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PROMOTING FINANCIAL SUSTAINABILITY AMONG SMALL AND MEDIUM-SIZED COMPANIES AND THEIR ESG

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Abstract:
Purpose –This study aims to investigate ways to effectively involve small- to medium-sized firms (SMEs) in business strategies that enhance their social and environmental sustainability.
Design/methodology/approach –This paper is a conceptual review of the business case for sustainable development that has been offered to the business world. The paper describes the unique features of SMEs that indicate the need to reframe the case for socially and environmentally sustainable business practices for SMEs,
Findings –Since the business case for SMEs differs from that of large corporations, they require special consideration when it comes to business strategies for sustainable growth. Tools created to promote SMEs' sustainability must also take into account the fact that they have distinct resources and profiles than bigger organizations.
Research limitations/implications –Since the idea of sustainable development encompasses the majority of the problems that our societies face, there are countless opportunities for businesses to design plans that will influence - and ideally enhance - their social and environmental performance.
Practical implications –This review may assist and provide suggestions to owners and managers of SMEs to tree valuate their entire company strategy by including sustainability in their fundamental principles and activities as well as putting such a plan into practice.
Originality/value –This essay reviews the current arguments and prospects for business strategies that promote sustainable development and applies them to the practicalities of small- and medium-sized enterprise (SMEs) operations.
Keywords: Small and medium-sized businesses, management strategy, and sustainable development

Introduction:
It currently appears that the majority of people in industrialized nations are becoming more aware of the serious social and environmental concerns that global warming poses to us all the ability of

the earth "to support a thriving diversity of species, humans included" is constrained, according to the World Wildlife Fund's Living Earth Report (WWF, 2008, p. 2). According to the research, ecological footprint issues including deforestation, water scarcity, dwindling biodiversity and ecosystems, and climate change are presently seen as severe dangers to both environmental and human health throughout the world (WWF, 2008).

It is crucial and advantageous to use more ecologically friendly and socially responsible techniques. contribute to the world's and our societies' overall health. However, the Chicago Council on Global Affairs (2007) discovered that few individuals, groups, and governments appear ready to make the necessary adjustments to stop the avalanche of calamities predicted if we carry on as normal.

The phrases sustainability and sustainable development have been embraced by business researchers who are looking at and solving the issues with business as usual as an overarching concept intended to explain and include a wide variety of actions. We define sustainability and sustainable development in this essay using the widely accepted definition provided by the World Commission on Environment and Development (WCED) in 1987, which reads: "Sustainable development means meeting the needs of the present without compromising the ability of future generations to meet their own needs." Although this concept has been criticism for being imprecise, naive, and failing to place enough emphasis on sustainability's social component (Littig and Greißler, 2005; McCright and Clark, 2006), It continues to be the definition that is utilized the most. Social justice, environmental accountability, and financial viability have been regarded as the three components that make up business sustainable development (Etzion, 2007; Peloza, 2008). According to this definition, businesses involved in sustainability must search out methods that incorporate both the creation of economic value and considerations for the people communities in which they operate and the ecosystems on which they have an influence. Our assessment of the literature includes studies that look at the social, environmental, or, in rare instances, combined effects. Depending on the research topic, various words like corporate social responsibility (CSR) or informal phrases like "a green company" are used in this literature to explore or characterize sustainable activities.

Small- to medium-sized firms (SMEs) are one group of stakeholders that will have a significant effect on the future of business and the environment [2]. In actuality, these groups are a significant part of the global economy[3]. SMEs have, however, mainly been excluded from discussions on the role of business in tackling sustainable development. Labonne (2006) studied the usage of environmental assessment tools by large and small businesses. He discovered that small businesses were far less likely to assess their environmental effect, mostly due to the expenses and budgetary constraints associated with instruments intended for big businesses with abundant resources. (2005) Condon It was also mentioned that SME adoption of sustainable measures was constrained by a lack of financial expertise and personnel resources.

SMEs tended to adopt sustainability methods in a reactive manner, according to Bianchi and Noci's research from 1998. Contrary to large companies, which were more likely to adopt proactive sustainability initiatives, small companies tended to only respond in response to significant external pressure. In her book on SMEs and the environment, Hillary (2000) reviews her edited Sustainability 179 collection of articles and draws the following conclusions: SMEs are "largely ignorant" about their environmental impact and environmental regulation; "oblivious to the importance of sustainability;" "cynical about the benefits" of assessment tools designed to improve environmental performance; and "difficult to reach, mobilize, or engage" on environmental topics. During his analysis of the literature, Dressen (2009) indicates that small enterprises typically experience less external pressure regarding their sustainability policies, have fewer financial resources available, and believe that implementing sustainable practices is too difficult. The literature also includes a consistent primary opportunity and strength in addition to this constant list of challenges experienced by SMEs. SMEs that do participate in sustainability have the adaptability to swiftly embrace cutting-edge techniques. The body of research suggests that a business case is necessary to persuade SMEs to adopt and employ sustainable business practices.

According to other researchers (Jones and Tilley, 2003; Rutherfoord et al., 2000; Spence and Schimdpeter, 2003; Hillary, 2004; Jenkins, 2004, 2006; Fassin, 2008; Bradford and Fraser, 2008; Perrini et al., 2007), sustainable development tools were developed with larger firms in mind and are challenging for SMEs to employ. While there may be some similarities in sustainability strategy between big and small businesses, such as the significance of maintaining "shared vision, stakeholder management, and strategic proactivity" (Aragon-Correa et al., 2008), there are also differences. According to Bradford and Fraser (2008), Fassin (2008), Jenkins (2004), Rutherfoord et al. (2000), Spence and Schimdpeter (2003), Jones and Tilley (2003), such technologies typically necessitate more rigid organizational structures and more resources to dedicate to creating new business strategies. Only a "miniscule" fraction of SMEs in Europe were adopting standardized tools, and those that did only had "patchy at best" results, according to Hillary's (2004) evaluation of the use of these tools in Europe. Bradford and Fraser's (2008) research has shown that SMEs require guidance and assistance in developing sustainability plans that are appropriate for their particular industry. Furthermore, according to many SMEs, environmental concerns are still of low importance, are expensive to handle, and are not financially viable to research (Bradford and Fraser, 2008). As SMEs operate with extremely varying people structures, budget sizes, corporate strategies, and missions, their business structures can also be highly variable. Esty and Winston (2006, p. 18) stress that "no company, big or small, operating locally or globally, in manufacturing or services, can afford to ignore environmental issues" in the modern world.In this research, we investigate how to effectively involve SMEs in business strategies that enhance their social and environmental sustainability while generating profits. We start with the prospective consequences and the business case for sustainable development that has been presented to the business community as a whole. Next, we outline the special characteristics of SMEs that point to the necessity of tailoring the business case for sustainability to their particular circumstances. We then describe the business case for sustainable development that has been established for SMEs using arguments highlighted in the literature.

The business case for large firms and outcomes from sustainable Development

In recent decades, the commercial rationale for sustainable development has changed for major corporations. In the late 1960s and early 1970s, there was a growing interest in environmental concerns, largely sparked by Rachel Carson's Silent Spring (1962) (Cole and Foster, 2001; Hoffman, 1999). Communities began to understand that businesses had a part in either maintaining or contaminating their natural environment as soon as enterprises began shifting the burden of garbage removal to local governments that lacked the political ability to drive them out. In response to growing criticism, Milton Friedman wrote a seminal piece for the New York Times Magazine in 1970 that asserted firms lack the capability or knowledge to address social or environmental issues[4]. The role of business has, however, shifted into a more realistic position over the last several decades due to active discussion and study. As a result, many writers have come to the conclusion that implementing sustainability practices is advantageous for firms both in terms of social impact and financial performance. Companies are learning that understanding that all risks and opportunities have their origins in social and environmental concerns is an essential component of an economically effective company strategy. Porter and Kramer (2006, p. 83) emphasize that "successful corporations need a healthy society [...] a healthy society creates expanding demand for business, as more human needs are met and aspirations grow," illustrating the social justice aspect of sustainability. Porter and Kramer are two examples. have observed that communities and companies have frequently been unfairly pitted against one another. There may be a number of advantages to putting what is best for the neighbourhood and the environment alongside what is greatest for business. In order to formulate these arguments, we thus use ideas from the stakeholder theory (Freeman, 1984). We briefly examine the concept of a stakeholder in the following subsections before listing a number of advantages of pursuing sustainable development.

Stakeholder concept and theory

When creating a plan for social and environmental sustainability, "who is involved" and more precisely "who benefits" is a vital issue to ask. For a corporation to develop a successful business plan for sustainability, it is crucial to analyse the numerous stakeholders involved. A stakeholder is "any group or individual who can affect or is affected by the achievement of the firm's objectives," according to Freeman (1984, p. 46). The "stakeholder theory" was first established by Ansoff (1965) (as referenced by Roberts, 1992) because one of an organization's ultimate goals is to be able to maintain equilibrium between the competing demands and wants of its stakeholders. Different study streams in strategic management theoretical work were created as a result of stakeholder theory and its conceptual framework. (Jawahar and Mclaughlin, 2001; Jones and Wicks, 1999) Ogden and Watson (1999), as well as empirical investigations and applications (Donaldson and Preston (1995), Kassinis and Vafeas(2002), and others. The "micro framework in which particular, identifiable groups" may show interest in a firm's sustainable development operations is therefore provided by stakeholder theory (Cormier et al., 2004, p. 146)[5]. Businesses need to do the following in order to succeed over the long term:

- consideration of stakeholder expectations; (Rowley, 1997);
- giving "simultaneous attention to [...] all appropriate stakeholders"

While the issue of how to prioritize various stakeholder groups is still up for debate, research findings from earlier studies (Agle et al., 1999; Harvey and Schaefer, 2001) give sufficient justification to classify customers, employees, and governments as the more relevant when it comes to engagement in sustainable development and related issues.

It's difficult to draw in paying clients based on social or environmental concerns.

Businesses that want to earn from providing green services or goods must take additional steps beyond simply identifying their target market. It is more difficult to categorize clients based on simple demographic and psychographic criteria than it is to understand an individual's decision to buy a sustainable product (Reinhardt, 1998; Peattie, 2001). Research (Hoffman, 2005) shows that it makes sense to hire people who share a company's values and are seen as operating ethically. According to several studies (Battacharya et al., 2008; Branco and Rodrigues, 2006; Marin and Ruiz, 2007; Albinger and Freeman, 2000), businesses with strong CSR or sustainable development practices frequently find it easier to recruit and keep top talent. Participating in sustainable development or other socially conscious activities may also help to strengthen and cultivate connections with governments, especially in terms of exposing and regulating public policies (Patten, 1991)[6]. According to Hart and Milstein (2003), businesses who can foresee the sustainable competences of the future might benefit from first mover advantage by being the first to market with a new good or service. The entire potential advantages of sustainable development for major businesses are enumerated above and are summarized in Table I.

Features of SMEs and framing the case for sustainable development

The variations in sales, budgets, and personnel counts between SMEs and bigger companies are usually the result of resource impacts. According to a study by the European Union of more than 7,000 European SMEs, researchers have discovered that size matters for social and environmental performance. The larger the firm, the more frequently the company reported engaging in external socially

Outcome	Rationale
Customers	Taking into account the social and environmental values of consumers is vital, but it's more crucial to understand "why" people are purchasing green (or not) rather than just recognizing who and where these customers are.
Employees	attracting and maintaining higher-quality personnel; in addition, sustainability innovation possibilities improve managers' performance and problem-solving abilities; innovation is what creates a firm's competitive edge.

Government	Positive outcomes will be facilitated by positive ties with governments, particularly in terms of public policy exposure and regulation.
Product and production	Successful product differentiation requires three factors: (1) willingness to pay a premium for the social and environmental benefits provided by the product; (2) credible and trustworthy information on the social and environmental performance of the product; and (3) substantial obstacles to imitation.
Finance	the capacity to draw investors that value social and environmental performance when choosing investment funds, and a higher possibility of doing so
Strategic positioning	Taking advantage of first mover advantages by being the first to launch a new good or service and perhaps make changes before rivals do so or take advantage of government regulations; another tactical advantage is the stand-alone sustainability reporting but needs to be on the lookout for potential "greenwashing"

Positive outcomes from sustainable development

Activities that are accountable (Luetkenhorst, 2004). This conclusion has been corroborated by previous investigations, according to Aragon-Correa et al. (2008) (Aragon-Correa, 1998; Buysse and Verbeke, 2003; Russo and Fouts, 1997; Sharma, 2000). However, size "is not a deterministic condition for developing the most proactive environmental strategies," according to Aragon-Correa et al. (2008, p. 98). In other words, a SME's contribution to sustainable development is not just dependent on scale. SMEs may differ from public enterprises in terms of their social and environmental practices due to a number of important internal and external variables.

Ownership structure

Privately held SMEs are frequently owner-operated and answerable to just one or a maximum of a few shareholders, unlike publicly traded companies that are answerable to shareholders.

The organization is ultimately guided by the owners' ideals. According to research by several authors (Graafland et al., 2003; Joyner et al., 2002; Luetkenhorst, 2004; Jenkins, 2004, 2006; Beaver, 2007; Sharma and Nguan, 1999; Spence and Schimdpeter, 2003), small businesses are more likely to prioritize sustainable development if their owners do. since of their small size, SMEs may be more agile and capable of implementing changes rapidly since there are fewer lines of communication between the top management, shareholders, and employees (Aragon-Correa et al., 2008; Graafland et al., 2003). Dansko, a footwear firm that specializes on women's products, is an illustration of this. The two co-founders of the company are able to swiftly adopt new sustainable practices because to their shared ideals and the ownership of more than half of their 146 workers (B Corporation, 2009). In order to engage and educate all of its employees about business decisions, Vermont-based King Arthur Flour adopts 100 percent employee ownership (B Corporation, 2009)

Business culture

The corporate cultures and structures of smaller organizations could also be less formal (Fassin, 2008; Jenkins, 2004), which implies efforts to build effective sustainable development practices would not have the usual entry points observed in bigger enterprises (such as strategy tools or audits). Researchers have discovered that SMEs seldom utilize formal strategy tools, and even those who do rarely employ them to create a strategic plan (Earl, 2006; Meers and Robertson, 2007). Such findings might be the result of a variety of factors, including a lack of resources or time to implement such changes in corporate practices. Sustainable development is sometimes misunderstood as being outside of core operations, and SMEs may be reluctant to devote valuable time to any issues that are not directly connected to business (Enderle, 2004; Fassin, 2008; Walker and Preuss, 2008).

Organizational and capital structures

SMEs are less likely to have "sophisticated divisional zed structures," according to studies (Jones and Tilley, 2003, p. 17). This implies that companies could be short on managerial resources and functional experts, which could result in subpar management or missed opportunities (Tencati et al., 2004). According to a research conducted in The Netherlands, small businesses are less likely to employ instruments for sustainable development created for corporations and are more inclined to entrust board members with the responsibility of doing so (Graafland et al., 2003). Because of this, it is evident that sustainable development strategies must be carefully assessed on a case-by-case basis and should not be presumed to scale down to meet the demands of SMEs, even if it should not be assumed that smaller size is in and of itself a barrier to adopting sustainable development practices. On the other hand, smaller budgets may be less complex and hence require fewer individuals in budgeting choices, even if SMEs may have less room in their budgets or capability within their employees. According to Aragon-Correa et al. (2008), SMEs are likely to have more straightforward capital structures than bigger companies, which may imply less barriers to accessing internal financial resources. With such a financial profile, SMEs may be better equipped to quickly adjust to new opportunities

Employees' knowledge, values, skills and experience

Employee knowledge, values, abilities, and experiences have a big effect on how well SMEs function, especially in terms of social and environmental performance. Enderle (2004) underlines the idea that the factors influencing international trade are nothing more than the sum of the efforts of several people. Although discussions of the effects of "groupthink" (Janis, 1982) on corporate choices are common in the business and management literature, Enderle (2004) reminds us that people make up groups, and that the behaviour of a corporation is determined by the collective behaviour of these individuals. A study of prosperous SMEs in the UK provides evidence for the significance of important staff traits in shaping a company's approach to strategy.

Strategy "is enacted in a highly personalized manner, and is strongly influenced by the actions, abilities, personality, and success criteria of the key role players," according to Beaver (2007, p. 16).The modest size of a typical SME is likely to boost the relative impact of important role players, even if this may be true of large companies as well.

The role of external personal relationships and social capital

While the quality of interpersonal interactions with clients and business partners is important for most firms, SMEs must place even more emphasis on this. SMEs frequently rely on their network of personal connections and reputation as reputable businesspeople in their market and community to obtain consumers since they lack a greater budget to attract the attention of potential clients. (Jenkins, 2006; Niehm et al., 2007; Perrini et al., 2007). Additionally, SMEs—particularly established companies and family-run enterprises—may profit greatly from social capital. According to Kawaki and Berkman (2000, p. 175)[7], social capital is defined as: those aspects of social institutions, such as degrees of trust between people and rules of reciprocity and mutual help, that serve as resources for people [or individual entities] and promote group activity.

According to Putnam (1993), societies with high amounts of social capital are more democratically self-regulatory and have lower transaction costs. The cost of doing business may be lower for companies operating in communities with stronger social capital. The lower costs might be linked to a stronger feeling of community among the stakeholders, which might increase confidence and reduce the need to develop and implement expensive enforcement methods. These lower costs can be transferred either to the customer through lower prices or retained in the business.

Business networks

Indeed, networks can be essential to SMEs' development (Halila, 2007; Aragon-Correa et al., 2008; Enderle, 2004). Networks, according to Halila (2007), may give SMEs access to critical knowledge or resources, empowering them to take risks or adopt strategies they might not have otherwise thought of. Additionally, he contends that networks may give SMEs a place for debating novel concepts, assist SMEs in overcoming isolation, and offer the essential intellectual and social support for putting novel methods or activities into practice. Clinton (2004) noted a hurdle to the effective use of ISO 14001 (a standardized instrument for developing environmental management systems) as the lack of a business network. Networks have to be a major component of SMEs' sustainability plans. The lack of understanding about sustainability tools and practices is one of the recurring themes in both SMEs and sustainability literature. Participation in a network of businesses committed to sustainability may provide businesses the tools and information need to go over the challenge presented by ignorance.

Relationship with governments

Governmental effect on altering behaviour in SMEs seems to depend on the jurisdiction. According to certain research conducted in the UK, pressure from interest groups, benchmark practices, and government legislation do not significantly affect the behaviour of SMEs (Jenkins, 2006). Studies conducted in Spain, according to Aragon-Correa et al. (2008), demonstrate that rules from the government encourage improved CSR. However, SMEs in the Netherlands that participated in a poll concerning environmental practices claimed they would be more receptive to public opinion and the desire to satisfy the needs of their host communities than to government rules (Rutherfoord et al., 2000). The key takeaway from this discussion appears to be that government's role is quite localized and highly susceptible to the influence of big business lobbyists. Many SMEs might not be able to take the same risks as bigger firms because of the possible ambiguity around the market rewards of implementing sustainable development methods. Even while economics are important, it would be far more challenging for SMEs to launch pilot projects to assess the viability of their ideas (Hillary, 2004).

Visibility

The media and public opinion are two key differences between privately held SMEs and bigger, publicly listed corporations. SME exposure is substantially lower than that of major companies or multinational organizations, therefore they are less likely to get the same degree of attention from the cycle of public opinion swings and media frenzy. Due to their lesser market influence and the fact that many SMEs exclusively operate in one market, SMEs may have quite diverse connections with the public. (Jenkins, 2006) SMEs face different expectations from the public than do large corporations. For SMEs, the influence of reputation or brand image in terms of sustainability may be less significant (Jenkins, 2006). Compared to publicly traded companies, which frequently become targets (Dressen, 2009; Labonne, 2006) and may feel pressure to satisfy shareholders (McWilliams et al., 2006), there may be less of a strong incentive for them to adapt to societal change, such as the rising demand for products that are socially and environmentally responsible (Luetkenhorst, 2004; Jenkins, 2004*)*. In other words, the fear of a backlash from the public against a SME is considerably lower, which lessens the incentive to adopt business practices that are ecologically and socially responsible in order to counteract such concerns. The opposite is also true; if a big business gives a big gift to a worthy cause, it's more likely to get media attention and social investors (Fassin, 2008; Jenkins, 2004). If a SME donates the same percentage of their budget to a worthy cause, the media might not take note unless the SME also runs a publicity campaign (Fassin, 2008). This is not to argue that SMEs should not engage in charitable giving or sustainable development. There are further advantages, and we'll go into more depth about the business case for CSR below. The internal and external characteristics of SMEs in comparison to large companies are summarized in Table II.

The business case for SMEs to engage in sustainable development

Prior to going into the business case for SMEs, it is critical to keep in mind that many SME owners may opt to utilize sustainable development techniques for ethical and personal reasons (Castka et al., 2004). Some SME owners will recognize the value—despite the challenge of quantifying it in monetary terms—of the social and environmental impacts of their business, whether they are driven by the current trends toward sustainability in businesses or simply acting on a personal commitment to the morals of their community.

However, given that the theoretical foundation of any business is to grow the monetary worth of the organization, a strong argument for how sustainable development techniques enhance a company's financial status may assist owners in operationalizing their beliefs. We do accept, however, that SMEs may nevertheless appreciate their local communities or the environment even if they do not employ sustainable practices. Some businesses may adhere to the Friedmanite belief that if a firm succeeds, society would gain from the salaries paid to employees, the taxes paid by enterprises, and the goods and services it offers to the neighbourhood (Friedman, 1970). This viewpoint

Internal/external characteristics	SMEs	Large firms
Ownership structure	typically owner-operated with fewer shareholders	large number of stockholders who are "public"
Business culture	Less formal	More formal
Organizational and capital structures	Divisional structures are less frequent, and capital structures are simpler.	greater likelihood of divisional hierarchies; more intricate capital structures
Employees’ knowledge, values, skills and experience	Because SMEs are tiny, important actors' relative effect is greater.	In huge businesses, significant players' relative impact is reduced.
Role of external personal relationships and social capital	increased social capital and dependence on third-party partnerships	decreased social capital and dependence on other parties
Business networks	For SMEs, business networks are even more important.	While crucial for SMEs, business networks are less crucial for larger companies.
Relationship with governments	The government's function is more regional in scope.	more influence and power in the lobbying space
Visibility	less media exposure and attention	increased focus and media attention

Features of SMEs Vs large firms

The argument that corporations must uphold the tacit agreements they establish with society and their host community has, however, come under scrutiny in recent years (Ashforth and Gibbs, 1990; Deegan, 2002; Dowling and Pfeffer, 1975; Porter and Kramer, 2006).

Businesses must share the duty and financial burden of sustaining such resources for future generations in exchange for political and economic stability, as well as access to environmental and human resources. The fact that there is a strong commercial case for sustainability in SMEs implies that, regardless of one's position on the issue, both sides may gain by implementing business strategies for sustainable development. The business case for sustainable development is unlikely to be the same for every company, as it is with the majority of challenges affecting SMEs. By learning about the social and environmental practices that are most important to their industry and its major stakeholders, each organization must make its own determination. A well-known example of making its own case is Shore bank. This community-focused financial organization leverages contributions from investors looking to make investments with a social emphasis to finance neighbourhood reconstruction. In addition to helping, it escapes the financial catastrophe brought on by sub-prime mortgages, its conservative lending procedures and participation with the communities it serves have also assisted in rescuing homes harmed by the unscrupulous activities that brought about the crisis (Serwer, 2009). The advantages of sustainable development business practices—whether they be financial, moral, or both—will manifest at multiple levels and frequently at varied times. Companies must be aware that although certain advantages may manifest quickly, others may take more time as they choose their sustainable growth strategy. The benefits that organizations that make a deliberate effort to determine the best business strategy may have are discussed in the section that follows. The majority of advantages will come from business operations (production, marketing, management strategy, and financial performance) and stakeholders (customers, business partners, workers, and shareholders). However, we also recognize that engaging in sustainable business practices carries with it significant commercial risks and obstacles for SMEs.

Stakeholders

Clients and business associates. Individuals (i.e., "the public") and other companies (such as other private corporations, not-for-profit organizations, or government agencies) may be the consumers of SMEs. Engaging in sustainable practices may boost the loyalty and pleasure of current consumers as well as attract new ones from both customer groups. A business may be more likely to gain the trust of its community, enhance community perceptions of its firm, and experience an increase in the number of general consumers if it can effectively explain its aims for the social and environmental impact of its product or service (Jenkins, 2006). It's possible that many SMEs currently conduct "silent CSR" (Luetkenhorst, 2004); they employ sustainable practices without acknowledging or disclosing it. For instance, these companies already significantly contribute to the Millennium Development Goal of reducing poverty by half by the year 2015 merely by virtue of being SME's (Luetkenhorst, 2004; Walker and Preuss, 2008).

Since bigger organizations are under growing pressure from the public and authorities to improve the social and environmental effect of their supply chains (Clemens, 2006; Luetkenhorst, 2004), proven sustainable development techniques may draw larger corporations as clients. Walker and Preuss (2008) discovered that procurement from SMEs aids bigger companies in managing governance challenges in addition to enhancing social and environmental performance. Their research looked into how buying decisions made by UK government and healthcare organizations may support sustainable development. According to Walker and Preuss (2008), public sector companies can perform better in terms of the environment when SMEs are included in the supply chain, particularly when it comes to the provision of organic food and environmental services. It was harder for SMEs to get environmentally friendly products that were in higher demand, including recycled paper and alternative fuels, because many bigger firms already sell these items and can provide them at a cheaper price owing to economies of scale. They do point out that there are still plenty of chances for environmental and social innovation, and that given the ability of many SMEs to develop fast, they may be able to seize those opportunities before others do.

According to Van Berckelaer (1993, cited in Clemens (2006), some commercial insurers are beginning to provide discounted rates to businesses that successfully manage environmental and social risks. Clemens points out that such "green insurance" may have two sides.

Some businesses may incur fees in order to adhere to the environmental criteria established by insurers, which would lessen the financial gain they would have hoped to obtain from using sustainable practices (Clemens, 2006). However, businesses who can foresee these demands from their insurance providers and can modify their operations in an efficient manner can stand to gain from these new green insurance plans.

Employees: The capacity to recruit and keep better personnel (Jenkins, 2004; Branco and Rodrigues, 2006; Battacharya et al., 2008) as well as enhance corporate culture may be one of the strongest justifications for sustainable development in SMEs. In fact, SMEs are frequently praised for their ability to create jobs (Jenkins, 2004). According to research on the environmental performance of small- to medium-sized electronics businesses, intellectual capital, or even more particularly, "green intellectual capital" (Chen, 2008), can be crucial in creating a competitive edge. Businesses that had staff members with training in environmental technologies and systems were more adept at identifying cost savings through advances in energy-efficient design, making them more productive than their rivals (Chen, 2008). The opposite may also be true; employees' ignorance of the advantages and accessibility of sustainable development methods may deter SMEs from exploring, putting them into practice, and succeeding with them (Hillary, 2004). Any new initiative in a corporation is likely to find these kinds of observations. In fact, Barney (1991) cites a lack of "imitability" as a crucial component in maintaining competitive advantage.

When employing new employees or making efforts to keep current ones, a SME manager may not place a high focus on preserving or enhancing intellectual capital within their personnel. For instance, a restaurant owner may not immediately perceive the value of a candidate's familiarity with environmental or social concerns pertaining to food production during the recruiting process. For small businesses, which may have the flexibility to make adjustments to retain key people with significant intellectual capital, the relevance of intellectual capital to establishing and maintaining competitive advantage may be particularly relevant (Battacharya et al., 2008). Additionally, initiatives to maintain a competitive edge may encourage innovation in social and environmental policies and keep businesses one step ahead of their rivals (Reinhardt, 1999; Hoffman, 2005). SMEs that have found a "green advantage" may then share that with their rivals in an effort to do what is best for society and the environment. They run the danger of losing their competitive edge (SAMPJ 1,2 188). However, if properly managed, they may utilize it to further their own business by selling the rights to those goods or services or licensing them.

Shareholders*:* Contrary to bigger companies, which may have millions of shareholders, privately owned SMEs are more likely to have a small number of shareholders, and in some cases only the owner-operator. As a result, the dynamics between the general public and huge enterprises could not be on the same level as SMEs. However, most shareholders still want to see a growth in the value of their investment as their major objective. Businesses that take the effort to design sound business strategies for sustainable growth are likely to reap financial rewards in due course, in addition to the non-economic benefits that come with engaging sustainability. The difficulty will be persuading shareholders to wait long enough to realize the potential rewards. As was already said, a notable example of this strategy is ShoreBank. Shorebank keeps its loans on its balance sheets, in contrast to normal financial institutions that sell loans for securitization (Beans and Martin, 2008). Even though it was losing customers to other financial institutions offering sub-prime loans, this institution would not alter its lending and development methods (Serwer, 2009). Maintaining the sustainability emphasis established at Shorebank's establishment in 1973 allowed it to thrive and survive the sub-prime financial crisis. Improvements in energy efficiency or recycling are only two examples of simple techniques that might result in an instant cost savings.

Product: When looking for a means to enhance a company's environmental and social performance, the products or services they provide are frequently the first thing that spring to mind. The effectiveness of tactics to draw customers based on providing goods with better environmental and social characteristics is contested in the literature. Differentiation of a product or market may be challenging on any basis, and environmental and social characteristics are no exception (Reinhardt, 1998; Peattie, 2001). Consumer behaviour, however, is always changing, and recently, certain businesses (such as Patagonia) have been successful in luring customers who value social and environmental benefits over cost (Chouinard, 2006).

Due to their modest size, SMEs may have the flexibility to produce "greener" products fast in order to appeal to consumers who are becoming more concerned with social or environmental concerns. As an illustration, consider Revolution Foods, a business with headquarters in Oakland, California, which serves schools meals that contain "local, organic ingredients whenever possible" (Kirsten Tobey, Co-Founder, Revolution Foods). In order to comprehend the demands and needs for everyday access to fresh, healthy food at school, co-founders Kirsten Tobey and Kristin Richmond spoke with teachers, students, families, and school officials from over 40 schools. According to them, offering such "food service and responsible practices go hand-in-hand" and reshaping the educational system as a whole will represent a "revolution" (Revolution Foods, 2010).

Even though there were several businesses that provided food for school lunch programs, none of them did what Revolution Foods promised. In fact, they run the danger of sabotaging their current school lunch programs if they dare try out a similar scheme.

The effort made by Tobey's staff to create meals that use as many sustainably produced, organic, and locally sourced components as possible has undoubtedly increased the cost of their ingredients. The profit margin on such a strategy could be too slim for a business to create school lunch programs if it is currently pursuing another model. Larger businesses are less likely to have the flexibility to consider how they may enhance their finished products or alter what previously seemed to satisfy their customers.

Production: The cost reductions from implementing energy-efficient production are a second goal. This tactic is one of the first ones that a SME should use, according to Aragon-Correa et al. (2008). According to research by the UK's Carbon Trust, cutting energy use by 10–20 percent has the same positive effects as increasing sales by 5 percent (Bradford and Fraser, 2008). The bottom line is that they do cut costs through energy savings, and the efforts of many SMEs individually choosing to reduce energy usage do make a difference (Monbiot and Prescott, 2007). This is true even if such actions are straightforward and less glamorous than more imaginative sustainability methods. According to Simpson et al. (2004), cutting costs was a major motivator for SMEs in the UK to embrace sustainable development. Through "efficiency drives, in meeting environmental legislation, and from greater energy efficiency," they discovered such savings (2004, p. 168).

A strategy to encourage innovation is to set lower energy goals (Bradford and Fraser, 2008; Castka et al., 2004; Porter and Kramer, 2006). According to a UK research by Simpson et al. (2004, p. 168) of SMEs, 60 percent of businesses polled said that initiatives to decrease energy usage offered potential for innovation, and that manufacturing enterprises are the greatest candidates for cost reductions.

These businesses were able to gain a competitive edge through increased energy efficiency, less waste, more recycling, higher quality, better environmental credentials, higher customer satisfaction, new business opportunities, increased staff commitment, favourable relations with pressure groups, better media coverage, or a combination of these advantages.

Strategies that cut energy usage are anticipated to benefit both a company's financial line and environmental performance, given the expectations that the current spikes in energy costs witnessed worldwide will not cease very soon. Markets. Even well-established SMEs are constantly looking for new possibilities that are opening up in new markets to secure their long-term survival. New markets are forming to satisfy the newly emerging sets of needs, wants, and preferences as the significance of social and environmental preservation becomes more widely known in the public discourse (Monbiot and Prescott, 2007; Sand, 2001). Due to their small size, SMEs may also be able to organize more quickly than larger businesses to take advantage of new markets if they keep an eye on the trends that are emerging from the groundswell of interest in social and environmental sustainability (Baron et al., 2008; Esty and Winston, 2006; Jenkins, 2006). Additionally, being able to provide sustainable products and methods management approach. Employing notions of sustainable development may benefit businesses in at least two different ways.

- Acquiring competitive advantage
- Managing risk

Businesses can get a competitive edge by acquiring information or abilities that rival businesses do not possess. In other words, looking at things through the lens of sustainability may open your eyes to resources and possibilities you would not have known existed (Chen, 2008; Etzion, 2007; Porter and Kramer, 2006). Again, SMEs may be able to benefit from "first mover advantage" because of their small size if they can seize fresh chances in sustainable development before bigger companies can organize (Wicklund and Shepherd, 2003). According to research conducted in the Netherlands, adopting sustainability strategies "can be a positive factor in overall strategies that rely on the 'high road' towards competitiveness" since they constitute one of the company's core capabilities (Luetkenhorst, 2004, p. 165).

According to Borga et al. (2009), small businesses may benefit from a sustainability-focused approach by attracting and keeping staff, forging strong bonds with consumers, and fortifying ties with other stakeholders including suppliers and the community. One company adopting sustainability as a tactic to carve out a special place in the market for social goods is Greyston Bakery. By focusing on sustainability, this company, which manufactures the "Do-Goodies" brand of baked goods, was able to get an exclusive supplier arrangement with Ben & Jerry's (B Corporation, 2009).

The sustainability lens may assist businesses in discovering fresh, more efficient tactics that enable them to gain a competitive edge without erring on the side of unethical business practices. In fact, one advantage of sustainability's wide definition is that there are probably going to be many of practical solutions. Companies may have countless opportunities to create unique core competencies related to their operations and sustainability, which will provide them a competitive edge in their markets.

Firm financial performance. Many studies (Castka et al., 2004; Clemens, 2006; Niehm et al., 2007; Orlitzky, 2001) have related company financial performance (FFP) to businesses' performance towards social and environmental sustainability. Due to economies of scale, improved control over external stakeholders and resources, and higher media profile (which may attract higher quality employees), critics contend that firm size may determine the financial success of adopting sustainable practices (Orlitzky, 2001). Larger firms that use sustainable practices will experience higher financial returns. Orlitzky (2001) conducted a meta-analysis of research that investigate the connection between business size and "corporate social performance" (CSP). discovered that the existence of a favorable association between financial and social performance is not dependent on the firm's size. He did not look into whether company size affected the magnitude of the link between financial and social performance (i.e., how differences in size would affect the relationship's size). Orlitzky (2001) asserts that the quality, fit with mission, and execution of a firm's business strategies for sustainable development are more likely to influence the magnitude of the link between CSP financial and social performance than size.

The dearth of study on FFP and environmental performance for SMEs is noted by Clemens (2006). His investigation of US steel yards produced two hopeful findings:

- a positive correlation between environmental performance and financial performance for small businesses; and
- a positive correlation between financial performance for small businesses and green economic incentives imposed by regulators.

Business risks and challenges: Risk management is crucial for every business. Since many years ago, organizational management literature has acknowledged the need of managing risks in respect to certain social or environmental hazards (Zadek, 2004). However, it is unlikely that most SME managers follow standard operating procedure when acknowledging that dangers to company may arise from more complex social or environmental challenges or possibilities. Threats from advocacy organizations are growing as they call for small corporations to address their social and environmental implications, not only media-shy giants like Nike or ExxonMobil (Esty and

Winston, 2006). Even small businesses today find it difficult to fly under the radar because of the quick advancements in information systems and communication technology (Esty and Winston, 2006, p. 19). SMEs may be able to avoid drawing unfavourable attention from advocacy organizations by keeping abreast of trends in their areas of interest.

Government rules governing industrial methods or pollution may also present difficulties for enterprises (Luetkenhorst, 2004). (Castka et al., 2004; Esty and Winston, 2006) European regulators are progressively include SMEs in the purview of new laws that demand decreased adverse social and environmental repercussions.Large and small businesses alike may need to make expensive production modifications as a result of pollution control measures or activities with detrimental societal effects (Castka et al., 2004).The above-mentioned enterprises with greener technology may be able to convince governments to mandate that the industry adopt such practices (Kemp, 2000). Large organizations have developed methods for controlling government participation in their business operations. By adopting the new criteria first, a business that currently employs green practices may profit by licensing its technology or by simply winning market share on the levelled playing field (Kemp, 2000).On the plus side, SMEs may also discover ways to profit from regulatory changes by adjusting their operations in front of such controls and by networking with one another to request government assistance in the form of tax breaks or subsidies (Luetkenhorst, 2004). Finally, the absence of knowledge about market developments that might make the pursuit of sustainability a chance to become an innovator and to motivate staff disadvantages SMEs (Condon, 2004). Failure to acknowledge environmental and social problems as essential business concerns might expose SMEs to dangers that could be fatal to their operations as these issues gain importance for global communities. As a result, Condon (2004, p. 8) states:

- Engagement in
- Sustainable development
- By SMEs

Benefits:

- Stakeholders
- Customers and business partners
- Employees
- Shareholders

Business practices

- Product
- Production
- Market
- Management strategy
- Financial Performance

Risks and challenges

- Threats from advocacy groups
- Government regulations on pollution or

- Production practices
- Costly production changes
- Lack of information about marketplace Changes

Conclusion:

This paper analyses business strategies for sustainable development and applies them to small and medium-sized businesses (SMEs). It highlights the importance of considering SMEs' unique resources and characteristics when developing sustainability strategies. The diversity of SMEs reflects the variety of business concepts implemented. The most effective sustainability plan should fit into the overall business strategy and help discover new growth prospects. Businesses are made up of various components, and the collective humanity represented in any organization is crucial for promoting resilient and healthy human and environmental communities. The idea that "business of business is business" may lead to a division between businesses and the rest of the world, but businesses should monitor both immediate and long-term environmental developments.

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