

Chapter 9

Opportunities and Challenges for Sustainable Business Strategic Planning in Small and Medium Enterprises (SMEs)

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ABSTRACT

Approximately 90% of companies are Micro, Small, and Medium Enterprises (MSMEs) and Small & Medium Enterprises (SMEs). Their importance in the economy lies in the fact that they account for almost 60% of the jobs in the world, number which could be greater in developing countries. All these companies have an environmental impact that is almost imperceptible when observed individually, but if observed and analyzed as a whole, this impact is actually relevant. It is therefore important for these companies to include the concept of sustainability within their processes, which is difficult given the informal way they have managed their activities and processes. On the other hand, there are two paradigms that rule the concept of sustainability, weak sustainability and strong sustainability. As it will be presented in this chapter, both concepts are opposed and companies are normally oriented towards weak sustainability, because they are more interested in economic growth than in caring for the environment.

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INTRODUCTION

The different production and transformation methods and the technologies used throughout human history have had a direct impact on the environment that could not be easily absorbed by nature at the beginning of the XXI century (Rockström et al. 2009; Steffen et al. 2015). These changes in earth's systems meant the search for a new kind of relationship between mankind and nature, and the acknowledgement that both economy and society are sub-systems of a larger and finite global system: the biosphere.

In this context of significant transformation in the society-nature relationship balance, there is evidence of the need for important changes in the extractive and productive activities with an integrative and ecologically sustainable approach. Several countries have embraced the concept of sustainable development in their national legislation and have strengthened their environmental policies and standards, and many others have imposed non-tariff trade barriers by restricting the trade of products that use certain kinds of chemical substances and materials.

Several companies are including environmental aspects in their management in order to avoid the environmental restrictions on trade, and use green marketing elements to encourage the sale of products to consumers increasingly demanding environmental protection. These companies generally do not question the business model's sustainability, and environmental actions are only limited to including elements of cleaner production, product life cycle analysis, eco-labeling or being awarded with the ISO 14001 certification. These are interesting actions that can reduce environmental impact, but do not question the business model or the business' scale. This shows Jevons paradox, which according to Alcott (2005), shows that as technological improvement increases, so does the efficiency with which resources are used, therefore there is a high probability that their use and demand will increase.

In the case of SMEs, environmental initiatives such as cleaner production, product life cycle analysis, certification in an environmental management system or other Green Production Strategies for Sustainability, are usually not implemented due to the fact that they are associated to high costs and highly-trained professionals which are out of scope for SMEs. Being that SMEs represent over 90% of all companies (WIPO-World Intellectual Property Organization. n.d.) they are required to include environmental management aspects in order to reduce the environmental impact caused by the significant cumulative effect.

Being said, it is important for SMEs to get involved in environmental matters, starting with their strategic planning. Kotler & Armstrong (2003) suggest that strategic planning is essential for managers because it allows them to link past, present and future events, forcing companies to define better objectives and policies, resulting in improved synchronization of activities, control and performance.

The chapter analyzes two opposing paradigms of *sustainability* from a Latin American experience, and their economic and ecological implications for sustainable business strategic planning in the context of SMEs. On one hand, strong sustainability is based on technological skepticism and considers that it is not possible to replace many functions and ecosystem services with human-built elements, which means that the ecosystem base that supports socio-economic development should be maintained. On the other hand, weak sustainability corresponds to the contrary. Different strategies for both paradigms, as well as their uses, challenges and opportunities for being included in SMEs' strategic planning, will be analyzed.

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