Stakeholder Management in SMEs and How It Drives Sustainability

by

Elina Sagat and Anna Speiser

27 May 2022

Abstract

Title: Stakeholder Management in SMEs and How It Drives Sustainability

Seminar date: June 3, 2022

Authors: Elina Sagat and Anna Speiser

Supervisors: Tomas Hellström and Ulf Ramberg

Course: BUSN09 – Degree Project in Strategic Management

Purpose: The aim is to explore and understand how SMEs manage stakeholder relationships through the lens of stakeholder management for driving sustainability and how they may use them to ensure their long-term viability.

Theoretical Foundation: The study is based on existing theories in the field of SMEs and sustainability. These are complemented by the stakeholder management theory.

Methodology: Qualitative multiple-case study with an abductive research approach.

Empirical Foundation: The empirical data was collected through conducting five in-depth and semi-structured interviews with the executives of Austrian SMEs.

Empirical Findings: Analysing the empirical data revealed that SME executives are the initiators who drive change regarding sustainability in-and outside their organisation. This is reflected in their proactiveness in utilising communication as an instrument to reach out to stakeholders. While SMEs are achieving change through stakeholder management integration, their achievements, along with organisational benefits, could be increasingly exploited.

Contribution: This thesis contributes to the emerging field of SMEs' stakeholder management approaches to drive sustainability by addressing research gaps in existing literature. By viewing this under a stakeholder management lens, it intends to create an awareness of the value of relationships and their contribution to organisational and environmental survival.

Keywords: Small and medium-sized enterprises, environmental sustainability, stakeholder management, social capital, collectivism

Acknowledgement

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1. Introduction

Over the last years, the issue of sustainability[1] has received increased attention even though the Brundtland Report highlighted its importance back in 1987. Its widely known quote states that "sustainable development … meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland, 1987, p.41). Nevertheless, sustainability has especially recently gained momentum, arguably due to the introduction of the 17 Sustainable Development Goals in 2015. They provide a more concrete formulation of sustainability objectives, thereby emphasising the need for collective efforts (United Nations, 2015). An additional factor is the growing awareness resulting from stakeholder activism, which holds companies increasingly accountable for their actions (Chandler, 2020). As a result, they can no longer neglect their fiduciary duty to act in the best interests of their stakeholders rather than primarily concentrating on profit maximisation. Companies are thus facing "this new reality… [which] must be recognized - and managed" (Brundtland, 1987, p.11).

As companies are responsible for a significant part of exploiting nature's scarce resources, "sustainability is becoming a key business imperative" (Clarke & Clegg, 2000, p.46). This is particularly to ensure nature's preservation and survival for the long term. Companies all over the world need to adapt to environmentally friendly business strategies and actions in order to secure their long-term existence. Thereby, it is certainly not surprising that environmental sustainability has become a buzzword, encouraging responsible business behaviour (Ortiz Avram & Kühne, 2008). It has become a synonym for doing good, recalling companies' original legitimacy of serving and contributing to society (Chandler, 2020).

Although the problematic of environmental sustainability is commonly linked with large corporations (Bartkus & Glassman, 2008; Kechiche & Soparnot, 2012; Moore & Manring, 2009), *small and medium-sized enterprises'* (thereafter referred to as *SMEs*) contributions should not be underestimated (Klewitz & Hansen, 2014). While individual SME impacts are often minor compared to those of large corporations, their overall impact is undoubtedly significant (European Commission, 2015). It is estimated that SMEs are responsible for around 60-70

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[1] Due to the limited time frame of this research, the scope of this study primarily focuses on environmental sustainability. The concept of sustainability is inter alia described as the "maintenance of natural capital" (Goodland, 1995, p.10)

percent of industrial pollution in Europe (OECD, 2018). Likewise, SMEs, as entrepreneurial businesses, have also been increasingly recognised as important drivers for innovation (OECD, 2017). These two reasons make it intriguing to look into SMEs since they constitute a global share of approximately 90% and nearly 94% of businesses in the European Union (European Commission, 2020a). As a result, they are becoming more and more important in addressing global problems and are recognised as a driving force for systemic change (Moore & Manring, 2009).

However, SMEs are particularly exposed to one major problem when tackling sustainability, namely their limitation of organisational resources (Albats et al. 2020; Kechiche & Soparnot, 2012). These constraints may make it difficult to implement and accomplish change for sustainability. Researchers claim that SMEs rely on stakeholder relationships in order to bridge their lack of resources (Albats et al. 2020; Gamage et al. 2020; Russo & Perrini, 2010; Thorpe et al. 2005). Accordingly, the notion of *social capital* in this study is based on Putnam's (2000, p.19) definition of the "connections among individuals - social networks and the norms of reciprocity and trustworthiness that arise from them". It relates to the establishment of key relationships marked by trust, openness, and informality (Russo & Perrini, 2010), which are identified as a necessity for SMEs' long-term survival (Gamage et al. 2020; Russo & Perrini, 2010). While social capital is commonly linked with SMEs, researchers such as Russo & Perrini (2010) point out the need to further apply a stakeholder management perspective in relation to sustainability. This might help SMEs to manage their networks of relationships more effectively with regard to sustainability and the environment's survival.

1.1. Problematisation

SMEs' significant responsibility for environmental pollution makes it appealing to investigate their interplay with environmental sustainability, particularly because of SMEs' ability to drive systemic change for sustainability. This is especially because academic research regarding sustainability is prevalently tailored to large corporations. Only more recently, SMEs' importance in sustainability has been recognised and investigated in academic literature (Agan, Acar & Borodin, 2013; Gamage et al. 2020; Klewitz & Hansen, 2014; Moore & Manring, 2009; Rita et al. 2018).

Literature suggests that social capital plays a crucial role for SMEs in the course of their business operations for survival in the long term (Gamage et al. 2020; Russo & Perrini, 2010; Thorpe et al. 2005). For the implementation of environmental sustainability in SMEs, only a few studies explicitly mentioned the need for stakeholder management (Russo & Perrini, 2010). To the authors' knowledge, existing research in the field of SMEs (Gamage et al. 2020; Moore & Manring, 2009) does not investigate how to manage and leverage stakeholder relationships effectively with regards to sustainability. Researchers like Pedrini and Ferri (2018) and Gamage et al. (2020) support the perceived lack of literature. Thereby, they point in the direction of actively participating in this field's research as stakeholder management may be beneficial for long-term organisational and environmental existence. As a result of the discovered literature gap, research will build on the insights of SMEs' social capital for responsible business behaviour. In relation to this, exploring stakeholder management theory could provide an enhanced understanding of SMEs' potential to contribute to the preservation of the environment.

1.2. Purpose and Research Question

The purpose of this thesis is to investigate how SMEs manage stakeholder relationships and how they leverage them to become more sustainable. Through the application of a stakeholder management lens, the authors will elaborate on SMEs' managerial awareness and insights on their strategic approach to tackle sustainability. The process through which an SME's social capital is used and practised to address global sustainability challenges will be illuminated. Therefore, the following research question was established with the intention of investigating the outlined research objective:

How do SMEs approach stakeholder management to drive environmental sustainability?

The term *approach* is utilised in the research question as it should cover the two essentials of managing and leveraging stakeholder relationships for SMEs. The aim is to provide in-depth insights and reasoning of this emerging interplay between the specific context of SMEs, environmental sustainability, and their stakeholder management approach. In a multiple case study, five SME executives were carefully selected and interviewed about their individual perceptions and ways of addressing the global problematic of sustainability. Further methodological details for this thesis are presented in Chapter 3.

1.3. Contribution of the Thesis

This thesis' research builds on and contributes to the existing body of literature while also providing useful insights for practitioners of SMEs to become more sustainable. The authors provide scholars in the sphere of stakeholder management theory and sustainability with new insights by examining the previously outlined literature gap of stakeholder management theory in the context of SMEs. In particular, insights will be derived from a qualitative multiple case study. As a result, the contributions are built on three pillars: explanatory purpose, awareness creation, and a point of departure for future research.

Regarding the *explanatory purpose*, as most stakeholder management theory literature is based on large corporations, this study aims at contributing to and explaining how stakeholder management is approached in SMEs. It is about the identification of driving forces and values that guide them when working together with stakeholders towards achieving sustainable change. Furthermore, the insights elaborate on SMEs' approach of using their respective social capital when tackling sustainability issues. As a result, the authors attempt to make a contribution to this emerging field and provide an understanding of the complex interplay of the three topics of SMEs, sustainability, and stakeholder management.

In terms of *awareness creation* for practitioners and scholars, literature highlights that SMEs are equipped with a higher degree of flexibility and entrepreneurial spirit, but are also exposed to the difficulties of overcoming resource constraints (Ericson et al. 2020; Klewitz & Hansen, 2014; Thorpe et al. 2005). This notably draws attention to viewing this through the lens of the stakeholder management perspective. By doing so, this thesis intends to create an awareness of the value of relationships and the benefits they provide SMEs with (Alcadipani & de Oliveira Medeiros, 2020; Darnall, Henriques & Sadorsky, 2010; Moore & Manring, 2009).

As a *point of departure for future research*, scholars in the fields of stakeholder management theory and sustainability may be enriched with new insights on how to understand the relationship between SMEs and sustainability. Moreover, since the literature gap has been supported by Pedrini and Ferri (2018) Russo and Perrini (2010) as well as Gamage et al. (2020), the empirical findings could provide scholars with valuable insights and stimuli for further research.

1.4. Outline of the Thesis

Following the introduction, this thesis will continue with the second chapter, namely the theoretical foundation. It incorporates definitions and central theories, thereby particularly building on the existing theory of (1) SMEs and environmental sustainability through the lens of (2) stakeholder management theory.

The second chapter concludes with an overview that consolidates the theoretical findings of the three topics presented. The third chapter describes and elaborates on the methodology used for conducting the empirical study. The selected research approach and design, data collection as well as data analysis are introduced and explained. This is accompanied by the quality of the study, including reliability, validity, and ethical consideration. The fourth chapter is concerned with presenting the empirical findings generated through the analysis of collected data. The fifth chapter commences with a brief illustration of the case studies and has the objective of discussing the empirical findings in relation to existing theories, initially elaborated on in the theoretical foundation. The final chapter draws on the conclusions of this study and outlines its theoretical and practical implications. Finally, the study's limitations as well as recommendations for further research are expressed.

2. Theoretical Foundation

The aim of this chapter is to lay the theoretical foundation for addressing the thesis' research question. This should facilitate an understanding of the interconnections between the three outlined topics, namely SMEs, environmental sustainability, and stakeholder management. Thereby, the existing research is reviewed and synthesised in order to allow this study to be put into an ongoing literary discourse (Creswell & Creswell, 2020). The first section is concerned with the interplay of SMEs and sustainability. The second section provides a synthesis of how the two topics interact via the lens of stakeholder management.

2.1. SMEs and Environmental Sustainability

Investigating SMEs from an organisational perspective allows for the identification of particular characteristics to frame the context of this study. On the one hand, SMEs are marked by a multitude of specific capabilities but are, on the other hand, limited by resource constraints. Their presentation aims to enhance an understanding of the opportunities and barriers that set the organisational context of SMEs. This is essential in order to comprehend the organisational capabilities relevant for strategy development and formulation (Russo & Perrini, 2010). Furthermore, the following elaborates on the compelling drivers of SMEs to integrate responsible business behaviour in their strategies. Lastly, this subchapter captures different SME strategies for the implementation of sustainability.

2.1.1. SME Context

SMEs, with their smaller size, are provided with more *independence* and freedom to develop their business compared to large corporations. This is due to the fact that they can operate in a more *value-driven* manner under the guidance of the owner's vision (Klewitz & Hansen, 2014; Russo & Perrini, 2010). Essential for SMEs' strategic orientation is the mindset of the executives, depending on the moral attitude and intrinsic responsibility to act in favour of generating value rather than exploiting it for one's own benefit (Freeman & By, 2022; Jones & Felps, 2013; Thorpe et al. 2005).

Research indicates that SMEs come with strategic attributes such as *flat organisation* coupled with *informal structures* and are therefore not bound to organisational inertia (Darnall, Henriques & Sadorsky, 2010; Moore & Manring, 2009). Moreover, Russo and Perrini (2010) point out SMEs' increased levels of employee participation at various levels and their rather simple organisational structure. This allows for increased *flexibility* in conducting business, as SME executives can decide on their own which stakeholders to focus on. Particularly, Alcadipani and de Oliveira Medeiros (2020) accentuate SMEs' closeness to the society they operate in. SMEs may benefit from their integration in their local community to establish trust, relationships and reputation (Russo & Perrini, 2010).

Smaller businesses can develop an edge over large corporations by using their capacity for entrepreneurial innovation and organisational transformation (Klewitz & Hansen, 2014; Thorpe et al. 2005). With their *entrepreneurial spirits*, SMEs may become pioneers, particularly in local and emerging markets where large corporations may find them unappealing or impractical (Alcadipani & de Oliveira Medeiros, 2020). This is because they may operate outside of common paradigms and exploit technical or commercial opportunities that have been overlooked by larger corporations (Ericson et al. 2020). This makes them a driving force behind the type of radical discoveries that are critical for economic growth.

On the contrary, the somewhat smaller organisational size of SMEs is typically exposed to the phenomenon of *liabilities of smallness,* referring to a diverse set of constraints (Albats et al. 2020; Kechiche & Soparnot, 2012). First, in order for SMEs to provide economic and social contributions, they must overcome the initial problem of survival, which is most likely marked by financial instability and heavy reliance on external funding from capital providers such as investors, banks, and governments (Bakhtiari et al. 2020). Once an SME has passed through the highly critical financial phase, it is usually still exposed to *financial constraints* such as small financial reserves and close revenue-to-cash-flow linkages, making them increasingly vulnerable to delays in payments and unanticipated costs (Albats et al. 2020; Beaver, 2020; Johnson & Schaltegger, 2016). Additionally, SMEs have to deal with the risk avoidance of banks towards them, exemplified by more stringent credit terms such as higher interest rates, shorter maturity periods and higher collateral requirements (OECD, 2014).

Furthermore, *human capital* is a factor limiting the scope of particular SME activities (Johnson & Schaltegger, 2016). There are usually close to no spare capacities of employees' availability, possibly hindering the integration of new business practices or change management (Neto et al. 2016). Limited financial reserves cause SMEs to have little to no spare capacity for hiring externals such as specialists, consultants, or advisors, as acquiring external knowledge comes with increased expenses. Thus, they are exposed to *limited access to information*. In the context of this research focusing on sustainability challenges, SMEs are prone to facing difficulties in keeping up-to-date with information on, for example, regulatory environments or compliance with rules (Johnson & Schaltegger, 2016).

Resource constraints lead SMEs to operate under a somewhat informal and more intrinsically conducted strategy, including an emphasis on stakeholder relationships. SMEs therefore face another hindering factor caused by the *lack of process formalisation* (Garengo, Biazzo & Bititci, 2005; Oum, Narjoko & Harvie, 2014). This may be first seen as a challenge, however, represents opportunities of going beyond organisational knowledge through the access to various views, external expertise and skills through collaboration and networking (Kechiche & Soparnot, 2012; Watson et al. 2018).

SMEs and Social Capital

Agan, Acar and Borodin (2013) summarise the underlying problems SMEs face in the way that they are not able to leverage every competitive priority, but rather must prioritise. As a result, several scholars suggest that SMEs need to rely on their social capital in order to survive in the long run (Albats et al. 2020; Gamage et al. 2020; Lewis, Cassells & Roxas, 2014; Russo & Perrini, 2010; Thorpe et al. 2005).

Social capital, as described by Putnam (2000), refers to the connections of various individuals and thereby to the development of relationships characterised by networking, trust, and informality (Russo & Perrini, 2010). It is highlighted as a notion essential for the long-term survival of SMEs (Gamage et al. 2020; Russo & Perrini, 2010). This is because social interactions enable them to build external links by developing trust with stakeholders (Thorpe et al. 2005). This facilitates, for example, the access to resources such as knowledge, financial means, the identification of market opportunities and skill development (Albats et al. 2020;

Parmar, Wicks & Freeman, 2022). Gamage et al. (2020) would even go so far as to question SMEs' survivability without the concept of social capital.

Furthermore, several researchers (Kechiche & Soparnot, 2012; Russo & Perrini, 2010) define SMEs' business practices through social capital as rather implicit. By operating in an informal and less structured environment based on trust and goodwill. SMEs' informal social networks thus provide a more personal way of building enduring relationships with individuals for the long term. As a result, SMEs' long-term survival and success depend on their ability to first build and, second, maintain relationships (Post et al. 2002).

2.1.2. SME Drivers for Sustainability

In addition to the previously outlined liabilities of smallness, many researchers claim that SMEs are also exposed to a multitude of external sustainability drivers. Therefore, it is important to understand the sustainability drivers and what specifically pressures SMEs to integrate into the respective business strategies. SMEs operate more locally, so they are highly sensitive to community claims. As their organisational survival depends on the satisfaction of their customers as well as their local reputation, which are parts of social capital, SMEs are more prone to respond to emerging demands. Moreover, literature defines and distinguishes between external and internal drivers for SMEs when it comes to the incorporation of environmental practices (Agan, Acar & Borodin, 2013; Gadenne, Kennedy & McKeiver, 2009; Henriques & Sadorsky, 1996; Williamson, Lynch-Wood & Ramsay, 2006). Chandler (2020) points out that these drivers are of an evolving nature due to the world characterised by dynamic interrelations (Minoja, 2012; Sloan, 2020; Verbeke & Tung, 2013). This is why drivers are not always easily distinguished from one another.

Internal Drivers

According to Russo and Perrini (2010), sustainability drivers appear to emerge from an individual's values and beliefs and claim that it is the motivation from within the company, embodied by the executive itself. Diverse *benefits* may serve as stimuli for companies when implementing sustainable practices. These, inter alia, include increased customer satisfaction, enhanced reputation, cost savings, or higher profits (Nidumolu, Prahalad & Rangaswami, 2009;

Vachon & Klassen, 2007). According to Agan, Acar and Borodin (2013), brand image is revealed as the strongest driver for transitioning to more environmentally friendly practices. While these benefits are more extrinsically motivated, moral (personal and ethical) responsibility goes beyond this. Specifically, *intrinsic motivation* is a driver for sustainability as it somewhat acts as a guideline for the strategic objectives of a firm (Gadenne, Kennedy & McKeiver, 2009). This is opposed to Berman et al. (1999) and Agan, Acar and Borodin (2013), who identify these values as insignificant drivers compared to extrinsic motivational factors.

External Drivers

Globalisation and prevalent *interconnection* expose SMEs, among other types of businesses, to a multitude of stakeholders pressuring them to more social and environmental commitment (Bartkus & Glassman, 2008; Chandler, 2020; Darnall, Henriques & Sadorsky, 2010; Pedrini & Ferri, 2018). Furthermore, *regulations* and *legislation* regarding environmental standards and controls are requiring companies like SMEs to adhere to and comply with minimum environmental standards (Agan, Acar & Borodin, 2013; Henriques & Sadorsky, 1996; Williamson, Lynch-Wood & Ramsay, 2006). Thereby, disengagement and non-compliance can be penalised and fined (Williamson, Lynch-Wood & Ramsay, 2006).

Additionally, increased awareness of humans' fault for *environmental pollution* is stimulating the adoption of sustainable practices (OECD, 2018). This is due to the fact that individual SME environmental impacts are often minor compared to those of large corporations. However, the sector's overall environmental impact (OECD, 2017) and potential to make changes by adhering to SDGs and promoting sustainable growth is significant (Lafortune et al. 2021). In line with this, Chandler (2020) highlights the need for advocacy to stand up for the environment as it cannot raise its own voice to do so. Whereas every individual is deemed important and advised to act, particularly the global majority of SMEs, has the capacity to contribute in a substantial manner (Russo & Perrini, 2010).

As emphasised by Chandler (2020) and Darnall, Henriques and Sadorsky (2010), empowered stakeholders, in particular, *customers*, signify their importance for stipulating environmental activities. Particularly in more affluent societies, inter alia characterised by a higher purchasing parity, customers care about their products and services (Chandler, 2020; Hart & Milstein, 1999).

As a result, SMEs may be in a position to exploit this by placing greater emphasis on innovating and launching sustainable products or services (Moore & Manring, 2009). This is accompanied by the fact that a more affluent society may allow an appropriate pricing strategy (Chandler, 2020). Thus, they might be more willing to pay a higher price for the desired sustainable products. It is important for SMEs because, without customers, they cannot survive and therefore need to take emerging customer claims into account. Generally, in countries with higher levels of *affluence*, companies are increasingly pressured by being held accountable for their actions (Chandler, 2020; Nidumolu, Prahalad & Rangaswami, 2009). SMEs are especially exposed to this pressure as they more generally pursue operations in a specific local context and thus rely on local demands (Darnall, Henriques & Sadorsky, 2010). Relating to this, Chandler (2020) equally emphasises a company's *brand* as a driver in this rapidly changing business environment, where companies need to adapt to trends in order to protect their brand to survive. On the positive side, companies can leverage this as an opportunity to build a brand that people recognise and trust.

By contrast, when demanding greener products or services, other researchers such as Gadenne, Kennedy and McKeiver (2009) did not encounter evidence of consumers influencing managerial awareness, responsibility, or commitment. Rather, evidence of *supplier* influence on incorporating more environmental practices is found (Gadenne, Kennedy & McKeiver, 2009). In line with this, when one partner is influenced, other supply chain partners are also likely to be pressured, thus a whole chain of transition can commence. Theyel (2001) claims that collaboration with partners such as suppliers or customers can reduce a company's negative environmental impact while supporting the adherence to standards.

Additionally, *access to information* and, more concretely, instant communication illustrates the phenomenon of power shifting from companies to stakeholders (Chandler, 2020). This allows enhanced communication with like-minded individuals, thereby enabling the spread of messages and coordinating collective action to bring about change. As a result, the process of holding companies accountable for their negative actions has been facilitated (Alcadipani & de Oliveira Medeiros, 2020; Chandler, 2020; Lubin & Esty, 2010).

2.1.3. SMEs' Approaches to Sustainability

Research recognises that SMEs are exposed to numerous forces pressuring them to commit to the integration of socially and environmentally responsible behaviours (Albats et al. 2020; Darnall, Henriques & Sadorsky, 2010). As a result, acting upon these forces requires more than just considering it as a responsibility. It should be a company's strategic goal. On top of that, SME characteristics appear as major factors guiding and restricting executives in addressing sustainability (Russo & Perrini, 2010). Therefore, this section illuminates the different strategic approaches SMEs commit to in the context of sustainability. Researchers such as Klewitz and Hansen (2014) form a useful basis of five distinct sustainability strategies, namely resistant, reactive, anticipatory, innovation-based, and sustainability-rooted. In the following, each category will be briefly presented.

Resistant and *reactive* approaches denote companies whose primary goal is to comply with minimum requirements and pursue little action beyond that, as sustainability issues are perceived as extra costs. Therefore, these approaches are characterised by the market following regulation process, outlined by La Porta et al. (1996). However, as regulations are typically lagging to be established, companies may still operate under outdated guidelines. This can be revealed as encouraging a company's wrong intent, leading to further environmental exploitation.

In contrast, *anticipatory* SMEs are inspired by envisioning future opportunities as they aim to be ahead of regulations (Nidumolu, Prahalad & Rangaswami, 2009). In line with this, Coffee's (2004) hypothesis highlights the process that regulations follow the market. Hence, proactive actions encourage further development by impelling governmental bodies to act upon this and build frameworks. Also, *innovation-based* SMEs follow a more proactive approach, wherein executives typically take the initiative to utilise new solutions in order to tackle environmental and social issues (Nidumolu, Prahalad & Rangaswami, 2009; Rita et al. 2018). SMEs may leverage this way of operating as a competitive advantage by pursuing a differentiation strategy in the market (Rita et al. 2018). According to Nidumolu, Prahalad and Rangaswami (2009), innovation is guided by the rules of envisioning the future in a positive light and is facilitated by learning, adjusting, experiencing, and collaborating (see further discussion in Chapter 2.2.2.).

Chandler (2020) thereby highlights companies' commitment and introduced the concept of adopting a sustainability filter. He emphasised that all business decisions should be filtered in order to protect the planet and the firm for long-term viability. Furthermore, it should guide a firm's strategic and tactical choices by considering the potential impacts on stakeholders and balancing respective decisions. Adopting a proactive approach thus not only implies companies' commitment but also their awareness of incorporating partners and mutual benefit. Lastly, Klewitz and Hansen (2014) presented the business model of a *sustainability-rooted* SME, which is characterised by its inherent environmental and social value incorporation and promotes sustainable development.

2.2. Stakeholder Management Theory

SMEs' distinct characteristics and sustainability influences are shaping their business strategies with regard to sustainability. Particularly because of their resource constraints, academic literature claims that SMEs use their social capital as an approach to interact with their partners (Albats et al. 2020; Gamage et al. 2020; Lewis, Cassells & Roxas, 2014; Russo & Perrini, 2010; Thorpe et al. 2005). This notion of social capital is marked by connecting with individuals in informal, implicit, and trustworthy relationships. It provides SMEs with a social network. However, SMEs may need more than an implicitly driven approach to bring about change. Active development, management, maintenance, and leverage of their relationships may help them to drive sustainable efforts. For this reason, a more explicit strategic approach, namely stakeholder management, was introduced (Freeman, 1984). Researchers (Chandler, 2020; Freeman et al. 2010; Russo & Perrini, 2010) encourage SMEs to integrate this strategic sense of direction as it might offer a clearer understanding of why connecting with stakeholders is important. This is reinforced by Russo and Perrini (2010) and Chandler (2020), who claim that many stakeholders have the power to influence and be influenced by a company's activities.

Theoretical Background

The concept of stakeholder management theory was originally introduced by the Stanford Institute in 1963. However, it was not widely adopted until Freeman (1984) criticised companies for still pursuing business with an extreme focus on profit maximisation. He accentuated the two-way relationship between companies and their stakeholders, i.e., the mutual potential to

affect and influence each other. The contributions of Freeman were crucial because he stimulated the concept in academia and in the managerial discipline, making stakeholder management theory practical for managers in terms of practical understanding (Freeman, 1984 in Chandler, 2020). The transition from the shareholder to the stakeholder view has hitherto been recognised in recent literature (Alcadipani & de Oliveira Medeiros, 2020; Jones & Felps, 2013; Pedrini & Ferri, 2018). As shareholders are among the various stakeholders, satisfying a multitude of key partners is not only a complementary, mutually beneficial goal, but also represents an opportunity for going beyond the boundaries of one single firm. This is followed by the realisation that the activities of a company are rooted in and connected to a social network of relationships. The inclusion of a broader array of stakeholders and their expectations was recognised as a necessity for the survival and long-term success of a company (Donaldson & Preston, 1995). More recently, Freeman and By (2022, p.5) have argued that "business is about relationships that endure over time, where the participants come to care about each other, trust each other and create value together".

While stakeholder management theory is a useful concept for comprehending and managing a complicated web of interactions, it is crucial to understand the meaning of who constitutes a company's stakeholders. Over the last decades, several researchers have identified the term *stakeholder*. Nevertheless, Freeman's (1984) work is frequently acknowledged as the originator of modern stakeholder theory. He defines stakeholders as "any group or individual who can affect or is affected by the achievement of the organisation's objectives" (Freeman, 1984, p.46). While this somewhat broad definition is widely spread throughout academia, Chandler's (2020) argumentation has proved additionally useful in recent years. He proposed a more specific definition serving as increasingly practical for managers in connection to sustainability: "An individual or organisation that is affected by the firm (either voluntarily or involuntarily) and possesses the capacity and intent to affect the firm.", i.e. "to act to promote their interests" (Chandler, 2020, pp.124-125). While this definition excludes the environment as a stakeholder per se, its representatives, such as customers, NGOs, governments, or other institutional bodies, contributing to its preservation are certainly addressed. This is because the environment cannot act on its own behalf but rather depends on advocacy (Chandler, 2020).

In general, stakeholders can be distinguished between core and necessary stakeholders (Albats et al. 2020; Chandler, 2020; Darnall, Henriques & Sadorsky, 2010). Core, because the company views them as highly relevant due to their contribution, for example, as employees, suppliers, or customers. Stakeholders are considered necessary when their interests cannot be overlooked, for example, legal bodies for compliance with environmental regulation. An illustration, based on Freeman (2010), of a company's potential stakeholders is provided below in Figure 1, dividing key stakeholders into primary and secondary. Stakeholders, who may directly affect a firm's operations are referred to as primary, whereas secondary stakeholders may indirectly influence a firm's activities (Chandler, 2020).
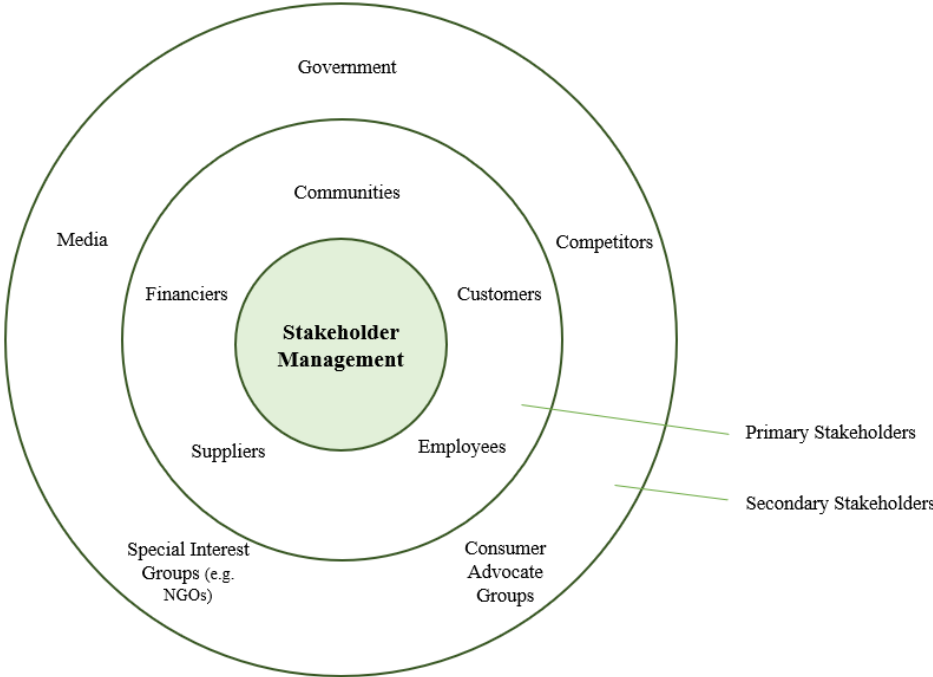
Figure 1. SME Stakeholders (based on Freeman et al. 2010)

2.2.1. Stakeholder Management as Strategic Approach

Researchers such as Minoja et al. (2012) highlight the importance of developing a strategy that is meaningful and stresses the relevance of fundamental values that key stakeholders can connect to. This can be achieved through the incorporation of stakeholder management into a company's strategy, which reflects its strategic intent and commitment. The essential aspect of stakeholder management is its embeddedness at the core of a business strategy rather than merely considering it as supplementary (Albats et al. 2020; Berman et al. 1999; Gamage et al. 2020). Stakeholder management is defined by Post et al. (2002) as a core competence which should be integrated into the culture of an organisation. It should be about implementing stakeholder management as a continuous and systematic business process to establish positive and constructive relationships with stakeholders (De Colle, 2005; Habisch et al. 2011). Executives face the opportunities and challenges of addressing the interests of key stakeholders and should therefore consider how to effectively manage when including different perspectives (Donaldson & Preston, 1995; Freeman, Wicks & Parmar, 2004). Incorporating a broader perspective at the core of strategic management allows for the joint creation of economic and social welfare (Minoja, 2012). This is also reflected by Freeman and By (2022), who suggest that value creation is better aligned when working together, and supported by active management of relationships.

Relationships as an Asset

Adopting a stakeholder management approach can be perceived as a guide for executives to develop relationships to accomplish the overarching goal of responsible and long-term value creation (Donaldson & Preston, 1995; Freeman & By, 2022; Jones & Felps, 2013). Moreover, Berman et al. (1999) identified stakeholder relationships as a moderator between a strategy and firm performance. Thus, establishing strong relationships "can be a rare asset that can help the firm outcompete rivals" and not only create and share values, but enables a firm to "becom[e] known as a firm that does so" (Harrison, Bosse & Phillips, 2010, p.67). In this sense, Verbeke and Tung (2013) build their research on the insights of Barney's (1991) resource-based view. In particular, they concentrated on essential activities such as gaining access to valuable resources and creating a sustainable competitive advantage, which, inter alia, can be articulated using an explicit stakeholder management approach. This accentuates the role of stakeholder management as a force in providing SMEs with different resources, which can ultimately result in intangible

assets like, for example, high-quality relationships or a good reputation (Freeman et al. 2010; Verbeke & Tung, 2013). Additionally, it can help to ensure further access to opportunities and innovation with partners (Darnall, Henriques & Sadorsky, 2010; Klewitz & Hansen, 2014; Parmar, Wicks & Freeman, 2022; Thorpe et al. 2005). Kechiche and Sparnot (2012) and Thorpe et al. (2005) further supplement this by evidently revealing SMEs' potential contribution to implementing environmental sustainability when placed at the core. Therefore, through the lens of the resource-based view, SMEs have the potential to leverage their strong relationships into competitive advantages.

In order to do so, Jones and Felps (2013) recommend carefully considering each stakeholder's contributions and expectations. In line with Russo and Perrini (2010) executives should identify primary and secondary stakeholders with the aim of finding out who benefits or restricts the company's activities. This is particularly crucial for SMEs as they are reliant on relationships due to their exposure to resource limitations (Agan, Acar & Borodin, 2013; Kechiche & Soparnot, 2012; Thorpe et al. 2005). Nevertheless, SMEs' inherent cooperative approaches connote their social capital as an intangible and invaluable asset, which must be actively managed (Albats et al. 2020; Gamage et al. 2020; Lewis, Cassells & Roxas, 2014; Russo & Perrini, 2010).

2.2.2. Guiding Principles

For the purpose of this study, three enabling factors are identified as relevant when integrating stakeholder management as a continuous strategic approach. As sustainable initiatives address and embrace global environmental problems, they demand care about the future. In this regard, the (1) influence of executives is emphasised in academic literature. Besides formulating an overarching strategy for the longer term, it is crucial for a company to acknowledge the temporal motion and build appropriate internal structures to cope with it. In particular, as businesses are relying on their environment for future success and long-term existence, several researchers (Kechiche & Soparnot, 2012; Minoja, 2012; Watson et al. 2018) emphasise the development of dynamic capabilities. On this basis, appropriate (2) mindset marked by openness for learning as well as (3) stakeholder engagement are supportive in the process of stakeholder management pursuit. In the following, each guiding principle will be presented.

Executive Influence

Executives play a central role when it comes to SM, particularly with regards to sustainable practices (Freeman & By, 2022; Kechiche & Soparnot, 2012; Klewitz & Hansen, 2014; Olander & Landin, 2008). Especially in recent times, Alcadipani and Oliveira Medeiros (2020) point out that the responsible behaviour of a company considerably depends on the moral values and ethical standards of its executives. Precisely, Petriglieri (2020) and Pirozzi (2020) highlighted the management's willingness to emphasise this human-centred approach. It is about executives' motivation to build trusting and enduring relationships. They are notably important for leading stakeholders to "focus on purpose" and for "providing [them with a perspective of understanding and embracing] the connection between purpose AND profits" (Freeman & By, 2022, p.2). Thus, effective management unites the factors and views them as complementary rather than competing (Freeman et al. 2010; Jones & Felps, 2013; Russo & Perrini, 2010). As a result, executives are often referred to as intangible assets because of their leading role in defining a company's objectives and how to accomplish them (Berman et al. 1999; Jones & Felps, 2013; Olander & Landin, 2008). Designing and implementing a sustainability vision based on executives' values can therefore develop into a core driver for overall organisational development (Ericson et al. 2020; Kechiche & Soparnot, 2012; Thorpe et al. 2005).

Executives' future visions allow them to invest in human dynamics, which, inter alia, includes considering and establishing multiple stakeholder relationships. Several researchers (Freeman & By, 2022; Kechiche & Soparnot, 2012; Thorpe et al. 2005) claim that the personalities of executives in SMEs play a significant role in actively and effectively increasing engagement and collaboration with essential partners. Thus, research emphasised the emergence of responsible managers, revealing an appropriate and open-minded mindset. Particularly, when pursuing business activities with the purpose of creating economic and social value to increase overall stakeholder happiness (Jones & Felps, 2013; Verbeke & Tung, 2013). Moreover, the executive's willingness to act upon and communicate these core values is important as these also represent essential factors for decision-making (Russo & Perrini, 2010; Thorpe et al. 2005). Their ability to embrace the idea of environmental sustainability is provided by their ability to follow an executive's "vision for the future" (Kechiche & Soparnot, 2012, p.99). It relies on the objective executives want to achieve based on their intrinsic and moral responsibilities, thereby strongly

influenced by their personal judgement (Albats et al. 2020; Thorpe et al. 2005). On top of that, Thorpe et al. (2005) viewed executives as initiators for implementing responsible measures in favour of the environment and for spreading messages internally as well as externally.

Mindset and Learning

The term *learning capability* denotes how a company learns how to learn, which is generally initiated and spread by executives (Watson et al. 2018). It is made up of learning routines that facilitate the internalisation of capabilities into the company's culture (Driessen & Hillebrand, 2013). Post et al. (2002, p.25) argue that ''successful stakeholder management also involves learning, because stakeholder characteristics and interests change over time'', which illustrates the highly complex and volatile world businesses operate in and therefore the dynamics in the stakeholder environment (Verbeke & Tung, 2013; Watson et al. 2018). Incorporating reflexive learning allows people to apply their knowledge and experience from the past to influence future actions and reorganise resources at the level of the organisation. This approach of systemised learning with an emphasis on the transmission of relevant individual and tacit knowledge may help organisations learn from and with their stakeholder involvement (Watson et al. 2018). It is particularly about embracing the complexities of stakeholder interactions through reflexive management. Precisely, it involves gathering collective experiences, reflecting on them, and sharing them with others while functioning under organisational ideals of openness and flexibility (Senge et al. 2007; Thorpe et al. 2005; Watson et al. 2018).

Stakeholder Engagement

Nowadays, businesses are especially exposed to a highly complex and unpredictable world that is nothing but static (Sloan, 2020). This entails the need for a management approach that embraces these dynamics. Concretely, the evolving environment as well as changing stakeholder interests necessitate being considered and well-integrated into the strategy. As a company is embedded in a myriad of relationships, the pursuit of a stakeholder strategy can be key (Minoja, 2012; Verbeke & Tung, 2013). However, as the stakeholder environment is dynamic, the strategy particularly requires the development of dynamic capabilities (Albats et al. 2020). The term dynamic capability is defined as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece, Pisano & Shuen,

1997, p.516). As a result, Watson et al. (2018) introduced *engagement management* as an organisational dynamic capability.

This capability helps an organisation to extract knowledge externally through, firstly, interacting with stakeholders as intermediaries "to monitor, sense, and interact with environmental forces, and to transfer information across boundaries" (Hoffmann, 2007, p.329). Another example is building internal and external knowledge networks through experts and academic bodies, partners in the supply-chain and governments (Watson et al. 2018). Establishing and engaging with a diverse set of partnerships to solve systemic issues posed by pressures for more sustainable practices is critical for execution (Moore & Manring, 2009). Specifically, small businesses rely on networking to overcome their disadvantages as a result of their size through the concept of social capital (Albats et al. 2020). Overall, knowledge acquisition is essential and is accomplished through social interaction, particularly communication (Senge et al. 2007; Thorpe et al. 2005; Watson et al. 2018). As a result, SMEs can take advantage of this opportunity by putting stakeholder relationships at the centre of their business. Developing relationships and building trust provide a possibility for going beyond internal resources and potentially lowering transaction costs through which SMEs exhibit the enhancement of knowledge symmetries (Thorpe et al. 2005). Managers must, most importantly, be able to actively manage these networks in order to achieve the benefits of collaboration (Albats et al. 2020; Freeman & By, 2022; Russo & Perrini, 2010; Thorpe et al. 2005).

Furthermore, the development of an engagement process is crucial, entailing the need for continuous, direct, and open-minded conversations. Accordingly, researchers such as Pedrini and Ferri (2018) and Moore and Manring (2009) emphasise the importance of including different perspectives through stakeholder cooperation in order to achieve real and enduring systemic changes. Organisations should, above all, place high value on establishing trust and transparency in their relationships (Berman et al. 1999; Helin, Jensen & Sandström, 2013; Watson et al. 2018). Increasing the degree of transparency will enable stakeholders to gain deeper insights into companies' operations and, vice versa, enable companies to build trust. This is inter alia due to the fact that SMEs have closer relationships with stakeholders, particularly customers and suppliers, as they usually work in direct exchange and do not have numerous intermediaries. Researchers thereby also emphasise the greater flexibility of SMEs, enabling them to build

relationships, lower costs, create value and positively affect firm performance (Berman et al. 1999; Freeman & By, 2022; Parmar, Wicks & Freeman, 2022; Thorpe et al. 2005). Additionally, a company's stakeholders explicitly express their needs and expectations, and depending on how a company addresses them, they verbalise their satisfaction or dissatisfaction (Darnall, Henriques & Sadorsky, 2010).

For this reason, communication between a company and its stakeholders is of great importance to ensure its long-term viability. Furthermore, as SMEs benefit from a lean organisational and entrepreneurial structure, it allows for direct communication and, as a result, a strong value-driven approach. This method of relationship management may benefit SMEs by allowing them to focus more directly on understanding external stakeholder connections and undertake strategic actions (Albats et al. 2020; Darnall, Henriques & Sadorsky, 2010). Senge et al. (2007, p.47) emphasise the need of relational work by listening to stakeholders without utilising any filter, and motivated by "going beyond 'politeness' or win-lose disputes into more honest and reflective encounters marked by candour, openness, and vulnerability".

For internal stakeholder collaboration regarding sustainability, employees come to the forefront through leadership influence and strategy development. Leading roles and reflexive management establish fundamentals influencing SMEs' future success (Freeman & By, 2022; Freeman, Wicks & Parmar, 2004). Concretely, scholars (Senge et al. 2007) highlight the alignment of employee goals through a united vision, sharing of experiences, and continuous learning.

2.3. Summary of Theoretical Foundation

The theoretical foundation provides the basis for investigating this study's research question, introducing the reader to the interplay of the three topics, SMEs, environmental sustainability, and stakeholder management theory. It sheds light on SMEs' potential to constitute a major force for contributing to sustainability. SMEs typically deal with resource constraints, most importantly in terms of financial means, human capital, and information access. Their social capital is acknowledged as a crucial factor in helping SMEs overcome challenges, also in the context of environmental sustainability. These challenges include external pressures, mainly in the form of stakeholder activism, but also internal organisational incentives and motivation to become more sustainable. When considering the environment and its inability to raise its own

voice, researchers emphasise the importance of advocacy to act in its interest. In line with this, researchers such as Klewitz and Hansen (2014) and Nidumolu, Prahalad and Rangaswami (2009) outlined SMEs' strategic approaches when coping with sustainability pressures.

SMEs particularly rely on their social capital when desiring to become more sustainable. However, research emphasises the need for explicit management of these relationships and introduces the stakeholder management approach. For this reason, the theory's strategic implications and three essential guiding principles, relevant for this study, are presented. The fundamentals of stakeholder management as a strategic approach highlight the need for its embeddedness in the core and that with the establishment and management of enduring relationships, companies could achieve a competitive advantage. Accordingly, three guiding principles are identified as essential when pursuing stakeholder management. Firstly, executives play an influential role when it comes to the recognition of key stakeholders and the implementation of their respective interests into the business strategy. Academic literature reveals executives' core values and commitment as guidance for objectives and strategies. Second, stakeholder engagement emphasises the need to establish dynamic relationships through continuous and open communication. Finally, stakeholder management thrives on executives' appropriate mindset as well as willingness to learn with and from stakeholders, which is considered crucial for long-term existence.

To conclude, as SMEs contribute a substantial amount of environmental pollution, their organisational capabilities enable them to be identified as drivers for innovation and change. This stimulates research on the interaction between SMEs and sustainability. Due to the fact that SMEs are deeply rooted in social networks, they rely on and collaborate with their stakeholders naturally. Russo and Perrini (2010) hereby appeal that networking and trust should form the foundation of a long-term strategy. To accomplish sustainable change, SMEs should manage this network more explicitly. For this reason, this thesis empirically investigates how SMEs manage their stakeholder relationships and how they are used to drive sustainability.

3. Methodology

This chapter illuminates the methodology chosen to address the research question and fulfil the purpose of this thesis. Thereby, the research design and approach motivate the relevance of the application of a qualitative approach. Subsequently, the case selection process is specified according to the choice of relevant criteria. Information on data collection is thereafter provided and followed by a discussion on the conducted data analysis. Finally, the quality of the study executed by the proposed research methodology is motivated by explanations and reflections on validity and reliability, as well as ethical considerations.

3.1. Research Approach

The research method can be regarded as a strategy specifying how the research question will be approached (Creswell & Creswell, 2018). Likewise, Saunders et al. (2009) emphasise the necessity of first understanding this thesis's research question to ultimately generate a suitable and relevant research design. In light of this approach, the authors first considered the research problem. This has been defined in line with the overarching goal of better understanding the following question:

How do SMEs approach stakeholder management to drive environmental sustainability?

To explore the approach of stakeholder management in Austrian SMEs in the context of sustainable practices, an abductive research approach was chosen. To elaborate thoroughly on these questions and contribute to the research problem (Bell, Bryman & Harley, 2019), a qualitative and abductive approach was selected based on two major arguments.

First, the targeted literature field of SMEs in the context of sustainability explicitly highlights the importance of using networks and relationships to tackle sustainability challenges (Gamage et al. 2020; Klewitz & Hansen, 2014; Moore & Manring, 2009; Pedrini & Ferri, 2018; Thorpe et al. 2005). However, as outlined in Chapter 1.1., there is a need for further research on this particular concept and social phenomenon in the era of sustainability. For these reasons, new insights might be generated through the findings of multiple case studies with the intent to contribute to the limited empirical data.

Second, this thesis sheds light on the research problem from an exploratory angle through in-depth case studies, which are relevant to revealing subjective and historical information as well as personal experiences. The selected abductive method thereby iteratively combines theory and empirical data (Creswell & Creswell, 2018). Particularly when exploring complex social phenomena, an abductive methodology provides the flexible research approach needed for doing so (Bell, Bryman & Harley, 2019). Applying an abductive approach allowed the authors to reach conclusions from the collected empirical data and deductively explain the discovered occurrences using existing theory.

In line with this, the selected methodological approach is also proclaimed by Blumer (1954), who emphasises indefinite and rather open approaches when combining qualitative and social research. This is not only due to the vagueness of social theory, but also caused by the dynamics of society. For this, Blumer (1954) recommends the concept of sensitisation rather than relying on definitive concepts when making sense of social phenomena. Therefore, the phenomenon of stakeholder management theory and environmental sustainability in Austrian SMEs is examined through the management lens, particularly by executives. By doing so, the authors avoid merely looking at the surface of companies' actions as performed through a quantitative approach (Bell, Bryman & Harley, 2019). In line with this, Strauss and Corbin (1990, p.11) suggest "research[ing] about persons' … lived experiences, behaviours [,] … as well as about organisational functioning, [and] social movements …". Accordingly, using sensitising concepts incorporates the perspective, as well as their language and expressions to indicate possible directions (Blumer, 1954; Given, 2008). Since the understanding of the phenomenon studied was based on the interviewees' perceptions of their social living and working environments, a quantitative study dealing with numerical data would have failed to investigate the meaning and explore the experiences in more detail (Creswell & Creswell, 2018; Gioia, Corley & Hamilton, 2013). Thus, the chosen qualitative research provides room for interpretation in a naturalistic setting of a social network of stakeholders (Creswell & Creswell, 2018). While the authors, as outsiders, may be biased by the insights generated from the literature review and thus perceive facts differently, the interviewees' perspectives may provide emerging viewpoints on this theme (Bell, Bryman & Harley, 2019; Gioia, Corley & Hamilton, 2013). Specifically, rather than prescribing concepts based on emerging data, this study's aim was to investigate inherent patterns of SMEs approaching stakeholder management to drive sustainability.

3.2. Research Design

3.2.1. Multiple Case Study Approach

To investigate executives' perceptions on implementing sustainable practices through the lens of stakeholder management theory in SMEs, a case study technique was adopted within the qualitative research design. Notably, Yin (2003) claimed that case studies are frequently used to gain a better understanding of complex and ambiguous social situations and to recall a holistic and valuable representation of real-life experiences. Similarly, Eisenhardt and Graebner (2007) argued that a case study approach is based on thorough empirical evidence and, thus, more likely to yield authentic and meaningful results. Furthermore, this method investigates a social phenomenon by referring to the complexity of the real-world (Eisenhardt & Graebner, 2007). In line with this, Blumer (1954) supports this approach by claiming that social concepts are grounded in ambiguity, characterised by the diverse perceptions of individuals about social phenomena. Thus, "the key here is to convey the rigor, creativity, and open-mindedness of the research process while sidestepping confusion" (Eisenhardt & Graebner, 2007, p.30).

In the following, the authors elaborate on the strengths and weaknesses of the chosen multiple case study approach. To begin with, according to Yin (2003), its strength lies in the provision of a more solid foundation compared to a single case study, as authors are able to gain a wider range of insights while also maintaining an understanding of multiple perspectives (Eisenhardt & Graebner, 2007). Particularly, Creswell and Creswell (2018) highlight the establishment of a holistic picture one can draw from, including the many viewpoints, which illustrates the interaction of numerous factors in different ways rather than relying on a linear concept.

Furthermore, multiple case studies are also advised as a way for authors to determine whether the results can be reliably replicated to other cases or whether they simply apply to a particular case (Eisenhardt, 1991). According to Gioia, Corley and Hamilton (2013), cross-sectional analysis and contrasting allow for identifying concepts and patterns, as well as for the possible extending, and replicating of theory and its meaning. By contrast, this could not have been achieved through the performance of a single case (Yin, 2003). Particularly, the ability to compare the cases for similarities and differences was deemed crucial, and by testing the identified outcomes, potential contributions to existing research can be achieved (Eisenhardt & Graebner, 2007). However, due

to the specific context of this thesis, namely SMEs in Austria with a non-inherent sustainable business model, and the somewhat small number of cases, the research's generalizability is limited. The empirical findings will thus be best suited for environments comparable to those of Austrian SMEs tackling sustainability challenges. What is more, the dynamics of today's world need to be taken into account, thus, the meanings produced by social interaction, may vary over time and are subject to constant change (Bell, Bryman & Harley, 2019; Blumer, 1954; Sloan, 2020).

Overall, according to Creswell and Creswell (2018), five case studies are considered adequate and enable the authors to gain a better understanding of how SMEs approach stakeholder management to drive environmental sustainability in the context of Austria.

3.2.2. Case Selection and Criteria

The case studies were selected by following a stratified, purposeful sampling strategy to ensure that the authors gathered meaningful and relevant information about the circumstances under investigation (Patton, 1990). Particularly, this method combines the approaches of typical case and maximum variation sampling. The former, according to Patton (1990), refers to the respective choice of case companies in which the selected ones should share several characteristics. The latter sampling strategy aims to identify variations as well as common patterns among the various cases derived from heterogeneous circumstances (Palinkas et al. 2015). Thus, the combination of the two approaches allows for gaining a broader understanding through multiple perspectives, i.e. information-rich, rather than merely capturing the common ground from a completely homogenous sample (Patton, 1990).

Subsequently, the selection according to the sampling strategy of the case studies will be explained and motivated. Concretely, four sample criteria were designed to assess the extent of comparison and contrast within the coded concepts (Gioia, Corley & Hamilton, 2013).

Profit Orientation

The first criterion of communality requires that companies are profit-oriented. This is due to the fact that most research on stakeholder management theory is based on large corporations, with samplings often derived from the Fortune 500 (Bartkus & Glassman, 2008; Berman et al. 1999;

Galbreath, 2006; Helin, Jensen & Sandström, 2013). Thus, the authors aim to ensure that all case companies are subject to the same preconditions. Furthermore, as highlighted by Freeman and By (2022) in the literature review, the two objectives of profit and purpose can be achieved simultaneously. Therefore, this criterion should help investigate to what extent these two objectives are considered.

Austria as Research Site

The second criterion of communality implied the choice of focusing on one particular country. While sustainability is a global problem, it is not a globally applicable concept but rather depends on contextual factors of an environment (López‑Arceiz, Del Río & Bellostas, 2020; Zharfpeykan & Akroyd, 2022), such as cultural, political, and economic factors. Therefore, the authors found it particularly useful to narrow the empirical research down to one country. Thereby, the authors' aim was to mitigate the influence of the exposure to diverse contextual, particularly cultural differences, between the companies. This is because they could have influenced the preconditions of this research and also risked going beyond the scope of this study. Thus, for this empirical study, Austria was selected as an appropriate research site. This is for two reasons. First, Austria's economy is marked by 99.6% of SMEs (Statista, 2021; World Bank Group 2022), which constitute the backbone of the modern economy as they also secure 64.6% of employment in 2021 (European Commission, 2021a). Their importance is further illustrated through their responsibility for a turnover of 57% in Austria, thus contributing significantly to the overall value creation (European Commission, 2021a). Second, Austria is especially known for its strong support and commitment to sustainability, which is inter alia reflected in their actions of voluntary national reviews submitted to the UN in May 2020 (European Environment Agency, 2020). At the end of 2021, Austria ranked 4th in reaching Sustainable Development Goals (SDG) objectives among the countries in the European Union (Lafortune et al. 2021). Further, the Austrian Council of Ministers accentuated further policy implementation of European sustainability objectives through the application of an "SDG lens" (European Environment Agency, 2020; Republic of Austria, 2020), thereby ensuring commitment also reaches every industry, company, and, hopefully, every individual in the country (Lubin & Esty, 2010). In more detail, Austria has established a reputation for being a frontrunner in developing and innovating greener technologies. This is exemplified by Austria

scoring 3rd as Eco-Leader (European Commission, 2021b) as well as its leading best practice of the technology master plan in the field of environmental and energy policy (European Commission, 2019; Federal Ministry for Digitalisation and Economic Location, 2021; Federal Ministry for Sustainability and Tourism, 2019). For these reasons, the authors aimed to take advantage of the provided successes, thereby ideally offering valuable and meaningful input from Austrian executives for this study.

Similar Company Size

The third criterion of communality implies that the companies need to be of similar and comparable size (Patton, 1990). The European Commission (2022) typically includes three types under the acronym SME, namely, micro, small, and medium-sized, with employee numbers ranging from zero to 250. However, as this spectrum is somewhat wide-ranging, the authors actively excluded sole proprietors to ensure similar preconditions of selected case companies. Moreover, start-ups were not investigated as their primary concern is survival in the market, and their more recent launch makes it difficult to explore some kind of green transition in their strategy (Isenberg, 2016). This decision was made in order to preserve the reliability and validity of the findings (Yin, 2003) and to ensure comparability between the cases in terms of similar challenges, for example, resource constraints and an increased need for cooperation. Admittedly, the authors had difficulties gaining access to SMEs. Only one SME responded to the 78 written mails. Direct calls and requests for interviews were more likely to be responded to. However, there was often no response when following up on the calls by sending out emails to confirm the date and time for the interview. The rejections were mostly due to time constraints and insecurity of the complicated term stakeholder management. The authors were pleasantly surprised by Case A's motivation to learn from the interview, even though he was also constrained by limited time and did not know much about the term.

Exclusion of Inherently Sustainable Businesses

The fourth criterion of communality was based on the exclusion of inherently sustainability-driven business models, as the purpose of this research is to demonstrate how SMEs approach stakeholder management to drive environmental sustainability. The authors particularly contacted SMEs that were not founded on green concepts, but rather those that

shifted to adopting more responsible behaviour to identify their reasons for doing so, i.e. their motivation, as well as the challenges and opportunities they faced in this process. The authors examined SMEs' business models and their history, by looking at their original and more recently implemented environmentally friendly products. This was made possible through secondary desk research of companies' websites as well as green portals such as respact.at. This criterion further enabled the comparability among the chosen cases by analysing their ways of tackling and addressing global environmental sustainability challenges through the managerial lens. This allowed the identification of leaders' motivations and the importance of stakeholder management in this transition.

Finally, these four identified criteria of communality provided the basis for the subsequent cross-industry selection. Whereas this basis may ensure comparability among the selected case companies, the variety of industries allowed the authors to extract the heterogeneity in their approaches to stakeholder management and sustainability. Ultimately, this approach resulted in a broader understanding of multiple industries and therefore presented various approaches to respective integration.

An overview of the selected companies can be found in the table below (see Table 1). As outlined in the table, the authors were able to get access to interviewees at the executive level. This is due to the fact that when asked for interviews, the respondents instantly referred to the executives because of their expertise and understanding of the company's strategy towards sustainability. As a result, with stakeholder management identified as a managerial approach, the executives were in the position to provide a holistic overview of the company in terms of strategy and emerging environmental practices.

Table 1. *Case Company Selection - Interviews*

Case	Company Size	Industry	Interviewee	Interview Time
Case A	Small (6 Employees)	Food and Beverage	CEO	60 min
Case B	Small (12 Employees)	Technology / Service	CEO	60 min
Case C	Medium (80 Employees)	Fashion	COO	45 min
Case D	Medium (95 Employees)	Technology / Energy	CEO	45 min
Case E	Medium (145 Employees)	Manufacturing	CEO	75 min

3.3. Data Collection

The data collection process was performed through in-depth, semi-structured interviews, which were considered suitable because of the explorative approach the authors approached this study.

In total, five in-depth interviews were conducted online through video-conferencing software programs such as Zoom or Microsoft Teams in order to achieve efficient execution for all parties. Each interview lasted approximately 45-75 minutes. The authors believe that, through the conduct of in-depth video conversations, the commonly known disadvantage of remote meetings' lack of body language and difficult interaction was somewhat offset (Saunders, Lewis & Thornhill, 2007; Chambliss & Schutt, 2019). Questions were formulated containing "how" and "why" to gain a deeper understanding of the company's situation at hand (Creswell & Creswell, 2018; Yin, 2009). Concretely, more open questions helped to avoid a rigid structure and supported the establishment of a comfortable environment, therefore allowing room for increased personal experiences (Creswell & Creswell, 2018). This was to ensure that the information the authors intended to gather through interviews was relevant to the study and more naturally obtainable from the interviewee as an expert in their field.

The semi-structured interview approach was supported by the creation of an interview guide (see Appendix A) based on the preliminary framework the authors derived from the literature review. Above all, the interview guide ensured the comparability across the selected cases with the intention of conveying credible findings, thereby increasing validity (Bell, Bryman & Harley, 2019). The interview mapped out all the key topics relevant for the research question, and consciously left room for the individual executive's perceptual interpretation (Creswell & Creswell, 2018). This ultimately allowed the authors to deviate from the original interview guide in response to unanticipated and critical topics raised by respondents.

The following elaborates on the two main reasons for which the interviews were conducted in a semi-structured manner to explore the intended purpose. To begin with, Bell, Bryman and Harley (2019) claim that this type of interview structure enables the authors to acquire a comprehensive and multifaceted overview generated from the study's participants. They highlight that a semi-structured approach supports the collection of individuals' underlying behavioural patterns. As a result, executives defined their own ways of dealing with certain situations, challenges and opportunities when addressing sustainability. Secondly, this type of interview approach allowed the authors to be more flexible by allowing deviation from the original interview guide in response to unanticipated and critical topics raised by respondents (Bell, Bryman & Harley, 2019). Similarly, the scholars Gioia, Corley and Hamilton (2013) accentuate flexibility as a key aspect of the suggested semi-structured interview technique due to the room for adjustment and response to emerging information. Nevertheless, having established an interview guide beforehand provided an overview and necessary structure for an ultimate comparison of the interviews (Bell, Bryman & Harley, 2019) and helped to stay focused. Overall, the provided flexibility of this approach was regarded as critical for this study, as more open questions allowed the authors to tap into unexpected insights, resulting in a thorough data collection. The performance of interviews, particularly in the semi-structured manner, was regarded as more suitable for the scope of this study in comparison to other collection methods under a qualitative research approach, such as surveys and observations. Particularly, they would have not allowed such an in-depth gathering and also flexible method for collecting the data.

Besides primary data collection in the field, the authors aimed to complement the data through a secondary desk research. This was carried out by, firstly, investigating potential SMEs' websites

in order to grasp an understanding of their business model thereby evaluating the suitability for the sample selection. Secondly, a closer look was taken to familiarise with the company prior to conducting the interviews to ensure time efficiency and focus on the relevant topics. Thirdly, when analysing the empirical data, the case companies' websites, organisational and sustainability reports and previously conducted interviews were complementarily utilised for verification. Likewise, this was additionally undertaken to complement the research's findings with secondary research in order to back-up and reinforce the findings the authors received from the interviews. By doing so, this aimed at contributing to data triangulation, indicating the utilisation of multiple data sources to obtain a thorough knowledge of the researched phenomena to enhance validity (Patton, 1999).

3.4. Data Analysis

Data analysis represents one of the most essential aspects as it provides the basis for a better understanding of the data obtained (Bell, Bryman & Harley, 2019; Creswell & Creswell, 2018). However, it is also a difficult procedure, particularly in a case study because a clear, consistent, and structured analysis of the data needs to be undertaken to appropriately address this thesis' research question. For this reason, the purpose of this section is to describe the process of how the empirical data was labelled, grouped into themes and overall dimensions (Gioia, Corley & Hamilton, 2013). Finally, this section aims to elucidate the objectives of this analysis process.

The first step before applying a coding technique to the collected data was the transcription of the audiotaped interviews. According to Creswell and Creswell (2018), this constitutes a more general method of organising and understanding available data, which allows the authors to generate a thorough understanding before categorising and arguing in more detail (Gioia, Corley & Hamilton, 2013). Furthermore, to ensure data privacy and confidentiality of this study's participants, the authors anonymised the selected case companies' names (Creswell & Creswell, 2018). For this reason, the companies are referred to as Case A - E (see Table 1). The empirical findings are written and analysed from the perspective of the respective interviewees as representatives of the case companies and are referred to as executive A-E. Moreover, the authors did not perform the data collection and analysis sequentially but rather in a simultaneous and iterative manner due to the limited time frame of this research (Creswell & Creswell, 2018).

With regards to the coding technique, the concept of Gioia, Corley and Hamilton's (2013) was considered suitable for supporting the identification and formation of emerging concepts by connecting findings systematically. This selected data structuring method is more specifically considered suitable and allows the reader to adequately and appropriately gain insights into the collected data. It should enable the reader to quickly grasp the predominant findings and comprehend the information provided by elaborating in greater detail. An example of the applied coding technique is illustrated in the visualisation below (see Figure 2). This process was divided into first and second-order analysis and was performed manually. The authors started off with the first-order analysis, which entailed collecting and labelling statements that were considered relevant for answering this study's research question. The second-order analysis aimed to detect similarities and differences between the first-order concepts before dividing them into themes. However, due to the interrelatedness of the investigated topics, the authors had difficulties in strictly separating the first-order concepts and clearly assigning them to second-order themes. As a result, the authors allocated findings to the most suitable theme and are aware of the potential bias that might have therefore been incorporated into the empirical findings and discussion.

The first step of this concept was restricted to the identification and labelling of available raw data. By doing so, the authors were able to increase objectivity, thereby avoiding the cognitive trap of confirmation bias (Gioia, Corley & Hamilton, 2013). Concretely, to avoid the bias mentioned, the concurrent conduct of data collection and coding was restricted to this first-order analysis to avoid the allocation of findings to predetermined themes of the already conducted interviews (Gioia, Corley & Hamilton, 2013). Additionally, in order to avoid biases, findings were coded individually by each author and subsequently discussed, compared, and contrasted.

The second-order analysis was performed after the completion of all interviews and the collection of all labelled insights. At this stage, the authors aimed at identifying differences and similarities among first-order concepts and dividing them into themes. As a result, this step reduced the first-order concepts into smaller amounts, which were easier to deal with. This ideally allowed viewing the phenomenon of managing stakeholder relationships to address sustainable challenges from a different perspective therefore allowing novel insights (Gioia, Corley & Hamilton, 2013).

In the last step, second-order themes are converging into final aggregated dimensions. Overall, the three stages of abstraction, namely, first-order concepts, second-order themes, and aggregated dimensions, were suitable and formed the basis for the data analysis in this study. This ultimately enabled the authors to gain a broad understanding and ensure coherence throughout this research (Gioia, Corley & Hamilton, 2013).
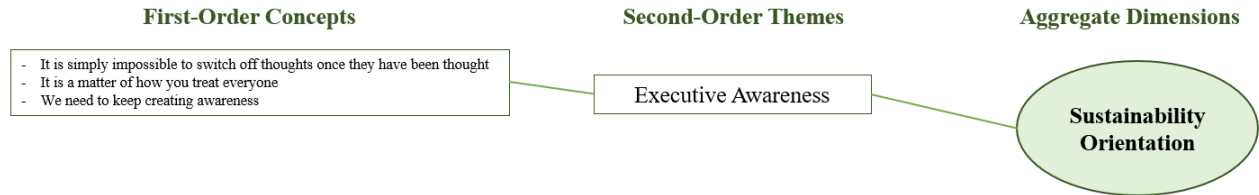
Figure 2. *Example of the Data Structure (based on Gioia, Corley & Hamilton, 2013)*

3.5. Quality of the Study

This section summarises and reinforces previous information on the noted issues of validity and reliability, as well as ethical considerations, in order to provide increased quality and transparency in research.

3.5.1. Validity and Reliability

Before conducting the interviews, analysing, and interpreting the data, several methods were applied to appropriately address the issues of validity and reliability, thereby ensuring an increase in quality. Despite the study's qualitative nature, the authors attempted to adequately satisfy these two requirements in this thesis.

In general, and for this qualitative study in particular, validity was a key element. Thereby, a validity strategy consisting of three specific instruments recommended by Creswell and Creswell (2018) was used for ascertaining and leveraging the findings' credibility, authenticity, and trustworthiness. In this way, consistency and uniformity are ensured to eliminate potential interview errors (Bell, Bryman & Harley, 2019).

First, to confirm the validity of our study's findings, data triangulation, defined as a method of examining diverse data sources to produce justification of a focal point, was initially introduced. One measure to triangulate data was to supplement primary data with secondary data from organisational publications such as their websites and sustainability reports. Second, the authors aimed for a thorough, descriptive, and explanatory discussion of the findings (Creswell & Creswell, 2018). For increased validity, the authors purposefully commenced with a visualisation of case descriptions in order to provide the reader with a comprehensive context of the findings (see Table 2). Throughout the study, the authors elaborated on insights and incorporated various perspectives to convey findings in a more realistic picture of the issue. As a third measure, peer feedback from fellow students as well as two assigned thesis supervisors were implemented to improve the validity and accuracy of this study. A fourth approach was to seek advice from Edward Freeman, the originator of the stakeholder management theory, by providing him with a draft of our thesis. Consequently, his feedback was incorporated into this research.

Furthermore, internal as well as external reliability were considered in this qualitative research. While internal reliability relates to the dynamics within the research team, external reliability concentrates on the research's replicability (Bell, Bryman & Harley, 2019). Therefore, external reliability was ensured by following a standardised and consistently structured process throughout the study, which included continuous and in-depth documentation of data, such as the transcription of interviews, to be able to truly understand and evaluate the research (Creswell & Creswell, 2018).

Besides, this process of documentation further enhanced the authors' internal reliability by allowing them to access data needed for clear communication, documentation, and cross-checking of individual notes. This was inter alia reflected in individual documentation and the saving of all documents at all stages. It is exemplified in the first-order analysis of data coding, which occurred individually, while the interpretation of statements was leveraged collectively through a team discussion subsequently supervised by Ulf Ramberg. Particularly, during the data collection, analysis, and interpretation, the constant discussion and comparison of the two authors' perspectives aimed to increase the qualitative reliability.

3.5.2. Ethical Considerations

In the primary data collection process, Creswell and Creswell (2018) particularly emphasise the importance of ethical considerations as the outcomes are based on the activity of human beings. Thus, the clarification of ethical issues is a critical step to protecting participants in this research and promoting the study's integrity (Bell, Bryman & Harley, 2019). Therefore, the research for this thesis was performed in accordance with Bell, Bryman and Harely's (2019) four ethical principles in the information exchange between the authors and the interviewees: (1) avoidance of harm, (2) informed consent, (3) preventing deception, and (4) privacy.

Firstly, to prevent participants from being and feeling harmed by, for example, putting them into stressful circumstances, it has been made explicit that they can refuse to answer questions at any point in time if they are considered overly personal, inappropriate, or if they contain extremely sensitive data. Fortunately, none of the participants imposed any such requirements. In addition to conducting online interviews, all interviewees had the option of choosing the day and time of the interview to avoid any potential disruption of their daily routines (Creswell & Creswell, 2018), indicating the authors' ability to recognise and respect the participants' priorities.

Secondly, when the authors initially approached the participants, they were informed about this thesis' research question, its purpose and scope of the study in terms of interview length and data accessibility, as well as their ability to make an informed decision about their potential involvement and expected contribution in this study. Additionally, the interviewees were explicitly asked for their approval to record the interview for internal data collection. Since the participants were aware of the study's purpose, this way of performing interviews increased transparency, trust, and reduced any possible deception (Bell, Bryman & Harley, 2019). Finally, confidentiality was made apparent at the beginning of the interview, ensuring that the interviewee's privacy was protected by anonymising the companies' and executives' names.

4. Empirical Findings

The findings from the interviews conducted with the five Austrian SME executives are demonstrated according to the outlined data analysis process in Chapter 3.4. The study's empirical findings are presented within the framework of Gioia, Corley and Hamilton (2013), and are illustrated in Figure 3 below. The presentation of this study's findings is based on the three topics of environmental sustainability, SMEs and stakeholder management, as outlined in the theoretical foundation in Chapter 2. Accordingly, three aggregated dimensions as subchapters are guiding the structure of this chapter, namely (1) *Sustainability Orientation*, (2) *Organisational Setting* and (3) *Stakeholder Interaction.* The respective subchapters are thematically organised and based on nine second-order themes which are presented through the first-order concept findings. The goal of this chapter is to identify common and fragmented patterns across all findings, rather than differentiating between the individual case companies. To support the identified patterns, examples in the form of indirect and direct quotes of interviewees are included. On this note, Austrian executives are referred to as *A-E*, whereas data stemming from secondary sources denotes the indication of *case company A-E*.
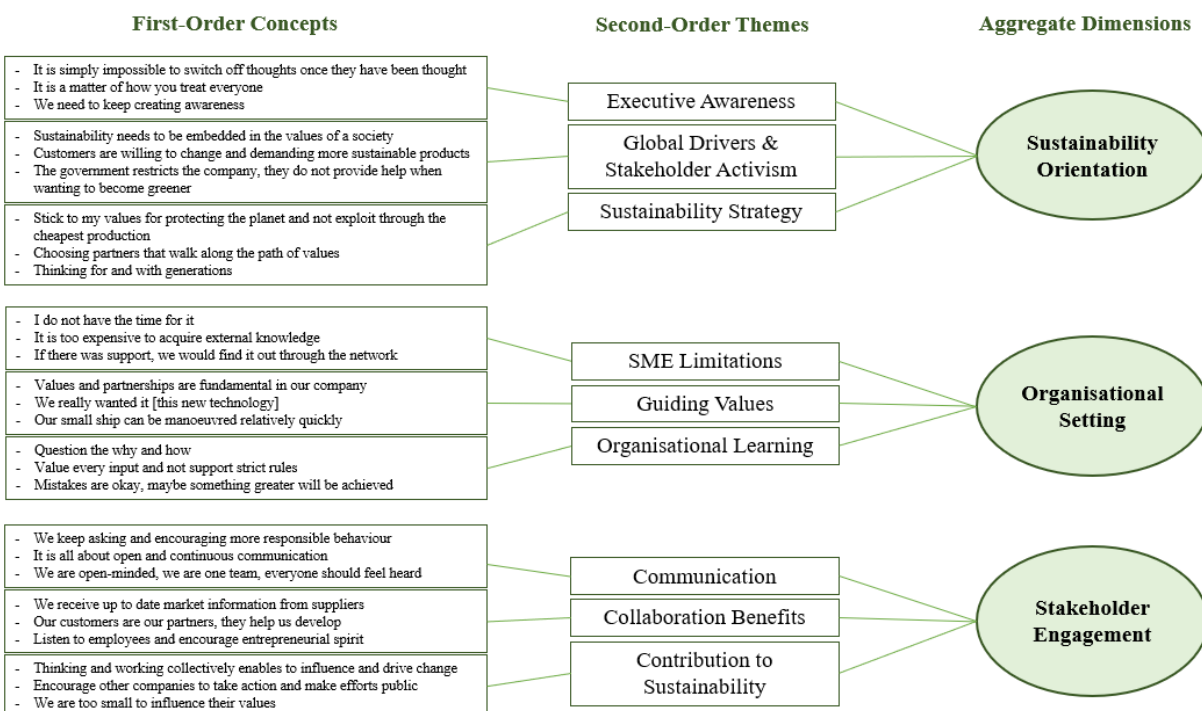
Figure 3. *Data Structure (based on Gioia, Corley & Hamilton, 2013)*

4.1. Case Description

This subchapter provides an overview of the case companies in order to establish an understanding of their backgrounds. The following illustration (see Table 2) should facilitate the reader's ability to follow and better understand the presentation of this study's empirical findings. The first column depicts the case studies' references, which, according to anonymisation, are referred to as *Case A - E*. Moreover, the setup includes a description of the company size, industry, as well as original and more recently implemented products and services. The comparison of original and recent greener offerings should enable the reader to get an idea of the respective case company's phase in the green transition.

Table 2. *Case Description*

Case	Company Size	Industry	Original Products & Services	Implemented Green Products & Services
Case A	Small (6 Employees)	Food and Beverage	• Coffee with plastic or aluminium packaging • Coffee roasting with gas	• Sustainable packaging • Parts of product (labelling, packaging) regionally and with less waste produced • More efficient gas use
Case B	Small (12 Employees)	Technology / Service	• Relocation transport	• New service: dry ice cleaning technology (lower water consumption and less use of chemicals)
Case C	Medium (80 Employees)	Fashion	• Brand products • Leather bags, belts	• Cotton underwear • Synthetic leather • Vegan product line (jeans, bags) • Underwear certified with Green Button (quality label)
Case D	Medium (95 Employees)	Technology / Energy	• Automotive IT Service	• Software for e-mobility • Charging stations for electric vehicles
Case E	Medium (145 Employees)	Manufacturing	• Original production, e.g. use of harmful substances, high water and energy consumption	• Lead-free cooking equipment • Energy and water efficient consumption • Reutilisation of old and repaired machines

4.2. Sustainability Orientation

According to the data analysis, it was revealed that the study's participants particularly viewed the trend of sustainability through (1) executive awareness, (2) the perceived drivers and pressures towards more environmentally friendly products and services, and (3) the formulation of a respective sustainability strategy. All five interviewees stated that awareness creation, its recognition and subsequent reinforcement by drivers build the foundation and basis for further implementation of sustainability practices. As a result, these three themes were grouped into one aggregate dimension of sustainability orientation.

4.2.1. Executive Awareness

The notion of executive awareness was identified as a fundamental trigger for SMEs to think about sustainable practices, which was highlighted by all five executives from this study. All interviewees indicated the underlying factor for the green transition is the recognition of the environment's reliance on other stakeholders to act in its interest. In this regard, particularly the major part of this study's participants, were aware of the need to act quite some time ago and have therefore desired to protect the environment. For example, B stated, *"the topic of sustainability was already huge for me at school, so I would say that it was an opportunity to enter the market right at the beginning and to position our company in this way"*. Furthermore, C remembered that *"when I was 14, I said that organic cotton is a great thing ... then I said please let us buy it, because it is going to be a really big thing"*. C therefore reflected that *"once awareness [for sustainability] is created, it sticks"* and *"it is simply impossible to switch off thoughts once they have been thought. Thoughts will be thought again"*. E highlighted an essential problem in our society in that *"everything is too much focused on numbers and short-term profits, where social welfare is not considered"*. E, therefore, particularly reflected that *"one needs to rethink and it is a matter of how you treat everyone ... you should not mistreat employees or suppliers, therefore also not the environment"*.

In line with this, B stated that while *"it can already be seen that the market is moving more in the direction of sustainability"*, D added that *"we need to keep creating awareness"*. An additional aspect of executives' self-awareness was, for example, A's emphasis on *"thinking and working collectively [therefore] enabl[ing] to influence society and drive changes"*. This is

reinforced by the statement found on case company E's website: *"what is not possible for one, many can do"*.

4.2.2. Global Drivers and Stakeholder Activism

All executives experienced external awareness of sustainability, particularly since the majority reflected that sustainability pressures have only recently come to existence. This is amplified in D's conviction that *"as long as sustainability is not embedded in the values of a society or rather the politics"* it will not spread or lead to change. E added that they kept their sustainability efforts secret for a long time *"because when it was communicated to stakeholders, they almost complained that this is not profit maximising, all that came out was: Are you insane? What it costs!"*. In this regard, C also reflected on this trend because *"if you come too early, you do not fit in the market"*. E highlighted that *"you have to be patient when transitioning because the benefits do not show immediately, it takes time"*. Along these lines, implementing and communicating environmentally friendly efforts without societal awareness was not appreciated.

However, over recent years, the majority of executives concurred that the market has been moving towards more sustainable practices. For example, C stated that awareness is increasing, with *"manufacturing com[ing] back to Europe due to the realisation that personnel costs do not outweigh the sum of expenses, and that transportation may be a critical factor"*. Improved technology has also been identified as a global driver identified by the majority. While case companies B and D implemented new products such as dry ice cleaning and software for e-mobility and charging stations in their markets, E criticised that *"newer technologies are not always improvements ... often they just use up more energy"*.

Moreover, stakeholder activism has increased in recent years. Overall, interviewees pointed out that stakeholder groups, namely customers and the government, affect their business operations. However, all but case company E felt pressured by customers. Therefore, the general pattern revealed the shift of customers' intensified awareness, which is expressed in D's statement that *"customers have the lead ... they are willing to change and are demanding more sustainable products"*. B reinforced this as *"customers are willing to pay a higher price ... and for example require us to be certified"*. By contrast, C mentioned that *"customers do not actively ask for sustainable clothing ... but they are extremely concerned about products with real fur"*.

Moreover, A remembered this market pressure as *"customers did not like my plastic packaging"* and argued that *"they are sensitive to what they see and feel in the store"*. Regarding the government as an activist, all executives but one felt their imposed restrictions. B accentuated the government as an important stakeholder because they *"get the guidelines from them. And if we do not meet those, we do not get approval, so to speak, we cannot proceed to operate and close down the company"*. Similarly, E amplified this restriction by saying that *"the government only restricts the company, they do not provide help when wanting to become greener"*.

4.2.3. Sustainability Strategy

The five interviewees pointed to their proactive pursuit and implementation of sustainable practices. This is, for example, reflected in their strategy of placing social value along with profit, needed in this green transition. Particularly, E emphasised *"our objective to grow slowly and sustainably and thereby have the courage to say no (for short-term investments) ... infinite growth does not exist in nature except cancer"*. Case company E's sustainability report adds to *"manufacture with heart and mind"*. Furthermore, A and C emphasised their willingness to pay more, C particularly for *"appropriate materials and quality"*" and for A to *"also support the local companies [e.g. couriers] and community"*. In this context, E highlighted *"stick[ing] to our values for protecting the planet and not exploiting through the cheapest production"* even if pressured for cost-cutting by employees. This is further seen in A's approach to *"actively search for local printing ... even if other services would be cheaper, quantities are usually too big and produce unnecessary waste"*.

Additionally, with regards to sustainability, the majority pursued business activities through critically questioning business decisions. B, for example, was continuously asking herself, *"What makes sense? What is necessary? What do you need?"* and E *"thinking for and with generations, and always asking if this is good for the next generations"*. On top of that, A's filter was about *"avoid[ing] intermediaries ... and want[ing] to know where it comes from and who produces the products"*. When it comes to envisioning future opportunities, particularly, the minority did so by, for example, B checking the US market for greener technologies. B highlighted that even though they did not have previous experience, *"it [dry ice cleaning] offered a big market opportunity, which has not reached Austria yet"*. D accentuated that *"we*

actually always look at large US mostly techs as a benchmark [for improving company culture]".

Besides the proactive efforts, all executives but C mentioned their exposure to minimum standards to comply with in their respective industries. In this regard, D stated that they *"need to fulfil government's requirements"*. This is reinforced by B stating that *"if we do not meet those, we do not get approval ... and cannot operate at all"*. However, D, as the only company, does not only feel restrictions but also receives financial support for its green energy transition from the government. While D experiences support, the majority of other executives highlight the missing help when wanting to become greener.

4.3. Organisational Setting

The empirical data revealed that the interviewees illuminated their organisational setting by (1) being exposed to organisational barriers, (2) SMEs' guiding values and opportunities, and (3) their organisational learning approach. With all SME executives exposed to resource constraints, they particularly elaborated on their values and learning, and thus, their foundation for conducting business. As a result, these three themes were grouped into one aggregate dimension of the organisational setting.

4.3.1. SMEs' Limitations

The majority of executives were exposed to the liabilities of small businesses. In particular, they described the main problems of resource constraints in terms of financial means, human capital, and information availability. Due to limited financial and demand availability, A, for example, stated that they have *"difficulties in finding suppliers that are willing to supply only small amounts"*. Nevertheless, he accepted his inability to influence the price and rather highlighted his *"focus on building trust"*. The second problem of limited human capital was presented in that even though A would have liked to set up a transparency report or tell and teach people about their sustainability efforts, *"I just do not have the time for it"*. B's approach to overcoming this constraint was to make use of temporary staff in order to maintain flexibility and save costs. The third problem identified was the majority's limited access to information. B accentuated their constraint that *"we need to read up things ourselves, as it is too expensive to acquire external*

knowledge or hire an external consultant". A added that finding out about government support for green transitioning was difficult due to high bureaucracy and his outlined time constraints. Thereby, he mentioned, *"if there was support, I would find out about it through the network, as word gets around"*. In this context, C emphasised the importance of close cooperation with suppliers to receive additional information the company otherwise would have difficulties in accessing.

4.3.2. Guiding Values

A pattern was found with emphasis on contributing to their organisational development by, most importantly, embracing values and sharing these with partners. This was, for example, reflected in D's conviction that *"values are where you align yourself. And actually every decision you make should be in line with the values. And that is a compass for you"*. Especially in current times, C stated that *"sustainability is one of the key points ... but change can only work if you are 100% committed"*. In the context of partnerships, A referred to its importance and necessity to actively emphasise it because *"there is no point in playing partners [e.g. suppliers] off against each other",* it is about working together and playing a fair game. While business operations seem to underlie fair practices influenced by the entrenched values, all five executives embraced their entrepreneurial spirit in making a difference through the contribution of their creativity and openness. In particular, B and D's entrepreneurial spirit allowed the integration of sustainable practices. While C already believed in sustainable fashion in the 1990s*,* B reflected that *"we really wanted this [new technology]… even if we had no previous experience and had to start from scratch"*. Likewise, A and E believed in their specialty by, for example, referring to case company E's website stating that *"there is no one in the world who produces like us [with hydropower]"*.

Moreover, all executives carefully reflected within their business operations by prioritising common values such as long-term relationships, reliability and trust. Thereby, they emphasised the embeddedness of purpose in the company culture, which is reflected in D's argument that *"employees see this purpose of becoming greener and are motivated to work for us as they see the meaning behind"*. Their intrinsic values are also exemplified by E *"actively choos[ing] suppliers that walk along our path of values"*. B supported this by *"working with partners, who we trust and rely on"*. In this regard, A mentioned that *"seeing people [e.g. employees,*

suppliers] eye to eye when hiring is essential [and that] vibes need to fit". A pattern was hereby connoted to look for personality fit and intrinsic motivation for sustainability. Moreover, case company D's website stated doing so by *"think[ing] ourselves into our customers and stakeholders to provide them with the best possible solutions"*.

Although the five case companies were of smaller size, their guiding values, thus activism for driving change, were about contributing in a meaningful way. Concretely, B and C viewed their smaller company size as an advantage, as illustrated by C's metaphor that *"our small ship can be manoeuvred relatively quickly and that it is much harder to manoeuvre one giant tanker than many small ones"*. With this, C accentuated that *"our flexibility and flat hierarchy can relatively quickly and easily reach people"*. In the same context, B mentioned *"embody[ing] flexibility, openness and motivation ... and encourag[ing] the adaptability to new trends"*.

4.3.3. Organisational Learning

The five interviewees argued their rather open and informal learning approaches influence how business develops and evolves, particularly in the course of implementing more sustainable practices. Specifically, A, C, and E mentioned that it is about establishing their own routines by learning and sharing experiences. A's reflection was about *"not just following a book's best practices ...[but] about questioning the why and how something is done"*. In line with this, E mentioned to *"value every input and not to support strict structures"* as this would restrict employees' full potential. Furthermore, case company D's website portrayed their vision in *"dar[ing] new paths and leav[ing] the comfort zone when necessary"*.

All executives accentuated that learning is part of the job. The majority stated that it is about actively getting together with employees to exchange explicit information and tacit knowledge. It is about incorporating employees into every process to learn and gain different insights and perspectives. D's approach, for example, included asking questions such as *"Where do we want to go? What do the employees say? Where do we stand today?"*. In this context, A emphasised that while they try to be careful and perform operations according to established routines, *"mistakes are okay and important, and maybe something greater will be achieved"*. Case company D's website supported this that *"mistakes are there to be learned from"*. From this

point of view, A enthusiastically stated that *"the great thing about my job is that I can learn for another 20 years and more"*.

4.4. Stakeholder Engagement

According to the identified empirical findings in Chapters 4.2. and 4.3., it was revealed that the five executives established the pattern that their intent is predominantly about corporate values. Therefore, the case companies' approach is displayed in (1) their approach to spreading and communicating these values (2) their perceived benefits from collaborating, and (3) how they might contribute to sustainability by working collectively with stakeholders. The interviewees' belief is reflected in collaboration and the importance of having more than one perspective to bring about change in the society. Therefore, these three themes were grouped together into one aggregate dimension of stakeholder engagement.

4.4.1. Communication

The interviews clearly indicated communication as an essential instrument in SMEs' use of stakeholder management. This was particularly due to respondents' strong values for collaboration to go beyond profits. This is also stressed by B acknowledging that *"it is about giving and taking. But it is cooperation. Definitely about cooperation"*. A reflected that for collaborative work, especially trust and reliability, play an important role, which in turn sets the basis for spreading of company's values through messages to stakeholders. Overall, the SMEs' executives were especially emphasising their stakeholder relationships with suppliers, customers, and employees. For each individual stakeholder, the nature and intent of the communication varied, which is elaborated on in the following.

Suppliers

A common tendency was revealed by placing importance on good supplier interaction marked by open-minded and recurring dialogues. While E's approach was to continuously question *"how can we work together [with suppliers] reliably?"*, he emphasised that *"there is no best practice; it is all about open and continuous communication"*. C leveraged her supplier dialogues to, for example, encourage the incorporation of more sustainable practices. Guided by her proactivity

she used the opportunity to speak up *"whenever they [the suppliers] say it is not possible to change something, we keep asking why not … because in 99% of cases it is possible"*.

For case company B, working together with suppliers proved crucial for the achievements of effective outcomes. This was particularly *"because if we sort waste … and the supplier does not care about our work, then it was simply a waste of time"*. According to case company A's website, they are in close collaboration with the manufacturing family from El Salvador whose coffee they directly import. He even arranged a meeting with them on sight to nourish their relationship.

Customers

Communication was a predominant aspect identified by the majority, except for A in their customer relationships. A seemed to not actively communicate with customers about their sustainability efforts, by having pointed out that *"we do not have the time for it"*. In contrast, the majority explicitly highlighted that active communication is essential when engaging customers about sustainability. As an example, E extremely emphasised that *"it is really about approaching people [customers], creating awareness and a lot of explaining"*. C reflected on this and acknowledged that *"change takes time and it does not happen overnight"*. Therefore, she stressed that *"it is important not to force people otherwise they might be resistant"* and that instead *"you have to tell and teach people [about sustainability]"*. Moreover, C mentioned that *"it is important for me to pass on the message to customers, thereby repeating and delivering additional arguments to accentuate the meaning of sustainability"*.

When it comes to communication channels, E put emphasis on the incorporation of sales representatives who regularly visit their wholesale clients. E added that *"all ways of communication are important"*, including personal contact along with online presence such as the use of a website and social media. Only one case company took advantage of their creativity by integrating it into store design through, for example, ivies or vines. C highlighted that communication is crucial because many people do not know about the new and sustainable products and thus would not buy them. A reinforced this by drawing attention to the fact that *"customers are only aware, when they see and touch the products"*. According to B, this is why the establishment of trust is important. Only then can stakeholders drive change. For this reason,

C liked to keep people close as it allows her to *"also suggest changes and pull them along, and if they are convinced, I know they will go along"*.

Employees

Data from the interviews indicated that communication with employees is pursued for two major objectives. First, passing on the awareness of sustainability from the executive to employees and second, motivating employees to stay for the long-term by creating a comfortable environment where people can learn from and with each other. C related to the former objective and highlights that *"we need to spread the message to our employees, we need to be bothersome and keep throwing arguments at them to spread our values"*. In line with this E referred to himself several times as a *"walking preacher"* during the interview as he continuously reminded people of being aware of our harmful actions to the environment. This is supported by C's reflection of how she had been bothering her boss for so long to raise awareness for sustainability.

Besides this spread of values, the majority stated the importance of motivating employees. In this regard, E emphasised that the real objective is to try not to demotivate intrinsically motivated employees. In particular, B mentioned that intrinsic motivation for sustainability *"actually starts at home"* and is further supported in D's belief in motivating employees *"because we [the company] really make a difference and do something good"*. Additionally, D reflected on *"including all [employees] in the discussions about values, we are open-minded, we are one team, and everyone should feel heard, and represented"*. A similar proposition is made by E in that *"we are at our employees' disposition around the clock to talk about if everything is fine and what we can change together?"*.

4.4.2. Collaboration Benefits

With regards to leveraging the possibilities of a network of relationships, all interviewees highlighted the importance of establishing close partnerships with key partners. They referred to the success when everyone pulls together and the created outcome when one helps another. C explained these benefits via referring to the metaphor that *"it is the small pieces of the puzzle that make for successful cooperation ... every little part is important"*.

Particularly, the majority of executives emphasised close and long-term cooperation with suppliers for the purpose of accessing information. Thereby, C reflected that, through their long-standing relationships with suppliers, they were particularly well informed about current market developments. C stated that *"it is really beneficial that we receive up-to-date market information [from suppliers]"*. Likewise, B explained that *"through newsletters we for example learned about emerging trends of waste sorting [which became] relevant due to new regulations"*. She also drew attention to the aspect of learning, particularly when suppliers, e.g. incorporate new products, and therefore teach them how to accordingly apply respective price management. Moreover, A remembered that when he accidentally ordered too much, it was easy to return it to the supplier through the established trust. These long-term relationships further allowed him to receive tailored and new products for testing at no charge.

In the context of leveraging customer relationships, the study's participants pointed to the local context and their reliance on customers. All executives highlighted the factor of operating with customers and being known in their local community, which, according to B, was particularly accomplished through personal contact, i.e. relationship building. By doing so, the result of word-of-mouth advertising enabled the major part of interviewees access to new customers. C thereby reflected that *"you can achieve a good position in local communities ... which actively look for more sustainable products"*. The importance of close customer relationships was also represented in D's perspective that *"our customers are our partners, they help us develop"*. Particularly, he referred to the fact that products are designed for customers therefore knowing their needs is essential. Likewise, case company D's website supports this by disclosing *"liv[ing] customer proximity"*. Several years ago, A realised that his customers did not like the plastic packaging but preferred paper. Therefore, he learned from them by successfully adapting to their needs, paper wrappings. Similarly, E's customers were his main source of finding out about current trends and their claims, whereby he emphasised and case company E's website disclosed that*"we listen closely to our customers and adapt to their needs"*.

Regarding employees, the majority specifically highlighted the importance of personality fit besides expertise. The SME executives stressed the fact that employees are a valuable resource in the sense that they provide the company with knowledge and innovative ideas. E explicitly mentioned *"to listen to employees and encourage entrepreneurial spirits because they have so*

many ideas". Within this context, the majority of executives reflected on the regular and harmonious get-together with employees, to learn from each other and to maintain an alignment of fundamental values to overcome daily challenges.

Considering the broader perspective of a company's stakeholders, throughout the conduct of the interviews, it became clear that only case company D was receiving some financial support from the government. However, according to them, this funding typically declines once a technology is more mature. An illustration of this is E, who was actively asking for support to become greener, whereby the government declined with the argument that the company was already successful in their green transition.

Furthermore, an external partner in E's network inspired him to adopt hydropower by questioning his manufacturing method as *"for centuries we have lived from water, it does not create smoke, does not pollute the environment and is not lost after [the manufacturing process]"*. Another benefit obtained from A's network is illustrated after the company won the Austrian Roasting Championship. A local media company actively reached out to him for an interview to spread his success in the local community, thereby enhancing A's reputation.

4.4.3. Contribution to Sustainability

Building on all the interviewees' awareness of sustainability, they not only focused on more environmentally friendly efforts, they went beyond these efforts. This is, for example, disclosed on case company B's website that *"sustainability is our mission"*. During the interview, B also emphasised the importance of close cooperation with suppliers, because only if they collaborated closely would they achieve the collective change exemplified by their waste sorting activities. Similarly, E envisioned uniting five companies from five different industries for the development of a sustainability report guideline. E emphasised that the objective was *"to facilitate and encourage other companies to take action and make efforts public as well"*. Only one interviewee was asking suppliers about incorporating more sustainable products and asking why if they said it is not possible to change. Overall, a common pattern identified was that executives merely stressed that suppliers need to have similar values to align with their strategic approach for the future. Finally*,* D doubted that *"we are too small to influence our suppliers in their values"*.

The majority of executives expressed that through their relationships, marked by intense and continuous communication, they were able to influence customers' attitudes towards sustainability. The minority reflected on their approach when desiring to drive change. They started off by contacting their existing customer base and introducing them to their new and more sustainable products. The focus was on telling, teaching, and explaining. In the end, they received positive feedback about their efforts, resulting in customers buying these products through established trust. Accordingly, B highlighted that they were successful in spreading their values and raising awareness that *"this year we are overwhelmed by new customer requests [for dry ice cleaning]"*. By contrast, A envisioned the commercialisation of reusable glass containers to store coffee beans to become more sustainable. However, customers did not like this idea. Thus, his actions did not result in collective change. Thereby, C explicitly referred to the necessary personal contact when wanting to create awareness. She explicitly pointed out that it is important to keep talking about it, but importantly, not to force people as they might be resistant. According to case company C's website, *"through this understanding, coupled with our expertise, we create trust and sustainable relationships"* which is key for driving change. Thereby, she also highlighted that this is not easily done through online shopping.

5. Discussion

This chapter discusses the empirical findings, demonstrating the interplay between SMEs, sustainability, and stakeholder management in relation to existing research. The following subchapters first build on the guiding principles for stakeholder management in Chapter 2.2.2., executive influence, mindset and learning, and stakeholder engagement. By comparing and contrasting the empirical findings of the aggregate dimensions with existing literature, the authors were able to uncover common and varying patterns by completing a cross-sectional study using Gioia, Corley, and Harley's (2013) concept for the empirical analysis elaborated on in Chapter 4. As the aim is to analyse the findings holistically and in light of their relevance to the purpose of this research, they were further examined in a cross-dimensional manner in order to determine their interconnectedness. This allowed the identification of the findings' overall contribution to enhance the understanding of SMEs' stakeholder management approach to drive environmental sustainability. The discussion of the empirical findings is structured into (1) the Role of the Executive, (2) Organisational Capabilities, (3) Stakeholder Engagement, and (4) Stakeholder Management Achievements. An overview of the data analysis is provided below in Figure 4. Please note that the remaining scope of the theoretical foundation will be discussed within the subchapters.
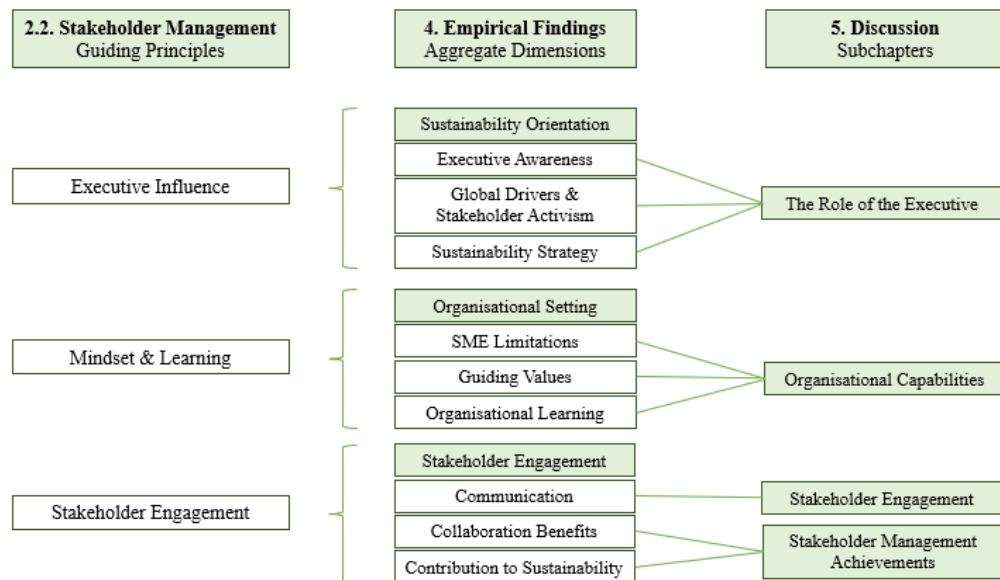
Figure 4. Overview of the Data Analysis

5.1. The Role of the Executive

Insights from the empirical data reveal that SME executives are considered one of the key aspects in shaping a business strategy, which is in line with Thorpe et al. (2005). In order to answer the thesis' research question, an explanation of SME executives' driving values and awareness of sustainability and SMEs' social capital is provided. The subchapters discuss three main findings related to (1) executive influence on environmental sustainability, and (2) executive emphasis on relationships. Lastly, it will be discussed how executives act upon their values through integrating them into (3) SME sustainability strategies for the company's survival, thereby also contributing to the environment's survival. For this reason, this subchapter touches upon all three aggregate dimensions, as illustrated in Chapter 4, and thereby highlights the potential impact executives can have. The data analysis reveals the interconnectedness of numerous findings, which is attributable to the executive values mirrored throughout decisions taken by SMEs. The findings indicate that the SME executives want to act, need to act and also actively do so. Hence, the executives' values constitute the essence of this discussion. This section, inter alia, integrated the first guiding principle, executive influence, for embedding stakeholder management.

Executive Influence on Environmental Sustainability

This multiple case study indicates that SME executives tend to be aware of the critical situation the environment is exposed to in terms of long-term survival (Chandler, 2020). The majority of them had been aware of this problem for a long time, and it can be concluded that their motivation was strongly shaped by their personal experiences. The executives in this study were confronted with the topic of sustainability early in their lives, for example, through education or awareness of the environment provided by their respective families. While their personal backgrounds played a fundamental role, external influences were identified as further reinforcement of the executive values (Klewitz & Hansen, 2014; Russo & Perrini, 2010). As a result, the empirical data revealed that besides values, a certain degree of market awareness was of importance. For example, without societal motivation, increased prices for sustainable products were inexplicable to customers. This meant that SMEs' sustainability values could not be communicated across organisational boundaries because they were simply not appreciated.

Nevertheless, until public awareness was created, case company E used their own awareness as an opportunity to transform their company internally by replacing gas for hydro power for production. For the public, however, it had to be kept secret.

The findings indicate that in more recent times, SMEs feel that society has become more engaged through stakeholder activism, which is supported by several researchers, for example, Darnall, Henriques and Sadorsky (2010) and Chandler (2020). In particular, customers seem to be more aware of the global environmental impacts. SME executives observed their increased willingness to pay higher prices for sustainable products. The larger customer budgets may be explained by the more affluent country of this study's research site, namely Austria (Credit Suisse, 2021). As a result, and in accordance with Chandler (2020), customers in more affluent countries are likely to expect and demand more from companies. The combination of increased customer awareness of environmental pollution and higher levels of affluence is in line with major forces introduced by Chandler (2020), who regarded them as influential for pursuing environmental sustainability.

Furthermore, the study demonstrates that governments played a role in pressuring SME executives to follow a variety of sustainability regulations in order to ensure organisational survival. This is in accordance with Agan et al. (2013) and Williamson, Lynch-Wood, and Ramsey (2006), who acknowledged the driving force behind governmental standards. While Gadenne, Kennedy and McKeiver (2009) concluded that supplier pressure is a commonly experienced phenomenon among companies, the authors of this study did not find signals that, rather opposingly, SMEs were influencing suppliers to become more sustainable.

The study's results contradict the views of Bermann (1999) and Agan, Acar and Borodin (2013), who suggested that extrinsic motivation outweighs intrinsic motivation for the implementation of sustainable practices. However, this does not imply that extrinsic drivers are irrelevant. It can be argued that intrinsic motivation laid the foundation in the investigated SMEs, and coupled with external pressures, mainly customer activism and governmental regulations, merged into an amplifying effect, reinforcing SME executives' actions to further pursue their values.

Executive Emphasis on Relationships

The empirical research pinpoints a common pattern among all five executives, viewing their network, social capital, as fundamental to their companies. The data particularly accentuated the importance of internal and external partners who are guiding SMEs' business operations and development. Employees, suppliers, and customers were identified as important partners that were carefully selected by SME executives in order to build close and long-term relationships. This is in line with researchers (Gamage et al. 2020; Russo & Perrini, 2010) suggesting that SMEs need their social capital for organisational survival.

To begin with *internal partners*, the findings indicate the executives' emphasis on mutual collaboration with employees. Interestingly, executives were identified as the initiators of working together. Instead of exploiting their authority by taking an individualistic route, they relied on teamwork with employees to realise strategic intentions and work towards the common goal of SME survival while also protecting the environment. This was enabled through organisational capabilities such as flat hierarchy and informal structure (Darnall, Henriques & Sadorsky, 2010; Moore & Manring, 2009). As a result, employee expertise was not primarily considered in the hiring process. Instead, executives paid increased attention to soft skills such as employees' mindsets for collaboration and personality for alignment with SME values. Therefore, it can be argued that executives' ways of engaging with internal stakeholders were driven by their emphasis on long-term relationships rather than knowledge extraction. This accentuated their openness and engagement (Russo & Perrini, 2010), resulting in strong relationships between employer and employee, in line with researchers such as Senge et al. (2007), Thorpe et al. (2005), and Watson et al. (2018).

Second, regarding *external partners*, it was found that SMEs placed high importance on partners, especially suppliers, with similar values and principles to walk along the SMEs' path of organisational development. Trust, reliability, and long-term focus were revealed as fundamentals for SMEs. The established trust and reliability between SMEs and their external partners created the opportunity for SMEs to leverage their social capital not only for the organisation itself but also for what they could achieve in terms of sustainability (further discussed in 5.3.). Such findings imply that relationships, according to Harrison, Bosse and Phillips (2010, p.67), "be a rare asset". This is also in accordance with Freeman and By (2022),

who acknowledge the jointness of interests as a powerful tool to create value for each other. Moreover, SME executives emphasised collective work, which reinforces Petrieglieri's (2020) and Pirozzi's (2020) viewpoints of a human-centred approach. It affirmed the SME executives' view and willingness to work in a team to master challenges together and achieve better outcomes.

Sustainability Strategy

The study shows that executives are able to embed their values and intrinsic motivation (Russo & Perrini, 2010) to driving environmental sustainability. It formed the basis for embedding sustainability as a core value in respective SME strategies. It merges SME executive values for sustainability as well as for working collectively into the willingness to incorporate them into their way of doing business. The study's findings are in accordance with Gadenne et al.'s (2009) identified positive correlation between SMEs' environmental awareness and their sustainable practices. For this reason, the findings highlight the important role of executives, which is also in line with Thorpe et al. (2005), who considered SME executives as the most valuable organisational asset for shaping business strategy and organisational development. Additionally, as found by Kechiche and Soparnot (2012), the interviewed SME executives viewed sustainability not just as an add-on, but as an integral part of running the business. Therefore, SME executives' willingness to act upon it is an essential requirement for following their strategy. In particular, this study's executives were identified for influencing and leading stakeholders to focus particularly on purpose for sustainability besides profit, as recommended by Freeman and By (2022).

This is also in line with researchers arguing that stakeholder management can be guided by embedding responsible and long-term value creation in a company strategy (Donaldson & Preston, 1995; Freeman & By, 2022; Jones & Felps, 2013). The study reveals that executives were the drivers for embedding and embracing values because they acted upon their values for sustainability and teamwork in the decision-making process (Thorpe et al. 2005). Their proactiveness was reflected in the SMEs' anticipatory and proactive sustainability strategies (Klewith & Hansen, 2014). The majority of case companies emphasised their goodwill to contribute to social well-being (Kechiche & Soparnot, 2012; Russo & Perrini, 2010) and thus take responsibility, even if it may turn out to be somewhat more expensive. This is reflected in

their strategy to develop new products or services, e.g. by introducing new technologies (see Table 2), paying more for appropriate materials for labels and using more expensive but local couriers. However, despite the SMEs' proactive efforts, it was revealed that the majority of case companies were also pressured by governmental regulations in their operations.

Besides this strategy formulation, the empirical findings further showed a common pattern that is based on SMEs developing their respective businesses by critically questioning business decisions. The majority of case companies were found to incorporate sustainability questions with regards to future generations as a form of filter and guidance for business operations. This recalls Chandler's suggested sustainability filter for the implementation of a long-term sustainability strategy (2020). The empirical results are also in the same vein as Lubin and Esty's (2010) perspective that sustainability touches every function and every business decision guided by the role of the executive.

5.2. Organisational Capabilities

For the analysis of SME approaches to sustainability under the concept of stakeholder management, it is helpful to examine the context of SMEs in terms of their organisational capabilities. SMEs as a global majority, on the one hand cause a significant amount of pollution (OECD, 2018). But on the other hand, they also have the potential to contribute to the reduction of pollution and bring about change through their organisational characteristics (Klewitz & Hansen, 2014; Thorpe et al. 2005). The findings revealed two main observations: first, SME limitations and how these are perceived; and second, which particular organisational capabilities can help in overcoming challenges. This section, inter alia, integrated the second guiding principle, mindset and learning, for embedding stakeholder management.

SME Limitations and Perception

Firstly, the findings reveal that SMEs' resource constraints, such as financials, personnel, and access to information, are viewed as opportunities rather than hindering factors. This is in contrast to Freeman et al.'s (2007) problematic stating how companies heavily constrained by resource limitations might easily fall into an over-prioritisation trap, thereby losing sight of innovation and their creative mindset. The authors find that the SME executives interviewed are

not predominantly focusing on the need for prioritisation. They were particularly found to work around their constraints because they knew that resources cannot just be thrown at a problem. SMEs, with their entrepreneurial spirit, came up with their own solutions to approach the problem of sustainability with their core values in mind. They adapt their business operations to their company's size and circumstances. Due to resource restrictions, the interviewed SMEs seem to adopt a more informal and intrinsic approach, which places greater focus on building social capital with their stakeholders (Garengo, Biazzo & Bititci, 2005; Oum, Narjoko & Harvie, 2014). While Albats et al. (2020) stress SMEs' liabilities of smallness, the empirical findings are more in accordance with Darnall, Henriques and Sadorsky (2010), Moore and Manring (2009) and Thorpe et al. (2005) who identified and embraced positive organisational characteristics.

SME Capabilities

As a result, the study reveals that SMEs take their resource limitations as given and rather embrace their unique capabilities. In particular, executives referred to advantages due to their smaller company size and increased levels of flexibility (Ericson et al. 2020; Russo & Perrini, 2010). In this sense, they viewed their company as a small ship that could be manoeuvred relatively quickly as well as adjusted to emerging trends such as sustainability. Moreover, the empirical findings revealed SMEs' ability to think outside common paradigms, thus encouraging thinking creatively outside one's established expertise and skills by questioning the why and how behind processes. This is in line with researchers such as Klewitz and Hansen (2014) and Thorpe et al. (2005), who suggested that smaller companies often take advantage of their entrepreneurial spirits, to be inspired by others' ways of thinking as well as by mistakes, and ultimately to innovate. Additionally, executives portrayed a general pattern of how they operate under a value-driven vision (Klewitz & Hansen, 2014), thereby embedding the purpose of doing good in their organisational cultures. Their rather informal organisational structures (Darnall, Henriques & Sadorsky, 2010; Moore & Manring, 2009) allowed the interviewed case companies to prioritise moral attitude and responsibility by taking the time to embrace each other's contributions.

The Right Mindset and Focus on Learning

An interesting pattern revealed by all SME executives is the strong emphasis on organisational learning, particularly internal learning with employees. Executives point out that getting together regularly as a team enables them to jointly reflect, share, and learn from each other in the form of reflexive management (Watson et al. 2018). This approach, inter alia, provides room for continuously questioning the common. This also allows the organisation to embrace mistakes by learning from them and leveraging lessons learned for the future. Executives highlight this essential aspect for the creation of an inspiring environment, thereby opening up possibilities to embrace entrepreneurial spirit and the integration of new products and services (Klewitz & Hansen, 2014; Thorpe et al. 2005; Alcadipani & de Oliveira Medeiros, 2020).

5.3. Stakeholder Engagement

Empirical data demonstrates that SMEs approach sustainability through stakeholder management with what they appear to be good at: communication. Due to them being inherently constrained by resource limitations, they are able to move their efforts towards collaboration with employees, suppliers, and customers, as SMEs accept their limitations and work around it. Therefore, this subchapter discusses SMEs' strategic approaches to collaboration and communication within stakeholder management, which was also referred to in the third guiding principle of the theoretical foundation. The following explains how SMEs use communication as an instrument to establish strong and enduring relationships.

Importance of Collaboration

The findings explain SME executives' approaches to actively working, learning, and growing together to achieve continuous organisational development. All SME executives highlighted that their adoption of working together is deeply embedded into their company culture, which is in accordance with several researchers (Donaldson & Preston, 1995; Freeman & By, 2022; Jones & Felps, 2013). It is noteworthy that the executives incorporate their stakeholders, such as employees, customers, and suppliers, somewhat more intrinsically into their strategy. Their strategic approaches are guided by strong values for bringing about sustainable change collectively. The findings reveal the unconsciously adopted stakeholder lens through the

executive management perspective and its embeddedness as a continuous business process (De Colle, 2005; Habisch et al. 2011). SME executives focus on building relationships for the long term and establishing trust. Thereby, close relationships have been identified as beneficial in the course of business operations (Darnall, Henriques & Sadorsky, 2010; Minoja, 2012; Jones & Felps, 2013) and findings suggest the importance of building, and nurturing a company's social capital.

Communication as a Key Instrument

Communication is revealed as key to the establishment of strong and enduring stakeholder networks. Executives use it as an instrument to establish trust and transparency throughout their relationships (Berman et al. 1999; Helin, Jensen & Sandström, 2013; Watson et al. 2018). It was also found to be the key instrument for SMEs' intention to spread their own values and raise awareness for sustainability within and across organisational boundaries (Russo & Perrini, 2010). As a result, communication is identified as a critical tool for change (Pedrini & Ferri, 2018; Moore & Manring, 2009). In this sense, executive C highlighted the importance of personal communication (Russo & Perrini, 2010) e.g. face-to-face conversation compared to online shopping. In line with Albats et al. (2020) and Darnall, Henriques and Sadorsky (2010), the empirical findings confirm the importance of direct, open-minded and continuous communication for long-term viability. The executives emphasised their companies' commitment by adopting a persistent approach when attempting to create awareness of the need to protect the environment. Executives highlighted the necessity of a considerable amount of explaining and, above all, patience. This is because the study's participants were well-aware of the fact that systemic change and individual mindset-shifts take time.

Therefore, the adoption of multiple perspectives through communicating with various stakeholders may allow for the delivery of additional arguments to raise awareness for ultimately contributing to change. According to the researchers, Pedrini and Ferri (2018) and Moore and Manring (2009), this is essential in order to achieve systemic changes. Continuous repetition is imperative to accentuate the meaning and importance of acting on behalf of the environment. As a result, open and persistent communication is found to be one key measure to influencing people and changing their mindset. Executives revealed the importance of focusing on purpose,

rather than forcing specific behaviour, as this could lead to resistance from the stakeholders' perspectives.

5.4. Stakeholder Management Achievements

Throughout the chapters theoretical foundation and the empirical findings, the authors elaborated on the proposed utilisation of social capital and stakeholder management, which help SMEs in various aspects. Hereby, the empirical data generated insights of executives' achievements. First, the following elaborates on how the executives interviewed use their existing stakeholder network to drive change with regards to environmental sustainability. Second, it discusses how SMEs were able to bridge their resource constraints through close collaboration and the organisational benefits of doing so.

SMEs Contribution to Environmental Change

A major finding derived from the empirical study is the executives' commitment to spreading the purpose of their respective businesses internally and externally. The SMEs' network commonly included employees and suppliers who were easily reached due to long-established relationships. Specifically, executive-driven initiatives from the top (Russo & Perrini, 2010) encourage engaging with these stakeholders through all communication channels, like, for example, sales representatives, websites, and social media. The data revealed that executives believed that with established mutual trust between them and their stakeholders, the latter were more likely to respond to their influence. As a result, executives' objective was to raise stakeholders' awareness of sustainability through their relationships in order to drive change collectively with them. The empirical findings strongly support Theyel (2001), who suggested that collaboration with suppliers or customers can reduce a company's negative environmental impact.

The empirical data first discloses that executives were willing to live their values and bring about *change within* the organisation (Gadenne, Kennedy & McKeiver, 2009). As a result, executives identified employees as the first stakeholder group they desired to influence (Russo & Perrini, 2010). It typically starts in the hiring process, as the majority of SME executives expect employees to be somewhat on the same value path, and to some extent, intrinsically motivated to contribute to change. Executives further highlighted their efforts in encouraging and motivating

employees (Russo & Perrini, 2010), as they were found to think in teams to evolve, learn, and grow together. The empirical analysis thereby accentuates employees' potential for influencing and amplifying the messages to external stakeholders.

Besides employees, suppliers as well as customers are found to be the key partners to cooperate, communicate, and drive change with. With regards to suppliers, the majority of SME executives established a common pattern in thinking about their potential to influence suppliers. This result is contrary to the conclusions of Gadenne, Kennedy and McKeiver (2009), who argued that suppliers are the forces pressuring companies to become more sustainable, not the other way around. SME executives were found to act responsibly along the value chain as the collective efforts for the benefit of the environment are important to them (Gadenne, Kennedy & McKeiver, 2009). Therefore, the pattern of demanding similar values further extends from employees to suppliers. More precisely, SME executives were carefully selecting them. Interestingly, the findings showed that one SME executive doubted their ability to influence suppliers' values. In the other SMEs, the executives were found to take the initiative by actively requesting or asking for more responsible behaviour within their long-established relationships with suppliers. This underlines Russo and Perrini's (2010) suggestion that through established networks and trust, thus social capital, with customers and suppliers, responsible business behaviour is encouraged.

Likewise, building social capital with customers provided SMEs with invaluable relationships and future opportunities (Verbeke & Tung, 2013). Through establishing trust (Russo & Perrini, 2010), companies were found to be able to influence their customers' mindsets and were therefore also able to build a reputation as a "brand" that does good (Chandler, 2020). The findings showed that customers were identified as stakeholders that were somewhat aware of the need for sustainable action and that they even helped spread awareness. Once customers were aware of sustainable products, it created the opportunity for SMEs to access new customers and bring about change with an extended network collectively. In this respect, two executives, namely C and E, emphasised that one must acknowledge that changes take time.

While executives are generally willing to spread their values through communication to customers, executive A failed to create awareness, mainly due to the previously identified resource constraints of time and personnel (Albats et al. 2020; Kechiche & Soparnot, 2012). In

particular, case company A's proactive action of selling coffee in glass containers instead of paper packaging. However, possibly due to a lack of customer awareness resulting from a lack of communication, he did not reach people and was therefore unsuccessful in driving change. Therefore, executive A did not only miss the opportunity to create individual benefits such as creating a broader customer base and a good reputation in the local community, but he might also have reduced his intended impact of collective action towards preserving the environment.

SME Benefits from Collaboration

Interestingly, the five SME executives seemed to not really be aware of the benefits they could obtain from actively managing relational work. Only through in-depth investigation and repeated questioning during the interviews was it revealed that SMEs benefit from stakeholder collaboration. One major finding indicates that through close relationships, especially with suppliers and customers, SMEs are able to bridge resource constraints related to information access (Albats et al. 2020; Parmar, Wicks & Freeman, 2022). Due to SMEs' limitations on access to external information, suppliers are a valuable resource for SMEs. According to insights generated in this multiple case study, collaboration with suppliers can serve as a powerful measure to overcome SMEs' challenges of keeping up to date with emerging information e.g. changing regulations (Johnson & Schaltegger, 2016). More specifically, SME executives pointed out two ways of receiving information. Firstly, executives highlighted direct, open and continuous communication characterised by long-established mutual trust and reliability for obtaining relevant information from suppliers. Secondly, particularly in recent years, SMEs acknowledge suppliers' increasing efforts in providing and transferring their knowledge via newsletters. Furthermore, SMEs' close customer proximity enables continuous exchange of information with regards to their current and evolving needs (Johnson & Schaltegger, 2016). The study's participants emphasised the importance of listening to their customers (Senge et al. 2007) and adapting to their requests in order to survive in the long run. These findings are in contrast to researchers such as Albats et al. (2020) and Parmar, Wicks and Freeman (2022) who suggest collaboration as a facilitator for gaining access to other resources such as, for example, financial means.

Idea of Collectivism

SME executives inherently understand the idea of collectively working together with stakeholders and are simultaneously aware that in order to protect the environment, collective efforts are needed as well (Chandler, 2020). SMEs view themselves as advocates for ensuring the environment's future preservation and survival and recognise its inability to raise its voice (Chandler, 2020; Freeman, 2010). For these reasons, both SMEs and the environment depend on the collective efforts of stakeholders, thereby stressing that cooperation outcompetes single efforts. As a result, a common denominator emerges from this thesis' research, namely that collectivism is needed, which is acknowledged by SME executives. The investigated SMEs understand that joint efforts are needed for them to survive in the long run. Beyond that, SME executives also recognise that the environment relies on these collective efforts for survival in the long run. Therefore, the integration of a stakeholder management perspective allows SMEs to live by the values of collectivism. This setting is visualised in Figure 5 below.
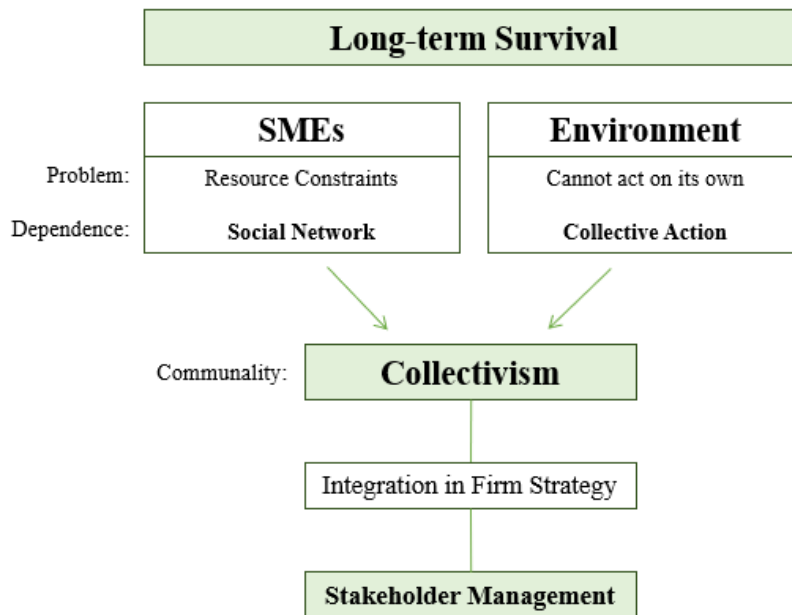
Figure 5. Stakeholder Management for Embedding Collectivism in SMEs

6. Conclusion

This thesis' purpose was to investigate SMEs' approaches to stakeholder management in the context of environmental sustainability. Thereby, the following research question was established:

How do SMEs approach stakeholder management to drive environmental sustainability?

The answers build on the insights obtained from a multiple case study including five Austrian small and medium-sized business executives. Based on this, this study's contribution is divided into five main findings, reflecting on the interplay of the topics of SME, sustainability, and stakeholder management.

First, SME executives are highly influential in pursuing a value-driven strategy, which is typically designed to ensure long-term survival. The executives did not only live up to their responsibility, but also embraced their values intrinsically for environmental sustainability and relationships. Likewise, the fundamental intrinsic motivation of executives was particularly amplified by the prevailing sustainability drivers of governmental regulation and increased stakeholder activism. As a result, sustainability is embedded as a core value and therefore integrated into the respective SME strategies. This means that executive values have been recognised as a compass to guide every decision in the SMEs within their company culture, showing the SMEs' commitment to contribute to the preservation of the environment.

Second, by embracing organisational limitations and operating around them, SMEs appeared to be more focused on their capabilities, particularly, their informal and enduring network of social capital. SME executives acknowledge that working together with stakeholders is essential for the long-term survival of the company. Similarly, they recognise that for environmental preservation, collective efforts are also needed. Based on the empirical study, SME executives in this study are aware of the idea that collectivism is necessary for the survival of the organisation and the environment.

Third, the empirical findings of this study suggest that SME executives unconsciously make use of explicit stakeholder management in their strategic approach, particularly for promoting environmental sustainability. Through SMEs' embeddedness in a social network, their key

stakeholders are inevitably incorporated in their business processes. Thereby, SMEs actively engage with key stakeholders in their strategy by utilising communication as a key instrument to convey trust, transparency, and bring about change collectively.

Fourth, SME executives' ability to promote change was found to be successful in raising awareness of sustainability among their stakeholders, particularly their employees, customers, and suppliers by acting on their dedication. Because of the established reciprocal trust and enduring relationships between the employees and the executives, the latter has the capacity to influence their employees' values through open, persistent, and continuous communication. This is essential as, with employees also embodying executives' values, they constitute a powerful force in promoting change across organisational boundaries towards customers and suppliers. However, due to the interviewed executives' deliberate choice of engaging with employees and suppliers who were already equipped with sustainability values, the executives' overall impact is limited.

Fifth, SME executives seem to be largely unaware of the organisational benefits their social network is able to provide. This was especially reflected during the interviews when executives were initially unable to answer the question of how they benefit from their social capital. It was mainly found that SMEs increased their access to information through their social capital of suppliers and customers. In contrast to the theoretical findings of this thesis, the executives were unaware and thus unable to exploit further resources from their social capital.

The empirical findings indicate that there is potential for improvement, and that SMEs may use their approach to interact with stakeholders more directly and effectively, especially in light of rising market awareness and stakeholder activism. By recognising these external drivers for sustainability, SMEs could actively emphasise the chance to change for environmental sustainability in accordance with the executives' and organisational values, as well as their long-term survival.

To conclude, this thesis sheds light on SMEs' ability to drive environmental sustainability by applying a stakeholder management lens. Intense cooperation and communication, initiated and encouraged by the roles of executives, reflects SMEs' willingness to act through their implemented strategies. SMEs appear to be highly motivated and proactive in reaching out to

stakeholders to spread their fundamental values in order to protect the environment. They demonstrate not only their potential to drive change, but also their capacity and willingness to do so. According to the analysis, SME executives are already using the guiding principles of stakeholder management, defined by the authors, in an unconscious way to have a sustainability impact. While they are making a difference, the authors believe that with more explicitness, increased organisational benefit could be exploited, not just change for sustainability. Based on the interviews, one explanation for SME executives' rather implicit approach to stakeholder management is their lack of familiarity with the concept, and a general concern of it becoming overly complex and time consuming.

6.1. Theoretical Implications

The authors are aware that the interplay of SMEs, environmental sustainability, and stakeholder management is a very wide-ranging research field. It is believed that in recent times, with sustainability becoming more and more crucial, and SMEs constituting the majority of companies world- and nation-wide, investigating this interplay can be beneficial. Especially with them identified as significant polluters, SMEs are forced and, due to their position, they are able to encourage change due to their unique characteristics and inherent embeddedness in social networks. While the authors attempted to contribute to this emerging field of investigating SMEs' stakeholder management approaches to drive environmental sustainability, this thesis proposes to explore the more explicit stakeholder management approach in SMEs, eventually leading to the development of theoretical strategies and management instruments to actively leverage stakeholder relationships.

The findings of this thesis challenge existing research by revealing that the implementation of environmentally friendly practices depends on and is driven by executives' intrinsic motivation and willingness to act on their values. While previous research found that intrinsic values do not primarily drive a strategy (Berman et al. 1999; Agan et al. 2013), this study rather shows the opposite. In particular, executives' moral commitment enables the incorporation and thus the embeddedness of sustainability as a core value guiding their business strategy.

Furthermore, this thesis responded to the recommended literature gap by Gamage et al. (2020), Pedrini and Ferri (2018) and Russo and Perrini (2010), thereby investigating SMEs stakeholder

management approaches besides social capital in the context of sustainability. Accordingly, the empirical results indicate a more detailed approach to enhance the understanding of the dynamics of social capital and stakeholder management in SMEs.

6.2. Practical Implications

First, with the importance of the executive's role revealed, it becomes crucial for the executives to be aware of the power and influence they may have to first set impulses within their SME. As the findings reveal, communication beyond their organisational boundaries may drive change for environmental sustainability. Therefore, executives in SMEs, who are by their very nature socially connected for their organisational survival, should use their existing network more explicitly to drive change for sustainability.

Second, empirical findings discovered that personal and face-to-face communication is an effective tool for executives in order to achieve change. Through personal contact with other stakeholders, executives as well as other SME employees should promote and prioritise spreading their values and beliefs. Among other things, however, they need to be aware that such a change requires intense communication and continuous repetition, which can more easily be achieved in personal settings. This is opposed to, for example, online shopping, through which customers cannot be easily reached by executives' values. Advertising arguments for sustainability and continued efforts can be simply clicked away.

Third, the thesis' findings recommend the leverage of social capital beyond its existing utilisation. It appears that executives' understanding of who makes up SMEs' social networks and how they can benefit them is critical. Making the mostly implicit strategy more explicit could assist executives in connecting with a larger network to gain access to resources beneficial to their company. This exposes them to ambivalence. As already noted, SMEs benefit, on the one hand, from highly personal contact with stakeholders, which is strengthened by more informal and thus, implicit strategy. On the other hand, the strategy could be strengthened if SMEs formalised more stakeholder management activities and processes. Integrating an SME's stakeholders into its strategy should lead to the understanding that it is not enough to be a single player encouraging and instigating change, but that it is rather necessary to collaborate.

Executives should acknowledge the effectiveness of collaboration, which may eventually result in a greater potential for change regarding environmental sustainability.

6.3. Limitations and Suggestions for Future Research

With regards to understanding and interpreting the findings and their implications, potential limitations are pointed out. While the limitations are mostly attributed to the selected qualitative methodology, they also provide opportunities for future research.

First, the qualitative method particularly provided the advantage of illuminating how stakeholder management helps SMEs to collectively bring about change for environmental sustainability. The chosen methodology supported the authors in fulfilling the purpose of this thesis by exploring the research question. However, due to the rather limited time frame of the empirical research, findings were not tested statistically. This would have been especially relevant for increasing the validity, accuracy, and far-reaching resilience of this study. For this reason, further research should consider undertaking a quantitative approach by testing the generated outcomes in order to improve the generalisability of the findings and take this complex research field to a clear and more comprehensive stage.

Second, the selected multiple case study approach, along with the limited number of interviewees, is also a limiting factor, as only one executive per company was interviewed. The findings and, thus, their generalisability is limited as they are based exclusively on the subjective opinion of one company representative. Therefore, future research is encouraged to conduct a more comprehensive study involving numerous executives and employees per company, with the objective of increasing the validity of the results.

Third, this study is based on a cross-sectional analysis, allowing for the identification of common and varied patterns. The researchers are aware of potential limitations regarding this analysis as particular organisational contingent factors were not taken into account. Except for the geographical setting, which provided a case selection criteria as the scope of the multiple-case study, needed to be narrowed down due to time constraints. By examining Austrian SMEs, generalisability outside of the geographical setting may therefore be limited. However, it opens up future possibilities of integrating cross-case and cross-national analyses to extend these

findings in an international context. An analysis of the three countries (Finland, Sweden, and Denmark) scoring higher in achieving Sustainable Development Goals (Lafortune et al. 2021) could extend these findings. As the findings in this thesis imply that Austrian SMEs are not using stakeholder management to its full potential, further research in this field may prove beneficial by investigating the countries' approaches of SMEs.

Finally, when conducting interviews as part of multiple case studies, the authors and participants introduce potential biases and misconceptions during data collection and interpretation, which may have affected the findings' direction. This is highlighted by the fact that SMEs were chosen based on their ongoing efforts to become more environmentally friendly, with inherently sustainable business models being excluded. The selected companies had already incorporated sustainable products and services into their offerings and, as a result, started to form a sustainability-driven mindset. In order to find optimum approaches, future research might compare inherently sustainable SMEs with those who have not yet attempted to shift. This contrast may be particularly intriguing because it may outline the best practices of sustainable companies, which may be used as a guide for the latter, who may require a more explicit use of stakeholder management.

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8. Appendix

A. Interview Guide

Interview Guide
SME Context
Which stakeholders verbalise their concerns regarding sustainability the most?
- Do you feel forced or are you acting proactive in their interests?
- Which factors do you feel are helping and constraining when conducting your business? And specifically for tackling sustainability challenges? [let executives identify their resource constraints]
Stakeholder Management[2]
Which stakeholders are important for tackling the sustainability challenges?
- How important are they to you? And Why?
- How are you benefiting from the collaboration?
Strategy
Who's most influential in determining the strategy, who decides the goals of e.g. profitability or environmental sustainability?
- What are the requirements for being able to decide the outlook for proceeding and cooperating with particular stakeholders? (characteristics, expertise, …)
- Are these relationships and values embedded in your management?
Collaboration
How do you collaborate with them?
- How do you engage with them?
- How do you approach "learning"?

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[2] Due to the perceived lack of interviewees' understanding of this concept, a more thorough presentation of this management concept was provided before posing the questions.