

Literature Synthesis on Determinants of Sustainable Competitive Advantage in Furniture MSMEs: The Role of Green Innovation, Environmental Performance, and Market Orientation

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Abstract. This literature review synthesizes findings from fifteen peer-reviewed studies published between 2020 and 2026 to examine the determinants of sustainable competitive advantage in the furniture industry. The analysis reveals that green innovation, environmental performance, and market orientation interact as core drivers of competitiveness, supported by theoretical perspectives including the Resource-Based View, Natural Resource-Based View, Institutional Theory, Circular Economy, and Strategic Management frameworks. The review highlights how internal capabilities, regulatory compliance, and responsiveness to consumer preferences collectively shape the ability of micro, small, and medium enterprises to adapt to sustainability demands in global markets. Evidence shows that eco-innovation practices, waste recovery strategies, and clustering models enhance efficiency and legitimacy, while indicators of green growth and brand performance provide practical tools for evaluating sustainability outcomes. The synthesis underscores that competitive advantage in this sector is not determined by isolated variables but by systemic integration across resources, operations, and market dynamics. This study contributes theoretically by consolidating fragmented insights into a coherent conceptual model and practically by offering guidance for enterprises and policymakers to foster green transformation. The findings emphasize the urgency of aligning industrial practices with ecological integrity and suggest that future research should examine cross-country variations, longitudinal impacts, and the integration of digital technologies with sustainability strategies to strengthen the resilience of furniture enterprises in the global economy.

Keywords: Environmental Performance; Furniture Industry; Green Innovation; Market Orientation; Sustainable Competitive Advantage.

1. INTRODUCTION

The global furniture industry is at a critical point where economic growth must align with ecological integrity (Yang, 2022). Heavy reliance on natural resources creates burdens from upstream to downstream (Lestari & Farida Pulansari, 2024), including deforestation, biodiversity loss, and emissions from hazardous finishing processes (Sherzad & Chuloh Jung, 2022). Solid waste accumulation from wood scraps and post-consumption furniture further intensifies degradation (Pralat et al., 2024), prompting a paradigm shift where sustainability becomes a strategic determinant of competitiveness for MSMEs (Oduro & Leul Girma Haylemariam, 2025). The competitive position of MSMEs in the international market now depends on their ability to integrate sustainable management systems into value chains (Borowiecki et al., 2022).

Despite rising awareness, MSMEs face an “implementation gap” in adopting sustainable practices. Literature shows that many enterprises remain limited to minimal compliance or greenwashing (Kucuk & Urs Buehlmann, 2026), while conventional production methods persist due to capital constraints and lack of knowledge (Ketenci & Matthias Wolf,

2024). This situation highlights the need for a comprehensive review to integrate strategic variables that can build sustainable competitive advantage.

Green innovation emerges as a key determinant, reducing environmental impacts while enhancing efficiency (Ridha & Anisah, 2024). Yet innovation alone is insufficient without measurable environmental performance, which provides legitimacy and stakeholder trust (Demir et al., 2025). Market orientation complements these aspects by ensuring that sustainability strategies align with consumer expectations (Jannah & Sabihaini, 2023), preventing green products from failing due to poor communication of ecological value (Du & Huanhuan Wang, 2022).

Previous studies reveal inconsistent findings on the interaction of these variables. Globally, eco-innovation strategies have been classified into four pillars influenced by regulations and market dynamics (Šūmakaris et al., 2023). In Indonesia, green innovation was found to have stronger influence than environmental performance in creating competitive advantage (Auliana & Alhazami, 2023), while government support remains critical (Juliandina, 2022). The urgency lies in unifying fragmented insights into a coherent model for MSMEs, especially as eco-label certification standards are strictly enforced (Yeğin & Ikram, 2022). This article synthesizes evidence from multiple countries to contribute to NRBV theory and provide practical guidance, including the application of 6R principles and policy support for green industry clusters (Demir et al., 2025; Jaya et al., 2025; Prałat et al., 2024).

2. THEORETICAL REVIEW

Resource-Based View (RBV) & Natural Resource-Based View (NRBV)

The Resource-Based View (RBV) and Natural Resource-Based View (NRBV) theories are applied in the articles of Sellitto et al. (2020), Borowiecki et al. (2022), Ridha & Anisah (2024), Šūmakaris et al. (2023), Demir et al. (2025), and Guimarães et al. (2026). These theories position companies as collections of unique resources that determine competitive performance. In the context of furniture MSMEs, RBV explains how internal capabilities such as traditional craftsmanship and access to quality raw materials become strategic assets. An example of its application is the use of local artisan knowledge to create handmade furniture designs with high artistic value, which serve as difficult-to-imitate resources that provide competitive advantage in industrial clusters (Sellitto et al., 2020). In addition, Borowiecki et al. (2022) highlight the ability of SMEs to process production waste into value-added handicraft products as a form of process-level Green Innovation that increases efficiency without requiring large investments.

Market Orientation Theory

Market Orientation theory is applied in the literature of Jannah & Sabihaini (2023), Sellitto et al. (2020), and Yeğın & Ikram (2022) to emphasize the importance of responsiveness to green consumer preferences as a catalyst for innovation. Within this framework, Green Market Orientation is positioned as an antecedent that drives MSMEs to invest in green capabilities to meet export market expectations. An example of its application can be seen in furniture MSMEs that utilize market intelligence on recycled material trends to launch environmentally friendly product lines (Jannah & Sabihaini, 2023). Sellitto et al. (2020) empirically prove that strong market orientation triggers comprehensive adoption of Green Innovation (both in product and process), which significantly strengthens bargaining position and creates sustainable competitive advantage amid intense industrial cluster competition. In addition, Yeğın & Ikram (2022) highlight that market orientation in the Marketing 4.0 era is closely tied to green brand performance, where responsiveness to consumer perceptions of sustainability directly enhances competitiveness and strengthens brand legitimacy in global markets.

Institutional Theory

Institutional Theory underlies arguments in the articles of Juliandina (2022) and Ridha & Anisah (2024) regarding the influence of external pressures such as regulations. A highly relevant example in Indonesia is the adoption of the Timber Legality Verification System (SVLK) by furniture MSMEs in Jepara to gain legitimacy in the global market. Juliandina (2022) notes that compliance with legality standards is not merely a legal obligation, but a strategic step to improve Environmental Performance formally recognized by international buyers. Institutional pressures encourage MSMEs to improve their supply chain governance, which ultimately becomes an important determinant of Sustainable Competitive Advantage because it provides legal security guarantees highly valued in export markets such as the European Union.

Circular Economy & Green Supply Chain Management (GSCM)

Circular Economy and Green Supply Chain Management (GSCM) theory are used in the articles of Prałat et al. (2024), Juliandina (2022), and Borowiecki et al. (2022). This theory encourages MSMEs to view waste as a potential resource through closed cycles. A practical application documented by Prałat et al. (2024) is the implementation of the 3R principle through knock-down or modular furniture design that facilitates the repair of specific components without discarding the entire product. In addition, Juliandina (2022) emphasizes that institutional support and regulatory compliance, such as the adoption of SVLK, play a

crucial role in strengthening MSMEs' environmental legitimacy and ensuring that circular economy practices are formally recognized in global markets. Borowiecki et al. (2022) add that processing leftover production materials into value-added products increases resource efficiency and reduces long-term material costs, providing price advantages for MSMEs while minimizing their operational carbon footprint.

Strategic Management & Sustainability Frameworks

Strategic Management and sustainability frameworks are evident in the works of Sedliačiková et al. (2025), Yeğin & Ikram (2022), Jaya et al. (2025), and Guimarães et al. (2026). Sedliačiková et al. (2025) propose green growth indicators such as waste recovery, energy intensity, and voluntary initiatives as practical tools for evaluating sustainability in the woodworking and furniture industry. Yeğin & Ikram (2022) emphasize the role of green brand performance criteria in strengthening competitiveness in the Marketing 4.0 era. Jaya et al. (2025) contribute by proposing sectoral development models for MSMEs, integrating clustering, digital adoption, and green innovation to enhance regional empowerment. Guimarães et al. (2026) highlight that strategic factors such as CSR, knowledge management, and innovativeness play a central role in building sustainable manufacturing and improving organizational performance.

To provide a clearer overview of the theoretical foundations used in the selected studies, the following table maps the main theories, key variables, and primary references. This synthesis highlights how different theoretical perspectives, such as RBV, NRBV, Market Orientation, Institutional Theory, Circular Economy, and Strategic Management have been applied across various contexts in the furniture industry. By presenting the theories alongside their constructs and sources, the table serves as a concise summary that connects empirical findings with conceptual frameworks, thereby strengthening the basis for analyzing sustainable competitive advantage in furniture MSMEs.

Table 1. Mapping of Theories and Variables from Selected Literature.

Main Theory	Key Variables / Constructs	Main References
RBV & NRBV	Competitive Advantage, Green Innovation, Internal Capabilities	Sellitto et al. (2020); Borowiecki et al. (2022); Ridha & Anisah (2024); Šūmakaris et al. (2023); Demir et al. (2025); Guimarães et al. (Guimarães et al., 2026)
Market Orientation	Green Market Orientation, MSME Performance, Customer Orientation	Jannah & Sabihaini (2023); Sellitto et al. (2020); Yeğin & Ikram (2022)
Institutional Theory	Regulation, Government Support, Environmental Legitimacy	Juliandina (2022); Ridha & Anisah (2024)
Circular Economy & GSCM	3R Practices, Waste Recovery, Resource Efficiency	Prałat et al. (2024); Juliandina (2022); Borowiecki et al. (2022)
Strategic Management & Sustainability Frameworks	Green Growth, Operational Performance, Sustainable Management	Sedliačiková et al. (2025); Yeğin & Ikram (2022); Jaya et al. (2025); Guimarães et al. (2026)

3. METHODOLOGY

This study employs a literature review method with an integrative synthesis approach to build a theoretical framework on the determinants of sustainable competitive advantage. The data consist of 14 peer-reviewed journal articles and 1 thesis published between 2020 and 2026, selected to ensure relevance to the contemporary dynamics of the furniture industry. Fifteen key works were identified and classified based on the relationships among variables and the focus on micro, small, and medium-sized enterprises, with priority given to studies examining the role of market orientation, green innovation, and environmental performance in shaping sustainable competitive advantage.

The analysis was conducted through three stages. First, cross-study synthesis was applied to map consistency of findings, highlighting how green innovation mediates the link between market orientation, environmental performance, and sustainable competitive advantage, with contextual variations across countries such as Indonesia, Lithuania, and Poland. Second, the interrelation of variables was examined through the Resource-Based View (RBV) and Natural Resource-Based View (NRBV), explaining how SMEs can leverage operational flexibility despite resource constraints. Finally, by integrating empirical evidence from multiple contexts, the study proposes a sustainability strategy model that can be adapted universally by furniture SMEs.

4. RESULTS AND DISCUSSION

Green Innovation as a Driver of Competitive Advantage

Green innovation is defined as innovation practices oriented toward environmental sustainability, including eco-design, waste management, and the use of renewable energy (Chen et al., 2006). In the context of furniture SMEs, this practice serves a dual function as a technical strategy to improve production efficiency and as a social legitimacy mechanism that strengthens the company's position in the global market. Empirical evidence in Indonesia shows increased performance of furniture SMEs and greater consumer trust when they implement green innovation, thereby linking operational aspects with market perception (Jannah & Sabihaini, 2023; Ridha & Anisah, 2024).

International studies reinforce the role of green innovation in building sustainable competitive advantage through environmentally friendly product design practices and product differentiation. Research on furniture clusters in Brazil shows that eco-design and product innovation enhance positive image, customer satisfaction, and market share, thus functioning not only as an internal strategy but also as an external mechanism that strengthens reputation and market appeal (Sellitto et al., 2020). In addition, sustainable design approaches such as biomimicry and customization can enhance sustainable competitive advantage because they serve as differentiation strategies that are difficult to imitate and strengthen communication of green values to consumers (Bumgardner & David L. Nicholls, 2020).

Furthermore, green innovation also acts as a mediator between green leadership and competitive advantage; research shows that green innovation serves as a moderate mediator in the relationship between green transformational leadership and sustainable competitive advantage in SMEs in Istanbul, with transformational leadership that fosters a culture of green innovation being more effective in creating sustainable competitive advantage (Demir et al., 2025). Furthermore, the multi-level framework developed by Šūmakaris et al. (2023) indicates that green innovation practices are influenced by internal capabilities at the micro level, market dynamics and competitive pressures at the meso level, and public policies and incentives at the macro level, as these three factors simultaneously determine the company's ability to implement green innovation, market acceptance, and sustainability through regulatory support. Thus, green innovation functions as a strategic driver that combines internal capabilities, product differentiation, and market legitimacy to create sustainable competitive advantage for furniture SMEs.

Environmental Performance as Business Legitimacy

Environmental performance refers to a company's ability to manage environmental impacts, such as emission reduction, energy efficiency, waste management, and regulatory compliance as part of sustainability commitment (Hillary, 2004; Jabbour & Fernando César Almada Santos, 2008; Schultze & Ramona Trommer, 2011). According to environmental performance management theory, environmental performance indicators not only include technical aspects such as energy audits and certifications, but also reflect organizational commitment to sustainability principles (Sedliáčiková et al., 2025). In the context of furniture SMEs, environmental performance becomes increasingly important because this industry relies heavily on natural resources, especially wood, so sustainability practices are a key requirement to obtain social legitimacy and market access, thus serving as a foundation that ensures business continuity before companies can move further toward competitive strategies based on green innovation (Pražat et al., 2024).

Empirical studies show that environmental performance has a significant effect on green competitive advantage, although green innovation is more dominant, thereby reinforcing the argument that environmental performance is an important determinant, even if its contribution is more specific to the green dimension of sustainable competitive advantage (Auliana & Alhazami, 2023). This indicates that environmental performance functions as a license to operate, where SMEs must first meet environmental standards to be accepted by markets and regulators, and although it does not directly create sustainable competitive advantage, it becomes a prerequisite that enables SMEs to utilize green innovation as a differentiation strategy. Without environmental performance as business legitimacy, furniture SMEs will find it difficult to gain consumer trust or government support, making sustainable competitive advantage unattainable.

In addition, environmental performance plays a minor mediating role in the relationship between green transformational leadership and sustainable competitive advantage, although relatively weaker compared to green innovation because environmental performance functions more as a compliance mechanism than a competitive driver. This means that green leadership does encourage companies to improve environmental performance, but its impact on competitive advantage is not as strong as green innovation. This occurs because environmental performance is more related to compliance with government regulations and global industry standards, while green innovation creates added value directly perceived by consumers.

The dimensions of reputation and consumer perception of environmental performance are important aspects in the literature. Environmental performance indicators such as

certification, internal audits, and voluntary initiatives not only serve as technical measures, but also as symbols of corporate reputation that strengthen social legitimacy and consumer and investor trust, thus becoming part of communication and branding strategies (Sedliačiková et al., 2025). This is reinforced by a study in Turkey showing that consumers increasingly assess the consistency between sustainability claims and actual company practices. If only shown through formal certification without real action, consumers tend to perceive it as greenwashing, whereas if companies can demonstrate environmental performance through real actions such as waste management and energy efficiency, positive perceptions will increase (Yeğın & Ikram, 2022). Thus, environmental performance functions as a bridge between technical indicators and corporate reputation and consumer perception, as well as a strategic asset that strengthens the sustainable competitive advantage of furniture SMEs in the global market.

The 6R principle (Reduce, Reuse, Recycle, Rethink, Refuse, Recover) is an important part of environmental performance because its application in the furniture industry has been proven to reduce waste while increasing business legitimacy. For example, reuse and recycle practices carried out by IKEA and Anmet in Poland show that environmental performance is not only related to regulatory compliance, but also to the application of circular economy principles (Pralat et al., 2024). Furthermore, the multi-level framework developed by Šūmakaris et al. (2023) shows that environmental performance practices are influenced by internal capabilities at the micro level, market dynamics and competitive pressures at the meso level, and public policies and incentives at the macro level, because these three factors simultaneously encourage companies to improve environmental performance practices, gain social legitimacy in the market, and ensure sustainability through regulatory support. Overall, environmental performance functions as business legitimacy that simultaneously becomes a license to operate to gain consumer trust and government support, as well as a compliance mechanism because it is more related to fulfilling regulations and global industry standards. In addition, environmental performance also enhances corporate reputation and consumer perception, which can be achieved through real practices such as the 6R principle to strengthen the sustainable competitive advantage of furniture SMEs in the global market.

Market Orientation as Strategic Navigation

Market orientation conceptually refers to the company's strategic orientation that focuses on understanding consumer needs, monitoring market dynamics, and adaptive responses to external changes. Narver & Slater (1990) define market orientation as an organizational culture that emphasizes the creation of superior value for customers through cross-functional coordination. In the context of furniture SMEs, market orientation becomes

important because this industry is greatly influenced by consumer preferences for design, quality, and product sustainability, so it can be seen as a strategic navigation that directs furniture SMEs in adjusting business strategies to the increasingly complex demands of the global market.

Market orientation has a significant effect on the performance of furniture SMEs and determines their success because it provides strategic direction without intermediaries. In other words, by understanding consumer needs and market trends, furniture SMEs can directly improve business performance. Market orientation functions as a guide that directs SMEs in developing green innovation based on consumer demand for environmentally friendly products, while at the same time improving environmental performance that requires compliance with sustainability standards.

Synthesis from various articles shows that market orientation is a contextual variable that connects furniture SMEs with market dynamics (Borowiecki et al., 2022; Bumgardner & David L. Nicholls, 2020). It is called contextual because its role greatly depends on external conditions that are constantly changing, such as consumer trends, international regulations, and the intensity of global competition. Market orientation enables furniture SMEs not only to focus on internal efficiency but also to understand global market developments and consumer needs to adjust management systems to be more responsive to market changes and to adjust production and marketing strategies to remain relevant and competitive.

The innovation dimension in market orientation includes product innovation in the form of environmentally friendly furniture design, process innovation through production efficiency and waste reduction, and marketing innovation that emphasizes communication of green values to consumers. A study in Brazil shows that market drivers such as consumer trends and competitive pressure have a significant effect on company productivity and dynamic capabilities, namely the ability of companies to adapt and adjust strategies according to market changes (Guimarães et al., 2026). In this context, market orientation functions as an internal response that transforms external drivers into sustainable innovation strategies, so SMEs continue to adapt and create new value to remain relevant to consumer needs and market trends.

Furthermore, the multi-level framework developed by Šūmakaris et al. (2023) shows that the adoption of market orientation is influenced by internal capabilities at the micro level, market dynamics and competitive pressure at the meso level, and public policies and incentives at the macro level, because these three factors simultaneously determine the company's ability to conduct market sensing, adjust offerings and marketing strategies, and maintain relevance and competitiveness in the context of sustainability regulations. Thus, market orientation

functions as strategic navigation that translates market signals into concrete green product, process, and marketing decisions, so that furniture SMEs can respond to consumer preferences and competitive pressures quickly, in a coordinated manner, and oriented toward sustainability.

Synergy of Green Innovation, Environmental Performance, and Market Orientation as Determinants of Sustainable Competitive Advantage

Sustainable competitive advantage conceptually refers to a company's ability to maintain a superior position in the long term through strategies that are difficult for competitors to imitate, while remaining relevant to market demands and regulations. Barney (1991) emphasizes that sustainable competitive advantage arises when companies possess resources that are valuable, rare, inimitable, and non-substitutable. In the context of furniture SMEs, sustainable competitive advantage does not only depend on production efficiency or product differentiation, but also on the ability to integrate environmental sustainability aspects and market orientation, thus becoming a strategic foundation that ensures furniture SMEs can survive and grow in a global market that increasingly demands green business practices.

Operationally, the three variables play different but complementary roles. Green innovation acts as a value driver that connects technical aspects of production with consumer perceptions, thereby creating sustainable product differentiation (Jannah & Sabihaini, 2023). Meanwhile, environmental performance functions as a license to operate, ensuring that furniture SMEs are accepted by regulators and consumers through compliance with environmental standards and the creation of a positive reputation (Auliana & Alhazami, 2023). Market orientation serves as operational guidance that helps SMEs read market trends, understand consumer needs, and adjust green innovation strategies and environmental performance to remain relevant (Borowiecki et al., 2022).

The literature also shows that the synergy of green innovation, environmental performance, and market orientation has important mediating dimensions in shaping sustainable competitive advantage. For example, green innovation has been proven to be a mediator in the relationship between green transformational leadership and sustainable competitive advantage, because visionary leadership encourages a culture of green innovation that then produces sustainable competitiveness (Demir et al., 2025). In addition to green innovation, environmental performance also serves as a mediator in the relationship between green leadership and competitive advantage, although its role is relatively weaker compared to green innovation, because environmental performance functions more as a compliance mechanism than as a main driver of competitiveness (Demir et al., 2025). Market orientation can also be seen as a contextual variable that connects local conditions of furniture SMEs with

global market demands, ensuring that the strategies taken remain relevant and competitive (Borowiecki et al., 2022; Bumgardner & David L. Nicholls, 2020).

The multi-level framework of Šūmakaris et al. (2023) encourages the adoption of green innovation, environmental performance, and market orientation in an interconnected manner. At the micro level, internal capabilities such as capital, technical skills, production facilities, and dynamic capabilities are prerequisites because without resources and technical abilities, green ideas cannot be tested, produced, or standardized. These capabilities enable companies to carry out prototyping, adopt waste control and energy efficiency technologies (improving environmental performance), and build information collection and processing systems that underlie market sensing (forming market orientation). Dynamic capabilities in particular allow companies to learn from experience, adjust processes, and reallocate resources when market opportunities arise, so that green innovation can be translated into real products and processes that meet environmental requirements and consumer preferences.

At the meso level, interactions within clusters, value chains, and supplier-buyer networks create competitive pressures and buyer demands that accelerate the adoption of green practices. When partners or competitors implement green innovation, companies are encouraged to follow suit to maintain market access or reduce costs through scale and collaboration. This collective pressure also facilitates the enforcement of environmental standards at the supply chain level (strengthening environmental performance) and forces adjustments in marketing strategies to match changing consumer preferences (strengthening market orientation). At the macro level, public policies, regulations, and financial incentives change subsidies, taxes, mandatory standards, or international market access, making investment in green innovation more attractive, compliance with environmental performance a necessity to avoid sanctions, and regulatory/international standards signals provide direction for market orientation. The combination of these three levels explains why the adoption of green innovation, improvement of environmental performance, and formation of market orientation occur more quickly and effectively when the three support each other (Šūmakaris et al., 2023).

In addition, the integration of green supply chain management (GSCM) can be seen as a supporting mechanism that strengthens the synergy of green innovation, environmental performance, and market orientation in shaping sustainable competitive advantage. The integration of green supply chain management (GSCM) strengthens this synergy by connecting green practices from upstream to downstream, so that green innovation can develop, environmental performance is maintained, and market orientation becomes more responsive to

global demands (Juliandina, 2022). Building on these insights, the synthesis by Kucuk and Buehlmann (2026) demonstrates that sustainable competitiveness in the furniture industry arises from the systemic integration of sustainable design, supply chain management, and environmental strategies. Their findings emphasize that fragmented approaches are insufficient, as resilience can only be achieved when green innovation, environmental performance, and market orientation are combined into a coherent framework.

Furthermore, empirical evidence further validates this synergy, showing that sectoral clustering combined with digital adoption and green innovation in the Jepara furniture cluster enhanced productivity, reduced costs, and expanded market access. These findings demonstrate that the integrative model of green innovation, environmental performance, and market orientation is not only theoretically robust but also practically effective in strengthening MSME resilience and sustainable competitiveness (Jaya et al., 2025). Taken together, the synergy of green innovation, environmental performance, and market orientation, reinforced by supporting mechanisms such as GSCM and validated through both global synthesis and local empirical evidence, emerges as the strategic foundation for achieving sustainable competitive advantage in furniture SMEs.

Theoretical and Practical Implications

Theoretical Implications

This study provides a theoretical contribution by affirming that sustainable competitive advantage in furniture SMEs does not only depend on internal resources, but also on cross-level interactions involving green innovation, environmental performance, and market orientation. This approach expands the framework of the Resource-Based View (RBV) and the Natural Resource-Based View (NRBV) by adding sustainability dimensions as well as business legitimacy, while enriching strategic management theory through the integration of environmental and market aspects. In addition, business legitimacy becomes important because compliance with environmental regulations serves as a prerequisite for social acceptance (Sedliačiková et al., 2025). Thus, this study presents a more consistent theoretical synthesis of the furniture sustainability literature (Kucuk & Buehlmann, 2026).

Practical Implications for Furniture SMEs

Practically, furniture SMEs need to integrate green innovation, environmental performance, and market orientation into business strategies to remain adaptive to global demands. Concrete steps may include the implementation of eco-design, the application of the 6R principle, and compliance with environmental regulations and certifications to strengthen business legitimacy (Pražat et al., 2024; Sedliačiková et al., 2025; Sellitto et al., 2020). With

this strategy, SMEs not only improve efficiency and reputation, but also expand international market access and build sustainable competitiveness.

Table 2 presents a synthesis of empirical findings and theoretical contributions from previous studies that examine how Green Innovation (GI), Environmental Performance (EP), and Market Orientation (MO) interact to create Sustainable Competitive Advantage (SCA) in furniture MSMEs. The table highlights each variable's role, level of analysis, and theoretical contribution, showing that their synergy forms a comprehensive framework for sustainable competitiveness.

Table 2. Synthesis of Research Findings on the Relationship between Green Innovation, Environmental Performance, and Market Orientation toward Sustainable Competitive Advantage in Furniture MSMEs.

Main Variable	Role in Competitive Advantage	Empirical Evidence	Level of Analysis	Theoretical Contribution
Green Innovation (GI)	Value driver through eco-friendly products & processes; mediator of green leadership → SCA	Ridha & Hastin (2024); Jannah & Sabihaini (2023); Sellitto et al. (2020); Bumgardner & Nicholls (2020); Demir et al. (2025)	Micro (efficiency & quality), Meso (industry clusters), Macro (national strategies)	Extends RBV & sustainable innovation theory
Environmental Performance (EP)	License to operate; legitimacy mechanism; compliance & reputation driver	Auliana & Alhazami (2023); Sedliačiková et al. (2025); Yeğın & İkrım (2022); Prałat et al. (2024); Demir et al. (2025)	Micro (technical compliance), Meso (cluster standards), Macro (global regulations)	Expands organizational legitimacy theory & circular economy
Market Orientation (MO)	Strategic compass; contextual connector across micro–meso–macro; innovation driver	Jannah & Sabihaini (2023); Borowiecki et al. (2022); Šūmakaris et al. (2023); Guimarães et al. (2026)	Micro (firm strategies), Meso (cluster dynamics), Macro (global trends & regulations)	Strengthens market orientation theory with contextual dimension
Synergy Green Innovation (GI) - Environmental Performance (EP) - Market Orientation (MO)	Comprehensive framework for SCA; works through mediation & cross-level integration; reinforced by GSCM as a supporting mechanism that ensures sustainability performance across the supply chain	Juliandina (2022); Kucuk & Buehlmann (Kucuk & Urs Buehlmann, 2026); Jaya et al. (2025)	Micro, Meso, Macro, Cross-level (supply chain)	Synthesizes RBV, NRBV, legitimacy, market orientation, and circular economy

Figure 1 visually illustrates the synergy among Green Innovation, Environmental Performance, and Market Orientation leading to Sustainable Competitive Advantage (SCA). Each variable plays a distinct role, Green Innovation acts as a *value driver*, Environmental Performance serves as a *license to operate*, and Market Orientation functions as a *strategic compass*. The arrows converging toward SCA represent the integrative mechanism through

which these three dimensions interact to strengthen long-term competitiveness in furniture MSMEs.

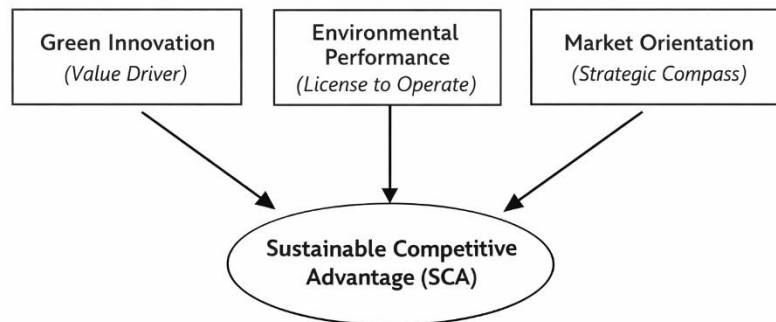


Figure 1. Conceptual Framework of the Synergy between Green Innovation, Environmental Performance, and Market Orientation toward Sustainable Competitive Advantage in Furniture MSMEs.

5. CONCLUSION

This literature review demonstrates that sustainable competitive advantage in furniture MSMEs is shaped by the systemic integration of green innovation, environmental performance, and market orientation. Green innovation drives efficiency and product differentiation, environmental performance provides legitimacy and compliance, and market orientation ensures responsiveness to consumer preferences and global market dynamics. Together, these variables form a coherent framework that aligns internal capabilities, regulatory requirements, and market signals to strengthen competitiveness.

The synthesis contributes theoretically by consolidating fragmented insights into a unified model that expands RBV, NRBV, and sustainability frameworks with legitimacy and market dimensions. Practically, it offers guidance for MSMEs and policymakers to adopt eco-design, apply the 6R principles, strengthen compliance, and leverage clustering and digital adoption to enhance resilience. Overall, sustainable competitive advantage in the furniture industry emerges not from isolated initiatives but from integrated strategies that balance resources, operations, and market demands in the era of ecological transformation.

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