

ABSTRACT

During the period 2011-2021, Indonesia's batik exports declined, causing fluctuations in national textile export data. The batik industry, which covers a wide range of business scales, from large to household, causes pollution not only in industrial areas but also in dense residential areas. The main source of pollution is liquid waste containing dyes left over from the dyeing, washing, and rinsing process of batik cloth, as well as fabric fiber residues, wax droplets, and solvent residues.

The use of Lean Operation, Eco Product Innovativeness, Social Performance, Green Performance, and Business Performance in Pekalongan Batik MSMEs has not been optimal. Evaluation is needed with the Lean Operation approach to Business Performance and Green Performance through Eco Product Innovativeness and Social Performance. This study aims to understand the perceptions of Pekalongan Batik MSMEs towards Lean Operation and sustainable performance that includes green, social, and business performance.

This study uses a quantitative method with purposive sampling. Data were collected through a survey with a 27-question questionnaire. The sample consisted of 101 people from a total of 527 Batik MSMEs in Pekalongan City. The analysis was conducted using PLS SEM with the SmartPLS 3 application.

The results show that Lean Operation directly has a significant effect on Social Performance, Eco Product Innovativeness, Green Performance, and Business Performance. However, Social Performance and Eco Product Innovativeness do not mediate these effects.

Suggestions for Batik Pekalongan MSMEs continue to improve business performance for competitiveness and revenue with product innovation, expanding markets through e-commerce, and improving financial management, marketing, and human resources.

Keywords: *Green Supply Chain, Lean operation, Business Performance, Social Performance, Batik Pekalongan, Batik Waste*