Understanding and application of SMES on sustainable management: A case study in Vietnam

Vo Phuoc Tai¹*, Le Thanh², Ta Hoang Giang³
¹, ² Ho Chi Minh City University of Economics and Finance – UEF
³ Phan Thiet University

* Corresponding Author: Vo Phuoc Tai

Abstract
This study investigates the integration and impact of sustainable management practices within Small and Medium-sized Enterprises (SMEs) in Vietnam. SMEs play a crucial role in Vietnam's economy, contributing significantly to employment, GDP, and societal well-being. The research explores the challenges and incentives influencing SMEs' adoption of sustainability practices, drawing on theoretical frameworks, empirical data, and insights from existing literature. Key barriers include financial constraints, limited awareness of sustainability benefits, and regulatory shortcomings. Conversely, drivers include cost savings, enhanced brand image, and increased customer loyalty. Actionable strategies for fostering sustainability in SMEs, including governmental support, education programs, and stakeholder engagement, are proposed. By addressing these challenges and leveraging opportunities, Vietnamese SMEs can contribute to sustainable development and economic resilience.

DOI: https://doi.org/10.54660/.IJMRGE.2024.5.2.611-616

Keywords: SMEs, sustainable management, Vietnam, sustainability adoption, barriers, drivers, governmental support, stakeholder engagement

Introduction
The contribution of Small and Medium-sized Enterprises (SMEs) to economic expansion and innovation is extensively recognized, especially in burgeoning economies like Vietnam. SMEs significantly contribute to Vietnam's employment and GDP, reflecting a global recognition of their crucial role in fostering economic growth and societal well-being (Tran, 2019) [23, 24, 25]. The focus on embedding sustainable management within these entities is gaining momentum among researchers and industry experts, driven by the urgent need to address sustainability challenges in the global environmental landscape (Nguyen, 2020).

Sustainable management entails the adoption of business strategies and operations that are environmentally friendly, socially responsible, and economically sustainable in the long run. Such practices cover a broad spectrum of initiatives, including waste reduction, energy conservation, equitable labor practices, and community engagement (World Bank, 2021). In Vietnam, SMEs are not only responding to regulatory demands by adopting these practices but are also strategically positioning themselves to be more competitive, innovative, and resilient amid the fast-evolving global marketplace (Pham & Nguyen, 2018) [16].

Yet, transitioning to sustainable management poses significant hurdles for SMEs, particularly in developing nations where limitations in resources and awareness are more pronounced. Obstacles like insufficient knowledge, financial limitations, and restricted access to green technologies greatly challenge the ability of SMEs to implement sustainable practices (Le & Nguyen, 2019) [8]. Nevertheless, evidence is mounting that SMEs achieving sustainability integration are reaping considerable rewards, such as cost reductions, enhanced brand image, and greater customer loyalty (Dang & Nguyen, 2021) [13].

This research is set to explore in greater depth the implementation and understanding of sustainable management practices among Vietnamese SMEs, including the effects of such practices. By integrating empirical data with theoretical perspectives,
Definitions of Small and Medium-sized Enterprises (SMEs)

Small and Medium-sized Enterprises (SMEs) play an integral role in fostering economic growth, driving innovation, and creating jobs, both at a global level and within individual countries, including Vietnam. The criteria for defining SMEs differ internationally, based on variables such as workforce size, annual turnover, and asset value, yet their importance to various economies is universally acknowledged. According to the World Bank (2020) [32], SMEs are identified as businesses with employment numbers or yearly revenues falling below specific limits, which differ from one nation to another. Commonly, these enterprises are classified into micro (1-9 employees), small (10-49 employees), and medium (50-249 employees) categories. These entities are crucial for spurring economic advancement, significantly contributing to both employment and the global GDP. Their role in promoting innovation, enhancing economic diversification, and providing versatile job opportunities positions them as vital contributors to poverty alleviation and economic progress (Ayyagari, Demirgüç-Kunt, & Maksimovic, 2011) [4].

In Vietnam, according to Decree No. 39/2018/ND-CP issued by the government, SMEs are defined through specific parameters like investment capital, labor force, and sales volume, tailored to align with the nation's economic framework and developmental objectives. Vietnamese SMEs, contributing to nearly 40% of the GDP and accounting for over 50% of employment, are crucial to the nation's economic expansion, notably in the manufacturing, service, and agricultural sectors (Ministry of Planning and Investment, 2018) [33]. However, SMEs in Vietnam are also defined based on their investment capital and labor force, specifically:

- **Micro-enterprises** in the agricultural, forestry, fishery, and industry & construction sectors have fewer than 10 employees and total capital of less than 3 billion VND (approximately $130,000). In trade and services, micro-enterprises have fewer than 10 workers and annual revenue of under 10 billion VND (approximately $430,000).

- **Small enterprises** in the agricultural, forestry, fishery, and industry & construction sectors have fewer than 100 employees and total capital of less than 20 billion VND (approximately $860,000). In trade and services, small enterprises have fewer than 50 employees and annual revenue under 50 billion VND (approximately $2.15 million).

- **Medium-sized enterprises** in the agricultural, forestry, fishery, and industry & construction sectors employ fewer than 200 workers and have a total capital of less than 100 billion VND (approximately $4.3 million). In trade and services, they employ fewer than 100 workers and have annual revenue under 100 billion VND (approximately $4.3 million).

In short, these distinctions reflect the Vietnamese government's effort to tailor the SME definition to the local context, acknowledging the crucial role of SMEs in the country's economy by contributing significantly to GDP, employment, and social stability (Vietnam Ministry of Planning and Investment, 2018).

Definitions of sustainable management

Sustainable management embodies a holistic strategy that weaves together environmental, social, and economic considerations into the fabric of corporate decision-making. Its goal is to foster enduring business vitality and success, while simultaneously advancing societal objectives and reducing environmental footprints. This paradigm has gained increasing prominence in scholarly discourse and corporate strategies as crucial for tackling the sustainability challenges on a global scale.

Originating from the Brundtland Commission's "Our Common Future" report by the World Commission on Environment and Development (1987) [3], sustainable development is characterized as a means of meeting current needs without compromising the future generations' ability to meet their own. This principle serves as the bedrock for sustainable management, championing a harmonious balance between economic expansion, environmental conservation, and social fairness (World Commission on Environment and Development, 1987) [3].

From a corporate standpoint, Dyllick and Hockerts (2002) [3] have expanded on this notion by defining sustainable management as the incorporation of economic, environmental, and social objectives within a company's agenda, thus forging long-term value for shareholders through seizing opportunities and mitigating risks associated with economic, environmental, and social shifts. This methodology extends beyond mere risk avoidance to position sustainability as a catalyst for innovation and competitive edge (Dyllick & Hockerts, 2002) [3].

Elkington's Triple Bottom Line (TBL) model (1997) presents another fundamental aspect of sustainable management. It advocates for evaluating corporate success on three fronts: profit, people, and planet, underscoring that true sustainability in business transcends financial gains to include positive social and environmental impacts (Elkington, 1997) [4].

Savitz and Weber (2006) [19] contend that sustainable management necessitates actions and decisions that prioritize the conservation of the natural environment, with a special focus on maintaining the environment's capacity to support human life and considering the broader social and economic repercussions of corporate activities on all stakeholders. This viewpoint emphasizes the synergy between business operations and the wider environmental and social spheres (Savitz & Weber, 2006) [19].

To summarize, sustainable management is a comprehensive and strategic approach to business that strives for an equilibrium among economic growth, environmental guardianship, and social responsibility, aiming for the sustained well-being and value generation for all stakeholders.

The current status of the implementation of sustainable management practices in Small and Medium-sized Enterprises (SMEs) globally and in Vietnam

The integration of sustainable management within Small and Medium-sized Enterprises (SMEs) is gaining prominence globally, including in Vietnam, as it encompasses strategies that seek a balance between economic growth, social fairness,
and environmental care, ensuring enduring sustainability and resilience.

Worldwide, SMEs are central to economic growth and job creation but encounter notable obstacles in implementing sustainable management; such as limited resources, funding access, and a gap in sustainability knowledge or expertise (Schaper, 2016) [21]. Despite these hurdles, there's an escalating acknowledgment among SMEs of the importance of adopting sustainable practices to boost competitiveness, comply with regulations, and meet the growing consumer demand for ethically responsible businesses (Jenkins, 2009) [7].

In Vietnam, the push towards sustainable management in SMEs is highlighted by governmental actions to foster sustainability through regulatory measures and support schemes. Policies aimed at raising environmental consciousness, improving energy efficiency, and enhancing social accountability within the SME sector are steps towards integrating Vietnam's economic growth with sustainability objectives (Tran, 2019) [23, 24, 25]. Nevertheless, the uptake of sustainable practices among Vietnamese SMEs shows substantial variability, with numerous enterprises still at the nascent stages of comprehending and applying these strategies. Challenges such as perceived high costs, limited sustainability knowledge, and a lack of supportive infrastructure hinder progress (Nguyen, Nguyen, & Bosch, 2013) [12]. Yet, some forward-thinking SMEs in Vietnam are adopting innovative sustainability approaches, motivated by market demands, the pressure to remain competitive, and the foresight of impending regulatory changes (Pham & Smith, 2013) [15].

The commitment of SMEs to sustainable management not only fosters their own longevity but also addresses wider sustainability challenges. Given their vast representation in the global economy, SMEs' collective strides towards sustainability can significantly influence environmental conservation, societal welfare, and economic robustness (Hillary, 2004).

In summary, while there is a growing recognition of sustainable management's significance within both global and Vietnamese SME sectors, there's a pressing need for enhanced support, education, and incentives to encourage broader adoption of these practices. Bolstering SME sustainability is vital for attaining wider sustainable development goals, necessitating collective action from government entities, the private sector, and international bodies (Tilley, 2000).

Recognizing the barriers and drivers influencing the adoption of sustainable management in Small and Medium-sized Enterprises (SMEs).

The journey towards sustainable management adoption by Small and Medium-sized Enterprises (SMEs) worldwide, including Vietnam, is shaped by an intricate mix of obstacles and motivations. On a global scale, SMEs face challenges such as scarce financial resources, limited access to information on sustainability, and a shortage of technical know-how, which stand in the way of embracing sustainable practices (Williamson, Lynch-Wood, & Ramsay, 2006) [28, 29, 30]. Moreover, the view of sustainability initiatives as costs rather than investments further deters SMEs from integrating these practices into their operations (Hillary, 2004) [5]. On the flip side, the push towards sustainable management is driven by factors like regulatory mandates, consumer demand for eco-friendly products and services, and the opportunity for cost reductions through increased operational efficiencies.
In Vietnam's context, SMEs encounter similar hurdles, including financial limitations, a lack of clarity on the benefits of sustainability, and insufficient governmental support and incentives (Nguyen, Nguyen, & Bosch, 2013) [22]. The country's socio-economic milieu, which often favors short-term financial gains over sustainable outcomes, adds another layer of complexity to adopting sustainable practices (Tran, 2019) [23, 24, 25]. Nevertheless, the growing consumer consciousness about environmental concerns, governmental sustainability initiatives, and the chance to penetrate new markets through green differentiation serve as catalysts for Vietnamese SMEs to pursue sustainable management (Pham & Smith, 2013) [10].

Thus, to promote the broader application of sustainable practices among SMEs both in the global arena and within Vietnam, it is crucial to tackle these barriers while also capitalizing on and reinforcing the existing drivers. This balanced strategy could pave the way for a more extensive embrace of sustainability within the SME sector, enhancing their durability and commitment to sustainability over the long haul (Tilley, 2000; Jenkins, 2009) [7].

Actionable strategies for SMEs, policymakers, and stakeholders to promote sustainability in the business sector.

Boosting sustainability within the SME sector necessitates a unified approach from SMEs, policymakers, and stakeholders. SMEs are encouraged to spearhead the adoption of green practices, such as minimizing waste and improving energy use efficiency. Engaging in these practices not only furthers environmental conservation efforts but also leads to considerable financial savings, striking a balance between economic and environmental objectives (Schaltegger & Wagner, 2011) [20]. Policymakers are tasked with establishing a supportive policy and regulatory landscape, offering incentives like tax breaks or financial grants to businesses embarking on eco-friendly projects, thus easing the economic challenges linked to adopting sustainable measures (Williamson, Lynch-Wood, & Ramsay, 2006) [28, 29, 30]. Furthermore, setting clear, attainable sustainability goals and standards can give SMEs a more transparent framework for weaving sustainable practices into their business strategies. The role of stakeholders—consumers, suppliers, and investors—is paramount in driving the sustainability agenda by advocating for green products and practices. This advocacy not only promotes the development of eco-conscious supply chains but also spurs investments in sustainable SME ventures, broadening the scope of sustainable practices within the business realm (Jenkins, 2009) [7]. Collaborations among SMEs, governmental bodies, and NGOs are crucial, as they offer a platform for sharing sustainability knowledge, resources, and best practices, thus equipping SMEs with the tools needed to overcome the hurdles of sustainability adoption (Tilley, 2000) [7]. Through these concerted efforts, SMEs, policymakers, and stakeholders can collectively foster a sustainable business environment, securing its prosperity and alignment with wider environmental and societal objectives.

In the context of Vietnam, enhancing sustainability within Vietnam's SME sector requires tailored approaches that align with the nation's specific economic, environmental, and societal frameworks. Vietnamese SMEs, pivotal to the national economy, are increasingly motivated to implement environmentally friendly practices, such as reducing waste and boosting energy efficiency. These efforts not only contribute to Vietnam's conservation goals but also result in significant cost savings, thereby strengthening the businesses' resilience and competitive edge both locally and internationally (Tran & Yeo, 2017) [26, 27]. Vietnamese policymakers have a critical role in promoting this sustainable transition. Through the establishment and enforcement of a supportive legal framework and by offering economic incentives like tax breaks or funding for eco-innovative projects, the government can effectively mitigate the challenges SMEs encounter when shifting towards greener practices. Crafting and disseminating sustainability guidelines that are specially designed for the Vietnamese market can assist SMEs in seamlessly incorporating sustainable strategies into their business models (Nguyen, Truong, & Bosch, 2021) [10, 13].

Stakeholders, including consumers, suppliers, and investors, exert a significant influence on Vietnam's shift towards sustainability. The rising demand for eco-friendly products and sustainable business practices among Vietnamese consumers encourages SMEs to adopt greener business models. This trend is reinforced by investors and suppliers who increasingly consider sustainability as a key factor in their business dealings, thus promoting the establishment of sustainable supply chains (Pham & Smith, 2013) [15].

Collaboration is paramount for achieving widespread sustainability within Vietnam's SME sector. Building partnerships among businesses, governmental bodies, and NGOs can enhance the sharing of information, resources, and best practices focused on sustainability. Such cooperative efforts are vital for overcoming obstacles to sustainability adoption, empowering Vietnamese SMEs to effectively tackle both domestic and international sustainability challenges (Le & Nguyen, 2019) [8]. Adapting these strategies can position Vietnam's SME sector as a cornerstone of sustainable development, ensuring economic progress is in harmony with environmental preservation and social prosperity. This comprehensive strategy is essential for the sustained success of Vietnamese businesses and for achieving the nation's sustainable development objectives.

Conclusion

This examination highlights the crucial function of Small and Medium-sized Enterprises (SMEs) in propelling sustainable development amidst Vietnam's evolving economic scene. Central to the nation's economic fortune, Vietnamese SMEs navigate distinct challenges and prospects in weaving sustainability into their operational fabric. The analysis identifies significant hurdles such as fiscal limitations, a deficit in sustainability consciousness, and regulatory shortfalls obstructing the adoption of green practices (Nguyen, Truong, & Bosch, 2021) [10, 13]. Yet, it also uncovers a robust potential within SMEs to foster environmental and societal benefits through the adoption of eco-efficient measures (Tran & Yeo, 2017) [26, 27]. The role of policymakers and various stakeholders emerges as crucial in smoothing the path for this transition, potentially cultivating an environment conducive to embedding sustainability at the heart of business operations (Pham & Smith, 2013) [15].

Recommendations

- Elevated Government Support: It's imperative for
Vietnamese officials to amplify the development and enforcement of policies that nudge SMEs towards sustainable actions. This should encompass financial motivators like tax incentives and grants, alongside eased access to green technologies (Le & Nguyen, 2019).

- **Boosting Education and Awareness:** There’s an urgent call for exhaustive educational programs that heighten sustainability awareness among SMEs. Customized educational efforts could bridge existing knowledge gaps and clarify the enduring benefits tied to sustainability (Schaltegger & Wagner, 2011) [30].

- **Amplifying Stakeholder Engagement:** Motivating consumers, investors, and suppliers to favor sustainability can steer SMEs towards adopting greener business frameworks. Creating engagement platforms could enhance dialogue and collaboration, spurring the formation of sustainable supply chains (Jenkins, 2009) [7].

- **Cultivating Collaborative Endeavors:** The establishment of partnerships between SMEs, governmental bodies, and NGOs is vital for the exchange of sustainability-centric knowledge, resources, and innovative practices. Such cooperative ventures could provide SMEs with the necessary backing to tackle sustainability challenges more adeptly (Tilley, 2000).

- **Encouraging Strategic Long-term Planning:** SMEs are encouraged to integrate sustainability into their long-term strategic outlooks. This entails evaluating the environmental and social repercussions of their activities and pinpointing avenues for sustainable progression (Williamson, Lynch-Wood, & Ramsay, 2006).

Adhering to these recommendations could position Vietnam’s SME segment as a pivotal force in sustainable development, marrying economic advancement with environmental preservation and societal welfare. This integrated approach is crucial for the enduring success of the Vietnamese economy and the collective well-being of its populace.

References