

## Chapter 6

# SME and Sustainability: A Managerial Model to Enhance Relationships and Interactions Between Different Local Actors of the Territory

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### ABSTRACT

*The analysis and the consideration of the sustainability development throughout the SMEs has been less considered by the academic literature than the one developed by large firms so far, although small and medium enterprises represent the majority of the local businesses in many geographical areas of the world. Since small and medium entrepreneurs usually do not know how to tackle the challenges concerning internationalization and sustainability, a managerial model for underling which kind of relationships and interactions must be built is the real aim of the present chapter. In order to do that the chapter is focused of a limited area, the Piedmont Region (Italy), to deep analyse the relationship SMEs can create and improve with the local institutions, associations, and business partners.*

## **INTRODUCTION**

The analysis and the consideration of sustainability development have been given less consideration by academic literature when related to SMEs than they have for large firms, despite the fact that small and medium enterprises represent the majority of local businesses in many geographical areas of the world. According to the Organization for Economic Co-operation and Development (OECD), 99.9% of Italy's profitable organizations are SMEs and this means that they employ less than 250 people (Coppa & Sriramesh, 2012). It is clear that the study of SME sustainability drivers is becoming fundamental at a time when every stakeholder is asking firms for more information about their sustainable processes and policies, whatever their size.

Many authors consider the challenges in terms of innovation that the application of the concept of sustainability represents for firms in general (Bos-Brouwers, 2010) and, if we consider SMEs, we have to underline their natural tendency to approach innovation cautiously, preferring traditional practices and policies (Donckels & Frohlich 1991; Morck & Yeung 2003). As stated by Bos-Brouwers (2010), SMEs usually have behavioural advantages and resource-related disadvantages when it comes to innovation. For example, a critical factor for innovation is represented by a horizontal management style, which can make the management of change and innovation leaner, thanks to better decision-making skills at the bottom line (Rothwell, 1992). Nevertheless, sustainability, together with internationalization, represents the most interesting challenge for SMEs for several reasons:

- Many of the characteristics of SMEs are in open contrast with sustainable innovation. SMEs are mostly poor not only in terms of capital but also in terms of knowledge, core skills and international relationships;
- SMEs are, by definition, more involved in everyday matters and problems than in planning a strategy that considers new threats and opportunities from the outside;
- SME innovations can be seen as incremental innovations (Bhasrakan, 2006), while sustainable innovations are usually radical or closely linked to the daily analysis of nature, society and the environment in general.

Moreover, as regards interaction between SMEs and the local organizations that could help them, it should be emphasized that SMEs find it harder to span their own knowledge than their interaction with universities or local incubators and accelerators (Tether, 2002; Klewitz, 2015).

Furthermore, as stated by Redmond et al. (2016), SMEs appear to be more vulnerable to global problems such as climate change, the rise in insurance and running costs, damage from macro environmental factors in general, and forces represented by the other players in the supply and production chains.

Looking at the second big challenge, internationalization, problems are related to process innovation (Davenport, 1993), product innovation (Dougherty, 1992), innovation in relationships with foreign markets which are, obviously, influenced by the local culture (Usunier et al., 2005), and strategic innovation, which must take into account how virtuous it can be to forge partnerships with other organizations (Tikkanen, 1998).

It is clear that, in such a context, small and medium organizations need to interact with the Institutions, as well as local associations and the other players in their value system, in order to maintain transparent communication and gather all the necessary information to build a useful background of knowledge and profitable skills.

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