling (1976), and specifically designed to capture the essence of the principal-agent relationship. Agency Theory deals with the frequent situation when one person (the agent) acts on behalf of another person (the principal), for example between managers and their subordinates, between shareholders and management, and between management and the wider public (Schaltegger & Wagner, 2006). It points out that in these situations the usual assumption of rational selfinterest implies a potential problem of moral hazard since the agent may be motivated to take actions that are not in the principal’s best interest and that this can easily occur if the agent is privy to information which is not equally available to the principal (information asymmetry). Agency theory has been used chiefly in this study to analyze the behavior of firms implementing green marketing for-profit making and sustainability performance, many of the insights of this perspective can be applied to any situation in which cooperative behavior which is necessary to achieve a desired goal. The theory puts this into the context of a wider range of agents in a firms than only those with a direct contractual or fiduciary relationship.

4. Empirical review

According to Sezen and Cankaya (2013) studied effects of green manufacturing and eco-innovation on sustainability performance, green manufacturing applications has a significant positive impact on environmental performance and social performance. Data for the study was collected through a questionnaire-based survey across 53 companies from automotive, chemistry and electronic sectors in Turkey. The empirical model was tested using regression analysis, to verify the hypothetical relationships of the study. Additionally, Sindri (2013) examined the green Manufacturing and its impact on business sustainability. The study presented an exploratory study of the relationships between specific environmentally sustainable manufacturing practices. It addresses the present problems which were compelling industries to adopt green manufacturing processes and its contribution towards a sustainable environment. Findings suggest that environmentally sustainable manufacturing practices were positively associated with competitive outcomes.

Moreover, Christoffersen *et al.*, (2013) carried a study on business sustainability's impact on earnings. The study restricted its attention to the original bottom line, Earnings per Share, and the Environmental bottom line of conserving resources. Focusing on the health care sector, the study found a clear relationship between earning and the adoption of sustainable practices. Lagas (2015) investigated the five benefits of embracing sustainability and green manufacturing. The study noted that embracing sustainable and green principles is not just a trend. Cultivating sustainable and green practices helps organizations become more efficient, competitive and profitable. It's more than simply "a good thing to do." Further, the study highlighted that, in manufacturing world, it is advantageous to focus on both green and sustainability.

Further, Jennings *et al.*, (2016) investigated advancing sustainability through urban green space noted that the green spaces benefits were not equitably distributed across diverse urban populations. Also it was noted that to achieve health equity and promote physical and psychological well-being, it is critical for all communities to have access to the cultural ecosystem services that influence social determinants of health (Kumar, 2015). Despite growing research supporting nature's role as a health amenity, several review articles show that green spaces and corresponding ecosystem services are not equitably distributed across urban populations (Morelli, 2011). A study by Bour *et al.*, (2019) analysed that the distribution of street trees found that neighbourhoods with more lowincome households, African Americans, and renters tended to have less tree cover than neighbourhoods with more affluent, white, home-owners.

Finally, a study by Kardos *et al.*, (2019) on integrative vision and green marketing roles in informing, raising awareness, educating, and changing consumer behaviour towards sustainability and eco-preneurship and to highlight the results of research regarding Plant Bottle green packaging's impact on the environmental responsibility of young consumers. The research was conducted based on a survey, and data were processed with statistical methods. The research results validate a set of hypotheses regarding: Romanian consumers' lack of information leading to environmental responsibility; the impact of environmental information and awareness on green responsible behaviour; and the need to intensify efforts towards environmental responsibility. By the novelty of the research, which was conducted in a country that has rather recently become preoccupied with sustainability issues (Rahman *et al.*, 2016).

5. Proposed hypothesis

The study will be guided by the following proposed research hypothesis.

H₀₁: Green production has no statistical significant effect on sustainability performance

H₀₂: Firm characteristics has no statistical significant mediating effect on the relationship between green marketing and sustainability performance

6. Proposed Methodology

This study proposes positivism philosophy as the most suitable philosophy. Positivism assumes observer during the study and data collection is independent from what is observed and being measured thus it is objectively done (Mugenda & Mugenda, 2003). Correlational research design and descriptive survey design are the proposed research designs. The decision to choose the two designs are influenced by the inclusion of inferential and descriptive data analysis in the study. A five point Linkert scale semistructured questionnaire data collection method will be used whereby they will be administered via drop and pick for data collection and stratified random sampling technique used. Data will be analyzed and presented using tables and numerical figured.

7. Conclusions and Recommendation.

7.1 Conclusions

Based on the theories and models discussed, the study concludes that social marketing theory, theory of planned behavior, theory of reasoned action, resource based theory, stakeholder's theory and agency theory are significant theories that are used for discussion of green marketing and sustainability performance. From the empirical and theoretical gap, the study proposes green marketing as an independent variable (green production and product,

green price, green place and green promotion), while sustainability performance is dependent variable with green regulation as a moderating variable and firm size as mediating variable.

The study proposed a knowledge gap in the area of green marketing and sustainability performance. This shows the importance of sustainability performance in the very competitive fast moving consumer goods sector. Therefore, green marketing has a significant relationship with sustainability performance. Further the study proposes contributions in the field of green marketing and sustainability performance by pointing out measures of green marketing and sustainability performance.

7.2 Recommendations

The study was conducted on green marketing and sustainability performance but similar studies should be conducted on other variables apart from the ones discussed to show their relationship and also including other conceptual aspects. In view of the cut-throat competition in the FMGC sector as well as other industries, Organizations should consider other initiatives other than green marketing to achieve sustainability performance. The study also recommends further studies to bring out other measures of green marketing and sustainability performance other than the ones proposed by the study. Lastly, the other studies should consider bringing in other mediating and moderating variables other than those proposed for this study.

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