

# Chapter 11

## Resist With Traditional or Promoting Green: How Innovation Stimulates Firms' Supply Chain Management Performance

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### **ABSTRACT**

*Environmental issues emerge along with the development of firm performance, and it is a challenge to the business world. The aim of this study is to investigate the impact of green supply chain management (GSCM) practices on firm performance. In addition, this study also examined the role of green innovation in between GSCM and firm performance. The data is collected from 369 participants across 123 multinational corporations (MNCs) operating in Pakistan through purposive sampling technique. SmartPLS is employed to analyze the data. The results reveal that GSCM has positive and significant impact on green innovation and firm performance. Moreover, green innovation mediates the relationship between GSCM and firm performance. Researchers, practitioners, and industry leaders, while designing their environmental policies to experience the comparative benefits for both business and society, can use this influence of environmentally friendly practices.*

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## **INTRODUCTION**

Environmental challenges arise following the growth of a company's performance, creating new challenges to the business sector. With the pressure from the government, business competition, the community, and investors, companies must pay full attention in supply chain and business development to the environment to provide benefits to the firm performance by implementing green operations, so that green supply chain management and green innovation are considered capable of improving firm performance. Green supply chain management is a method for addressing issues such as I) stakeholder adoption of green practices, II) stakeholder desire to implement GSCM, III) hurdles faced by stakeholders to GSCM implementation, and 4) implications for firm performance (Wibowo et al., 2018). Supply chain management refers to a company's interaction with its suppliers, distributors, and customers, in which the organization strives to preserve the environment across the supply chain. By generating green products, the deployment of GSCM can increase company performance in terms of profitability and green innovation (Seman et al., 2019). As a result, the number of businesses using GSCM to improve their performance will expand.

Green innovation is a notion that can mitigate the adverse environmental effects while improving business performance to boost public trust, cost efficiency, productivity, and market share (Agustia et al., 2019). Adopting green innovation is a difficult step to take since it involves new aspects such as green process management, ecosystem reconstruction, and green product R&D, as well as a departure from the traditional work system in terms of organizational structure and employee performance (Ge et al., 2018). Green innovation is possible if the company also considers the environment's influence, such as an unpredictable climate and limited natural resources. As a result, the organization must make innovative modifications to its business activities while also considering environmental implications (Khaksar et al., 2016). Green innovation can be beneficial for changes in firm performance (Ma et al., 2018), as an increase in firm performance can create a competitive advantage.

Earlier studies have shown green supply chain management improves business performance, even though green supply chain management requires huge costs (Geng et al., 2017). Nevertheless, the green supply chain management has no significant impact on the performance of the firms because few company owners or managers had implemented green supply chain management (Namagembe et al., 2016). There was a significant effect of green supply chain management on green innovation, in which when companies implemented green supply chain management, it would increase green innovation (Abu Seman et al., 2019). Companies adopted green supply chain management and green innovation due to pressure from external stakeholders, which is to improve firm performance (Burki, 2018; Seman, Zakuan, Jusoh, Arif

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