


Chapter 6


Firm-level Green Innovation in Serbia: Key Drivers and Sectoral Insights

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ABSTRACT

Green innovation addresses the environmental challenges that companies face while serving as a key driver of sustainable development by integrating environmental, economic and social dimensions. The aim of this study is to identify the main internal and external factors influencing green innovation in companies and to compare the adoption of green innovation in the manufacturing and service sectors. The analysis is based on data from the Community Innovation Survey for Serbia, which covers the innovation activities of companies in the period from 2020 to 2022. Using logistic regression models, the results indicate that the main internal drivers of green innovation in both sectors are firm-specific factors, equipment procurement, business model and process innovation. Among the external drivers, customer demand and rising costs linked to climate change are the most influential. The findings provide a foundation for designing policy measures and strategies to promote green innovation in developing countries.

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INTRODUCTION

As sustainability becomes a key business imperative, it is critical to understand the factors that drive green innovation at the firm level. Green or eco-innovation involves the development of products, services or processes that reduce environmental impact while remaining economically viable. Companies around the world are increasingly integrating green innovation into their strategies to meet rising environmental regulations, market demands and corporate social responsibility goals. However, the drivers for the adoption of eco-innovation, especially at the firm level, remain underexplored in many developing countries, including Serbia.

This chapter attempts to fill this gap by analysing the main drivers of green innovation at the company level in Serbia. It examines both internal and external factors that influence green innovation and provides a comprehensive understanding of the motivations and barriers that companies face when adopting sustainable practices. In addition, the chapter provides sectoral insights by comparing the adoption of green innovation in the manufacturing and service sectors, highlighting the particular challenges and opportunities that Serbian companies face on their path to sustainability.

The mission of this research is to provide a detailed empirical analysis of the firm-level determinants of green innovation in Serbia, with a focus on sectoral differences. It aims to:

- Identify the internal drivers of green innovation in Serbian companies, such as firm size, financial performance, market presence and innovation capacity.
- Explore external factors influencing green innovation, including competitive pressure, market demand and government regulations.
- Compare the adoption of green innovation across key sectors to identify sector-specific challenges, opportunities and best practices.
- Provide policy recommendations and practical strategies for promoting green innovation in companies.

By fulfilling these objectives, the study provides valuable insights and evidence-based recommendations that can inform policy makers and businesses. The findings provide benchmarks for other emerging and transition economies and contribute to a broader understanding of effective green transformation strategies.

To achieve these objectives, the following research questions are formulated:

- What are the main internal factors influencing green innovation in Serbian firms?
- What are the most significant external drivers of green innovation in Serbian firms?

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