

The Role of Green Organizational Culture Based on Tri Hita Karana in Increasing Green Innovation and Sustainable Competitive Advantage Small and Medium Enterprises in Denpasar City

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ARTICLE INFO	ABSTRACT
Published Online: 28 September 2024	Small and Medium Enterprises (SMEs) in Denpasar City, in addition to having a positive impact on stakeholders and contributing to the national economy, are also often perceived by some people as parties responsible for various environmental damage phenomena including environmental pollution, air pollution and global warming. This study aims to develop and test a theoretical model that empirically examines how green organizational culture based on local wisdom in the Tri Hita Karana perspective influences sustainable competitive advantage in the context of SMEs. In addition, this study also statistically explores the research model and the mediating role of green innovation that has previously received little attention. This study uses a quantitative approach using a survey of 95 respondents. Data were collected from a convenient field survey using a closed questionnaire from SME actors related to the direct responsibility of business activities towards environmental aspects in the city of Denpasar Bali-Indonesia. A structural equation modeling approach was used to achieve the research objectives. The results showed that green organizational culture based on Tri Hita Karana is a significant predictor of sustainable competitive advantage in this study. Furthermore, the findings reveal that green innovation fully mediates the relationship between green organizational culture based on Tri Hita Karana and sustainable competitive advantage.
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I. INTRODUCTION

Organizations are increasingly incorporating sustainability into their plans and activities as society's awareness and concern for improving environmental sustainability increases (Ikram et al., 2019; Abid et al., 2021). As decision makers face growing public sensitivity, stricter environmental laws, and increasing shareholder pressure to protect the natural environment, performance issues are becoming more relevant to organizations (Wang, 2019). However, industrialists, environmental policy makers, corporate executives, and academics now agree that environmental degradation impacts organizational performance (Kraus et al., 2020). Many studies have investigated the development of managerial skills and attributes that enhance organizational effectiveness, including economic and environmental performance (Dzhengiz & Niesten, 2020). Organizations are increasingly under pressure to develop and implement innovative and long-term solutions both within their organizations and across their supply chain networks (Neutzling et al., 2018).

Organizations should focus on environmental and nature conservation activities due to various performance issues that have been identified. In the past few decades, industry practitioners and academics have been motivated by the desire to bring attention to "green" issues (Vallaster et al., 2018). Researchers have progressively shifted their focus from the overall discussion to concepts such as green HRM practices (Chakraborty & Biswas, 2020), green supply chain management practices (Tan et al., 2016), green supply chain performance (Cherrafi et al., 2018), green bonds (Li et al., 2018), and green innovation (Zhao et al., 2021). Due to climate change, business patterns are evolving rapidly across the globe. Generating profits and gaining competitive advantage is not enough; organizations must also be accountable for their environmental impacts.

Next, this study focuses on green organizational practices (green organizational culture) used to assess organizational performance. Green organizational practices refer to environmental conservation and create a sustainable future.

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Green practices influence how things are done within a company, thus generating profits (Perez-Valls et al., 2016). Thus, green practices should be closely linked to critical management and organizational activities (Helfat et al., 2007). These processes should be based on established procedures to identify and take full advantage of opportunities and adapt to environmental adversities.

Green culture is an environmental ideology that aims to promote sustainable economic and ecological development based on science, politics, and aesthetics. Several decades ago, companies began to consider a green culture approach in carrying out corporate social responsibility. Related to the world with the environment, various companies choose to adopt ecological business practices. Companies need to adopt this approach because in this way they can protect the environment and reduce pollution. Previous empirical evidence has successfully confirmed that increasing organizational competitiveness and performance can be done through green organizational culture (Yang et al., 2017 and (Chandra et al., 2021). In addition, several studies have shown that having an environmentally friendly organizational culture will significantly improve organizational performance (Wang, 2019). Although various studies have linked green organizational culture to company performance, researchers continue to concentrate on this relationship due to the lack of definitive findings (Muisyo & Qin, 2021). Furthermore, it was found that there was no clear relationship between green organizational culture and organizational performance (Shahzad et al., 2020; Imran & Ismail, 2021).

Environmental management is becoming increasingly important in the business world, and it has become an integral element in their strategies and perspectives (Wang & Juo, 2021). According to Li et al. (2018), green innovation can help organizations achieve better results by lowering production costs and increasing economic efficiency (Ghisellini et al., 2016). Therefore, environmental efforts are often important for long-term performance (Ainin et al., 2016). Affifah et.al (2021) explained that companies face increasing pressure to be more environmentally friendly from stakeholders (consumers/buyers, investors, bankers, NGOs, etc.) to reduce their negative impacts on the environment. Companies must strive to overcome these pressures in many industries as they seek to remain competitive in similar industries. One strategy is through the implementation of corporate social responsibility (CSR). Based on this view, conceptually it can be explained that CSR implementation activities are strongly correlated with an

environmentally friendly organizational culture, that CSR can also be stimulated when companies are faced with mistakes in carrying out environmentally friendly movements or when companies consider sustainability goals (Tang et al., 2016). Empirical evidence shows that environmentally friendly innovation is very important for achieving long-term performance (Awan et al., 2019; Imran et al., 2021).

The pressure from stakeholders has made the sustainability agenda focus mostly on large companies (Chege & Wang, 2020; Singh & Misra, 2021). This has caused research on the topic of sustainability to focus more on large and multinational companies (Westman et al., 2019), but relatively little research has examined how SMEs practice sustainability contexts (Marfo et al., 2022). As an organization, Small and Medium Enterprises (SMEs) have a major influence on the Indonesian economy. This extraordinary role is inseparable from its contribution reaching 61.9% of Gross Domestic Product (GDP) and being able to absorb 97% of the workforce. (Limanseto, 2023). However, behind this extraordinary contribution, Indonesia is currently faced with the fact of environmental damage caused by business activities carried out by SMEs. (Suzantho & Hadi, 2019). This is an open opportunity to conduct research on sustainability aspects in the SME sector, especially SMEs whose operational activities have a direct impact on the environment, such as the tofu industry, livestock and so on.

This research was conducted to fill the gap in previous research, by developing green innovation as a mediating variable that can further clarify the relationship between green organizational culture and competitive advantage. Furthermore Tahir et al., (2019) in his literature study stated that no research had been found that tested by internalizing green organizational culture embedded in local culture. Based on this view, the researcher then developed the concept of green organizational culture based on local wisdom. Schein's organizational culture theory (2017) reaffirms that organizational culture is a pattern that contains basic assumptions that are realized and learned by group members in relation to solving organizational problems. One of the local wisdom values used in this study is the Tri Hita Karana (THK) culture. The THK concept is a concept of harmonizing relationships that are always maintained by the Balinese Hindu community which includes parahyangan (human relations with God), pawongan (human relations), and palemahan (human relations with the environment) (Pramesti and Handayani, 2020).

justified that green organizational culture and green innovation can be capitalized as intangible assets in enhancing its competitive advantage.

Competitive Advantage

Competitive advantage is something that every company, even every product, seeks in the competition it enters.

II. LITERATURE REVIEW

This study uses the Resource Based View (RBV) Theory as a grand theory. The Resource Based View (RBVI) Theory was introduced by Barney in 1991. This theory explains that internal resources in the form of intellectual capital are the main factors that can increase competitiveness as a Sustainable Competitive Advantage (Satya & Pramuki, 2021). It can be

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Competitive advantage becomes very important when a company enters a very competitive market. (Pramuki & Kusumawati, 2020). Sustainable competitive advantage is the result of an appropriate strategy formulation and implementation, which is rooted in three dimensions of strategic management practices, namely in the success of efforts to build a basis for competition, a way to compete, and superior management of the competition arena. As a basis for competition rooted in the selection of appropriate assets, utilization of competencies, and appropriate capabilities. Its relationship with the way to compete will refer to the selection of functional strategies, strategic decisions, and their implementation. The competition arena shows the dimensions of products, markets, and competitors. (Afiyati et al., 2019; Nusandini & Nugraha, 2020).

Green Organizational Culture based on THK.

The terms to describe the concept of green organizational culture have varied, including eco-friendly culture, sustainability-oriented culture, etc., which are mainly based on the extension of organizational culture to a green-oriented context. For example, Norton et al. (2015) defined a pro-environmental organizational culture when they extended Schein's (1990) definition of organizational culture to meet the practical and perceptual criteria of working in a business with the premise of environmental conservation and protection. This is a widely accepted approach that we follow by defining green organizational culture as a set of collectively shared beliefs, values, perspectives, norms, and even practices that guide organizational members to behave well toward the external environment during the economic business process. Green organizational culture is one of the most debated topics by both the general public and the elite in the society. The concept of green culture is largely related to realizing and achieving ecological balance (Mohezara et al., 2016). It involves the environment and society so that green culture is necessary because it encourages ecological development and sustainable economic growth based on politics, science and aesthetics (Galpin et al., 2015). Through globalization, different countries have experienced the benefits of adopting green tendencies and have incorporated these practices into their organizational culture. Most organizations are restructuring their culture to accommodate new factors on issues such as the environment, behavior and attitudes related to environmental issues (Firoz and Abinakad, 2016).

The culture run by a company or organization is generally developed based on basic assumption patterns discovered or developed by the company as they learn to solve problems, adapt to the external environment, and integrate with the internal environment (Schein, 1985). Some organizational cultures based on local values are Tri Hita Karana (THK) for example. Putera & Supartha (2014) explain that forming a THK cultural attitude is not easy for an ecological wisdom activity that requires a balanced and harmonious state between activities and the environment. This condition requires peace

and prosperity which are the basis of the desired balance and harmony by combining all components and elements of the culture owned. Combining all components and elements is not easy, it takes a container/place to bind all of that into one goal and the same thought, this is the role of an organization to bind and direct society to achieve all of that. Organizations are formed because humans realize that in order to be able to relate to other people and to fulfill humans for socializing (Winardi, 2007). Organizations have attitudes and behaviors that are inseparable from the values adopted by human resources. Attitudes and behaviors within an organization reflect the organizational culture.

Green Innovation

Green innovation is the development of new products and changes in production processes or methods that are more environmentally friendly (Oxborrow & Brindley, 2013). There are three types of green innovation, namely eco-process, eco-product, and eco-organizational innovation (Triguero et al., 2013). Eco-process innovation involves new elements that are implemented into the production system to produce environmentally friendly products (Negny et al., 2012). Furthermore, eco-process innovation refers to “improving existing production processes or adding new processes to reduce environmental impacts” (Negny et al., 2012). Eco-product innovation refers to improving products or developing new products that have minimal impact on the environment (Peng & Liu, 2016).

Green innovation can be used as an appropriate environmental approach to improve environmental efficiency, environmental protection, and waste management (Chen et al., 2006) Green innovation not only improves processes, products, and organizations by improving technological capabilities, but can also prevent pollution and save energy. Green innovation is a mechanism that can minimize industrial pollution and reduce environmental impacts that can harm the company (Wong, 2014). So basically it is divided into two, namely Green Product Innovation and Green Process Innovation.

The Influence of THK-based Green Organizational Culture on Innovation and Competitive Advantage.

Green organizational culture can stimulate competitive advantage among organizational members because it can make them accept environmental issues as the core values of the organization (Bansal, 2003). In other words, a strong green organizational culture helps employees understand the company's environmental strategy. Thus, employees can know whether green organizational culture is part of the company's core values. Through activities and policies, companies can generate environmental conservation values, which will then generate competitive advantage (Qi et al., 2012).

When the culture run by a company or organization can generally integrate with the internal environment in the values of local wisdom in this case Tri Hita Karana (THK). Tri Hita Karana is a Balinese philosophical concept meaning “three

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causes of happiness,” covering three main aspects: the harmonious relationship between humans and God (Parahyangan), humans with humans (Pawongan), and humans with the natural environment (Palemahan). Green organizational culture based on Tri Hita Karana encourages innovation by strengthening the harmonious relationship between humans and the environment. This concept not only promotes environmental sustainability, but also facilitates the creation of innovation in various sectors through a holistic sustainability approach. Such a green organizational culture strategy can help differentiate the company's competitive advantage from environmentally friendly values that are significantly in the minds of consumers. In addition, increasing the environmentally friendly orientation in organizational culture can help companies build a better image in the eyes of the public (Leonidou et al., 2015). In addition, there have been several studies that prove the ability of green organizational culture to drive a company's competitive advantage (Chandra et al., 2021; Gürlek & Tuna, 2018; Wang, 2019).

Organizations must build a green organizational culture and participate in encouraging green innovation to gain and maintain competitive advantage. According to (Scholz & Voracek, 2016), companies can contribute to environmental sustainability by building a green organizational culture within their organization. In addition, organizations need a culture that encourages the development of innovative operations. For example, if their goal is to promote green innovation, they should make it a point to convey their green values throughout the organization. Given that it affects the company and its employees (Gürlek & Tuna, 2018), a green organizational culture is essential for the successful implementation of green innovation. (Küçükoğlu & Pınar, 2016) examined the relevance of green organizational culture as an antecedent of green innovation. Following the results of their study, they concluded that having an environmentally conscious organizational culture has a significant and positive influence on green innovation. According to Sepahvand et al. 2022 green organizational culture can improve the performance of an organization's green product innovation efforts in a green environment. According to recent studies, organizational culture can be viewed as an important influencing factor in green innovation (Gürlek & Tuna, 2018; Imran & Jingzu, 2022; Wang, 2019)

- H1. Green organizational culture based on Tri Hita Karana has a positive influence on green innovation
- H2. Green organizational culture based on Tri Hita Karana has a positive influence on excellence competitive

The Impact of Green Innovation on Competitive Advantage

Green innovation is only implemented when organizations think that it will generate financial benefits, operational improvements, and increase their competitive advantage (El-Kassar & Singh, 2019). Green innovation will certainly

improve the environmental and overall organizational performance (Weng et al., 2015). Green innovation is divided into two categories: green products and green processes. Green product innovation refers to the development of new products or services without negative environmental impacts other than existing products (Paul et al., 2014).

Previous studies have noted the positive role that green innovation may play in enhancing competitive advantage. Referring to the push and pull mechanism for eco-innovation. Bai et al (2019) found that firms implementing green innovation can obtain product premiums to offset environmental governance costs. As a proactive response to the green consumption trend, green innovation signals a firm's concern for social responsibility and consumer demand; it is this concern for stakeholders that helps maintain or enhance market reputation (Huang & Li, 2017). Thus, based on the first-mover advantage and legality advantage, a firm can achieve a “win-win” situation of economic and social benefits through green innovation. Another study examining manufacturing firms, Roud & Thurner (2018) found that state-owned enterprises can exceed environmental regulatory requirements and gain more competitive resources by implementing green innovation.

Meanwhile, green process innovation improves current production processes and environmentally friendly technologies to create products and deliver services with minimal environmental impact (Tang et al., 2018). The implementation of green products and process innovations is related to successful business strategies and their environmental performance (Chiou et al., 2011). As stated by Zhang & Zhu (2019) in their study, green innovation with product and process innovation reduces energy use, pollution release, waste reprocessing, and green product strategies. In addition, for internal and external pressures, green products, including process innovation, have been shown to influence competitive improvement through strong environmental culture and values (Li et al., 2018; Wang, 2019). Overall, green innovation not only contributes to accumulating capital, technology, knowledge, and other resources, but also facilitates adaptation to increasingly stringent regulations and the global shift towards sustainable practices. Furthermore, many studies have shown that green innovation can increase competitive advantage (Gürlek & Tuna, 2018; Puspasari, 2020; Tu & Wu, 2021; Wang, 2019).

- H3 Green innovation has a positive impact on competitive advantage.

The Influence of Tri Hita Karana-BASED Green Organizational Culture on Competitive Advantage Mediated by Green Innovation

Green innovation is a priority for companies to gain competitive advantage. Although there has been a lot of research and development of environmentally friendly products, green innovation is still not recognized as a significant achievement. Companies are forced to adopt this

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strategy for business continuity, even though this can increase product development and construction costs (Altman et al., 2019). Wahyuningsih (2020) shows that Green Culture and Innovation. In addition, Organizational Green Culture also has a positive and significant effect on Green Performance through Green Innovation, as well as on Competitive Advantage through Green Innovation. In addition, Caroline & Devie (2014) showed a positive and significant relationship between Organizational Culture and entrepreneurial intensity, entrepreneurial intensity and competitive advantage, Organizational Culture and supply chain integration, supply chain integration and competitive advantage, and Organizational Culture and competitive advantage in financial

services companies in Surabaya. In addition, entrepreneurial intensity and supply chain integration act as significant intermediary variables between Organizational Culture and competitive advantage, indicating that the direct relationship between Organizational Culture and competitive advantage has a smaller effect than through entrepreneurial intensity and supply chain integration. Green Organization has a positive and significant effect on Green Performance, Competitive Advantage.

H4. Green Organizational Culture Base TKH has a positive effect on Competitive Advantage mediated by Green Innovation Behavior impact on competitive advantage

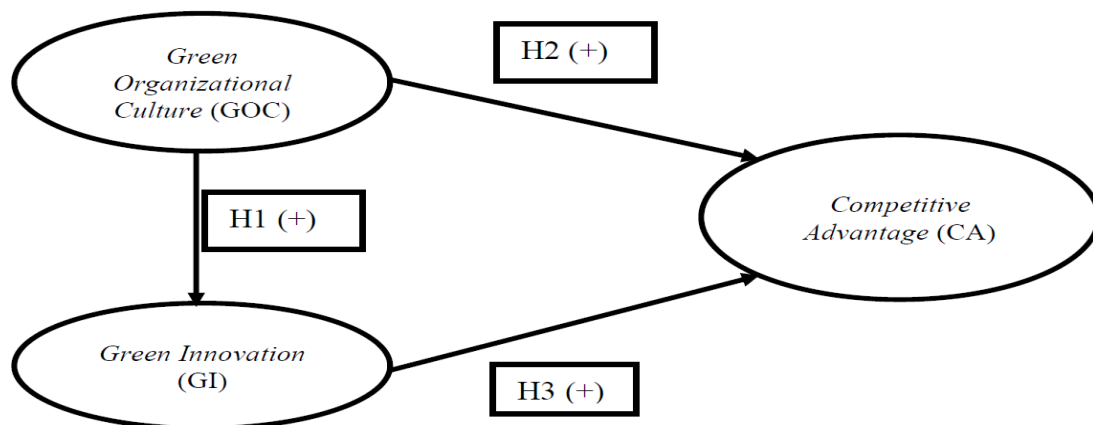


Fig.1 Conceptual Framework

III. METHOD

This study is an associative type with a survey approach, and uses quantitative research methods to analyze numerical data (Hair et al., 2015). The research sample consisted of 95 SME actors related to direct responsibility for business activities towards environmental aspects in the city of Denpasar Bali-Indonesia which was taken using convenience sampling techniques. Data were obtained through questionnaires that were distributed directly. The questionnaire instrument was designed based on the indicators used using a 5-point Likert scale for each item score. The instrument was tested on a small group to determine the feasibility and validity of each item. Then, the data analysis technique used the Structural Equation Model (SEM) analysis approach with the help of Smart-PLS software. SEM PLS which has its own reliability, namely more flexible, can be used in models with small sample size data, reflective and formative indicators (Hair et al., 2014) and (Ghozali, 2021). The SEM PLS analysis stages consist of three stages, namely: the measurement model evaluation stage (outer model), the structural model evaluation stage (inner model) and the significance test stage. (Ghozali & Latan, 2015)

IV. RESULT AND DISCUSSION

Data collection in the study was conducted using a survey method, where 95 SMEs in Denpasar City have responded by filling out the research questionnaire. All questionnaires were filled out completely and can be processed further. The characteristics of the respondents in this study are as follows: 1) the age characteristics of the respondents in this study were dominated by respondents under 30 years old as many as 48 respondents (45.7%), 2) the characteristics of the level of education of the respondents in this study were dominated by Diploma education levels as many as 59 respondents (62.1%), 3) the characteristics of the length of business of the respondents in this study were less than 5 years as many as 61 respondents (58.1%) 4) the characteristics of the gender of the respondents in this study were dominated by men as many as 48 respondents (50.5%). The table below shows the results of validity and reliability generated by PLS software. Convergent validity is indicated by the outer loading value of each indicator > 0.60, the AVE value must be above > 0.5. The results of data processing with PLS show that the average outer loading value of each indicator that forms the construct has a value above 0.60 and the Average Variance Extracted (AVE) value of all tested variables is above 0.5. The reliability of the processed data is indicated by composite reliability, with all values exceeding the limit of 0.7, and Cronbach alpha all exceeding

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0.8. Therefore, it can be concluded that the data from the processed sample is valid and reliable

Table 4.2 Outer Loading Values of Estimation Results after Execution

Variables	Indicator	Correlation Value	
Green Organizational Culture	X1.1	0,483	
	X1.2	0,537	
	X1.3	0,569	
	X1.4	0,586	
	X1.5	0,519	
Innovation	M1.3	0,526	
	M1.4	0,486	
	M1.5	0,506	
	M1.6	0,536	
	M1.7	0,533	
	M1.8	0,462	
	M1.9	0,515	
	M1.10	0,493	
	Competitive Advantage	Y1.1	0,489
		Y1.3	0,600
Y1.4		0,535	

Table 2. AVE, Composite Reliability and Cronbach Alpha Tests

Variables	Cronbach's Alpha	Composite Reliability	AVE
Green Organizational Culture	0.836	0.884	0.604
Innovation	0.857	0.889	0.501
Competitive Advantage	0.685	0.824	0.612

To be able to know the hypothesis support, the coefficient value that must be shown by the t-statistic analysis must be above 1.96. While for P-values must be less than 0.05 for the results to be significant.

Table 3. Path Analysis and Statistical Testin

Variables	Coefficient	T Statistics	P Values	Information
Green Organizational Culture -> Innovation	0.635	11,949	0,000	Significant
Green Organizational Culture -> Competitive Advantage	0.493	4,998	0,000	Significant
Innovation -> Competitive Advantage	0.235	2,208	0,014	Significant

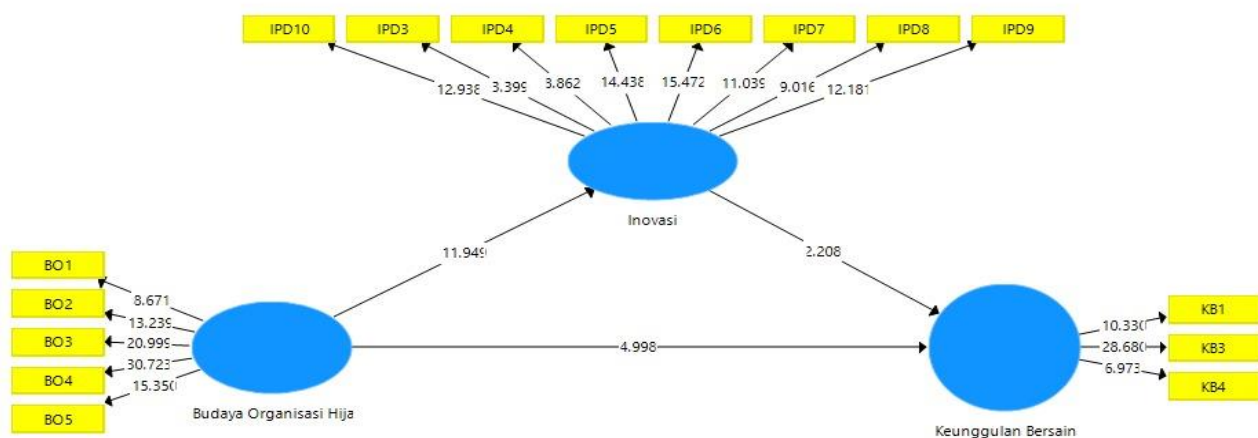


Figure 2. Path Analysis

The results of the study indicate that THK's green organizational culture has a positive influence of 0.635 on innovation, with a p value of 0.000 smaller than 0.05. So it can be concluded that green organizational culture has a

positive and significant effect on innovation. Green organizational culture has a positive influence of 0.493 on competitive advantage, with a p value of 0.000 smaller than 0.05. So it can be concluded that green organizational

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culture has a positive and significant effect on competitive advantage. Innovation has a positive influence of 0.235 on competitive advantage, with a p value of 0.014 smaller than

0.05. So it can be concluded that innovation has a positive and significant effect on competitive advantage.

Table 4. Testing of Mediating Variables

Variables	Coefficient	T Statistics	P Values
Green Organizational Culture -> Innovation -> Competitive Advantage	0.149	2,014	0.022

Based on Table 4 it shows that the estimated results of the path analysis of Green Organizational Culture -> Innovation -> Competitive Advantage are 0.149 with a p value of 0.022 which is smaller than 0.05, so it can be concluded that innovation is able to mediate the relationship between green organizational culture and innovation.

The influence of green organizational culture on innovation

Green organizational culture based on THK can increase innovation for SMEs. Green organizational culture based on THK has a positive impact on green innovation through various mechanisms. First, green organizational culture based on THK with dimensions of Prahyanan, Palemahan and Pawongan that focus on sustainability can encourage creativity, because the organization feels encouraged to think of innovative solutions in reducing the environmental impact of the organization. By integrating sustainability principles, organizations encourage employees to seek new solutions that are more efficient and environmentally friendly. This can create an atmosphere that supports creativity and innovative ideas, with a focus on sustainability, organizations may be more open to experimentation and learning from failure. This creates an environment where employees feel safe to try new ideas without fear of failure. By creating an environment that supports and prioritizes sustainability, companies can foster innovation that not only benefits their business but also has a positive impact on the environment and society. A strong green organizational culture not only improves the quality and quantity of innovation produced by a company but also strengthens its competitive position in the market by creating significant added value. This is in line with the findings of (Gürlek & Tuna, 2018; Imran & Jingzu, 2022; Wang, 2019) and Albrecht et al. (2022) which shows that green organizational culture drives innovation because companies focused on sustainability tend to seek new and better ways to manage resources, comply with environmental regulations, and meet market demand for environmentally friendly products. The combination of external pressures, the desire to operate efficiently, and the need to comply with environmental standards enhances a company's innovation capacity.

The influence of green organizational culture on competitive advantage

Green organizational culture based on THK is able to increase competitive advantage for SMEs. Based on the

results of testing and data analysis, the influence of green organizational culture on competitive advantage shows that green organizational culture is able to increase competitive advantage for business actors., indicates that implementing sustainability principles within an organization can provide substantial competitive advantage. A green organizational culture can provide significant competitive advantage by enhancing a company's reputation, driving innovation, operational efficiency, regulatory compliance, employee attraction, and access to new markets and partnerships. All of these factors contribute to a stronger competitive position and long-term sustainability for a company in an increasingly environmentally conscious global marketplace. Consumers are increasingly concerned about the environmental impact of the products and services they purchase. Companies with a strong green culture are often viewed as more responsible and can build greater trust with customers. Innovations in environmentally friendly processes, such as energy savings and waste reduction, often lead to reduced operating costs. These savings can be used for further investment in product development or quality improvement. The results of this study are consistent with previous findings showing that GOC can encourage increased competitive advantage (Chandra, Arafah, & Basri, 2021; Gürlek & Tuna, 2018; Wang, 2019) which found that green organizational culture not only contributes to environmental sustainability but also provides sustainable competitive advantage through operational efficiency, innovation, better reputation, and the ability to meet regulations and consumer preferences. Empirical research shows that companies that implement green practices tend to reduce costs, increase product differentiation, and create long-term value that allows them to survive and excel in competitive markets. Green innovation is a strategic approach that prioritizes the development of environmentally friendly products, processes, or business practices.

The influence of innovation on competitive advantage

Innovation can increase competitive advantage, implies that a company's ability to innovate directly affects its ability to compete in the market. Innovation allows companies to develop products and services that are unique and different from competitors. Innovative products often have additional features or benefits that are attractive to consumers. The innovation process often involves the development of new skills and enhancement of organizational capabilities, which can strengthen the overall competitive position. Innovation

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helps companies to be more responsive to changing market trends and technologies, allowing them to adjust strategies and products according to changing customer needs. Innovation has a significant impact on competitive advantage by helping companies differentiate themselves from competitors, increase efficiency, enter new markets, strengthen corporate image, and improve customer satisfaction. Through innovation, companies can maintain relevance, strengthen market position, and achieve long-term success. The results of this study are in line with the findings of Chiou et al. (2011), Doran and Ryan (2012) and Albort-Morant et al. (2016). Chiou et al. (2011) which shows that green innovation plays an important role in creating sustainable competitive advantage through increasing operational efficiency, product differentiation, and meeting the demands of environmentally conscious consumers. Green innovation also enables companies to meet increasingly stringent regulations, reduce costs, and strengthen their image and reputation, all of which contribute to long-term competitive advantage.

The influence of innovation in mediating the relationship between green organizational culture and competitive advantage

Innovation can mediate the relationship between green organizational culture and competitive advantage. Innovation plays a key role in mediating the relationship between green organizational culture and competitive advantage. Green culture creates the impetus and framework for environmentally friendly innovation, while successful innovation can directly enhance a firm's competitive advantage through product differentiation, operational efficiency, brand reputation, and access to new markets. In other words, innovation is the bridge that connects sustainability principles to sustainable competitive advantage. When a green organizational culture is implemented, firms often invest in innovation to achieve sustainability goals. This may include developing greener products, new technologies that reduce environmental impact, or more efficient operational methods. Innovative, environmentally friendly products can differentiate a firm from competitors and attract environmentally conscious consumers. Green innovation can strengthen a firm's reputation as a sustainability leader, enhance its brand image, and attract new customers. Innovation serves as a mechanism that transforms the values of a green organizational culture into tangible competitive advantages. Green culture creates the framework and impetus for innovation, while effective innovation transforms that framework into products, processes, and technologies that provide competitive advantage. For example, green culture encourages firms to design products with minimal environmental impact. Innovation in product design can increase the product's appeal in the marketplace and provide competitive advantage. The results of this study are in line with the

findings of Zailani et al. (2015), Yu et al. (2017) and Arfi et al. (2018) which show that green innovation acts as a mediator that connects green organizational culture with sustainable competitive advantage. Green culture encourages the creation of an environment that supports green innovation, which in turn helps companies achieve competitive advantage through increased operational efficiency, cost reduction, product differentiation, and compliance with environmental regulations. Green innovation enables companies to utilize green strategies to survive and thrive in the long term.

V. CONCLUSION, CONTRIBUTION AND SUGGESTION

Green organizational culture can increase innovation in MSME products, Green organizational culture can significantly enhance MSME product innovation by encouraging creativity, introducing new sustainable features, and differentiating products in the market. Green organizational culture can enhance the competitive advantage of business actors, Green organizational culture can provide significant competitive advantage by increasing product differentiation, strengthening brand reputation, improving operational efficiency, ensuring regulatory compliance, attracting and retaining employees, and opening access to new markets and opportunities. Innovation can enhance the competitive advantage of business actors, Innovation has a significant impact on enhancing the competitive advantage of business actors by enabling product differentiation, increasing operational efficiency, strengthening brand reputation, opening access to new markets, and increasing customer satisfaction. Through innovation, companies can strengthen their position in the market, respond better to change, and create added value that differentiates them from competitors. Innovation can mediate the relationship between green organizational culture and competitive advantage of business actors, Innovation acts as a mediator that connects green organizational culture with competitive advantage. Green culture provides the basis and motivation to seek more environmentally friendly solutions, while innovation translates these sustainability principles into new products and processes that increase competitiveness. By utilizing innovation, companies can optimize the benefits of green culture to achieve greater competitive advantage through product differentiation, increased efficiency, and improved reputation.

This research has several contributions, namely theoretical contributions and practical contributions. This study provides significant theoretical contributions in enriching the understanding of the relationship between THK-based green organizational culture, green innovation, and competitive advantage. Based on the important findings of this study, it is suggested that SMEs in Denpasar City can improve and maintain an environmentally friendly organizational culture in the perspective of THK culture.

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This can be done by implementing policies and practices that support environmental sustainability and increasing employee awareness and involvement in green innovation. Therefore, SMEs are also advised to encourage green innovation by providing incentives to employees who generate new ideas to reduce the company's environmental impact and introduce new environmentally friendly products or processes. These steps are expected to increase the company's competitive advantage by providing significant added value in terms of both reputation and operational efficiency. In addition, the company can provide adequate support to encourage sustainable innovative behavior. Thus, the implementation of these practices can have a positive impact on the company in the long term, not only in terms of competitive advantage but also in maintaining the environment and strengthening the company's position in the market.

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