HOW DO GREEN SKILLS AND GREEN CAPABILITIES IMPACT FIRMS' FINANCIAL PERFORMANCE?

Contact: Cece Koczias, ck323@ic.ac.uk
Supervisors: Pelin Demirel, Marco Aurisicchio

- **Green skills and capabilities positively influence financial performance.**
- **GS and GC have a bidirectional relationship with each other.**
- **GS and GC's impact varies based on firm size, ownership, industry, and institutional context.**

ABSTRACT

Does it pay to be green for organisations? This research project examines how green skills (GS) and green capabilities (GC) influence firms' financial performance. A systematic literature review was conducted to assess existing studies, identifying the variables and factors shaping the GS-GC relationship and their impact on firms' financial outcomes.

INTRODUCTION

The Paris Agreement has set a global warming target of no more than 2.0°C above pre-industrial levels, limiting the temperature increase to 1.5°C (UNFCCC, 2015). Business-as-usual is no longer feasible to meet economic, environmental and social needs. Companies need to acquire green skills and build green capabilities.

OBJECTIVES

Undertake a Systematic Literature Review to Identify:

1. What are GS and GC?
2. What is the relationship between GS and GC?
3. How do GS and GC impact firm financial performance? and
4. What are the main variables that shape the relationship and outcome of GS and GC' impact on firms' financial performance?

METHODOLOGY

Systematic Literature Review was chosen to structurally identify gaps in the literature related to GS and GC and provide theoretical and methodological understanding, lending insight into future developments (Boland et al., 2017).

Systematic Literature Reviews Ensure:

1. Research validity
2. Quality assurance of the revision process
3. Scientific adequacy
4. Replicability
5. Transparency (Page et al., 2021).

FINDINGS

GS and GC are the foundational building blocks for the net zero transition.

The concepts of GS and GC are broad, ambiguous and context-dependent.

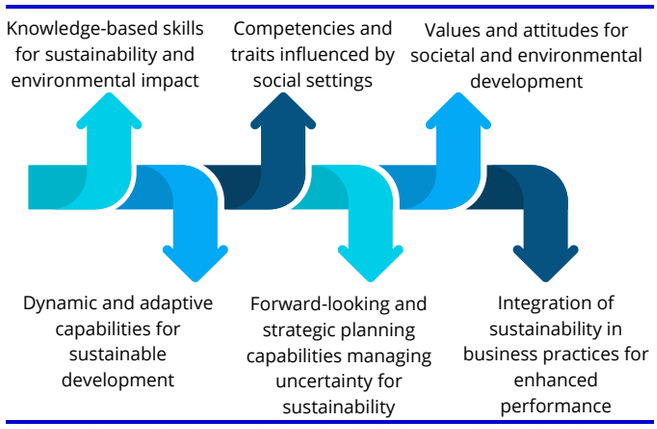
GS and GC maintain a bidirectional relationship.

The impact of GS and GC on firm financial performance is mostly positive, with some caveats.

Firm size and ownership, sectoral and institutional contexts shape the relationship between GS, GC and firms' financial outcomes.

IMPLICATIONS FOR FUTURE RESEARCH

- While GC are well-covered in literature, GS demand more focused exploration.
- The service sector requires further research to understand the impact of GS and GC on financial performance.
- Research should explore how firm size, ownership, sectoral differences, and institutional settings influence the relationship between GS, GC, and financial performance.
- Future research should consider the six prominent financial metrics—growth, profitability, liquidity, market performance, cost, efficiency and productivity.
- This study provides a conceptual framework for future research clarifying and operationalising GS and GC.



Conceptual framework based on green skills definitions (top), and green capability definitions (bottom)

CONCLUSION

GS and GC have a predominantly positive overall financial impact on firms. Further investigation of UK SMEs in the service sector across different regions and green skills is required.

BIO

Cece is a second-year PhD student at the Dyson School of Design Engineering focusing on the financial impact of green skills and capabilities in firms. Her research aims to influence the UK's firms to pursue a green transition, advancing the integration of green skills and capabilities in policy and industrial landscapes.

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