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The Future of Business Sustainable Development Strategies in Greek Small and Medium – Sized Enterprises

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Abstract

Sustainable development has become a global priority for firms, countries and societies. Climate change, resource depletion, social inequalities, and regulatory reforms are reshaping expectations of business behavior, guiding companies to adopt long-term, responsible, and future-oriented strategies. Across Europe, and especially after the implementation of the European Green Deal strategy, the integration of Environmental, Social, and Governance (ESG) criteria into investment and regulatory frameworks has accelerated the need for firms to demonstrate measurable sustainability performance. This political priority can redefine the business environment especially for the small and medium sized enterprises (SMEs) that are based in European Union countries. In Greece, as for EU, SMEs play a significant role in employment, regional development and value creation. Small and medium sized enterprises are at the backbone of the economy (Yoshino and Taghizadeh – Hesary, 2019). For the Greek SMEs, new opportunities and new challenges are coming, because of the sustainability transformation that the European Green Deal and the ESG criteria adaptation. Digitalization, circular economy models, green funding instruments, and the integration of sustainability into supply chain requirements are factors that are transforming business practices and managerial thinking. The present study is focused on these challenges and how the Greek SMEs understand and implement sustainable development in their strategic orientation. How Greek SMEs interpret the importance of sustainability for competitiveness and long term resilience, in a global changing environment. Does this awareness lead into organizational change and structured strategies, or SMEs are led by instinct and luck? The methodology applied on this research is by using focus groups. This way the research captures experiences, interpretations, expectations and modus operandi of SMEs owners and managers. This method allows exploration not only of what strategies SMEs adopt, but also why they adopt them, and under which conditions they understand sustainability as a driver for future business success.

Keywords: Sustainable Development, SMEs, Strategy, Strategic Orientation

1. Introduction

1.1 Introduce the Problem

Sustainable development has become a global priority for firms, countries and societies. Climate change, resource depletion, social inequalities, and regulatory reforms are reshaping expectations of business behavior, guiding companies to adopt long-term, responsible, and future-oriented strategies. Across Europe, and especially after the

implementation of the European Green Deal strategy, the integration of Environmental, Social, and Governance (ESG) criteria into investment and regulatory frameworks has accelerated the need for firms to demonstrate measurable sustainability performance. This political priority can redefine the business environment especially for the small and medium sized enterprises (SMEs) that are based in European Union countries.

In Greece, SMEs account for nearly the entirety of the business population and play a vital role in employment, regional development, and value creation. Their strategic choices therefore have broad implications for the country's sustainable transition. However, the sustainability transformation of Greek SMEs does not occur in a vacuum. It unfolds within a national context marked by structural economic weaknesses, historical financial instability, and persistent institutional inefficiencies. These challenges have long constrained managerial capacity, investment potential, and innovation readiness within the SME sector. Yet, the post-crisis era and the increasing alignment with European Union sustainability objectives have created new incentives and opportunities for Greek SMEs to reconfigure their strategic priorities.

Emerging trends—including digitalization, circular economy models, green funding instruments, and the integration of sustainability into supply chain requirements—are reshaping managerial thinking and business practices. Nevertheless, a disconnect persists between the conceptual understanding of sustainability and its effective implementation at the enterprise level. Many Greek SMEs recognize the importance of sustainability for competitiveness and long-term resilience, but struggle to translate this awareness into structured strategies, measurable objectives, or organizational change.

This study addresses these challenges by examining how Greek SMEs perceive and enact sustainable development in their strategic orientation. Using focus groups, the research captures the lived experiences, interpretations, and expectations of SME owners and managers, offering a nuanced understanding of how sustainability is conceptualized and operationalized across sectors. This method allows exploration not only of what strategies SMEs adopt, but also why they adopt them, and under which conditions they perceive sustainability as a driver for future business success.

Given the paucity of qualitative studies in the Greek context, this investigation provides a timely contribution. It clarifies the dynamics shaping SME engagement with sustainability, identifies barriers and enabling factors, and highlights the ways in which business futures are being reimagined under the pressures and opportunities of sustainable development. The findings aim to support policymakers, practitioners, and scholars in designing more targeted interventions and fostering an ecosystem conducive to sustainable growth.

1.2 Sustainable Development as a Business Paradigm

Small and medium enterprises (SMEs) are considered as pillars of the economy for countries and society, with a vast influence in various sectors with their contribution to employment, trade, sustainable and economic development (Goulas, 2025; Obi et. al., 2018). SMEs also impact economic development based on various aspects such as competitive market orientation, employment generation, capacity building and technology innovation (Alaghbari, 2022). They represent a total of 99% of all businesses in the European Union and they provide jobs to more than 85 million European citizens, being that way the heart of innovation and entrepreneurship (European Commission, 2025). Entrepreneurship is believed as one of the major driving forces for economic restructuring, decentralization and movement towards a market economy (Varga et. al., 2021). SMEs in comparison to large enterprises, are highly flexible, revealing a superior flexibility to technical shifts, higher promotion of income distribution and better adaptability to fluctuations in the market and new customer requirements, while their organizational structure allows for quicker decision making (Perez – Gomez et. al., 2020). Furthermore, SMEs are vital to local and regional development (Goulas, 2021), by supporting local supply chains, ensuring wealth circulates within communities, and helping reduce regional economic disparities. And this exact connection with local communities is a unique competitive advantage for the SMEs, because are considered as one with the local society. SMEs can adapt very quick to meet local demands and also can also have a more agile management. On the other hand, SMEs are more vulnerable to economic instabilities and are in need of continued funding (Dowling et al., 2019). Also, according to Saulick et al., (2023), businesses have to genuinely adapt their processes and

activities to sustainability, in such a way as to comply with rules, regulations and norms. That is why often businesses, mainly large companies, are often blamed for causing environmental degradation and social deprivation issues since their activities are considered unsustainable to some extent (Sarango – Lalangui et al., 2018). Furthermore, investors, customers and governments, are pressuring companies to add sustainability at the core of their business models.

Despite these vital roles, SMEs face persistent challenges, notably limited access to finance, skills shortages, complex regulations, and exposure to cyber threats. Recognizing their importance, governments and international organizations are increasingly focused on creating supportive ecosystems—improving access to capital, simplifying regulations, and offering tailored training—to help SMEs unlock their full potential and ensure a robust, sustainable global economy. Over the last few years, the importance of sustainability and sustainable development has significantly impacted the entire planet – in way of living, consuming and producing and also in the way governments shape their policies. Businesses have to follow that wave of sustainability and develop operating models and adjust their strategic plans. In the global context, businesses must recognize the importance of understanding non only their financial performance but also their wider social and environmental impacts on their ability to create value for all. The European Union's Green Deal Strategy created the conditions for an economy based on environmental protection and the conservation of natural resources, while promoting social justice and economic prosperity. In this context, modern businesses are called to comply with ESG requirements, adopting strategies that combine environmental sensitivity, social responsibility and transparency in management (European Commission, 2025; Goulas, 2024). On that policy, decoupling economic growth from resource use and transitioning towards circular systems in production and consumption play a crucial role in achieving climate neutrality in the EU by 2050 (European Commission, 2025). This European strategy adaptation, created pressure on European companies (Garrido - Russo et., al., 2024), stressing their effort to competitiveness. On the other hand, many academics claim that sustainability practices enhance the financial performance of SMEs (Mamtaz and Parra, 2024). Sustainability strategies play a crucial role in attracting consumers and creating long-term relationships with them. For certain consumers, the environmental footprint of products and services plays an increasing role in the choice for purchasing products. Also, researchers link ESG practices to firm performance, including innovation and risk management (Bao and Yang, 2025; Dang et al., 2025). Innovation is the source of sustainable development of a country and the primary driving force for high – quality development (Li et al., 2023). After all, sustainability is not only about the products sold, but also about how businesses are operating, supply chains and the management of business resources.

Adopting sustainable development orientation from modern business, reflects a major paradigm shift in contemporary business thinking. Public environmental concerns, disputes on the rising energy prices, and market pressures have driven enterprises to prioritize reducing energy consumption and consequently, the sharing circular economy, green innovations and energy efficiency have emerged as pivotal components of sustainable development (Dai, et al., 2024). Firms' choices on CSR and ESG implementation strategies can arguably have a positive impact on their value and performance (Broadstock et al., 2020). The evolution from corporate social responsibility (CSR) initiatives to integrated sustainability strategies demonstrates that firms increasingly view sustainability at the core of their business assets and is a strategic orientation (Dai et al., 2024; Yu et al., 2024). Kotsantonis et al., (2016), tries to determine how companies prioritizing ESG initiatives often to outperform competitors through competitive advantages and superior investor returns. The relationship between firms' CSR disclosure and environmental performance has long been debated in the literature (Hsu and Chen, 2023; Clarkson et al., 2008; Patten, 2002). Also, Banerjee and Shogren (2010), claim that the attitude of a firm toward environmental risks can affect its social reputation.

1.3 SMEs: Constraints, Capabilities, and Motivational Drivers

Small and Medium-sized Enterprises (SMEs), as already mentioned, are the backbone of the economy and of economic growth and innovation. According to Modi and Rawani (2020), SMEs are responsible for driving innovation and development in different areas. The balanced economic development of the country is directly proportional to the degree of integration and development of SMEs within the national economy. In modern economies, with intensifying competition and global competitiveness, SMEs remain the key element for the

national economies, while at the same time are considered as key components for the global market. It is important for SMEs viability, to understand the global market dynamics and support their continued success and resilience, through targeted policies. Many academics claim that SMEs have a particularly hard time performing well in resource restricted environments (Ahlstrom and Burton, 2010; Smallbone and Welter, 2008; Modi and Rawani, 2020). SMEs have fewer resources and often lack the knowledge and specific skills to engage the change, than larger firms (Zhou and Peg, 2012). Also, SMEs cannot find experts any time there is need for it, or cannot afford paying for it. Furthermore, according to Sommer (2017), SMEs should implement standards, that may need adaptations in the production process and technology, requiring managerial and technical skills, as well as the financial means for investments, which they lack. The competitiveness of SMEs is a main topic in academic society, with research focused on extroversion, innovation, digitalization, and support strategies through government actions & research, highlighting challenges and solutions for sustainable development, with an emphasis on research to improve their market position. Dalvi (2014), claims that a strong pre-existing innovation culture facilitates the generation of new ideas that enables firm's capabilities and competitiveness. These constraints often lead to short-term strategic planning, reducing the ability of SMEs to effectively anticipate and manage technological and market changes, especially in conditions of intense international competition.

In addition to the above, strengthening the competitiveness of SMEs requires the creation of a favorable ecosystem of collaborations and networking, both at national and international level, which will facilitate knowledge transfer, access to innovative practices and participation in value chains. And that is trying to achieve the European Unions' Single Market Program, and in particular is trying to facilitate access to markets, promote entrepreneurship and the acquisition of entrepreneurial skills and promote the modernization of industry and address global and societal challenges (European Commission, 2025). The use of digital transition and cutting-edge technologies as tools for increasing productivity and extroversion is of great importance, while at the same time, targeted financing and training policies are required to cover existing skills and investment gaps. In this context, the role of public policy and support mechanisms becomes crucial, so that SMEs can adapt to continuous changing market conditions, integrate innovation into their strategy and ensure their long-term sustainability.

SMEs operate under significant constraints, such as limited access to financial resources, lack of specialized skills and increased regulatory requirements, which often limit long-term strategic planning and the ability to invest in innovation (Costa et al., 2023). Despite the obstacles mentioned above, SMEs can enhance their sustainability while maintaining cultural and economic competitiveness (Achmad and Wiratmadja, 2025). Furthermore, SMEs possess critical capabilities, such as organizational flexibility, rapid adaptation to changing market conditions and close interconnection with local socio-economic structures. Their inherent flexibility, capacity for innovation and swift adaptability to market changes position SMEs as key drivers of economic progress, enabling them to make significant contributions to sustainable development (Achmad and Wiratmadja, 2025; Rodrigues and Franco, 2023; Gorondutse et al., 2021; Baeshen et al., 2021). At the same time, strong driving factors, such as entrepreneurial ambition, the need to survive and grow, as well as the pursuit of sustainable and innovative business practices, push SMEs to seek new opportunities, adopt digital and organizational innovations and participate in collaborative networks. Achmad and Wiratmadja (2025) claim that SMEs can benefit from green innovation in many ways. In addition, the gradual integration of sustainability and responsible entrepreneurship criteria emerges as a global trend (Tsotsas et al., 2025) and an additional motivating factor, as it contributes both to improving SMEs competitive position and to their long-term resilience in a constantly changing economic environment.

In conclusion, SMEs operate within a complex and demanding environment shaped by financial constraints, skill shortages and regulatory pressures, which often limit their capacity for long-term strategic planning and innovation investment. However, the literature clearly indicates that SMEs' inherent capabilities—such as flexibility, rapid decision-making and close connections with local and regional ecosystems—can partially offset these limitations and support competitive performance (Teece, 2007; Laforet, 2011). Innovation orientation, digital transformation and participation in collaborative networks emerge as critical mechanisms for overcoming resource constraints and enhancing international competitiveness (Powell et al., 1996). Furthermore, entrepreneurial motivation combined with the growing adoption of sustainability and responsible business practices strengthens SMEs' strategic renewal and long-term resilience (Bos-Brouwers, 2010; Johnson & Schaltegger, 2016). Consequently,

the competitiveness and sustainability of SMEs depend not only on internal capabilities and managerial ambition but also on the presence of a supportive institutional and policy framework that facilitates access to finance, skills development, innovation ecosystems and sustainable value chains (European Commission, 2020).

2. Methodology

Ten enterprises operating in the Region of Thessaly, Greece, together with their executives, participated in a series of focus group discussions conducted for the purposes of this study. Within the scope of the research, the term “business” refers to firms operating across various economic sectors. The participants on the focus groups were company owners, chief executive officers, and senior-level managers holding key strategic positions within their organizational structures. The qualitative research design aimed to provide in-depth insights into how firms respond to contemporary global sustainability challenges, particularly in a context where the integration of Environmental, Social, and Governance (ESG) criteria into investment and regulatory frameworks has accelerated the need for firms to demonstrate measurable sustainability performance. That methodology was applied in previous research (Goulas, 2025) and researcher is trying to test it in various research topics.

The sample were ten small and medium-sized enterprises (SMEs), all located and operating in the wider Region of Thessaly. The selection guaranteed a representative presentation of the regional business environment. Each focus group brought together executives, managers, CEOs, and, in several cases, business owners, all of whom holds decision-making positions within their organizations and are considered as vital for strategy implementation. Participants demonstrated a strong willingness to share experiences, practical knowledge, and strategic insights relevant to the research objectives.

The focus group sessions were conducted between December 2023 and June 2024, covering a period of approximately seven months, and were held in various locations across Thessaly or online, to enhance accessibility for participants. Each session lasted approximately two hours and included five participants. The relatively small group size facilitated meaningful interaction, creating an atmosphere of trust and openness that supported discussion and dialogue.

At the beginning of each session, participants were briefed on recent European Union policy initiatives, including the European Green Deal, the Green Transition, and the Digital Transformation agenda, with particular emphasis on their implications for ESG compliance and sustainability reporting requirements. The subsequent discussions were structured around key thematic areas, such as the main challenges organizations face in the context of digital transformation, perceptions of emerging technologies, attitudes toward the development of collaborative ecosystems, and perspectives on partnerships and public policy support mechanisms. In the final phase of each session, participants were invited to express their visions for the future of their organizations and the sectors in which they operate. This process covered a diverse range of viewpoints related to the core issues examined in the present study.

Overall, the structure of the focus group discussions was designed to explore sustainability, strategic management, and the increasing importance of ESG-driven performance metrics on SMEs.

All focus group sessions were audio-recorded with the informed consent of the participants, and supplementary field notes were taken to enhance the reliability of the data. The collected material was analyzed using qualitative descriptive analysis. The analytical procedure followed three main stages: (i) systematic coding and categorization of the entire dataset, (ii) identification of recurring patterns and dominant themes, and (iii) interpretation and presentation of the research findings.

3. Results

The thirty businesses selected for the present research paper very carefully and cover the geographical borders of Region of Thessaly. More precisely the companies selected, are located in the four major cities of Thessaly, Larissa, Volos, Trikala and Karditsa. Some of the selected companies are new in the market, e.g. 2023 as year of

establishment, and some have operated in the market for approximately twelve years, e.g. 2014 as year of establishment (Table 1). Those ten companies, have significant presence in the market, at local and national level and for some of them international presence is noticed. All of the companies are characterized for their openness in adopting new models and practices.

3.1 Business Profile

Provide dates defining the periods of recruitment and follow-up and the primary sources of the potential subjects, where appropriate. If these dates differ by group, provide the values for each group.

Table 1: Businesses participated in the focus group discussion (related to the terms of GDPR, businesses that participated in the study are coded as B1, B2,....B10 – B stands for Business)

Business	Year of Establishment	Company's size
B1	2019	Small
B2	2017	Small
B3	2012	Medium
B4	2018	Small
B5	2019	Small
B6	2020	Small
B7	2014	Medium
B8	2017	Medium
B9	2023	Small
B10	2016	Medium

Source: Own Elaboration

As already mentioned before, the ten companies selected for the research, were of various sizes, small and medium size companies, all of them based in the wider region of Thessaly Greece and are operating in various sectors, from production to distribution, sales, services, marketing and advertising.

The size classification for the businesses based on the number of employees is shown in Table 2. Some of the executives that participated in the focus groups, claimed that size of a company is a matter of operational years in the market. Also, they claim, especially those from the newest companies, that from 2020 and on, they had to face a number of crises, either international (e.g., COVID-19, energy crisis) or local (e.g., floods in Thessaly), that made their operation quite an adventure. Especially they claim that for a new company in the market, is almost impossible to establish a network and create value, under those circumstances.

Table 2: Company's size

company's size	number of employees
small	<50
medium	50 - 249
large	>250

Source: own elaboration

Analyzing the size of the companies of the research, it can be told that six of those companies are of small size and four of medium size. As small companies are listed even very small family businesses with less than ten employees. Nevertheless, the size of the company, the impact on local society and economy, are undoubtable even

for the very small, family agribusinesses operating on the market. They give jobs to members of the local community, they support the local market and they preserve the local tradition. That is quite important and cannot be measured easily.

3.2 Key themes of focus groups

The analysis of the focus groups discussions with Greek SMEs shows the grade of understanding of sustainable development and sustainability, the strategy applied by the company and the overall vision for the future. The findings demonstrate a growing awareness of sustainability among SME participants on the focus groups, but also highlight a gap between understanding and implementing. The key points of the focus groups were regarding SMEs understanding of sustainability and sustainable development, as it is considered by the global community and the various policies and initiatives (European Green Deal, ESG ecc), digital transformation, how competition is affected by the integration of sustainability orientation, and how the strategic management of the company is modified with the sustainability implementation.

3.3 Understanding Sustainability and Sustainable Development

Analysis of the focus groups discussion help understand how SMEs that participated in the focus groups understand sustainability and sustainable development. For SMEs, sustainability is not just an environmental consideration but a daily need for saving resources and money for company's operation. That economic rationality is a reality, because in the end of the day operational cost is a priority. A participant said:

“We perceive sustainability mostly as saving resources. When we reduce consumption of energy for instance, or when we reduce waste, we do it first of all because of economic reasons and then for saving the environment and the planet. (B3)” (The interview was conducted on 4 March 2024).

Also, sustainability is described as a long term strategy for future viability of the company, as claimed by managers participated in the focus group.

“For our company, sustainability is not just an environmental issue. It is a matter of continuous operation of our company in the future. It is how we deal with our costs, how we deal with our employees and our partners, how we deal with the way we operate and produce. It is how our company will operate in five years from now. (B8)” (The interview was conducted on 4 March 2024).

From an operational standpoint, many companies associated sustainability with resource efficiency and cost management. A retail SME explained that sustainability initiatives were initially adopted as a response to rising energy prices, mentioning that “energy saving became a sustainability issue only after it knocked our door. When energy prices started to hit a high level, our company, started considering how we will manage with this burden. (B7)” (The interview was conducted on 10 April 2024).

3.4 Sustainability and Competitiveness

The focus group discussions indicate that Greek SMEs understand sustainability as a conditional and source of competitiveness rather than as a direct driver of immediate financial advantage. Participants consistently emphasized that sustainable practices contribute primarily to intangible forms of competitive advantage, such as reputation, credibility, and long-term market positioning.

“Customers may not ask for sustainability in the market, but they almost always have a positive reaction when they face practices that support sustainability and make a good image for the company. In the end is a matter of trust creation between our company and our clients, even it doesn't affect sales immediately. (B10)” (The interview was conducted on 10 April 2024).

Some of the participants, consider sustainability as a differentiation strategy and opportunity to diverse from competition.

“We are a small company, not many years operating in the market that we are trying to position ourselves in the market. We cannot compete or overcome the competition, which are bigger companies than ours, that can offer a lower price in the market. So we have to present our products in a different

way in the market. Sustainability helps us tell our story in a different way than the competition. (B5)"
 (The interview was conducted on 10 April 2024).

3.5 Sustainability and Digital Transformation

SMEs that participated in the focus groups of the present research, seem to realize that sustainability and digital transformation are two parallel ways for them, that lead in the same ending, company's viability. At the same time they mention that applying and adopting both in the company are increasing cost and they demand amounts of investment.

"Our company is new and small, but with high skilled employees, familiar with new technologies and digital era. For us, digital transformation is not an obligation but a strategic option, but we cannot adopt everything at once. We build our digital environment step by step, so we keep a balance in our budget. (B1)" (The interview was conducted on 8 May 2024).

Also, a company on the advertising/marketing sector claimed "digital transformation and the use of AI tools, helped us be more fast, more agile and reduce costs. That helped us be more competitive in the market". (B4) (The interview was conducted on 8 May 2024).

4. Discussion

The findings of this study provide valuable insights into how Greek SMEs understand and implement sustainable development within a rapidly changing global environment. As the existing literature mentions, the results of the present research, confirm that SMEs exhibit high levels of awareness regarding sustainability, but at the same time face difficulties to transform this awareness into structured strategic action. Rather than associating sustainability with innovation-led growth or formal ESG integration, SMEs frame it as a mechanism for maintaining legitimacy, continuity, and operational coherence over time.

Research findings suggests that sustainability is primarily framed as a must - do mechanism rather than as a source of strategic orientation. In the Greek context, sustainability is closely linked to cost efficiency and risk management, reflecting an approach shaped by the lack of resources and the market instability. While SME owners and managers increasingly recognize sustainability and digital transformation as critical for future competitiveness, this recognition does not automatically transform into structured organizational change. This gap reflects not resistance, but uncertainty and limited absorptive capacity. Digital transformation appears as a necessity, but at the same time is putting on hold, due to financial limitations. The study suggests that the key challenge for SMEs is not just the adoption of sustainability or digital tools per se, but the development of unique and strategic skills and capabilities that will allow these elements to be integrated into a solid and stable long-term vision. Addressing this challenge may redefine sustainability for SMEs, from a necessity into a strategic business development choice.

This study is based on focus groups with a limited number of Greek SMEs and thus does not aim for statistical generalization. Future research could combine qualitative insights with quantitative methods or longitudinal designs to examine how sustainability strategies evolve over time. Comparative studies across countries or sectors could further illuminate contextual influences on SME sustainability.

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