

# **Analysis of Organizational Performance: Environmental and Innovation Processes Approaches**

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## **Abstract**

Environmental innovation processes is an indispensable and pressing concern for organizational performance. This study aims to clarify the relationship between environmental performance and organizational financial performance. A further objective is to assess the effect of process innovation on the connection between environmental performance and organizational performance. The sample for the present analysis consists of active Tehran Stock Exchange companies from 2017 to 2021. This study demonstrates that there is a significant relationship between financial performance and return on assets. In addition, adding process innovation as a moderating variable to the model reveals a significant relationship between process innovation and firms' return on assets. There was no significant relationship between financial performance and return on equity, but when the process innovation variable was added to the model, a significant relationship was observed with return on equity. The findings of this study suggest that organizations and businesses should institutionalize innovation processes in their productions in order to enhance environmental and organizational performance.

**Keywords:** Organizational Performance, Environmental Performance, Process Innovation.

## **Introduction**

The occurrence of environmental crises is one of the most pressing issues of the present age. The destruction of ecosystems proceeds unabatedly, and climate fluctuations are growing more severe (Hayati, 2016). Human encroachment on nature has become so pervasive that it has endangered life on Earth (Azizi et al., 2020). Reliable scientific sources concur that when humanity enters the third millennium, they will face a vast array of environmental issues and problems. This crisis is a consequence of industrialization, economic growth, and technological progress (Jones, 2010).

In the second half of the 18<sup>th</sup> century, the industrial revolution brought about fundamental alterations in the way people lived. A consequence of these changes is the unrestricted use of natural resources and the unbalanced economic and industrial development of countries. This issue increased public awareness of the environmental responsibilities of various corporations and industries (Baharlu et al., 2020). The continuation of human activities clarifies that long-term economic sustainability and stability are entirely dependent on environmental sustainability, and that environmental crises will have unavoidable effects on the quality of life, the activities of people in society, and future generations (Hayati, 2017). Consequently, environmental problems should be regarded as fundamental issues for companies and other

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organizations, as they are related to a company's economic and production processes (Sari et al., 2021).

With the advent of technology and scientific advancements, the modern world has provided vast access to fabricated resources, thereby making life more enjoyable. However, the abundance of artificial resource has been at the expense of sustainability and the environment. The world has thus been struggling to achieve a balance between the sustainable use of resources and economic development (Zia et al., 2021). Managing both has been a major concern for economies, as each comes with a cost and compromise. According to researchers, economic growth and sustainability are incompatible (Kurniawan and Managi, 2018). Green innovation is advantageous for preventing environmental pollution, aiding in waste recycling, and conserving non-biodegradable energy (Ren et al., 2020). Today, both governments and individuals have decided to support the green consumption and production movement. This process aims to reduce pollution, reduce consumption, increase quality, and optimize consumption so that future generations can enjoy a healthy environment. This issue made eco-friendly design a challenge for organizations in the current competitive climate. The compatibility of any innovation with environmental considerations is of the utmost importance. Currently, environmental performance and compliance with environmental laws are viewed as a competitive advantage for businesses; therefore, the compatibility of any innovation with environmental considerations is crucial (Aziz Mohammadlou et al., 2017). Green process innovation refers to the process innovation that is typically implemented by environmentally conscious businesses. This innovation refers to the organization's efforts to increase the efficacy and efficiency of producing products and services, as well as altering the method of customer delivery. These measures can result in a more efficient use of resources, a significant reduction in response costs, the avoidance of lawsuits, hefty penalties, and cleanup expenses, and ultimately an increase in the organization's environmental efficiency. Ma et al. (2017) state that the adoption of environmentally friendly methods yields substantial economic benefits. Preserving the environment and reducing environmental damage caused by companies, as well as maintaining competitive advantages and fostering innovation in order to advance in expanding markets, are among the most important concerns of organizations today (Tayaran et al., 2020). Thus, when both internal and external organizational motivations exist, firms will be encouraged to adopt green innovation practices. Internal motivations include management's commitment and supplier's partnership, while external motivations include regulations and customer demand constraints. Thus, the two are directly related (Irani and Kilic, 2022). Therefore, it is essential to consider process innovation as a fundamental and effective requirement for the administration of modern and competitive organizations (Bani Talebi Dehkordi and Ghafourinejad, 2020).

Innovation innovations in processes, products, marketing, and management have a strong and positive correlation with environmental and organizational performance. According to Ahmed et al.'s 2023 study, such innovation aids in the growth and development of a competitive advantage for businesses.

Considering the significance of environmental activities and the effect of process innovation on them, it is important to note that the aforementioned factors impact organizational performance. Tayaran et al. (2020) have demonstrated that green product innovation, green process innovation, green managerial innovation, and green technological innovation impact an organization's environmental performance, and that green process innovation, green managerial innovation, and environmental performance also impact the financial performance of companies. Attention to environmental performance indicators and process innovation have a positive effect on organizational performance, as demonstrated by Sari et al. in 2021. In addition, Ahmed (2023) argued that practitioners and policymakers must institutionalize green

innovation practices within their organizations in order to improve organizational and environmental performance.

Various financial and non-financial metrics are utilized to assess the efficacy of an organization. In this study, financial ratios, including return on assets (ROA) and return on equity (ROE), were employed to assess the financial performance of the sample companies. This study aims to determine whether environmental performance and process innovations have an impact on the financial performance of organizations.

## Literature Review

The theoretical foundation of this research is the signaling theory. According to Ahmed (2023), the signaling theory is a critical theory that relates to fundamental communication; signaling theory is founded on suggestions to which the market responds positively or negatively (Connelly et al., 2011). Redirecting the signaling theory demonstrates how individuals and organizations receive and interpret messages. Green innovation, such as green products and processes, protects the environment (Berger, 2019). Therefore, the current study is related to the signaling theory. The signaling theory establishes a connection between environmental degradation and its negative effects on the atmosphere and people's quality of life. The signaling theory is applicable to the positive and negative signals sent to the general public, government environmental departments, international environmental agencies, non-governmental organizations, and industrial policymakers (Guest et al., 2021).

Currently, a new attitude towards the environmental effects caused by the industrial activities of companies has emerged, resulting in significant changes in product design, manufacturing processes, and after-sales services. In the meantime, the true value of natural resources such as air, water, land, etc., which are utilized in the production of various products, is not accurately reflected in the ultimate price of these products. Despite incurring internal environmental costs, green industries produce the same goods as non-green industries that are similar in nature. Therefore, management is responsible not only for the efficacy and effectiveness of the company under its supervision, but also for all environmental issues related to the company's profit-making activities. A profit-making unit must embrace social or environmental responsibility in addition to economic responsibility. The sensitivity of the environmental issue, whether as an external or internal requirement, necessitates that environmental accounting be tied to the objective of allocating costs to environmental activities. Cost is a significant issue because of its impact on economic performance (Momeni, 2020).

According to Merchant (2007), a performance measurement system must specify the scope of decisions, tasks, responsibilities, objectives, perspectives, and rewards for attaining results (Agha kazem Shirazi et al., 2019). In designing the organization's performance measurement system, environmental performance should be taken into account, thereby enhancing organizational performance. Today, many organizations and companies are confronted with increasing, stable, and uncertain competition, which has intensified as a result of innovation, shifting market environments, and fluctuating consumer demands.

The most successful organizations are those that, in addition to coordinating with the societal developments of the present, can predict the path of future changes and transformations and are able to steer these changes in the direction of creating desirable changes to build a better future. Companies and production organizations are currently facing two challenges. On the one hand, production yields newer philosophies and technologies, while on the other hand, customers today place a greater emphasis on the demand for new products and services in a brief period of time. Therefore, in order to survive and address the challenges they confront, businesses must take steps related to their market's competitive environment (Mortazavi et al., 2016). Innovation is an important factor in empowering companies to create value and maintain

competitive advantage in an extremely complex and rapidly changing environment and process, which provides newness for the organization, its suppliers, and its customers through the development of new trading methods and the creation of solutions and solutions with added value. Creative processes and innovative products manifest higher firm performance (Darwish et al., 2021). Innovation in the production process enables organizations to satisfy consumer expectations, resulting in increased customer satisfaction and product demand. This will ultimately result in enhanced company performance (Ali Akbari, 2017). Innovation leaders are able to respond to the changing requirements of customers more effectively and efficiently than their competitors, and these measures will ultimately lead to improved performance (Ramezani and Thani Bidroni, 2016). Environmental performance and compliance with environmental regulations are viewed as a competitive advantage for companies today. According to studies, companies that care about the environment are acknowledged by society. Therefore, environmental compatibility is of utmost importance for any innovation (Tayaran et al., 2020). Organizations that support innovation in their manufacturing processes can reduce environmental costs, increase efficiency, and have a positive public image as a green or environmentally responsible business, thereby ensuring their long-term survival and financial success (Sari et al., 2021). Innovation related to the process, administration, and technology of green product production has an impact on the environmental performance of an organization (Tayaran et al., 2020).

Significant was the relationship between green innovation and the organization's attempt at innovation strategy in the presence of organizational identity, which mediates the relationship, connects innovation strategy to green identity, and produces innovative green capabilities. In addition, firms' potential for sustainable growth can be bolstered by the concept of green identity, and they must be capable of green creativity to boost their sustainable development. It is also observed that organizations can maintain their competencies and market advantages through green innovation practices, as eco-environment organizations have a tendency to generate greater profits than others (Liao and Zhang, 2020). Wang et al. (2021) demonstrated a correlation between green innovation practices and environmental performance. The findings also indicate that the effect of IO on moderation was statistically significant but had a negative coefficient value. The study also includes recommendations and implications for managers and policymakers. Moreover, numerous studies have demonstrated a significant positive relationship between environmental accounting and the financial and operational indicators of companies (Sheikhi, 2018). Adoption of environmentally friendly practices by businesses affords them the chance to export to environmentally conscious nations and enhance their financial performance. It also assists them in gaining a positive international reputation. This issue is an authentic document that demonstrates how environmental management accounting can enhance organizational performance (Kan and Yu, 2020).

The majority of consumers are willing to pay more for products that benefit humanity and the natural environment, indicating that innovation in the production process, enabled by environmental management accounting, encourages organizations to self-improve (Paparavidamis et al., 2019). With innovation in the production process, businesses are able to satisfy consumer expectations, thereby boosting customer satisfaction with the company's performance. It increases demand, which ultimately results in enhanced business performance. According to the theoretical foundations, the following hypotheses can be formulated:

**H (1):** Environmental performance has a significant effect on return on assets (ROA).

**H (2):** Environmental performance has a significant effect on the return on equity (ROE).

**H (3):** Environmental performance has a significant effect on return on assets (ROA) by the moderating role of process innovation.

**H (4):** Environmental performance has a significant effect on return on equity (ROE) by the moderating role of process innovation.

## Material and Methods

### *Methodology and Data Analysis*

This study is applied in terms of purpose and quasi-experimental post-event data collection method, the multivariate regression method and econometric models to the field of positive accounting research. This study's statistical population comprises of active units on the Tehran Stock Exchange. To standardize the data, entities with a continuous and active presence on the Tehran Stock Exchange from 2017 to 2021 and meeting the following criteria were chosen:

- The studied units are productive in terms of type of activity;
- The trading interval does not exceed three months;
- The fiscal year corresponds to the end of December;
- The fiscal year does not change.

Based on this method, 78 sample firms have been selected and their information is provided in Table 1.

Given the explanations provided and the information burden of financial reports published by the most important news source (i.e. audited financial statements published by the reporting entity), it is anticipated that this official source will have a direct impact on the behavior. By influencing the decision, its effect on the volume of exchanges will become apparent.

**Table 1.** Characteristics of respondent firms

Classification	Frequency	Percentage
Basic metals	14	17.95
Electricity, gas, steam, and hot water supply	3	3.85
Chemical products	14	17.95
Automobile and parts manufacturing	9	11.54
Machines and equipment	3	3.85
Rubber and plastic	4	5.13
Tiles and ceramics	3	3.85
Mining of metal ores	3	3.85
Petroleum products, coke and nuclear fuel	1	1.28
Making metal products	1	1.28
Pharmaceutical products and materials	9	11.54
Electrical machines and devices	1	1.28
Non-metal mineral products	1	1.28
Cement, lime and plaster	5	6.41
Food and beverage products except sugar	4	5.13
Other non-metallic mineral products	1	1.28
Paper products	1	1.28
Coal mining	1	1.28
	78	100%

### *Environmental Performance (EP)*

To evaluate the independent variable of environmental performance in this study based on Sari et al. (2021), Table 2 measures were considered. The measures were modified in accordance with Iran's environmental conditions, and their validity was authorized by five experts and ten

university professors. If a company has disclosed any of the desired measures in its annual reports (explanatory notes of audited financial statements or explanatory reports of the board of directors' activities to the assembly), it receives a score of one (the company's environmental activity), and if not, it receives a score of zero (the company's lack of environmental activity). In order to determine each company's score, the sum of its zero and one point is divided by the total number of points.

**Table 2.** Environmental performance measures

Preventing pollution and maximizing energy efficiency	Utilization of eco-friendly consumables
	Maximizing the use of energy carriers, raw materials, and consumables
	Maintenance and enhancement of equipment
Identifying environmental concerns	Identifying pollutant sources and measuring pollutant emissions
	Online surveillance and seasonal surveillance
Elimination of produced pollution	Waste recycling
	Employee collection of household refuse
Reducing pollution	Air pollution prevention, the development of a filtration system, and the installation of an electro filter
	Prevention and the installation of effluent treatment systems
	Elimination and administration of factory effluent
Engaging in social activities	Self-declaration in monitoring for pollution
	Participation in environmental issues-related conferences and seminars
	Collaboration with an environmental group
Obtaining certificates and awards	Accepted and supported as a specific green industry
	ISO 14001 environmental management system
Academic and cultural pursuits	Planning environmental workshops
	Collaboration with organizations to develop environmental standards
	Design and stick the brochures and posters concerning Environmental Protection in across the cities
Environmental enhancement	Landscaping, painting, and reserving a space for hazardous waste
	Conservation and upkeep of green space
Environmental costs	Disclosing the performance related to compliance with the statute requiring one per thousand of sales to protect the environment
	Disclosure of the environmental costs and social performance

### *Organizational Performance (OP)*

In this study, organizational performance is measured by the return on equity (ROE) and return on assets (ROA) ratios as a dependent variable based on financial measures. Return on equity is equal to the ratio of profit after tax to equity (Fadaie nejad and Sadeghi Sharif, 2019), while return on assets is calculated by dividing net profit by total assets. Return on equity is the most comprehensive measure of a company's profitability.

$$ROE = \frac{\text{Profit after tax}}{\text{Equity of owners}} \quad (1)$$

$$ROA = \frac{\text{Profit after tax}}{\text{total assets}} \quad (2)$$

### *Innovation Process (IP)*

The innovation process is regarded a modifiable variable in the current study. The main indicators for measuring this dimension are:

- Changes in the production process or service
- Finding new ways and methods to do things
- Being a forerunner in providing novel production methods and techniques.

If a company has disclosed any of these indicators (in accordance with its environmental performance) in the explanatory reports of the board of directors' activities to the assembly, it will receive a score of one; otherwise, it will receive a score of zero.

### *Company Size (SIZE)*

In this study, the company size is a control variable derived from the natural logarithm of the company's total assets.

## **Research findings**

In order to examine and analyze the initial data, Table 3 presents the descriptive statistics of the research.

**Table 3.** Descriptive statistics of the research

Variable Name	IP	EP	SIZE	ROA	ROE
Number	390	390	390	390	390
Average	0.32	0.88	6.89	0.22	0.39
Middle	0	1	6.83	0.2	0.41
Maximum	1	1	9.04	0.76	0.95
Minimum	0	0	5.06	-0.24	-2.89
Standard Deviation	0.46	0.31	0.72	0.17	0.31
Skewness	0.76	-2.4	0.36	0.54	-3.21
Kurtosis	1.59	6.79	2.75	2.98	32.17

As indicated previously, the data of 78 reporting firms active on the stock exchange for seven years (a total of 390 years - the company) were used to test the hypotheses of this study. The standard deviation indicates that the data are centered around the mean, i.e., they are close to the mean and have little dispersion. The close proximity between the mean and median of the data also indicates the normality of the data distribution, which is the case in the current investigation. According to the statistics of the average variable ROE and ROA, it is possible to conclude that the firms of the statistical community have earned an average return on equity and return on assets of Sample companies of 0.39 and 0.22, respectively, and that these numbers also reflect the actuality of the Iran stock exchange.

### *Examining the Stationarity of Research Variables*

In this research, the reliability of the variables was determined using the Levin, Lin, and Chu (LLCH) test. In Table 4, the results of the reliability test conducted by Levin, Lin, and Chu are displayed. All variables have probabilities less than 0.05, indicating that the research variables are stationary.

**Table 4.** The results of the reliability test of the research variables

Variable Name	Levin, Lin, and Chu Statistic	Levin, Lin, and Chu
Size	7.68	0.000
ROE	13.38	0.000
ROA	14.23	0.000
IP	3.1	0.001
EP	2.54	0.005

#### *Testing the First Hypothesis (First Model)*

Given that different models can be used to estimate the coefficients of the model variables in regression estimation with combined data, it is necessary to determine the appropriate shape of the data prior to fitting the research model. As shown in Table 5, the statistics of both tests (Limer and Hausman) are significant at an error level of less than 5%; consequently, the data are of the panel variety and should be estimated using the fixed effects method. Table 5 displays the results of verifying the first hypothesis.

**Table 5.** Results of testing the first hypothesis

ROA = $\alpha_0 + \alpha_1 EP + \alpha_2 SIZE + \varepsilon$			
Symbol	Coefficient	T-Statistic	sig
C	-0.75	-10.23	0.000
EP	0.05	3.85	0.000
SIZE	0.13	12.48	0.000
F-Limer		52.96	0.000
Hausman		54.23	0.002
Durbin-Watson		1.88	
Determination coefficient		0.90	
Adjusted coefficient of determination		0.88	

In Table 5, Model 1's F-statistic indicates significance at an error level of less than 1%, and its adjusted coefficient of determination indicates that 88% of the variations in return on assets are explained by the model's independent variables. The results of evaluating the first hypothesis of the study indicate a positive significant relationship between environmental performance and financial organizational performance. In addition, the estimation of Equation 1 indicates that the ROA has a positive significant relationship with size.

#### *Testing the Second Hypothesis*

According to the research's theoretical foundations and hypotheses, the second hypothesis states that environmental performance has a significant impact on return on equity (ROE). The impact of environmental performance on return on equity has been utilized for this purpose. In testing this hypothesis, the statistics of both tests (Limer and Hausman) are significant at an error level of less than 5%; therefore, the data are of the panel variety and should be estimated using the fixed effects method. Table 6 displays the results of verifying the second hypothesis.

In Table 6, the H0 hypothesis is not rejected, while the research hypothesis based on the existence of a relationship between environmental performance and return on equity is rejected and not significant. However, despite the fact that the relationship between these two variables is not statistically significant, it is positive and direct. In addition, the estimation of Equation 1 indicates that the ROE has a positive significant relationship with size.



**Table 6.** Results of testing the first hypothesis

$ROE = \alpha_0 + \alpha_1 EP + \alpha_2 SIZE + \varepsilon$			
Symbol	Coefficient	T-Statistic	sig
C	-1.59	-4.85	0.000
EP	0.01	1.02	0.307
SIZE	0.28	6.01	0.000
F-Limer	66.83		0.000
Hausman	64.35		0.002
Durbin-Watson		1.87	
Determination coefficient		0.92	
Adjusted coefficient of determination		0.90	

*Testing the Third Hypothesis*

According to the research's theoretical foundations and hypotheses, the third hypothesis states that environmental performance moderates process innovation and has a significant impact on return on assets (ROA). On return on assets (ROA), the interactive variable of environmental performance and process innovation has been utilized. In testing this hypothesis, the statistics of both tests (Limer and Hausman) are significant at an error level of less than 5%; consequently, the data are of the panel variety and should be estimated using the fixed effects method. Table 7 displays the outcomes of testing the third hypothesis.

**Table 7.** Results of testing the first hypothesis

$ROA = \alpha_0 + \alpha_1 EP \times IP + \alpha_2 SIZE + \varepsilon$			
Symbol	Coefficient	T-Statistic	sig
C	-0.73	-3.81	0.000
EP×IP	0.03	2.45	0.014
SIZE	0.13	4.83	0.000
F-Limer	78.24		0.000
Hausman	69.64		0.015
Durbin-Watson		1.88	
Determination coefficient		0.90	
Adjusted coefficient of determination		0.80	

In Table 7, the F-statistic of Equation 3 indicates that the model is significant at an error level of less than 1%, and the adjusted coefficient of determination indicates that the model's independent variables explain 80% of the variations in return on assets. The results of evaluating the first hypothesis of the study indicate that environmental performance and return on assets (ROA) are positively and significantly correlated. In addition, the estimation of Equation 1 indicates that the ROA has a positive significant relationship with size. Taking into account the coefficient and significance of the interactive variable environmental performance and process innovation of the reporter firm, the results of testing the third hypothesis of this study indicate that process innovation of the reporter firm moderates the relationship between environmental performance and return on assets (ROA).

*Testing the Fourth Hypothesis (Fourth Model)*

As stated in the research's theoretical foundations and hypotheses, the third hypothesis states that environmental performance moderates process innovation and has a significant impact on

return on equity (ROE). On return on equity (ROE), the interactive variable of environmental performance and process innovation has been utilized. In testing this hypothesis, the statistics of both tests (Limer and Hausman) are significant at an error level of less than 5%; therefore, the data are of the panel variety and should be estimated using the fixed effects method. Table 8 displays the results of verifying the third hypothesis.

**Table 8.** Results of testing the first hypothesis

$ROE = \alpha_0 + \alpha_1 EP \times IP + \alpha_2 SIZE + \varepsilon$			
Symbol	Coefficient	T-Statistic	sig
C	-1.58	-15.98	0.000
EP×IP	0.03	2.6	0.009
SIZE	0.28	19.8	0.000
F-Limer	82.33		0.000
Hausman	76.51		0.001
Durbin-Watson		1.87	
Determination coefficient		0.94	
Adjusted coefficient of determination		0.93	

In Table 8, the F-statistic of Equation 3 indicates that the model is significant at an error level of less than 1%, and its adjusted coefficient of determination indicates that the model's independent variables explain 93% of the changes in return on equity. The results of assessing the first hypothesis of the study show that environmental performance and return on equity (ROE) have a positive and statistically significant relationship. In addition, the estimation results for Equation 4 indicate that the ROE has a positive and statistically significant relationship with size. Taking into account the coefficient and significance of the interactive variable environmental performance and process innovation of the reporter firm, the results of testing the third hypothesis of this study indicate that process innovation of the reporter firm moderates the relationship between environmental performance and return on equity (ROE).

## Conclusion and Recommendations

This study aims to examine the relationship between environmental performance and financial organizational performance, with the innovation process serving as a moderator. The overarching objective of this study includes both theoretical and practical solutions, as well as implications for future researchers and industry professionals. Industry managers could formulate strategies for long-term, sustainable growth by incorporating innovation processes into their products and procedures. Companies that take steps to prevent pollution and optimize consumption, identify environmental hazards and reduce the created pollution, participate in environmental conferences and seminars, collaborate with organizations in order to compile environmental standards, attempt to beautify the environment and maintain green space, strive to obtain environmental certificates and honors, and disclose their environmental practices are more likely to be successful.

This study provides empirical evidence that the implementation of environmental performance enhances the financial performance of an organization. In accordance with their social responsibility, businesses should give special attention to and enhance their environmental activities and performance. Process innovation is the essential solution that companies must prioritize in order to achieve this objective. According to the findings of this study, businesses that modify their production or service processes in accordance with environmental performance, employ new methods, and prioritize the innovation process have superior financial organizational performance. Recent evidence indicates that the majority of

consumers are concerned about the environmental impact of their purchases. In 18 developing and developed countries, one out of every two consumers identify as “environmentally conscious.” This issue confirms the notion that innovation in business processes will enhance organizational performance when environmental responsibility is taken into account. Customers are satisfied and the company’s position is enhanced as a result of process innovation, which enables businesses to produce environmentally friendly products and reduce harmful effects on the atmosphere, oceans, land, etc. In addition, innovation maximizes synergistic effects and makes businesses more competitive and environmentally friendly.

Environmental performance and financial organizational performance are positively correlated, according to the findings of Ahmed (2023), Darwish et al. (2021), Liao and Zhang (2020), Tayaran et al. (2020), Momeni (2020), Ali Akbari (2017), Paparovidamis et al. (2019), Mortazavi et al. (2016).

For future research, it is suggested that the Stock Exchange Organization (SEO) establish a special information bank for green accounting in order to facilitate the access of market activists and researchers and even customers to the list of companies active in this field and the data related to green accounting; especially because in Iran, due to the lack of access to information related to green accounting, very little research has been conducted in Iran. It is suggested that the government provides ways to reduce pollution by amending existing laws, approving new laws and imposing legal penalties for companies that pollute the environment. Those in charge of environmental issues should also consider institutionalizing the culture of adhering to environmental regulations. Since the current research has only examined the financial aspect of organizational performance, it is recommended that organizational performance be measured by placing equal emphasis on financial and non-financial aspects. It is suggested that the current research be examined separately for each industry and that the results from each industry be compared.

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