Fostering Green Innovation in Organizations: Accompanied Opportunities and Challenges

Author(s): Shamsuzzoha, Ahm; Tran, Giang; Jovanovski, Bojan

Title: Fostering Green Innovation in Organizations: Accompanied Opportunities and Challenges

Year: 2022

Version: Publisher’s PDF

Copyright © IEOM Society International.

Please cite the original version:

https://ieomsociety.org/proceedings/2022dhaka/262.pdf
Fostering Green Innovation in Organizations: Accompanied Opportunities and Challenges

Ahm Shamsuzzoha and Giang Tran
School of Technology and Innovations
Digital Economy Research Platform
University of Vaasa
Vaasa, Finland
ahsh@uwasa.fi, giang.tran@uwasa.fi

Bojan Jovanovski
Institute of International Management and Entrepreneurship
FHJOANNEUM
Graz, Austria
bojan.jovanovski@fh-joanneum.at

Abstract

The concept of green innovation has been increasingly gaining attention among academics, practitioners, and policymakers, although its way of adoption remains unclear. This study tried to address this gap by providing ways to foster green innovation in organizations. In addition, this study aims to discuss various factors that enable green innovation and accompanying opportunities from this initiative. Moreover, inherent challenges to promoting green innovation in organizations are also elaborated within the scope of this study. Furthermore, this study examines the moderating role of green innovation concerning higher education institute (HEI) and vocational education and training (VET) capabilities and environmental dynamism. This study is concluded after exploring the significance of capability between green dynamic capability and green innovation adoption. We believe that this study opens up a new avenue in the area of green and sustainable innovation and contributes to the environmental literature in general.

Keywords
Green innovation, environmental sustainability, HEI, VET and European Commission.

1. Introduction

The environmental concern of human conduct is constantly developing on a worldwide scale among individuals, governments, and organizations. In recent years, governments have implemented various corrective measures to lessen or mitigate the costly environmental damage (Chen 2008). Different organizations or companies are not exempt from this truth. To adopt environmentally friendly practices, companies must include sustainability-related subjects into their normal operations by meeting rising societal demands and advancing to fulfilling social, environmental, and economic objectives. According to Chen (2008), there are two main factors promoting green management: (1) the global system of environmental protection standards and regulations, and (2) consumer environmental consciousness.

Integrating environmental sustainability issues into business strategy and greening the innovation process are increasingly strategic opportunities for companies. However, there are necessary skills gaps and challenges to foster green practices in companies. Keeping such an objective in mind, this study analyses various opportunities, skills gaps, and challenges for fostering green innovation in organizations (Soewarno et al. 2019). In addition, this study also considers the objectives that drive them to engage in environmental management, such as adhering to environmental laws and regulations, increasing competitiveness, gaining legitimacy, etc. It is believed that the outcomes from this study will be beneficial to global organizations to change the mindset towards green thinking while innovating.

One of the major determinants of environmental and economic performance in organizations and communities, as well as a corporate response to environmental restrictions, has been identified as green innovation (Lee and Kim
2011). Numerous researches have been done in this regard to look at the value and advantages, the difficulties and obstacles, as well as the financial and economic effects of green innovation (Takalo et al. 2021). Both internal and external environmental driving forces, such as innovation resources and innovation capability, as well as political and market pressures motivate organizations to adopt green innovation practices (Cao and Chen 2019). The ability of organizations and businesses to choose green innovation strategies also influences environmental awareness from senior management.

2. Literature review

Today's business environments are expected to incorporate environmental protection concepts. Because of this, greener practices are crucial for a company's management and business. Effective and efficient management may provide value, capitalize on competitive advantage, and improve the performance of the company (Chang and Chen 2013). In a company, an innovation practice is a crucial tool for reducing or preventing environmental damage. In general, green business practices have two key advantages, which are boosting competitiveness through financial benefits and commercial benefits by producing environmentally friendly products. In recent days, customers across the world are too much aware of the environmental damages and want to buy an increasing number of eco-friendly goods and services. In these circumstances, promoting green innovation is undoubtedly a strategic requirement for businesses as it presents a wonderful opportunity to satisfy client wants while preserving the environment (Albort-Morant et al. 2016).

Green innovation, or innovative technology that benefits the environment directly or indirectly, might be referred to as an initiative in the process of minimizing adverse environmental impacts by eliminating these negative impacts or creating beneficial environmental impacts (Chen et al. 2006). The advantages of green innovation can be identified for both types of green innovation, whether it is green product innovation or green process innovation. Green process innovation, for instance, can help resolve manufacturing problems by increasing energy usage efficiency and decreasing production pollution (Ma et al. 2017). Positive environmental performance is the prior benefit of green innovation as it emphasizes pollution prevention (Berrone 2013).

In the past, businesses have considered adopting greener practices to be an unnecessary expense, but today's rigorous ecological regulations and the popularity of environmentalism are altering businesses' competitive strategies, policies, and behavior patterns (Porter and Reinhardt 2007). However, in today's business environment, the "green" label serves as a motivator for ongoing innovation by opening up new market opportunities for businesses to meet evolving customer needs (Chen et al. 2006). Green innovation can be orchestrated in the form of including advancements in technologies for trash recycling, energy conservation, pollution avoidance, and green product design (Chen et al. 2006). In addition to green innovation practices, companies must include sustainability-related subjects in their normal operations by fulfilling their social, environmental, and economic objectives. By integrating such environmental sustainability issues and greening the innovation process, companies can achieve strategic opportunities after considering environmental laws and regulations (Porter and Reinhardt 2007).

Many organizations and businesses show interest in green innovation investment and integration to develop their green core competence. This involves the development of green innovation itself and the advantages of having green images for the organization/business (Chen 2008). Green images are recognized as a great asset for organizations and businesses thanks to their long-term effects. The adoption of green innovation in organizations is usually observed by the public and in turn, creates a strong market impression towards their products. This is particularly important for organizations and businesses that have a large share of contribution to environmental pollution such as coal mining which causes water pollution and land deterioration. The study in the coal mining energy industry in China is one of the prime examples of enterprises’ attempts to improve their images through green process innovation integration (Ma et al. 2017).

3. Drivers of green innovation

Any form of conventional innovation activity is influenced by several factors that need analysis for the betterment of promoting innovation in an organization. In the case of green innovation, the drivers are somehow different than the fundamental innovation practices. There are several driving forces to foster green innovation in organizations. Some of the drivers are very much more critical than others. To promote green innovation, it is necessary to study the essential drivers. Some of the most important drivers are elaborated in Table 1 based on various past researchers.
Table 1. Most critical drivers associated with green innovation

<table>
<thead>
<tr>
<th>Number</th>
<th>Drivers for green innovation</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Technological capabilities</td>
<td>Franco et al. (2009), Heikkurinen (2010), Chang and Chen (2013)</td>
</tr>
<tr>
<td>2</td>
<td>Organizational competencies and culture</td>
<td>Lai et al. (2003), Zerjav and Javernick-Will (2009)</td>
</tr>
<tr>
<td>3</td>
<td>Cooperation with suppliers/partners</td>
<td>Albort-Morant et al. (2016), Ebrahimi and Mirbargkar (2017)</td>
</tr>
<tr>
<td>4</td>
<td>Customer/market demand</td>
<td>Laforet (2009), Guerlek and Tuna (2018)</td>
</tr>
<tr>
<td>5</td>
<td>Rules and regulations</td>
<td>Kohtamaki et al. (2013)</td>
</tr>
<tr>
<td>6</td>
<td>Skills workforces of green practices</td>
<td>Ebrahimi and Mirbargkar (2017), Takalo et al. (2021)</td>
</tr>
<tr>
<td>7</td>
<td>Financial capabilities</td>
<td>Hönlz and Janger (2014)</td>
</tr>
<tr>
<td>8</td>
<td>Collaboration with public organizations</td>
<td>Walker et al. (2008)</td>
</tr>
<tr>
<td>9</td>
<td>Research and development</td>
<td>Franco et al. (2009), Guerlek and Tuna (2018)</td>
</tr>
<tr>
<td>10</td>
<td>Geographical location</td>
<td>McAdam et al. (2004), Kawai et al. (2018)</td>
</tr>
<tr>
<td>11</td>
<td>Corporate social responsibility</td>
<td>Plotnikova et al. (2015)</td>
</tr>
<tr>
<td>12</td>
<td>Business model</td>
<td>Markides and Sosa (2013), Takalo et al. (2021)</td>
</tr>
</tbody>
</table>

4. Green innovation initiative in Europe

Green innovation has also been recognized as one of the main factors in achieving sustainable development (Dangelico 2010). New measures to promote green and environmentally friendly innovation were integrated into the European Green Deal in the pursuit of a “zero-pollution, competitive, climate-neutral economy by 2050” (European Commission 2022b). The European Union’s (EU) commitment to attain climate neutrality by focusing its investments on innovation ensures the imperative of the topic, as well as its extensive opportunities in fostering green innovation within the region. Aligning with this idea, the European Investment Bank set out to provide support in coordination with the EU innovation policy. These supports include support in transformative green and digital technologies and enhancing support for innovation in cohesion regions (European Investment Bank 2022).

Additionally, the support for green transition can be recognized from the European Commission’s help in designing and implementing reforms for the European Member States. It is identified that the need for energy transition is not only due to the carbon-neutrality objective but also for energy security and affordability within the region. Europe is heavily dependent on Russia for fossil fuel imports. In 2021, Russia provided more than a quarter of EU imported crude oil (Edmond 2022). The Russia and Ukraine conflict started on 24th February has raised an issue between the EU and Russia relationship that progressed to the EU adoption of economic sanctions towards Russia which include import prohibition on Russian crude oil and refined petroleum products (European Council 2022a). Without a clear conclusion to this conflict, the need to acquire other means of electricity generation rather than fossil fuel-based is crucial for the European Union’s energy security.

5. Opportunities in green innovation

To be sustainable want in the turbulent and intensely competitive environments of today, companies must support innovation. To achieve this, businesses must stay informed of the numerous market shifts, fluctuations, and trends that are constantly developing worldwide. This strategic shift is known as a customer-specific and green-oriented strategy. The ultimate goal of practicing a green innovation strategy is to improve the company’s survival and performance (Laforet 2009). Practicing green innovation may gain from being pioneers in terms of financial performance through many other routes. For example, it is critical to maintain customer satisfaction to offer distinctive goods and services that appeal to environmentally conscious consumers (Kohtamaki et al., 2013). Additionally, research and development on green innovation can improve productivity and technological prowess (Franco et al. 2009) as well as the pool of highly skilled workers by utilizing creative business models (Markides and Sosa 2013; Takalo et al. 2021).

Moreover, pioneering businesses in the field of green technologies may have a greater preference for formation over customers in this regard (Heikkurinen 2010). Leaders in green innovation across industries may also partake in a
range of other creative activities. To achieve a unique impact on financial performance, it is critical to consider the percentage of green innovations in all innovative activities. Guerlek and Tuna (2018) assert that green innovation assists in satisfying customer expectations to save the environment. In addition, green innovation contributes to decarbonizing global companies. Figure 1 displays some basic opportunities that can be achieved from green innovation practices in organizations.

![Figure 1. Display some basic opportunities from green innovation practices in organizations](image)

Opportunities for green innovation can be defined as both hardware or software innovation, where it is relevant to green products or processes and includes technological advancements in fields like waste recycling, energy conservation, pollution avoidance, and green product design (Chen et al. 2006). Based on the performance of environmental management, green innovation can be divided into green product innovation and green process innovation (Chen et al., 2006). The performance of product innovation is related to environmental innovation, including the innovation in products that are involved in energy-saving, pollution-prevention, waste recycling, no toxicity, or green product designs (Lai et al., 2003). On the other hand, the performance of process innovation is also related to energy-saving, pollution-prevention, waste recycling, or no toxicity (Lai et al. 2003). Green process innovation is utilized to improve environmental management effectiveness to meet environmental protection criteria.

### 6. Challenges in green innovation

There are internal and exterior barriers related to green innovation. Internal barriers are the challenges that arise from within an organization, whereas, external challenges are problems that arise from outside the organization (Walker et al. 2008). In the literature, many studies are seen on the challenges or obstacles to general innovation but there are few studies found in the literature on the obstacles to green innovation (Madrid-Guijarro et al. 2009; Hölzl and Janger 2014). Hölzl and Janger (2014) identified several barriers to innovation, which can be stated as: a lack of

© IEOM Society International
funding and competent staff, a lack of knowledge of technology, a lack of knowledge of markets, a lack of partners in innovation, and more are the top five hurdles to innovation (difficulty in finding cooperation partners for innovation). Plotnikova et al. (2015) categorized the innovation barriers as infrastructure, support for innovation activity, management, education, government acts, information, and infrastructure.

Numerous studies have found other barriers to innovation such as organizational culture (Zerjav and Javernick-Will 2009), absorptive capacity (Cohen and Levinthal 1990), ineffective training and deficient technical support from vendors (Baldwin and Lin 2002), limited supply (Carlsen and Edwards 2008), competitive pressure (Özgen and Ölçer, 2007), lacking customer responsiveness, lack of consensus at the CEO level and lack of sustainability standards and appropriate regulations (Galia and Legros 2004), lack of management awareness (Muduli et al. 2013), etc.

With green innovation, the challenges are also similar to generic innovation. However, some challenges are more specific to green innovation, which needs special attention. According to Abdullah et al. (2016), the common challenges associated with green innovation can be divided into internal and external. The most significant internal challenges can be identified as business processes, environmental resources, attitude and perception, information-related obstacles, and technical-related barriers, poor corporate norms and culture, poor knowledge and experience, insufficient communication, lack of support and commitment from top management teams, lack of qualified/skilled staff, high cost of research and development (Martinez-Ros and Kunaparatrawong 2019), etc (Zwick 2002; McAdam et al. 2004). It is also noticed that the most prevalent sorts of green innovation are those that are supported by the government, information-related types, partnerships, environmental commercial benefits, and customer demand are the most prominent types of green innovation initiatives (Abdullah et al. 2016).

Similar to internal challenges, external barriers are also needed to be identified to foster green innovation in organizations. The most common external challenges can be identified as a lack of green new technologies (Gerstlberger et al. 2014), insufficient government support (Aguilera-Caracuel and Ortiz-de-Mandojana 2013), difficulties in data collection (Schweitzer 2015), insufficient funds to implement green principle/project (Wakeford et al., 2017), lack of external knowledge, absence of specific rules and regulations, absence of proper policy planning, insufficient knowledge of green initiatives (Ebrahimi and Mirbargkar 2017), stakeholder pressure (Kawai et al. 2018), etc. Major internal and external challenges related to green innovation are summed up and presented in Figure 2.
7. Conclusions

Although academic interest in green innovation has increased recently, the study of green innovation is still relatively new in comparison to conventional innovation and new product creation (Takalo et al. 2021). This study contributes to the discussion of creating green and sustainable innovation to achieve competitive advantages for firms by aligning with other capabilities of firms. This study has several useful implications for managers. First, it is suggested that sustainable innovation capabilities foster opportunities for organizations. It also attracts the attention of stakeholders that are under huge pressure to practice green initiatives in their everyday operations. Especially, case of SMEs, which are vulnerable to environmental dynamism problems need to incorporate green management and green innovation in their business operations.

The adoption of green innovations could be accelerated and competitive advantages for businesses revealed through the application of green practices. Due to the widespread recognition of the beneficial role that green innovation adoption plays in the business world; a growing body of literature has begun to examine green innovation adoption in organizations. The developing academic tendency has greatly aided organizational efforts to develop sustainably through strategic initiatives like green innovation capability. Thus, green innovation capability has become a significant enabler that organizations should carefully address. The study findings revealed that despite the increasing scholarly attention it has received in other domains, the idea of green innovation capability is still in its infancy. The current study is an attempt to examine the generalizability of existing measures and conceptions of green innovation and its opportunities and challenges across various organizational structures.

Acknowledgment
This study is conducted under ‘GREENOVET-European VET Excellence Platform for Green Innovation’ project, funded by: Erasmus 3+, European Commission with grant number: 621114-EPP-1-2020-1-AT-EPPKA3-VET-COVE.

References


Edmond, C., How much energy does the EU import from Russia? *World Economic Forum*. Available at: https://www.weforum.org/agenda/2022/03/eu-energy-russia-oil-gas-import/#:~:text=from%20the%20country,- Europe%20is%20heavily%20dependent%20on%20Russia%20for%20oil%20and,biggest%20import%20from%20the%20country, accessed on 18 November 2022.


Laforet, S., Effects of size, market and strategic orientation on innovation in non-high-tech manufacturing SMEs, *European Journal of Marketing*, vol. 43, no. 1–2, pp. 188-212, 2009.


**Biographies**

**Dr. Ahm Shamsuzzoha** is working as a Tenure Track Professor, in the Industrial Systems Analytics program, at the School of Technology and Innovations and in the Digital Economy Research Platform, at the University of Vaasa, Finland. He is also working as a Visiting Professor at Daffodil International University, Dhaka, Bangladesh. He worked as an Assistant Professor at Sultan Qaboos University, Oman, and as an Associate Professor at Shahjalal University of Science and Technology, Bangladesh. He received his Master’s degree in Mechanical Engineering, majoring in Energy and Environment from the University of Strathclyde, UK, and a Ph.D. in Industrial Management from the University of Vaasa, Finland. Dr. Shamsuzzoha has published more than 85 peer-reviewed journal articles and over 90 international conference articles so far. He is currently involved in several European Union projects as well as nationally funded projects in Finland. His research interests are mainly focused on greener innovation, entrepreneurship, supply chain and logistics management, product development, innovation management, etc.

**Giang Tran** has been working at the University of Vaasa as Project Researcher under the Digital Economy Research Platform. She has a Master Degree in International and Comparative Law, where she majored in Environmental Law and her minor subject targeted Environmental Resources Governance. Giang also has a Bachelor Degree in Engineering and her focus was on Environmental Engineering and how to manage them. Her research interests are renewable energy, energy transition, multidisciplinary approach to solving environmental issues, international and European environmental legislation, environmental impact assessment and biofuels.

**Dr. Bojan Jovanovski** holds a PhD in Industrial Engineering and Management, with focus on Innovation Management. He is researching, teaching, and developing polices in the area of Innovation, Entrepreneurship, Entrepreneurial Learning, since 2008. He was a teaching and research assistant at the Faculty of Mechanical Engineering, Ss. Cyril and Methodius University in Skopje since 2011, until 2018 when he joined the team of FH JOANNEUM. He has been involved in more than 35 international and many national projects, resulting with:
creation of >50 start-ups, development of high-school curricula, trainings for companies, young professionals and potential entrepreneurs and high-school teachers on innovation, entrepreneurship and career development. In the field of innovation and entrepreneurship, he has published more than 70 bibliographic units (scientific papers, teaching materials, published research reports, handbooks, as an author and/or editor), and had actively participated in more than 30 international conferences. As a Senior Lecturer (FH) at the Institute of International Management at FH JOANNEUM, Mr. Jovanovski is teaching and researching in the field of innovation. Currently, his main research activities are in the frame of the EU funded projects Know Hub and GREENOVET, which he coordinates.