A Review of Sustainable Growth Challenges Faced by Small and Medium Enterprises

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Abstract
The idea that businesses with a focus on increasing shareholder value were successful is a thing of the past. The last few years have seen a big shift in the trend; now, firms are required to consider social and environmental factors when making choices in order to provide value for all stakeholders in addition to shareholders. The results of earlier studies have confirmed the crucial role that organisations play in shifting the emphasis from rapid development to sustainable development. Small and medium enterprises (SMEs) have been recognized for their socio-economic contribution. Thus, the concept of sustainable growth is extremely relevant to SMEs. In this paper the researcher conducted review of extant literature to trace the conceptual development of sustainable development and growth. The researcher provides a conceptual overview of the challenges of sustainable growth of the SMEs. The study is significant as it extends the knowledge and paves the way for further research.

Keywords
Sustainability, Sustainable Growth, Small & Medium Enterprises, Challenges

Introduction
Sustainable development is a term that was initially cited in the report on the restrictions on growth that was presented in 1972 (Abdissa et al., 2022[1]). After this, it was mentioned in the Brundtland Report in 1987 and later published in the World Commission on Environment and Development (WCED) in 1989 (Katrinli, 2016), where it was described as current growth without giving up on future requirements (Hertog, 2010[12]; Olusegun, 2012[25]). Two key concepts are present in the Brundtland report, the first pertains to the requirements of the underprivileged, and the other is the limitation on the environment to fulfill future requirements (Hertog, 2010[12]). To comprehend the idea of sustainability, it is important to identify how the construct developed. This is what has been done by the researcher in the subsequent section.

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Two significant elements of the original Themes explained in the Bundtland Report have, however, been adjusted: 1) from needs of humans to their rights; and 2) from the actual trade-off among the two areas of environment and society to a greater focus on the environment at the cost of social challenges (SMEA, 2017[34]). Very little attention is given to the stress on the poor people in the world, as put forward in the Brichtland report. These are few of the criticisms that are commonly made on sustainable growth, for example, the ambiguity of the concept, the issues of measurement, and its oxymoron property of assessment of the concept (Ndhlovu & Spring, 2009[24]).

Therefore, the sustainable development concept emerges from sustainability (Shi, Han, Yang, & Gao, 2019[33]). Though the terms sustainable development and sustainability are often used interchangeably by many people, they are fundamentally distinct. In the first perspective, sustainable development is considered as journey or process through which sustainability is attained (McDaniel, 2002[23]), while in the second perspective, sustainability refers to the process through which sustainable development is attained (Wang, 2016[41]). Despite having these two conflicting perspectives, research is carried out to examine, and describe sustainability (Wang, 2016[41]). Sustainability is considered as a holistic term that incorporates several issues, ideas, practices, and thought processes (Davidsson & Wiklund, 2006a[5]), which are complicated. The sustainability concept continues to be conceptual and abstract that gives rise to several studies in which various definitions have been put forward on the basis of how it is tackled and considered.

Tracing the Evolution of “Sustainability” Concept

The Brundtland Commission first put forward the concept of sustainable development in its report titled Our Common Future published in 1987 (Davidsson & Wiklund, 2006a[5]), following which, various multidisciplinary, and multidimensional efforts were made to adhere to the environmental, and social limitations and to facilitate a sustainable form of human life on earth. These efforts were based on the technological development in renewable, and nanomaterials, and social developments through the directives given by the United Nations on business, and human rights. Sustainability management is the most recent, and critical addition to the domain of sustainability. Just like the terms loyalty, love and action, sustainability management is a popular concept, in terms of the conversations, and discussions; however, there continues to be a lack of a single, commonly accepted, and focused definition of any of these terms (Davidsson & Wiklund, 2006a[5]; Storey & Greene, 2010[37]).

According to the United Nations Environment Program (Sarwoko & Frisdiantar, 2016[31]), sustainability management refers to the procedures or structures that are employed by an organization to fulfill its sustainability objectives, while converting inputs to a product or service. Sustainability management was described by Storey and Greene (2010)[37] by integrating the meanings of sustainability and management, i.e. creating a condition where there is consistent economic development, social impartiality and environmental security. Davidsson and Wiklund (2006)[5] provided a more standard definition of sustainability management, it is the development, actions, and assessment of environmental as well as socio-economic decisions and activities related to sustainability. These actions and decisions may be expressed through various activities on different levels. At the individual level, they may include the purchase behavior, consumption patterns or commuting options, while at a global level, they may include the collateral actions taken by various countries to face poverty, climate change or terrorism. In this extensive range of sustainability stakeholders, a customary, but critical part is performed by the businesses, companies, enterprises, and other similar bodies, which will be called organizations in the current study.
Organizations in the contemporary world have a governance structure that works according to its rights and responsibilities to cater to the requirements of the interested parties (Purvis et al., 2019). There is still a lack of agreement between the researchers regarding whether organizations should adopt sustainable management procedures to enhance the efficiency of their resources, and hence, improve profitability (Purvis et al., 2019) as has been supported to a large extent in empirical findings (Klarin, 2018), or if these activities are solely an outcome of greater social pressure from stakeholders, which includes NGOs, governments, employees, etc. (Ismail, 2022). Organizations continue to play a critical part for sustainable development in both situations.

Just like sustainability management, there is a lack of a standard definition of organizational sustainability, and different definitions are presented by different researchers. According to Spigel (2015), organizational sustainability referred to the firms capability to foster, and encourage growth with the passage of time by successfully fulfilling the expectations of the various stakeholders. It was similarly asserted by Abdissa et al. (2022) that organizations are deemed to be sustainable it seeks to offer a desirable future state to its stakeholders through its activities. Spigel (2017) stated that sustainable organizations are ideally those that adopt a systems perspective to make sure that natural resources are not used at a more rapid pace than the speed at which they are recycled, renewed, or reproduced. According to Diabate et al. (2019) organizational stability refers to the part played by organizations in attaining the growth of humans in an impartial, inclusive, and secure manner by simultaneously offering social, environmental, and economic advantages.

Organizational Sustainability

Several authors have stressed in the past that organizational sustainability practices should be considered in academic research (Khan, 2016). Sustainability principles and procedures of the 25 transactional corporations (TNCs) were then examined by Thelen (2009), which depicted that most of the TNCs are at their basic or engagement level, which is quite far from being integrative or transformational. It is possibly the lack of a scientific agreement with respect to the effect of organizational sustainability that prevents the multinational corporate (MNCs) from carrying out sustainability further than philanthropy (Malecki, 2018; Khan, 2016).

The standard definition of sustainability was recognized by Lee (2000) as keeping the business running; while another term that is frequently used in this regard signifies “future security” of organizations. According to Halpern (2005), it signifies “attaining success now without conceding the needs of the future”.

The Board of Directors at Ford developed the Charter of the Sustainability Committee at Ford that concentrated on sustainable growth, which was described by it as “the potential to fulfill the requirements of current customers, while also considering the requirements of the subsequent generations” (Rauch, 2013). Sustainable growth consists of a business model that generates value according to the long-term preservation, and improvement of social, ecological, and financial capital. Watson (2010) have presented the idea and asserted that sustainability “refers to a collective focus on social, economic and environmental performance”. This idea may apparently be connected to the development of what is known as “Triple bottom line accounting”, which will be discussed subsequently in this study.

Furthermore, as asserted by Gupta et al. (2013) that organizations formulate sustainability policies; however, they assert that the objective of these policies is to establish a fundamental “culture of sustainability” through policies that stress on the significance of the environmental, financial, and social
performance. These policies try to formulate a culture of sustainability by expressing the values and opinions that support the objectives of the organization.

Furthermore, the significance of organizational culture in comprehending organizational stability is also stressed by Davidsson & Wiklund (2006a)\(^5\) by making references to the “production of significant values that determine strategic decision-making and developing a culture that supports desirable behavior”. It was asserted by, Gupta et al. (2013)\(^9\) in a cover story of the Harvard Business Review that “when sustainability is equated with innovation in the present times, companies can set the foundation to be in a leading position at the end of the recession, and there is no substitute for sustainable development.

The view of Gupta et al. (2013)\(^9\) claimed that the most dominant business reason for incorporating a responsible and sustainable outlook to business would possibly be the rise of globalization, which has significantly altered the functions, and relationships of business, government, and other important stakeholders.

**Sustainable Growth and Sustainable Development**

On the basis of the studies of different scholars on the concept of sustainable development (Watson, 2010\(^{42}\)), it has been deduced by the authors that the sustainable development concept has the following key point – coordinated, and organized development of economic subject towards the goal occurs only when the three features of sustainability, i.e. economic, social, and ecological, are together included in the subject activities. In this context, the factors of sustainable development that are present in all enterprises include: 1) income that is generated by customers (clients) using products and services developed by the enterprise; 2) financial consistency and positive elements of profitability; 3) skills and abilities of the personnel; 4) incorporating ecological concerns in the management process of the enterprise; 5) positive outlook of the society regarding the performance of the enterprise.

Sustainable development has been described by Yeboah (2015)\(^{44}\) as affordable development. According to Vik and McElwee (2011)\(^{40}\) sustainable development is growth with a long-term perspective. In the studies of Williams and Vorley (2014)\(^{43}\), sustainable development was described as attaining growth without experiencing structural, financial or strategic limitations. Sustainable growth is described by Mayer (2013)\(^{22}\) as growth in social, economic, and environmental efficiency. Wang (2016)\(^{41}\) asserted the sustainable growth of firms is propelled by the firm’s standard earning power. In terms of long-term survival and sustainable growth, a significant factor is that of profit (Tan et al., 2015\(^{30}\)). Sustainability is considered as survival in the long run in terms of the three elements of societal, environmental, and economic. Therefore, the goals of the three pillars of sustainability should be consistent with each other.

Sustainable development when hypothesized by adopting the traditional economist refers to the consistent stage of growth that is sustainable, practicable, and affordable (Hanneman, 2014\(^{11}\)). In terms of the capabilities of the firm (Qureshi, 2016\(^{27}\)), attaining financial performance through environmental approaches like improvement and successful use of energy and raw material, waste reduction activities and by employing social approaches like encouraging employee retention and contentment. This is consistent with the perspective of Semrau and Werner (2014)\(^{32}\) that economic approaches of sustainable growth concentrate on optimum planning for effectively using resources, like recycling raw materials and decreasing, and managing waste.

With respect to long-term survival and sustainable development, a significant factor is the aspect of profit. The profitability objective will have an impact on the strategic activities of the firm to improve its returns by taking initiatives to decrease wastage, recycle, and reuse its scarce resources to attain economic
benefits, which is one of the factors of environmental goals (Abdissa et al., 2022[1]). The growth and performance of the firm would allow the firm to attain long-term survival to generate consistent employment opportunities. It would also become imperative for the firms to improve its human capital by retaining, and re-training employees and offering employee satisfaction. In sustainability studies, these constitute the social objectives (Diabate et al., 2019[6]). Employee loyalty, and skills development are critical success factors for companies.

Long-term commitment of the employees would be driven by the social wellbeing of employees, with respect to secure working environment that eliminates occupational hazard. This is a social objective for firms, and indirectly eliminates poverty. It was determined by Rotefoss & Kolvereid (2005)[30] that most of the companies in their research concentrated on these activities in their sustainability programs. It has been asserted by Al Tit, Omari, and Fuchi (2019)[2] that small businesses that have a sustainability-focused strategy may be able to draw, and retain employees, develop extensive commitment with the customers and establish powerful relationships with other stakeholders like suppliers, and the wider community. Using the sustainability perspective, firms can recognize new and more effective techniques that they can use to achieve a competitive edge, without drifting over the boundary between appropriate, and inappropriate business ethics. One of the advantages of the wider scope of sustainability is that there may possibly be several effective strategies.

Companies may have countless opportunities to generate individual core competencies with respect to their business, and sustainability, which will assist them in acquiring, and retaining a competitive edge in the market. Firm financial performance (FFP) has been linked in various studies to firm performance in terms of social and environmental sustainability (Purvis et al., 2019[26]). According to the critics, firm size may establish the financial success of employing sustainable practices because of economies of scale, greater control on external stakeholders, and resources, and larger media profile (that may attract more efficient employees). Greater financial returns may be achieved by bigger firms that employ sustainable practices (Klarin, 2018[16]).

## Sustainable Growth of Small and Medium Enterprises

Sustainable development of SMEs is vital to ensure that national economies progress in the long run (Ismail, 2022[13]). SMEs make a significant economic contribution, which has stressed on the need to not only create new SMEs and ensure the survival of all SMEs in the economy, but also to make sure that they continue to grow (Diabate et al., 2019[6]). SMEs experience the issue of being sustainable, becoming sustainable, and most importantly, to remain sustainable (Abdissa et al., 2022[1]). Sustainable development of SMEs leads to entrepreneurial activities that are good for the economy (Diabate et al., 2019[6]). It also serves as an important indicator of the success for SMEs (Klarin, 2018[16]), and for the society. Sustainable growth is critical to make sure that the firm is capable of funding its long-term future development and of surviving in the long run.

The resource-based perspective states that firm size is a significant resource that has an impact productivity and performance (Wang, 2016[41]). There are significant benefits of large firms with respect to resources and abilities in comparison to SMEs (Shi et al., 2019[33]). As a depiction of firms resource potential, firm size usually has a significant relationship with planning as a commitment to limited resources is required to develop and use the firms strategies (Hertog, 2010[12]).

Different studies have presented distinct definitions of the term sustainable development. In financial terms, sustainable development signifies development within the firm’s financial limitations (Wang, 2016[41]) without improving its financial leverage (Sarwoko & Frisdiantara, 2016[31]). According to
Sarwoko and Frisiantara (2016), it is the firms capability to accomplish its objectives, and shareholders value by using a collaborative effort that incorporates environmental, financial, and social activities in its strategies. However, all SMEs are not capable of attaining all of these factors, nor do they have all the required resources to include the three elements of sustainable development in their goals, and objectives.

Therefore, to summarize, sustainable growth signifies the consistent, and maintainable development of firms from the economic point of view, reflecting the performances from the quality, environment, social, and financial aspects of SMEs. This method conforms to Klyver and Schenkel (2013), who asserted that the practitioners consider economic factors to be the most significant areas for sustainable development.

**Sustainable Growth Challenges Faced by Small and Medium Enterprises**

Due to these advantages, studies from different perspectives on sustainable growth are required. It is recognized that several researchers are keen on assessing the inability of SMEs to continue operating with high rates of failure so that they can determine the factors that may result in sustainable growth of SMEs in developing countries (Njoroge & Gathungu, 2013). The different theoretical perspectives are used to develop the models, and frameworks that can be utilized to empirically test the large number of variables. It is expected that the companies that are sustainable and have a healthy relationship with the eco-system can survive in the long run. Lin and Erickson (2010) used a sample of 65 companies listed on the FTSE 350 index on the London Stock Exchange (LSE) in their study. The study findings showed that the companies that use well-balanced environmental, financial, and social investments in their approaches brought about a long-term growth in the shareholders wealth and corporate value.

In contrast to public companies that are indebted to shareholders, privately owned SMEs are frequently run by the owner, and are responsible to a single, or at the maximum, a few shareholders. The organization is eventually run by the values of the owners. It has been determined by various authors that when individual small business owners give importance to sustainable development, there are greater chances of the business concentrating on achieving sustainable development (Lin & Erickson, 2010). The small size refers to fewer communication lines between the high level managers, employees, and shareholders, which may increase the agility of SMEs, and their ability to rapidly execute changes (Kobayashi et al., 2013).

There may also be a more informal business culture, and organization in smaller firms (Foster & Maas, 2016), which suggests that the efforts to develop good sustainable development strategies may be distinct from the usual activities carried out in bigger firms. It has been determined by researchers that SMEs are less likely to employ formal strategic tools, and those that do employ such tools rarely implement them (Foster & Maas, 2016). This may be because of several reasons, for example unavailability of financial resources or the time required to carry out such activities in the business domain. SMEs may be reluctant to give time to deal with the issues that are not directly linked to business, and it is often believed that sustainable development is not part of the main business operations (Storey & Greene, 2010). It has been determined in studies that there is less probability of SMEs having “sophisticated divisional structures” (Rauch, 2013). This suggests that they may not have sufficient managerial resources and functional experts, which may lead to weak management or underutilized opportunities (Khan, 2016). Hence, though it should not have presumed that smaller size, on its own, serves as an obstacle to the implementation of sustainable development practices, it is evident that sustainability strategies should be considered separately for each context and should not be considered to scale down to fulfill the requirements of SMEs.
However, even if the capacity and budget of the SMEs is limited for the staff, maintaining small budgets may prove to be quite useful. Additionally, in SMEs the budgetary decisions require the involvement of only a few individuals. As compared to large organizations, SME capital structures are quite simple which indicates that their internal financial resource access does not involve many limitations, and constraints (Foghani et al., 2017[7]). With the help of this financial profile, SMEs may be able to adjust to developing opportunities quickly. SME performance is very much influenced by the experiences, skills, values, and knowledge of the employees. This is specifically for the environmental, and social performance. According to Camagni and Capello (2000), the global commerce driving force is based on the combined effort of various individuals. Networks play a significant role to achieve SME success (Spigel, 2015[35]).

As mentioned by Keeble and Wilkinson (2017)[14], resources, and expertise are extended to the SMEs through networks consequently allowing them to assume risk as well as implement procedures which would not be possible otherwise. Furthermore, networks allow the SMEs to manage isolation, assess new ideas, and extend the research intellectual, and social provision for the new activities, and strategies implementation. It is the jurisdiction which defines the government influence upon the ever-changing SME behavior. Various UK research studies indicate that government relationships in terms of benchmark practices, interest group pressure and government regulations do not maintain significant influence upon the behavior of the SME (Brown & Thornton, 2013[3]). On the other hand, research conducted in Netherlands showed that the environmental activities carried out was not to satisfy the government regulations but to cater to the public opinion, and meet host community demands (Carlsson et al., 2013[4]).

In the contemporary world today, technological developments are quite rapid which not only increases efficiency but also production. Organizations achieve profits through technological innovation. It is known that technological abilities, and modern technology provides various advantages. SMEs are also benefited in several ways through technological abilities (Spigel, 2015[35]). SME efficiency is enhanced, market reach is broadened, and costs are reduced through technology. Various research studies indicate that the advancement of SMEs within the developing nations would be constrained if the technological abilities are low (Olusegun, 2012[25]). If these capabilities are not strong, the SME are not only hindered but also discouraged from extracting opportunities and maximizing their potential. They suffer from lack of training, knowledge, and resources. These issues can be managed using the cooperation of the private, and public sector.

**Conclusion**

To obtain sustainable development, long-term growth strategies are developed by SMEs as well as large corporations with the aim of strengthening their technological innovation potential. The business performance of a company determines its survival, which is essential for economic development. Nonetheless, the sustainable growth of a company is not an outcome of a single, distinct factor; rather, it is a mix of company strategy, organization, and procedures that correspond with one another. Though SMEs wish to increase their sustainability, and competitiveness by strengthening their technological innovation abilities to survive and develop in the period of uncertainty, they face issues in linking their innovation abilities to performance because of various restrictions, like firm size, and inadequate resources in comparison to the bigger firms.
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