



(RESEARCH ARTICLE)



## Understanding the shapers of sustainability in small businesses

Albert Gomes <sup>1, 2, \*</sup>

<sup>1</sup> MS in Data Science and Artificial Intelligence, Campbellsville University, USA.

<sup>2</sup> MBA in Organization Strategy & Leadership (OSL), University of Dhaka, Bangladesh.

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### Abstract

Sustainability in small businesses has become an essential focus for fostering long-term economic, social, and environmental benefits. This study explores the key internal and external factors that influence sustainability in small enterprises, emphasizing the role of leadership, organizational culture, financial resources, and external market dynamics. Using a qualitative approach, the research analyzes data from interviews with small business owners and managers in Dhaka, representing diverse sectors such as food services, retail, construction, software, and packaging. Findings highlight the significance of prior professional or entrepreneurial experience of an entrepreneur, employee retention, market adaptation, and personal networks in achieving sustainability. Challenges such as resource constraints, regulatory changes, and limited innovation capacity were identified, alongside strategies including vertical integration, customer engagement, and leveraging prior knowledge to mitigate these barriers. The study contributes to the limited literature on small business sustainability by offering actionable insights for practitioners and policymakers to support sustainable practices in small enterprises.

**Keywords:** Sustainability; Small businesses; Entrepreneurship; Leadership and Vision; Organizational culture; Financial constraints; Market dynamics; Resource management; Sustainable innovation; SMEs sustainability strategies

### 1. Introduction

Starting a business often comes with numerous challenges, and not everyone has the privilege of beginning with ample resources. Many entrepreneurs start their journeys driven solely by their motivation to achieve their dreams and goals. However, the path is rarely straightforward. A significant number of face setbacks that lead to frustration and demotivation, causing many to abandon their ventures altogether. Despite these challenges, some entrepreneurs persevere, learning to adapt, overcome obstacles, and grow their businesses over time. This raises an important question: what enables certain small businesses to sustain themselves and succeed in the long run, while others falter?

Small businesses often start on a small scale, sometimes alongside academic pursuits or immediately following formal education. Entrepreneurs face obstacles such as financial constraints, limited business knowledge, lack of access to reliable information, societal and familial pressures regarding career choices, and other resource limitations. While some give up after early failures and pivot to careers unrelated to their aspirations, others demonstrate resilience, find opportunities, and grow their ventures incrementally. This study seeks to uncover the factors that shape sustainability in small businesses and explore why some entrepreneurs succeed in maintaining their ventures over time.

The definition of a small business varies across nations, reflecting the economic context of each country. In Bangladesh, the Bangladesh Bank defines a small enterprise as a non-public limited firm that adheres to specific criteria:

\* Corresponding author: Albert Gomes.

**Table 1** Sector wise small business definition

Sector	Fixed Assets (Excluding Land & Building)	Maximum Employed Manpower
Service	Tk. 50,000–50,00,000	25
Business	Tk. 50,000–50,00,000	25
Industrial	Tk. 50,000–1,50,00,000	50

Small businesses generally fall into two categories: service and manufacturing industries. The service industry encompasses grocery stores, clothing boutiques, fast food outlets, salons, tailoring shops, and other retail and wholesale establishments. The manufacturing industry includes small-scale producers such as restaurants, shoe manufacturers, toy makers, and accessory producers. These businesses may operate as sole proprietorships, partnerships, or registered companies.

Small businesses are crucial to the economy of Bangladesh. According to the International Monetary Fund (IMF) Country Report (2012), approximately 80% of the non-agricultural workforce is employed in SMEs. Local publications further highlight that SMEs contribute to two-thirds of private-sector jobs, with small enterprises making up 93.6% of the SME sector. From 2009 to 2014 alone, Bangladesh's SME sector generated over 1.5 million new jobs (The Daily Star). Given the country's annual addition of over two million individuals to the workforce, the sustainability and growth of small businesses are vital to economic stability and social progress.

Globally, small businesses face significant survival challenges. According to the U.S. Bureau of Labor Statistics (BLS), approximately 20% of small businesses fail within the first two years, 45% within five years, and 65% within ten years. Only 25% manage to survive beyond 15 years. Given their contributions to national economies and individual livelihoods, ensuring the sustainability of small businesses is essential for both economic growth and entrepreneurial fulfillment.

### 1.1. Background of Sustainability in Small Businesses

Small businesses are a cornerstone of economic growth and community development, constituting a significant portion of enterprises worldwide. Despite their size, small and medium enterprises (SMEs) play an integral role in advancing sustainability initiatives, particularly in areas where large corporations struggle to adapt due to bureaucratic inertia or rigid structures (Revell et al., 2010). However, SMEs face unique challenges in implementing sustainability, including limited financial resources, lack of technical knowledge, and insufficient government support (Gadenne et al., 2009).

Corporate sustainability in SMEs often involves navigating a complex interplay of environmental, social, and economic considerations. While larger corporations may have dedicated teams for sustainability, SMEs typically rely on the vision and leadership of their owners or managers to champion sustainable practices (Spence, 2016). Moreover, the motivations for adopting sustainability in SMEs often differ from larger firms, being driven more by community ties, regulatory compliance, and local market demands than by global pressures (Klewitz & Hansen, 2014).

### 1.2. Importance of Understanding Sustainability Shapers in SMEs

Understanding the shapers of sustainability in small businesses is essential for fostering their ability to contribute to sustainable development. Unlike large corporations, SMEs are often more agile and responsive to stakeholder needs, making them ideal candidates for experimenting with innovative sustainability-oriented practices (Bos-Brouwers, 2010). Identifying and analyzing the shapes of sustainability whether internal factors such as leadership and culture or external forces like regulations and market trends provides a roadmap for enabling SMEs to align their goals with sustainable development objectives (Belz & Binder, 2017).

The adoption of sustainable practices in SMEs also plays a critical role in addressing global challenges such as climate change and resource scarcity. By focusing on the unique characteristics of small businesses, researchers and policymakers can develop targeted strategies that empower these enterprises to transition toward more sustainable operations without compromising their competitiveness (Tilley, 1999). Furthermore, fostering sustainability in SMEs contributes to the development of resilient local economies, which are vital for global economic stability and community well-being (Revell et al., 2010).

### 1.3. Objectives of the Study

The primary objective of this study is to explore and understand the key factors shaping sustainability in small businesses. Specifically, it seeks to:

- Identify the internal and external factors that influence sustainability practices in SMEs.
- Analyze the challenges and barriers SMEs face in adopting sustainable practices.
- Propose strategies and frameworks to enhance sustainability integration within SMEs.

By achieving these objectives, the study aims to fill gaps in literature and offer actionable insights that can assist SME owners, policymakers, and stakeholders in promoting sustainability-oriented innovation and operations.

### 1.4. Research Questions and Scope

This research seeks to explore the critical factors influencing the sustainability of small businesses, focusing on internal and external drivers that shape their long-term viability. The study is guided by the following key research questions:

- What are the primary internal and external factors contributing to the sustainability of small businesses?
  - How do prior professional or entrepreneurial experience, individual skills, and knowledge impact business sustainability?
  - What role does innovation play in ensuring the survival and growth of small businesses?
- How do small businesses overcome challenges related to financial constraints, market competition, and resource limitations?
  - What strategies do small business owners adopt to navigate social and economic barriers?
  - How do businesses address challenges arising from a lack of operational knowledge and capital?
- What roles do market trends, regulatory frameworks, and stakeholder relationships play in shaping small business sustainability?
  - How do social and economic environments influence entrepreneurial decisions and business outcomes?
  - To what extent do customer relationships and competitor dynamics affect business longevity?

The scope of this study is focused on small businesses that have been operational for over five years, as this duration is considered critical for developing operational and managerial skills necessary for sustainability (Barreira, 2005). The research covers businesses across diverse industries, including service and manufacturing sectors, and examines factors influencing their survival and growth.

The study uses a qualitative approach, integrating interviews with the conversational tool with small business owners and managers, as well as literature reviews, to gain insights into the forces shaping business sustainability. Through an analysis of individual cases and industry trends, this research aims to identify actionable strategies that can reduce failure rates and enhance the resilience of small businesses in their early stages.

By addressing these research questions, the study contributes to the understanding of sustainability in small enterprises, offering theoretical and practical implications for aspiring entrepreneurs, policymakers, and business practitioners. The findings aim to bridge the gap between theory and practice, equipping entrepreneurs with the knowledge and tools necessary to shape their ventures for long-term success while contributing to broader economic and social development goals.

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## 2. Literature Review

### 2.1. Concept of Sustainability in Small Businesses

Small businesses are increasingly recognized as key contributors to sustainable development. Unlike large corporations, SMEs operate with unique dynamics that shape their approach to sustainability.

#### 2.1.1. Definitions and Frameworks

Sustainability in small businesses is defined as the integration of environmental, social, and economic practices into business operations to achieve long-term viability and growth (Schaltegger & Wagner, 2011). The concept is often viewed through frameworks such as the **Triple Bottom Line (TBL)**, which emphasizes balancing profit, people, and the planet (Klewitz & Hansen, 2014). SMEs frequently adopt informal approaches to sustainability, characterized by their adaptability and reliance on personal relationships and community engagement (Spence, 2016).

2.1.2. Unique Challenges and Opportunities for SMEs

SMEs face distinct challenges in implementing sustainability practices, including:

- Limited financial resources and technical expertise (Gadenne et al., 2009).
- Regulatory complexities and market pressures that may prioritize short-term gains over long-term sustainability goals (Tilley, 1999).

However, SMEs also have opportunities such as:

- Greater flexibility and faster decision-making processes.
- Stronger connections with local communities, enabling them to create positive social impacts (Revell et al., 2010).

**Table 2** Challenges and opportunities of small business

Challenges	Opportunities
Lack of financial and technical support	Flexibility and agility in operations
Limited access to sustainability tools	Proximity to local stakeholders
Regulatory compliance burdens	Potential for innovation

2.2. Key Sustainability Drivers Identified in Previous Research

- **Economic Drivers:** Economic incentives are among the most significant motivators for SMEs to adopt sustainable practices. Cost savings from energy efficiency, waste reduction, and resource optimization are compelling reasons for SMEs to pursue sustainability (Belz & Binder, 2017). Additionally, market demand for eco-friendly products and services creates opportunities for SMEs to differentiate themselves and attract environmentally conscious customers (Bos-Brouwers, 2010).
- **Social Drivers:** SMEs are often deeply embedded in their local communities, making social drivers a critical factor. Community engagement, ethical labor practices, and a commitment to corporate social responsibility (CSR) help SMEs build trust and reputation (Spence, 2016). Social responsibility also enhances employee morale and loyalty, leading to increased productivity and reduced turnover rates (Gadenne et al., 2009).
- **Environmental Drivers:** Environmental regulations and the need for green innovation are key motivators for SMEs to adopt sustainable practices. Compliance with environmental laws ensures business continuity, while green innovations offer a competitive edge (Revell et al., 2010). SMEs that invest in sustainable technologies also contribute to reducing carbon footprints and conserving natural resources (Schaltegger & Wagner, 2011).

**Table 3** Drivers and Impacts on SMEs

Driver Type	Examples	Impact on SMEs
Economic Drivers	Cost savings, eco-friendly product demand	Improved profitability, market differentiation
Social Drivers	Community engagement, employee well-being	Enhanced reputation, increased loyalty
Environmental Drivers	Regulatory compliance, green innovation	Reduced environmental impact, long-term viability

2.3. Theoretical Frameworks Applicable to the Study

- **Triple Bottom Line (TBL) Framework:** The TBL framework emphasizes the need for businesses to balance their economic, social, and environmental responsibilities. For SMEs, this means adopting practices that not only maximize profits but also positively impact society and the planet (Klewitz & Hansen, 2014). The framework serves as a holistic approach to understanding how sustainability drivers influence small businesses.

**Table 4** TBL Dimension and Focus

TBL Dimensions	Focus	Examples in SMEs
Economic	Profitability and market performance	Cost savings, new revenue streams
Social	Stakeholder engagement	Ethical labor, community projects
Environmental	Environmental stewardship	Waste reduction, energy efficiency

- **Resource-Based View (RBV):** The RBV focuses on leveraging internal resources and capabilities to achieve a competitive advantage. In the context of sustainability, SMEs can use their unique assets, such as strong community ties and innovative capabilities, to implement sustainable practices effectively (Bos-Brouwers, 2010). The RBV highlights how SMEs can turn their limitations into strengths by strategically using their existing resources.

**Table 5** RBV applications

RBV Aspect	Description	Application in SMEs
Internal Resources	Unique assets, such as skills and networks	Leveraging local expertise, partnerships
Innovation Capabilities	Ability to adapt and innovate	Developing eco-friendly products
Competitive Advantage	Differentiation through sustainability	Establishing a niche in green markets

This review provides a foundation for understanding how SMEs conceptualize sustainability, what drives their sustainable practices, and the theoretical frameworks that explain these dynamics. The insights derived from these elements will guide further investigation into how SMEs can effectively integrate sustainability into their operations.

### 3. Methodology

#### 3.1. Research Design

##### 3.1.1. Qualitative, Quantitative, or Mixed Methods Approach

This study employs a qualitative research design with an exploratory approach. The rationale for choosing a qualitative method is based on the limited prior research available on sustainability in small businesses, particularly those operating in specific economic and cultural contexts. The study focuses on gathering in-depth insights into the experiences, challenges, and strategies of small business owners through conversational tools and exploratory methods.

##### 3.1.2. Justification for the Chosen Methodology

A qualitative approach is well-suited for this research as it allows for a detailed examination of the nuanced factors shaping sustainability in small businesses. Given the scarcity of focused studies on small enterprises, qualitative methods provide a rich, contextual understanding of how entrepreneurs navigate sustainability challenges. Exploratory studies are particularly appropriate when existing knowledge on a subject is limited, allowing for the identification of emerging themes and concepts (Belz & Binder, 2017).

#### 3.2. Data Collection Methods

##### 3.2.1. Surveys of SME Owners/Managers

A storytelling method was followed with active listening to encourage interviewees, and interview small business entrepreneurs and top officials. These interviews, conducted face-to-face and via telephone, aimed to explore the lived experiences of business leaders regarding sustainability. The interviews focused on aspects such as resource management, market adaptation, innovation, and organizational behavior.

##### 3.2.2. Case Studies of Sustainable SMEs

Case studies of six small businesses with lifetimes ranging from 5 to 20 years were included. The businesses represented service and manufacturing sectors and met the Bangladesh Bank's definition of small businesses, with employee

numbers below 25 and fixed assets excluding land and building under 5 million BDT. These case studies provided practical insights into how small businesses operate to achieve or maintain sustainability.

### 3.2.3. Secondary Data Analysis

Secondary data were collected from various sources, including newspapers, books, websites, publications from associations, and regulatory body reports. This information supplemented primary data and provided context on industry trends, regulatory frameworks, and external forces influencing sustainability in small businesses.

### 3.3. Sampling Strategy and Participant Selection

A purposive sampling strategy was employed to select participants who could provide relevant insights into the sustainability practices of small businesses. The sample included entrepreneurs and top officials from businesses in Dhaka city. The selection criteria were:

- Business lifetime between 5 to 20 years.
- Employee count below 25.
- Fixed assets (excluding land and building) under 5 million BDT.

Participants were chosen to represent both service and manufacturing businesses to ensure a diverse perspective on sustainability practices. The study was conducted over four months during the COVID-19 pandemic, which influenced the availability and scope of participants.

### 3.4. Data Analysis Techniques

The collected data were analyzed using thematic analysis, a method that identifies, organizes, and interprets patterns within qualitative data. The steps involved:

- Transcribing interviews and organizing secondary data.
- Coding data to identify recurring themes related to sustainability drivers, challenges, and strategies.
- Categorizing themes under economic, social, and environmental sustainability dimensions.
- Interpreting findings in light of existing literature to draw meaningful conclusions.

The analysis aimed to uncover insights into the entrepreneurial experiences, market conditions, resource utilization, and external influences that shape sustainability in small businesses. The exploratory nature of the study allowed for flexibility in capturing the depth and complexity of the subject matter, despite the limitations posed by the pandemic and sample size constraints.

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## 4. Results and Discussion

### 4.1. Identification of Sustainability Shapers in Small Businesses

#### 4.1.1. Internal Factors

- **Leadership and Vision:** The study highlights the critical role of leadership and vision in shaping sustainability in small businesses. Owners with prior experience in similar business domains, such as the leaders of Rainbow Software Limited, N. Alam Engineering, and Kornophuli Shoe, were better equipped to navigate challenges and maintain steady growth over time. As Aldrich (1999) noted, prior startup experience enables entrepreneurs to manage chaotic and complex situations, leading to reduced risks of significant setbacks. Conversely, businesses like Pearl Mart and Salt N Sugar, led by owners without relevant prior experience, faced operational difficulties, demonstrating the importance of leadership in ensuring business sustainability.
- **Organizational Culture:** Organizational culture also emerged as a determinant of sustainability. Companies with a culture of employee retention, such as Club Cake, implemented strategies like allowances to retain skilled workers, which directly impacted product quality and operational efficiency. Rainbow Software Limited and N. Alam Engineering also emphasized creating stable work environments to foster loyalty and enhance productivity. On the contrary, businesses lacking structured operational practices struggled with frequent disruptions, highlighting the importance of cultivating a supportive organizational culture (Cressy, 1996).
- **Financial Resources and Capabilities:** Financial constraints were a recurring theme across businesses. Personal savings and informal sources were the primary means of financing for most participants, as banks were often reluctant to provide loans due to the complexity of loan processing. Businesses like Club Cake mitigated this challenge by adopting vertical integration strategies, enabling bulk purchasing to stabilize costs.

However, businesses like Pearl Mart faced severe financial constraints, often leading to operational pauses, underscoring the significance of financial stability in ensuring sustainability.

- **Gender Dynamics in Entrepreneurship:** The role of gender in entrepreneurship also influences the dynamics of small business sustainability. While not explicitly addressed in the interviews, studies suggest that female entrepreneurs often face unique challenges such as access to financing, networking opportunities, and balancing personal and professional responsibilities. Incorporating gender-specific strategies, such as mentorship programs and targeted funding initiatives, could provide equitable opportunities for all entrepreneurs and contribute to the broader goal of business sustainability.

#### 4.1.2. External Factors

- **Government Policies and Regulations:** Changes in utility tariffs, duties, and local regulations were identified as significant external factors impacting small businesses. Entrepreneurs expressed concerns about the inflexibility of their businesses to adapt quickly to regulatory changes. For instance, Rainbow Software Limited struggled with policy changes from its software provider, highlighting how regulatory unpredictability can hinder sustainability efforts.
- **Market Trends and Consumer Demands:** Market trends and consumer preferences also shaped sustainability strategies. Businesses such as Club Cake tailored their products to meet the economic conditions and tastes of specific customer segments, reflecting the importance of aligning offerings with market demands. Meanwhile, M.K. Trading, operating in a highly competitive market, emphasized the need for customer relationship management to secure steady revenue streams.
- **Technological Advancements and Innovations:** Technological adoption was limited across the studied businesses, with only a few, like Rainbow Software Limited, leveraging technology to enhance service delivery. Most participants expressed reluctance to invest in innovation due to resource constraints, reflecting a gap in their approach to long-term sustainability (Schaltegger & Wagner, 2011). Small businesses can leverage affordable, scalable technologies to improve operational efficiency and enhance sustainability. Cloud-based ERP systems, for instance, allow businesses to manage resources effectively, while digital marketing tools provide cost-effective ways to reach broader customer bases. For example, Rainbow Software Limited could explore deploying customer relationship management (CRM) tools to streamline client interactions. Similarly, small businesses like Kornophuli Shoe could adopt e-commerce platforms to expand their market reach. The integration of technology not only improves operational efficiency but also enables data-driven decision-making, crucial for long-term sustainability.
- **Globalization and Export Opportunities:** Globalization offers significant growth opportunities for small businesses by expanding their market reach beyond local boundaries. For example, Kornophuli Shoe could explore exporting products to international markets with high demand for handcrafted footwear. Similarly, Rainbow Software Limited could collaborate with overseas partners to offer customized software solutions. Accessing global markets requires compliance with international standards, but it also enables diversification of revenue streams and reduces reliance on local economic conditions.

#### 4.2. Comparative Analysis of Findings with Existing Literature

The findings align with existing literature on the role of human capital and prior experience in driving small business success (Aldrich, 1999; Cressy, 1996). Entrepreneurs with accumulated knowledge and operational skills were better equipped to identify opportunities and manage challenges (Kirzner, 1973). Similarly, the significance of personal networks in generating revenue and reducing reliance on marketing aligns with previous studies, highlighting the unique advantages small businesses derive from informal relationships (Spence, 2016).

However, the limited emphasis on innovation among participants contrasts with the literature emphasizing the need for sustainability-oriented innovation in SMEs (Klewitz & Hansen, 2014). This divergence underscores the practical challenges faced by small businesses in adopting transformative strategies due to resource limitations.

#### 4.3. Discussion of Challenges and Barriers Faced by SMEs

- **Resource Constraints:** Lack of access to financing and skilled labor were among the most significant challenges. Businesses like Club Cake faced skilled worker shortages, leading to disruptions in product quality and operational inefficiencies.
- **Market Competition:** Increased competition and ease of market entry were cited as threats to sustainability. M.K. Trading expressed the challenge of maintaining customer loyalty in a saturated market, reflecting the high stakes of competition.

- **Regulatory Challenges:** Entrepreneurs identified frequent changes in regulations and policies as barriers to long-term planning. Businesses with limited flexibility, such as Rainbow Software Limited, were particularly vulnerable to external shocks.
- **Dependency on Personal Relationships:** While personal relationships facilitated revenue generation, over-reliance on them posed risks. As noted by interviewees, diversification of customer acquisition strategies was critical for reducing dependency on informal networks.
- **Community Engagement and CSR:** Structured community engagement and CSR initiatives can significantly enhance small business sustainability. By addressing community needs, businesses can build strong local support and foster goodwill. For example, Pearl Mart could collaborate with local artisans to co-create products, providing employment opportunities while diversifying their offerings. Similarly, Kornophuli Shoe could organize donation drives or skill-building workshops for underprivileged community members. Such initiatives not only strengthen community ties but also create long-term brand loyalty.

#### 4.4. Strategies Adopted by Successful Small Businesses to Integrate Sustainability

- **Leveraging Prior Experience:** Entrepreneurs with prior experience implemented structured strategies to achieve sustainability. For example, N. Alam Engineering emphasized maintaining consistent growth through efficient management practices.
- **Focus on Employee Retention:** Businesses like Club Cake adopted retention strategies such as allowances to retain skilled workers, ensuring operational continuity and quality.
- **Vertical Integration:** Club Cake's vertical integration strategy enabled cost control and stable supplier relationships, enhancing operational efficiency.
- **Tailored Customer Engagement:** Personalized customer engagement strategies were employed by businesses like Club Cake and Kornophuli Shoe to align products with customer preferences and maintain loyalty.
- **Adaptability and Continuous Learning:** Entrepreneurs acknowledged the importance of learning from past failures to refine their strategies. Club Cake's owner, for instance, adapted operational strategies based on lessons from previous business failures, reflecting the role of continuous learning in achieving sustainability (Gaglio & Taub, 1992).
- **Environmental Sustainability Practices:** Environmental sustainability is becoming an essential factor for small business success. Initiatives such as reducing waste, adopting renewable energy, and sourcing sustainable materials can enhance brand reputation and attract environmentally conscious customers. For instance, Club Cake could explore compostable packaging for their products, aligning with green consumer trends. Similarly, Rainbow Software Limited could adopt energy-efficient IT practices to minimize its environmental footprint. These strategies not only contribute to global sustainability efforts but also create competitive advantages for businesses in eco-conscious markets.

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## 5. Implications for Practice

### 5.1. Recommendations for SME Owners/Managers

- **Enhancing Awareness and Training on Sustainability:** For small businesses to adopt and integrate sustainability effectively, raising awareness and providing training is essential. Owners and managers need to understand the economic, social, and environmental benefits of sustainable practices. Training programs tailored for SMEs can equip entrepreneurs with knowledge on resource efficiency, waste management, and energy conservation, which are practical and impactful sustainability measures.

Additionally, SMEs in technology-intensive sectors, such as software or engineering, should focus on developing specialized skills and knowledge to remain competitive. As noted in the study, businesses like Rainbow Software Limited benefited significantly from the technical expertise of their workforce. Similar firms can enhance their sustainability by investing in employee training and development, enabling them to innovate and optimize processes.

- **Leveraging Sustainability for Competitive Advantage:** Sustainability is not just a compliance requirement; it is also a strategic tool for competitive advantage. SMEs should actively market their sustainable practices to attract environmentally and socially conscious consumers. Businesses like Club Cake, which customized their product offerings based on customer preferences, demonstrate how aligning operations with consumer demands can strengthen customer loyalty and revenue streams. Furthermore, SMEs should explore adopting certifications such as ISO 14001 (Environmental Management Systems), which can enhance credibility and



attract partnerships. Firms like Kornophuli Shoe, which relied heavily on maintaining customer trust, could use such certifications to formalize and communicate their commitment to sustainability.

### 5.2. Policy Implications for Governments and Regulators

- Creating Supportive Regulatory Frameworks:** Governments play a crucial role in shaping the sustainability landscape for SMEs by designing policies that are accessible, clear, and supportive. Regulatory frameworks must consider the unique challenges of SMEs, such as limited resources and financial constraints. Simplifying compliance processes and offering guidance can reduce the regulatory burden, enabling SMEs to focus on implementing sustainable practices. For example, small businesses in the study cited challenges related to frequent regulatory changes. Governments should ensure consistency and transparency in regulations to help SMEs plan and adapt effectively. Engaging SMEs in policy formulation through public consultations and industry associations can also enhance the relevance and practicality of these frameworks.
- Offering Incentives for Sustainable Practices:** Incentivizing sustainable practices can motivate SMEs to adopt environmentally and socially responsible strategies. Financial incentives such as tax rebates, grants, and low-interest loans for sustainability-related projects can alleviate resource constraints. For instance, businesses like Club Cake and Pearl Mart struggled with financing, which hindered their ability to innovate and expand. Access to government-backed financial assistance programs could help such businesses invest in sustainability initiatives. Additionally, creating green marketplaces or platforms that prioritize SMEs with sustainable products can increase visibility and market opportunities. Governments can also foster partnerships between SMEs and larger corporations, encouraging knowledge transfer and collaborative innovation.

### 5.3. Role of Stakeholders in Promoting Sustainability in SMEs

- Collaboration with Industry Associations and Networks:** Industry associations and business networks can act as catalysts for promoting sustainability in SMEs. These organizations can provide resources, training, and platforms for knowledge sharing. Businesses like N. Alam Engineering and Rainbow Software Limited benefited from leveraging personal and professional networks, which helped them access markets and resources efficiently. Formalizing such networks can amplify their impact, enabling more SMEs to participate and benefit.
- Encouraging Customer and Supplier Engagement:** Stakeholders, including customers and suppliers, play a vital role in fostering sustainability. Customers demanding eco-friendly products can influence SMEs to prioritize sustainable practices, while suppliers offering green alternatives can drive innovation in production processes. SMEs like Club Cake, which adopted vertical integration to control costs and improve efficiency, exemplify how strategic supplier relationships can contribute to sustainability.
- Strengthening Financial Institution Support:** Banks and financial institutions should recognize the potential of SMEs in sustainability and tailor their services accordingly. Simplifying loan processes, offering sustainability-linked loans, and providing financial education to SME owners can significantly enhance access to capital. For instance, Pearl Mart's difficulties in securing bank financing highlight the need for more inclusive and SME-friendly financial services.
- Engaging Local Communities:** SMEs often operate in close proximity to their local communities, making community engagement a crucial sustainability driver. By involving communities in decision-making and aligning business goals with community needs, SMEs can build trust and long-term support. Businesses like Kornophuli Shoe, which tailored offerings to their community's preferences, demonstrate the benefits of this approach.

### 5.4. Practical Implementation Framework

To operationalize these implications, a phased approach can be adopted:

**Table 6** Recommended practical implementation

Phase	Action Steps	Key Stakeholders
Awareness and Education	Organize workshops and training on sustainability practices.	SME owners, industry associations
Policy Simplification	Streamline regulatory processes and ensure consistency in policy implementation.	Government and regulatory bodies

Financial Support	Introduce tax incentives, grants, and low-interest loans for sustainability projects.	Financial institutions, policymakers
Stakeholder Collaboration	Facilitate partnerships between SMEs, large corporations, and community organizations.	SMEs, corporations, local communities
Monitoring and Feedback	Establish systems to track the impact of sustainability initiatives and gather feedback for improvement.	Governments, SMEs, research institutions

These recommendations and implications provide a comprehensive framework for enhancing sustainability in SMEs. They emphasize the need for a collaborative, multi-stakeholder approach, integrating the efforts of businesses, policymakers, and communities to create a supportive ecosystem for sustainable development. This approach ensures that SMEs not only survive but thrive in an increasingly sustainability-focused world.

## 6. Conclusion

### 6.1. Summary of Key Findings

This study explored the shapers of sustainability in small businesses, emphasizing the interplay of internal and external factors that influence their success and resilience. The findings reveal that:

- **Leadership and vision** play a critical role in determining the sustainability trajectory of small businesses. Owners with prior experience and a strategic mindset, such as those leading Rainbow Software Limited and N. Alam Engineering, were better equipped to navigate challenges and maintain growth.
- **Organizational culture and employee retention** emerged as significant internal factors. Businesses like Club Cake demonstrated the importance of creating an environment that retains skilled workers to maintain quality and operational efficiency.
- **Financial constraints** remain a pervasive challenge, with most small businesses relying on personal savings and informal funding sources due to difficulties in accessing institutional financing.
- **External factors** such as government regulations, market trends, and technological advancements significantly shape sustainability efforts. While regulatory changes and resource constraints posed challenges, leveraging market demands and maintaining customer relationships provided stability and growth opportunities.

These findings underscore the complexity of achieving sustainability in small businesses, where the combination of entrepreneurial experience, financial management, and adaptability to external conditions determines long-term viability.

### 6.2. Contribution to the Field of Sustainability in SMEs

This study contributes to the growing body of literature on sustainability in SMEs by:

- **Providing nuanced insights** into the unique challenges and opportunities faced by small businesses, particularly those operating in resource-constrained environments.
- **Highlighting the critical role of human capital**, including leadership, operational skills, and employee retention, in shaping sustainability outcomes.
- **Demonstrating the importance of community and personal networks**, which serve as both enablers and limitations in achieving sustainability.
- **Filling the gap in the existing literature**, which often generalizes findings to SMEs as a whole, by focusing specifically on small businesses with limited assets and employee counts.

This research also emphasizes practical strategies, such as vertical integration and market alignment, that small businesses can adopt to navigate their sustainability journeys effectively.

### 6.3. Limitations of the Study

While the study provides valuable insights, several limitations must be acknowledged:

- **Sample Size:** The research focused on six small businesses within Dhaka city, limiting the generalizability of the findings to broader contexts or industries.

- **Geographical Scope:** Conducted within a single urban area, the findings may not capture the dynamics of rural small businesses or those in different economic or regulatory environments.
- **Time Constraints:** The study was conducted over four months during the COVID-19 pandemic, which may have influenced the availability of participants and the responses obtained.
- **Lack of Quantitative Analysis:** While the qualitative approach provided in-depth insights, the absence of quantitative data limits the ability to generalize findings statistically.
- **Focus on Specific Business Types:** The inclusion of businesses primarily from the service and manufacturing sectors may not represent the experiences of other small business categories.

These limitations provide important context for interpreting the findings and highlight areas for improvement in future research.

#### 6.4. Suggestions for Future Research

Building on the findings and addressing the study's limitations, future research can explore the following areas:

- Expanding the Sample Size and Diversity:
  - Future studies should include a larger and more diverse sample of small businesses, encompassing different geographic regions and industries.
  - Comparative studies across urban and rural settings could provide insights into how location influences sustainability practices.
- Incorporating Quantitative Analysis:
  - Using mixed-method approaches that combine qualitative interviews with quantitative surveys or statistical modeling could enhance the robustness of the findings.
  - Longitudinal studies could track the sustainability trajectories of small businesses over time to understand the impact of evolving factors.
- Examining Industry-Specific Dynamics:
  - Investigating the sustainability challenges and opportunities unique to specific industries, such as technology, agriculture, or retail, could yield targeted insights.
  - Studies focusing on high-growth industries like e-commerce or renewable energy could explore how innovation drives sustainability.
- Assessing Policy Impact:
  - Future research should evaluate the effectiveness of government policies and incentives designed to promote sustainability in small businesses.
  - Exploring the role of public-private partnerships in supporting SME sustainability could provide actionable recommendations for policymakers.
- Exploring Technological Innovations:
  - Investigating the adoption of digital tools, green technologies, and automation in small businesses could shed light on how innovation enhances sustainability.
  - Research on the barriers to technology adoption and strategies for overcoming them would be particularly valuable.
- Cultural and Contextual Influences:
  - Studies could examine how cultural values and societal norms influence sustainability practices in different regions or countries.
  - Comparative research across developed and developing economies could highlight how resource availability and regulatory environments shape sustainability outcomes.

By addressing these areas, future research can build on the foundation laid by this study, advancing the understanding of sustainability in small businesses and equipping entrepreneurs, policymakers, and stakeholders with the tools and insights needed to foster sustainable growth.

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## Compliance with ethical standards

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No conflict of interest to be disclosed.

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## Appendices

A storytelling method was followed to encourage interviewees to tell their story on their own with follow up questions and understand the emotions, logic and other dynamics.

### *Detailed case study information*

#### Business Profiles

##### Club Cake

Club Cake is a bakery and food supply business located on Rajia Sultana Road, Mohammadpur, Dhaka. Established in 2016, the organization has grown to include three small food shops and a wholesale commodity shop. One of the key partners, Bappi Gomes, joined in 2018, bringing over 10 years of experience in a similar business, having previously operated a bakery named "Salt N Sugar," which closed two years before his involvement with Club Cake. The business operates as a partnership with a total manpower of 18 employees. Club Cake specializes in fast food, baked goods, and beverages, catering to local and wholesale customers.

- Organization Type: Partnership
- Total Manpower: 18
- Products: Fast food, baked goods, beverages

- Location: Rajia Sultana Road, Mohammadpur, Dhaka

#### Pearl Mart

Pearl Mart is a boutique clothing shop located in Shawrapar, Mirpur, Dhaka. Founded seven years ago by Mrs. Mansura Mukta and Mr. Kazi Zahid Hasan, the business was inspired by their passion for clothing design and stories of entrepreneurial success shared at various fairs organized by associations such as SME and Trinomul Shongho. Without prior business experience, the owners began by attending fairs and have since transitioned into small-scale manufacturing and reselling women's clothing, including salwar kameez and sarees.

- Organization Type: Partnership
- Total Manpower: 4
- Products: Salwar kameez, sarees, and other boutique clothing
- Location: Shawrapar, Mirpur, Dhaka

#### *N. Alam Engineering*

N. Alam Engineering is a construction and civil works business established in 2012. Owned by Mr. Mizanur Rahman, a civil engineer with prior experience in the construction industry, the business primarily serves the commercial and manufacturing plant sectors. The organization operates as a proprietorship and employs 12 staff members, focusing on high-quality construction services.

- Organization Type: Proprietorship
- Total Manpower: 12
- Services: Construction and civil works
- Location: Atish Dipankor Road, Bashabo, Sobujbag, Dhaka

#### M. K Trading

M. K Trading specializes in providing packaging and printing materials for the manufacturing sector. Founded in early 2017, the business does not own a manufacturing plant but focuses on sourcing and delivering high-quality materials. The operating partner, Mr. Abdullah Al Moin, has nearly seven years of experience in finance roles across multiple organizations, which has been instrumental in managing business operations. The organization operates as a partnership with a team of four employees.

- Organization Type: Partnership
- Total Manpower: 4
- Services: Packaging and printing material supplier
- Location: 50-1, Habib Center, Purana Paltan, Dhaka

#### Rainbow Software Limited

Rainbow Software Limited is a software retail and development company located on Green Road, Dhaka. Established in 2012, the company operates as a private limited firm and holds a dealership for an Indian software company while also developing its in-house software solutions. Mr. Mahaboob Hasan Tutul, one of the directors and shareholders, had four years of professional experience in the software industry before founding the business. The organization employs 10 staff members and provides customized software solutions to its clients.

- **Organization Type:** Private Limited Company
- **Total Manpower:** 10
- **Services:** Software development and reselling
- **Location:** Green Road, Dhaka

#### Kornofuli Shoe

Kornofuli Shoe is a retail shoe business based in Uttara, Dhaka. Established in 2004 by Mr. Mohiuddin Ahmed, the business combines original shoe designs manufactured by third parties with reselling operations. The owner's extensive prior experience in the shoe industry has contributed to the business's longevity. Operating as a proprietorship, Kornofuli Shoe employs eight staff members and caters for a loyal customer base.

- **Organization Type:** Proprietorship
- **Total Manpower:** 8
- **Products:** Retail shoe vendor
- **Location:** Sector 3, Uttara, Dhaka