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Study on the Small and Medium-Sized Enterprises (SMEs) Sector and the Factors that Influence Sustainability in these Sectors

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Abstract: *The purpose of this study is to investigate the methods via which small and medium-sized enterprises (SMEs) can actively participate in strategies that enhance their businesses' social and environmental sustainability. This study provides a comprehensive analysis of the business case for sustainable development that has been introduced to the business community. It examines the unique configuration, method, and procedure involved. We utilize arguments derived from the literature to succinctly outline the business rationale for sustainable development that has been specifically tailored for small and medium-sized enterprises (SMEs), and to describe the distinctive characteristics of SMEs that highlight the necessity to reassess the justification for socially and environmentally responsible strategic policies for SMEs. The business case for small and medium-sized enterprises (SMEs) differs from those of large companies, therefore, effective business strategies for improvement demand special attention. Additionally, when developing tools to support sustainability, it is important to take into account the unique resources and profiles of small and medium-sized enterprises (SMEs). The obstacles to exploration and its consequences revolve around the potential for economic advancement, which encompasses the majority of the challenges faced by modern societies. Hence, corporations have a limitless array of options for formulating strategies that will have a substantial impact - and ideally enhance - their social and environmental performance. Although this research lacks empirical evidence, it provides insights into the social and practical consequences of SME sustainability initiatives..*

Keywords: small and medium-sized enterprises (SMEs)

I. INTRODUCTION

Business scholars have embraced the terms sustainability and sustainable development to encompass and define a broad range of behaviors, in order to investigate and tackle challenges related to the status quo in business. In this paper, we adopt the prevailing definition of sustainability and sustainable development as established by the World Commission on Environment and Development (WCED) in 1987. According to this definition, sustainable development entails satisfying the current needs while safeguarding the capacity of future generations to fulfill their own needs. Despite receiving criticism for its ambiguity, naivety, and inadequate consideration of the social dimension of sustainability, this definition remains the most commonly employed. Etzion (2007) has stated that the literature on corporate sustainable development has understood the WCED definition to encompass three key aspects: social equity, environmental accountability, and financial feasibility. (2008) Peloza defines sustainability in business as the pursuit of methods that create economic value while also addressing the well-being of human populations and the impact on ecosystems.

II. REVIEW OF LITERATURE

Our literature evaluation encompasses research that examine the influence on society, the environment, or occasionally both. This literature employs words such as "green company" or "corporate social responsibility" to discuss and characterize sustainable practices, depending on the research's specific topic. Small and medium-sized enterprises (SMEs) are a key set of participants that will exert a substantial influence on the future of both industry and the planet. Indeed, these groups have a substantial impact on the global economy. Nevertheless, the significance of small and medium-sized firms (SMEs) in contributing to sustainable development has been generally disregarded in discussions about the role of business. Labonne (2006) conducted a comparison of the environmental assessment techniques used by both large and small firms. He found that small enterprises were considerably less inclined to examine their environmental footprint, mostly because of the financial limitations and expenses associated with instruments tailored for large businesses with ample resources.

Large firms have a responsibility to protect the natural environment and contribute to sustainable development. However, communities have realized that some businesses are shifting the burden of waste elimination onto them, despite lacking the political power to resist. In contrast, small businesses were more inclined to adopt proactive sustainability practices. in response to the multitude of allegations. Nevertheless, vigorous discourse and extensive investigation in recent decades have shifted the role of business towards a more pragmatic stance. Contemporary scholars widely agree that implementing sustainability strategies yields positive outcomes for both society and businesses, particularly in terms of economic performance. Businesses are increasingly aware that acknowledging the connection between all risks and opportunities and social and environmental issues is an integral component of a financially prosperous business plan.

The stakeholder notion and theory, as discussed by Jawahar and Mclaughlin in 2001, refers to the idea that individuals or groups that have an interest or are affected by a particular organization or project should be taken into consideration and included in decision-making processes.

The conceptual framework of stakeholder theory has led to the emergence of multiple study streams in the field of strategic management. In order to achieve a successful business strategy for sustainability, it is essential to thoroughly analyze the various stakeholders associated with a specific organization. Identifying financially beneficial clients who prioritize social or environmental concerns is challenging. To ensure profitability of green services and goods, enterprises must surpass the mere identification of a target market. The process of a person choosing to buy a sustainable product is more intricate than just categorizing clients based on their demographic and psychographic characteristics (Reinhardt, 1998; Peattie, 2001). The research conducted by Hoffman (2005) provides strong evidence that companies benefit from attracting people who align with their values and are viewed as practicing ethical behavior. Organizations that demonstrate excellent corporate social responsibility (CSR) or sustainable development practices often discover that they are able to attract and retain employees of higher caliber (Albinger and Freeman, 2000).

Examining the components of small and medium-sized enterprises (SMEs) and presenting arguments in favour of sustainable growth:

The differences between SMEs and larger firms primarily stem from variations in resources, such as income, budget, and workforce size. A European Union survey of more than 7,000 European SMEs found that companies that frequently engaged in external socially responsible activities demonstrated higher levels of social and environmental performance (Luetkenhorst, 2004). Aragon-Correa and colleagues (2008) acknowledge previous studies (Aragon-Correa, 1998; 2003, Buysse and Verbeke; 1997, Russo and Fouts; (Swaram, 2000). However, Aragon-Correa et al. (2008) argue that size does not necessarily determine the adoption of proactive environmental strategies (p. 98). In other words, the impact of a SME on sustainable development is not only dictated by its size. SMEs may differ from public corporations in terms of their social and environmental initiatives due to various significant internal and external aspects.

Ownership composition

The organization is ultimately driven by the values of its owners. Based on the research conducted by many authors (Graafland et al.,), it is more probable for a company to prioritize sustainable development if the individual owners of small enterprises also prioritize sustainable development. Joyner et al. (2003) and Luetkenhorst (2004) suggest that small and medium-sized enterprises (SMEs) have the advantage of being more agile and capable of implementing changes rapidly due to their small size. This is because the shorter lines of communication between senior managers, shareholders, and employees facilitate faster decision-making and implementation. The references cited are Graafland et al. (2003) and Graafland et al. (2008). Dansko, a footwear manufacturer that specializes in women's products, serves as an example of this. Small enterprises may have a more relaxed and informal business culture and organizational structure (Fassin, 2008; B Corporation, 2009). The swift integration of new sustainability measures is facilitated by the two co-founders of the company, who effectively merge their principles with majority ownership held by over half of the 146 employees. Jenkins (2004) suggests that the implementation of sustainable development practices in smaller organizations may not follow the typical approaches used by larger businesses, such as audits or planning tools. Even SMEs that utilize formal strategy tools to develop a strategic plan often fail to implement those plans (Earl, 2006; 2007 (Meers and Robertson). These findings could be attributed to several causes, such as insufficient financial resources or limited time to apply such methods. Sustainable development is sometimes misconstrued as being separate from essential operations, and small and medium-sized firms (SMEs) may be hesitant to allocate precious time to tackle matters that are not directly linked to their business.

Structures pertaining to the organization and allocation of capital

Based on research conducted by Jones and Tilley in 2003, it has been found that small and medium-sized enterprises (SMEs) are less inclined to possess complex divisional structures. Consequently, they may face a shortage of managerial resources and functional specialists, leading to subpar management and underutilization of prospective prospects. While smaller businesses should not be seen as an obstacle to implementing sustainable development practices, it is evident that sustainability strategies need to be tailored to each individual case and should not be assumed to easily adapt to the needs of small and medium-sized businesses. Conversely, smaller budgets may be less intricate and involve fewer individuals in the process of making budgetary decisions, even if small and medium-sized enterprises (SMEs) may have limited financial resources and staff capability. SMEs, such as Aragon-Correa and others, tend to have less complex capital structures compared to larger enterprises. This implies that internal financial resources are more readily available for SMEs. The expertise, principles, competencies, and past encounters of employees exert a substantial influence on the performance of small and medium-sized enterprises (SMEs), specifically in relation to their social and environmental performance. Such a financial profile can facilitate the rapid adaptation of SMEs to emerging opportunities. Enderle (2004) asserts that the factors that propel global trade are just the aggregate of numerous individuals' efforts. Enderle (2004) emphasizes that groups consist of individuals, and it is the collective actions of these individuals that shape a company's behavior. Although the literature on business and management extensively discusses the influence of "groupthink" on company decisions (Janis, 1982), Enderle emphasizes that groups consist of people.

The significance of external human relationships and social capital

Personal ties with consumers and business partners are crucial for the success of most businesses, particularly small and medium-sized firms (SMEs). Small and medium-sized enterprises (SMEs) often depend on their personal network of relationships and reputation as reliable businesspeople in their market and community to attract customers due to their limited budget (Jenkins, 2006; Niehm et al., 2007; Perrini et al., Further, SMEs, especially those that are established and family-run, can greatly benefit from business networks (Halila, 2007; Aragon-Correa et al., 2007). In 2008 and 2004, according to Enderle. Halila (2007) states that networks can offer small and medium-sized enterprises (SMEs) valuable expertise and resources, enabling them to undertake risks or adopt practices that they may not have otherwise explored. Additionally, he proposes that networks might offer the essential social and intellectual backing for implementing new strategies or activities, furnish SMEs with a platform for deliberating innovative notions, and aid SMEs in surmounting isolation. Hillary (2004) identified the lack of a business network as a hindrance to effectively implementing ISO 14001, a standardized method for establishing environmental management systems.

Governmental relationships

The impact of governments on the conduct of small and medium-sized enterprises (SMEs) appears to differ depending on the jurisdiction. Networks should be an essential element of sustainability initiatives for small and medium-sized enterprises (SMEs). According to Jenkins (2006), research undertaken in the United Kingdom has shown that

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government rules, benchmark practices, and interest group pressure do not have a major impact on the behavior of small and medium-sized enterprises (SMEs). Research conducted in Spain by Aragon-Correa et al. (2008) suggests that government rules can incentivize the enhancement of corporate social responsibility (CSR). In a survey about environmental practices, SMEs in the Netherlands expressed a greater inclination to be influenced by public opinion and the desire to cater to the requirements of their local communities, rather than being driven by government laws.

One significant distinction between privately owned SMEs and bigger, publicly traded corporations lies in the way they are depicted in the media and public opinion. Due to their limited visibility compared to major corporations or multinational organizations, small and medium-sized firms (SMEs) are less prone to being the center of attention during shifts in public opinion and media frenzies. Because SMEs have a lower market influence, sometimes operating in only one market, and the public holds different expectations for SMEs compared to major firms, SMEs may develop distinct relationships with the public.

The advantages of implementing sustainable development business practices, whether they are of a financial nature, ethical in nature, or a combination of both, will be realized at different levels and often at different times. The influence of sustainability on the reputation or brand image of small and medium-sized enterprises (SMEs) may not be as substantial. When companies choose their systems for economic development, they should be aware that while some benefits may be immediate, others may take longer to materialize. The advantages that firms can gain by actively determining the most efficient tactics for their own operations are discussed in the following discourse. The stakeholders, including customers, business partners, employees, and shareholders, as well as the many business operations such as production, marketing, management strategy, and financial performance, will experience the most significant advantages. Nevertheless, we acknowledge the possible business hazards and difficulties that small and medium-sized enterprises (SMEs) encounter when engaging in sustainable growth.

II. CONCLUSION

The key point of this assessment is that small and medium-sized firms (SMEs) necessitate specific focus on sustainable development business strategies because their business case differs from that of larger businesses. Furthermore, it is crucial to consider the distinctive resources and profiles of small and medium-sized firms (SMEs) while creating solutions to facilitate sustainability. The large range of small and medium-sized firms (SMEs) mirrors the variety of business ideas found globally. Even among companies that are closely competing with each other, their focus on sustainability is likely to vary greatly. Given that sustainable development involves a wide range of societal concerns, businesses have numerous chances to adopt strategies that might positively impact their social and environmental performance, with the aim of improving it. An optimal approach for a company's sustainability entails integrating it into the entire plan while simultaneously leveraging it to progress the strategy and uncover new avenues for business expansion. There is indeed potential for altering the existing worldwide path towards robust and sustainable human and environmental communities within this array of possibilities.

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