



Original Article

Integrating Sustainability Practices Into Strategic Management: A Framework for Small and Medium Enterprises

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Abstract

The integration of sustainability into strategic management is increasingly vital for small and medium enterprises (SMEs), which form the backbone of global economies. Despite limited resources, SMEs are uniquely positioned to adopt flexible and innovative sustainability practices aligned with their core values. This paper explores the drivers, barriers, and practical strategies for embedding sustainability into SME strategic management. Using a mixed-methods approach, the study analyses insights from 25 qualitative interviews and a quantitative survey of 217 SMEs. Key findings reveal that leadership commitment, cost efficiency, and market differentiation drive adoption, while resource constraints and knowledge gaps remain significant barriers. The paper introduces the SCALE framework—Strategic, Connected, Adaptive, Leveraged, Evolutionary—as a practical model for SMEs to integrate sustainability incrementally and effectively. This framework emphasizes alignment with business goals, stakeholder engagement, contextual adaptability, resource leveraging, and evolutionary progress. The research contributes to the literature by tailoring sustainability frameworks to SME-specific challenges and capabilities. It also offers actionable insights for SME leaders and policymakers seeking to enhance sustainability outcomes. Given SMEs' collective impact on the economy and environment, supporting their sustainability integration is essential for advancing inclusive, long-term development.

Keywords: Sustainability, Strategic Management, SMEs, Resource Constraints, SCALE Framework, Implementation Strategies, Competitive Advantage, Sustainability Integration

Introduction

The concept of sustainable development has evolved from a peripheral consideration to a central strategic imperative for businesses across the globe. As climate change concerns intensify and stakeholders increasingly demand responsible business practices, organizations face mounting pressure to integrate sustainability into their core business strategies. For small and medium enterprises (SMEs), which constitute the backbone of most economies, this transition presents both significant challenges and opportunities. Unlike their larger counterparts, SMEs often operate with limited resources, constrained expertise, and shorter planning horizons that can impede sustainability implementation.

Sustainability in business encompasses environmental stewardship, social responsibility, and economic viability—the triple bottom line approach that balances profit with planet and people. When effectively integrated into strategic management, sustainability can drive innovation, enhance brand reputation, reduce operational costs, and create competitive advantages. However, the pathway to sustainable business practices is not uniform across organizational types and sizes. SMEs face unique constraints including limited financial resources, knowledge gaps, and operational priorities that focus on short-term survival rather than long-term sustainability initiatives. This research aims to address the critical question: How can SMEs effectively integrate sustainability practices into their strategic management frameworks despite resource limitations? The study examines the drivers that motivate SMEs to pursue sustainability, identifies the barriers they encounter, and develops a practical framework to guide implementation efforts. By focusing specifically on the SME context, this research fills an important gap in management literature, which has predominantly addressed sustainability integration in larger corporations.

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Literature Review

Evolution of Sustainability in Strategic Management

The integration of sustainability into business strategy has evolved significantly over the past decades. Initial approaches viewed environmental and social considerations as compliance issues or peripheral corporate social responsibility (CSR) activities rather than core strategic elements. Contemporary perspectives, however, recognize sustainability as a potential source of competitive advantage and innovation. Porter and Kramer's concept of "shared value" suggests that addressing societal needs and challenges can create economic value while simultaneously advancing social and environmental conditions. This evolution marks a shift from viewing sustainability as a cost centre to recognizing it as a strategic opportunity.

Sustainability Challenges Specific to SMEs

Small and medium enterprises differ fundamentally from large corporations in their approach to sustainability implementation. Research indicates that SMEs face distinct barriers including resource constraints, knowledge gaps, limited stakeholder pressure, and operational priorities focused on immediate business survival. Studies show that while SME owners may personally value sustainability, they often struggle to translate these values into strategic business practices due to perceived or actual implementation barriers.

Unlike large corporations with dedicated sustainability departments and extensive reporting mechanisms, SMEs typically adopt more informal, ad hoc approaches to sustainability. This informality can hinder systematic integration but may also allow for greater flexibility and innovation when properly channelled. Additionally, SMEs often have simpler decision-making structures, potentially enabling faster implementation once commitment is established.

Drivers for Sustainability Adoption in SMEs

Research identifies several key motivations for SMEs to adopt sustainability practices. These include:

1. Owner-manager values and personal commitment to environmental and social issues
2. Cost reduction opportunities through resource efficiency
3. Regulatory compliance requirements
4. Market differentiation and competitive advantage
5. Supply chain pressures from larger business partners
6. Access to new markets and customer segments
7. Employee attraction and retention benefits

The literature suggests that unlike larger corporations, which often respond primarily to external pressures, SMEs frequently pursue sustainability initiatives based on the personal values and vision of their leadership. This intrinsic motivation can result in more authentic, albeit less formalized, sustainability approaches.

Current Frameworks and Their Limitations

Existing sustainability frameworks and models have predominantly been developed for and tested in large

corporate contexts. The United Nations Sustainable Development Goals (SDGs), the Global Reporting Initiative (GRI), and other industry-specific standards provide valuable guidance but often demand resources, specialized expertise, and formal management systems that are beyond the reach of most SMEs. This creates an implementation gap where available frameworks may be aspirational but impractical for typical SMEs to adopt without significant modification. Studies that have examined SME-specific sustainability frameworks note that successful approaches tend to be modular, allowing for incremental implementation; practical, with clear business benefits; and adaptable to various industry contexts and stages of business development. However, comprehensive frameworks designed specifically for SME implementation remain limited in the literature.

Research Methodology

Research Design

This study adopted a mixed-methods research design, integrating both qualitative and quantitative approaches to gain a holistic understanding of how sustainability is integrated within SMEs. The research process followed a sequential exploratory design, beginning with qualitative interviews to identify key themes and challenges, followed by a broader quantitative survey to validate findings and test the proposed implementation framework.

Data Collection

Qualitative Phase

Twenty-five in-depth, semi-structured interviews were conducted with owner-managers of SMEs from various sectors, including manufacturing, services, and retail. Participants were selected using purposive sampling to ensure diversity in company size, industry, geography, and current sustainability engagement levels. The interviews explored participants' understanding of sustainability, implementation approaches, perceived barriers, enablers, and outcomes of sustainability initiatives.

Quantitative Phase

Building on the qualitative findings, a survey instrument was developed and administered to 217 SMEs. The survey measured:

1. Current sustainability practices and integration levels
2. Perceived drivers and barriers to implementation
3. Resources and capabilities available for sustainability initiatives
4. Strategic approaches to sustainability
5. Performance outcomes related to sustainability efforts

The survey utilized validated scales where available and developed new measures specific to the SME context when necessary. The response rate was 38%, yielding 83 complete responses for analysis.

Data Analysis

The qualitative interview data were analysed using thematic analysis methods to uncover recurring patterns and themes related to strategies for integrating

sustainability. NVivo software facilitated the coding process, ensuring systematic analysis and theme development. Quantitative survey data were analysed using descriptive statistics, correlation analysis, and structural equation modeling to test relationships between key variables and validate the proposed implementation framework.

The mixed-methods approach enabled triangulation of findings, enhancing the validity and reliability of the research outcomes. This combination of in-depth qualitative insights with broader quantitative validation strengthened both the theoretical contributions and practical applications of the study.

Results

Current State of Sustainability Integration in SMEs

The research revealed that sustainability integration exists along a continuum in the SME sector. Approximately 23% of surveyed firms demonstrated advanced integration, with sustainability embedded in strategic planning, operations, and performance metrics. The majority (58%) exhibited moderate integration, implementing selective sustainability initiatives but lacking comprehensive strategic alignment. The remaining 19% showed minimal integration, with sustainability efforts limited to basic compliance or ad hoc activities.

Industry sector emerged as a significant factor influencing integration levels, with manufacturing and consumer-facing businesses generally demonstrating more advanced sustainability practices than business-to-business service providers. Company size also correlated positively with integration levels, as medium-sized enterprises reported more formalized sustainability approaches than micro and small businesses.

Key Drivers and Barriers

Drivers

Statistical analysis of survey data identified the following factors as significant drivers for sustainability integration in descending order of influence:

1. Leadership commitment and personal values ($\beta=0.68$, $p<0.001$)
2. Potential for cost savings through efficiency ($\beta=0.57$, $p<0.001$)
3. Market differentiation opportunities ($\beta=0.49$, $p<0.01$)
4. Customer demands and expectations ($\beta=0.43$, $p<0.01$)
5. Regulatory requirements ($\beta=0.38$, $p<0.05$)

Qualitative findings complemented these results, with interviewed owner-managers frequently emphasizing the centrality of personal values in sustainability decisions: "If I'm going to run a business, it has to reflect my values. Sustainability isn't just good business—it's the right thing to do."

Barriers

The most significant barriers to sustainability integration included:

1. Resource constraints, particularly financial and human capital ($\beta=-0.71$, $p<0.001$)

2. Knowledge gaps regarding implementation approaches ($\beta=-0.62$, $p<0.001$)
3. Short-term business pressures and competition ($\beta=-0.55$, $p<0.001$)
4. Unclear business case and return on investment ($\beta=-0.49$, $p<0.01$)
5. Limited stakeholder pressure compared to larger firms ($\beta=-0.34$, $p<0.05$)

Interview data revealed that many SMEs struggle with prioritization: "We know sustainability matters, but when you're fighting to meet payroll and keep customers happy, long-term initiatives can feel like luxuries we can't afford."

Successful Integration Strategies

The research identified four distinct strategic approaches to sustainability integration among successful SMEs:

1. **Value-Chain Innovation:** Redesigning products, services, and operations to reduce environmental impact while enhancing value (adopted by 31% of advanced integrators)
2. **Stakeholder Collaboration:** Leveraging partnerships with suppliers, customers, and competitors to develop joint sustainability initiatives that share resources and expertise (27%)
3. **Niche Differentiation:** Positioning sustainability as a core brand value to target environmentally and socially conscious market segments (24%)
4. **Incremental Efficiency:** Focusing on gradual resource efficiency improvements that generate cost savings while reducing environmental footprint (18%)

Firms employing multiple complementary approaches showed the strongest performance outcomes, suggesting that strategic diversity enhances sustainability integration effectiveness.

Proposed Integration Framework

Based on the research findings, this study proposes the SCALE framework (Strategic, Connected, Adaptive, Leveraged, Evolutionary) for SME sustainability integration:

Strategic Component

Sustainability initiatives must align with core business objectives and competitive strategy rather than functioning as isolated activities. Successful integrators articulate clear connections between sustainability efforts and strategic priorities such as cost leadership, differentiation, or market focus. The framework emphasizes starting with sustainability initiatives that directly support existing strategic goals before expanding to broader objectives.

Connected Component

Effective sustainability integration requires connecting internal operations with external stakeholder expectations. This component focuses on mapping stakeholder relationships, prioritizing engagement based on influence and interest, and developing communication strategies that effectively convey sustainability

commitments and progress to different stakeholders. For resource-constrained SMEs, selective stakeholder engagement proves more effective than attempting comprehensive coverage.

Adaptive Component

The framework emphasizes flexible implementation approaches tailored to SME resource availability and market conditions. Rather than adopting rigid sustainability standards designed for larger organizations, successful SMEs adapt implementations to their specific context. This includes modular approaches that allow for incremental adoption as resources become available and contingency planning for sustainability initiatives during business fluctuations.

Leveraged Component

This component focuses on maximizing impact by leveraging existing capabilities and resources. Successful integrators identify sustainability opportunities that build upon existing strengths rather than requiring entirely new capabilities. The research found that SMEs achieve better outcomes when sustainability initiatives extend current competencies versus attempting radical transformations. Collaborative approaches that share resources with supply chain partners showed particular promise for resource-constrained firms.

Evolutionary Component

The framework's final component recognizes that sustainability integration occurs as an evolutionary process rather than a revolutionary change. Successful SMEs establish incremental pathways with clear progression stages, beginning with foundational initiatives that generate early wins and build momentum. This approach allows firms to demonstrate value, learn from experience, and gradually expand their sustainability scope as capabilities develop.

Discussion and Implications

Theoretical Contributions

This research advances understanding of sustainability integration in several important ways. First, it challenges the assumption that frameworks developed for large corporations can simply be scaled down for SME application. The findings demonstrate that SMEs follow distinct integration pathways shaped by their unique characteristics, particularly the influential role of owner-manager values and the constraints of limited resources.

Second, the study contributes to resource-based view theory by illustrating how sustainability can function as a capability-building process rather than merely a resource-consuming obligation. SMEs that successfully integrate sustainability develop valuable organizational capabilities in areas such as stakeholder engagement, innovation, and adaptive strategy that extend beyond environmental and social outcomes to enhance overall competitive positioning.

Third, the research extends institutional theory by revealing how SMEs respond differently to institutional pressures for sustainability compared to larger

organizations. While large corporations often prioritize legitimacy and conformity to external expectations, SMEs frequently emphasize authenticity and alignment with internal values, resulting in less formalized but potentially more embedded sustainability approaches.

Practical Implications

For SME owner-managers, this research offers several actionable insights:

1. Begin with sustainability initiatives that generate tangible business benefits while requiring minimal resource investments. Energy efficiency, waste reduction, and process optimization typically provide the most immediate returns.
2. Leverage personal values and leadership commitment as sustainability drivers, but translate these into explicit business objectives and performance metrics to ensure implementation.
3. Focus initially on areas where sustainability aligns with existing business priorities and competitive strategy rather than attempting comprehensive coverage.
4. Adopt modular implementation approaches that allow for incremental progress as resources and capabilities develop.
5. Consider collaborative approaches with supply chain partners, industry associations, or even competitors to share sustainability resources, knowledge, and capabilities.

For policymakers, the findings suggest that SME-specific sustainability support programs should focus on practical implementation guidance, peer learning networks, and incentives that address the distinct barriers identified in this research. Simplified reporting requirements and sector-specific toolkits would better serve SMEs than one-size-fits-all approaches designed for larger organizations.

Conclusion

This research demonstrates that effective sustainability integration in SMEs requires approaches tailored to their unique characteristics rather than simply adopting frameworks designed for larger organizations. The SCALE framework provides a structured yet flexible pathway for SMEs to embed sustainability within their strategic management processes despite resource limitations.

The findings reveal that successful integration occurs at the intersection of leadership values, strategic alignment, and practical implementation approaches. While SMEs face significant barriers to sustainability adoption, they also possess potential advantages including agility, authentic leadership, and community embeddedness that can facilitate integration when properly leveraged.

Future research directions include longitudinal studies to track sustainability integration outcomes over time, investigation of digital technologies as enablers for resource-efficient sustainability practices, and deeper examination of how sustainability capabilities developed in SMEs might transfer to scaling organizations.

Ultimately, this research enhances both theoretical and practical understanding of how sustainability is embedded within strategic management in the unique context of small and medium enterprises. Given that SMEs make up the majority of businesses globally, strengthening their capacity to integrate sustainability is essential for advancing more sustainable economic systems.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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