

## Chapter 6

# The Impact of Triple Bottom Line on Sustainable Product Innovation: Human, Social, and Economic Antecedents for Sustainable Development

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### **ABSTRACT**

*Developing the pathways that lead to sustainable innovation in SMEs represents an important aspect of the business world and society. The aim of this chapter is to verify the relations and pathways that lead to sustainable product innovation performance while considering all three pillars of the triple bottom line approach. This study proposed a mixed methods approach to identify the antecedents of sustainable product innovation performance. The model was used to measure the effects of the three pillars of the triple bottom line: economic, social, and environmental developments. The model was also designed to account for the firm's type (public limited companies vs. general partnerships). The authors determined whether a firm's type moderates the effects of the three pillars. They identified alternative configurations of conditions and determined those that are likely to lead to sustainable product innovation performance. The findings show that social and environmental developments are two important antecedents for product innovation performance, and they contribute to different pathways.*

DOI: 10.4018/978-1-7998-4833-2.ch006

## INTRODUCTION

The aim of this chapter is to answer three questions and gaps: How are economic, social, and environmental antecedents balanced in innovation activities? What is needed to make the triple bottom line approach more effective (e.g., new communications, new human resources practices, and knowledge sharing management methods)? Does a firm's legal form (e.g., public limited companies versus general partnerships) affect its commitment toward sustainable innovation?

These questions are very interesting to the business world because their answers can facilitate an understanding of the key processes and pathways that allow companies to manage and integrate the three development goals with the most common innovation dynamics, e.g., knowledge search strategies and human resource management. Such a shift often calls for organizational restructuring and more diverse knowledge components or new routines, thus leading to novel pathways toward innovation. Furthermore, sustainable development requires a "society pool" approach to innovation whereby different stakeholders (e.g., trade partners, employees, governments for innovation's projects) are involved. In addition, our questions examine differences in innovation performance between Small and Medium Enterprises (SMEs) with different legal forms. SMEs with different legal forms can have different sustainability goals. In addition, this chapter is interesting to shed light on the relationships between knowledge management and corporate social responsibility in firms.

In this chapter, we identify the antecedents of the adoption of environmental practices (PRAC) and sustainable product innovation performance (PIP) in the context of the triple bottom line approach (TBL). TBL is evaluation system of corporate social responsibility. Corporate social responsibility is defined as the active and voluntary contribution to social, economic and environmental improvement by firms, generally with the objective to improve their competitive and value situation and their added value.

The adoption of environmental practices by a firm requires it to respond satisfactorily to the concerns of its various stakeholders (such as employees, customers, and suppliers) and address issues specific to its location (Dahlsrud, 2008). In our model, it is interesting to attend to the concerns of stakeholders because all its variables depend largely on the relationship with them (exports, shared knowledge, among others). Most firms' innovation efforts focus on only one development goal at a time, whereas the approach used here accounts for the economic, social, and environmental developments that lead to sustainable innovation, which benefits society. This chapter adopted a TBL to address a major gap in the literature on small- and medium-sized enterprises (SMEs). While previous research has focused primarily on the PRAC of large companies, interest in the sustainability of SMEs has grown for at least two reasons. SMEs are the backbone of the economy and represent more than 95% of enterprises across the world (Ayyagari et al., 2011). The PRAC of SMEs is significantly different from that of large companies as a result of several peculiarities: owners directly manage most SMEs; they are tightly linked to business partners and the local community; and they have financial, human, and time resource limitations that can hinder the implementation of PRAC commensurate to larger firms (Testa et al., 2016). This chapter also addressed sustainable paths for two SME types: Public Limited Companies (PLC) and General Partnerships (GP).

The literature recognizes that innovative activity, especially that of SMEs, is beneficial to society: increased employment, economic prosperity, and more competitive economies are among the advantages (Schramm, 2010). A company demonstrates innovative behavior by its desire to earn profits and acquire power and prestige, even at the expense of society. However, PIP often produces socially beneficial

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