

## ALIGNING SMEs WITH SUSTAINABILITY PRINCIPLES

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**Abstract:** *Sustainability for small and medium-sized enterprises involves the balanced integration of economic, social, environmental and governance objectives into their daily activity. For SMEs, sustainable development does not only mean reducing negative environmental impact, but also using resources efficiently, strengthening responsibility toward employees and the community, respecting ethical principles and maintaining stable economic performance in the long term. The purpose of this paper is to analyze the main sustainability principles applicable to SMEs and to highlight their role in increasing competitiveness and resilience. The research methodology is based on qualitative analysis, comparative analysis and the examination of specialized literature and sustainability frameworks. The findings emphasize that the adoption of ESG principles contributes to improved operational efficiency, stronger stakeholder trust, better access to financing and long-term business stability. At the same time, SMEs face challenges related to limited financial resources, managerial expertise and access to green technologies. Therefore, sustainability should be integrated into the strategic development of SMEs and supported through institutional initiatives and simplified sustainability reporting frameworks.*

**Key words:** *SMEs, sustainability, ESG, circular economy, green transition, governance.*

**JEL:** Q56, M14, L25

### Introduction

In recent years, sustainability has become an important strategic direction both internationally and nationally. It is increasingly present in economic policies, corporate development strategies and requirements related to corporate governance. The European Green Deal, ESG standards and accelerated digitalization have pushed enterprises to rethink their operating models and adopt more responsible business practices.

In the Republic of Moldova, sustainability is particularly important because SMEs represent the overwhelming majority of active enterprises and play a significant role in employment, value creation and local economic development. However, many of these enterprises face difficulties related to access to finance, green technologies, innovation, managerial expertise and specialized knowledge regarding the implementation of sustainable principles.

SMEs can make a significant contribution to the transition toward a sustainable economy due to their flexibility, adaptability and direct connection with local communities. Compared with large companies, they can sometimes implement innovative solutions more quickly, but they need a clear managerial framework adapted to their limited resources.

The research methodology is based on qualitative analysis, comparative analysis of sustainability concepts, ESG frameworks and specialized literature related to SMEs and sustainable development. The objective of the paper is to identify the main sustainability dimensions applicable to SMEs and

to highlight the opportunities and challenges associated with the implementation of ESG principles. In the context of European integration, the Republic of Moldova aims to bring its economic practices closer to European Union standards, and this process also involves preparing SMEs for sustainability and corporate responsibility requirements.

### **Basic Content**

The adoption of ESG principles can offer companies several advantages. In addition to supporting sustainable development, these principles can improve a company’s image, increase the trust of partners and consumers, and facilitate access to foreign markets. For this reason, sustainability should no longer be seen only as an obligation or trend, but as a necessary element for long-term competitiveness.

For many SMEs, the transition toward a sustainable business model may seem difficult. Enterprises may understand the need for change, but they do not always know where to begin. The lack of clear standards, limited financial resources and differences between economic sectors make the process complex. Moreover, not all sustainability aspects are equally relevant for every enterprise.

A sustainable transition requires changes throughout the entire organization. It is not only a decision made by management, but a process that requires the involvement of all people within the enterprise. Managers must establish the strategic direction, while employees must actively participate in applying concrete measures (Accountancy Europe, 2023).

The main sustainability principles for SMEs can be grouped into four categories: environmental sustainability, social sustainability, economic sustainability and governance. Environmental sustainability aims to reduce the negative effects of economic activity on nature. For SMEs, this principle can be applied through the use of cleaner technologies and production methods, reducing energy consumption, efficient waste management, responsible use of natural resources and gradually moving from a linear economy to a circular economy (Asirom, 2025).

In the linear economic model, resources are extracted, used and then discarded as waste. This system focuses on production and immediate profit, without sufficiently valuing materials left after consumption. In the long term, the linear economy leads to pollution, resource loss and increased greenhouse gas emissions (Rabadji & Borş, 2024).

By contrast, the circular economy promotes reuse, repair, recycling and the extension of product life cycles. For SMEs, this can mean lower costs, more efficient use of raw materials and the creation of products or services that are more attractive to environmentally conscious consumers (Organizația Femeilor Antreprenori, 2025).

The green transition is becoming increasingly important for SMEs in Europe and in the Republic of Moldova. Enterprises that invest in green solutions can obtain important economic advantages, such as lower operating costs, better access to finance and a stronger market image (Tambovceva & Titko, 2020).

According to the classifications, sustainable development covers several dimensions, of which the following stand out in the long term: conservation of animal and plant species, meeting the basic needs of the anthropogenic factor and promoting equity between generations by adopting development policies aimed at access to resources and fair distribution of costs and responsibilities (Popa, V., 2023).

**Table 1. Proposed Values for the Main Dimensions of Sustainable Development for the 2030 Horizon**

Dimension	Indicator	Threshold 2030
Protecting long-term ecological sustainability	Annual per capita ecological footprint	Max 2.3 gha per capita
Meeting basic human needs	Human Development Index	Min 0.630

Promoting intergenerational equity	Gini coefficient	Max 40
Promoting intragenerational equity	Renewable energy share	Min 27%

*Source: elaborated by the author based on Popa, V. (2023).*

**Social Sustainability.** Social sustainability refers to the way enterprises affect people: employees, customers, partners and the community in which they operate. For SMEs, this principle includes:

- ensuring a safe and fair working environment;
- respecting employees’ rights;
- promoting equal opportunities;
- involvement in community projects;
- adopting ethical and transparent behavior;
- supporting vulnerable groups.

An enterprise does not function separately from society. It is part of a community and has a direct influence on it. Therefore, social responsibility should not be specific only to large corporations, but also to SMEs. Even if their resources are more limited, they can contribute to the common good through concrete and realistic actions.

In the Republic of Moldova, social inequalities, limited access to education and economic difficulties affect many families and young people. Some people cannot continue their studies because of material shortages, while others need support for social and professional integration. SMEs can contribute to reducing these problems through cooperation with non-governmental organizations, support for educational projects, internships, donations, scholarships or training programs.

Social responsibility also strengthens the reputation of an enterprise. A company that treats its employees fairly, respects the community and acts ethically can gain the trust of customers and partners more easily. At the same time, a healthy and fair working environment can increase employee motivation and reduce staff turnover (Kastel Group, 2023).

Social sustainability should be seen as an investment in the long-term stability of the enterprise. A company that ignores social issues may face difficulties in attracting employees, retaining customers and maintaining a positive image.

**Economic Sustainability.** Economic sustainability refers to an enterprise’s ability to remain profitable and competitive in the long term without compromising social responsibility and environmental protection. It includes:

- prudent financial planning;
- innovation in products and services;
- adaptation to market changes;
- risk management;
- increased operational efficiency;
- strengthening business resilience.

SMEs are considered a central element of the European economy and play an important role in local development. However, they are vulnerable to sudden changes such as economic crises, pandemics, energy price increases, legislative changes or supply chain disruptions (UN Documents, 2003).

The COVID-19 pandemic showed how important adaptability is. Enterprises that had flexible business models, digital channels and stable supplier relationships were better able to cope with difficult periods. This shows that economic sustainability is not limited to profit, but also includes the ability to withstand risks (Agung, S. and Sutrisno, 2019).

One important risk for SMEs is maintaining an outdated business model. If an enterprise does not analyze its production methods, resource consumption, customer relations and environmental impact,

it may lose relevance on the market. Customers, investors and partners are increasingly attentive to the sustainable behavior of companies.

Another risk is the loss of competitive advantage. More and more companies are integrating sustainability into their strategies by developing green products, responsible services and more efficient processes. SMEs that do not adapt may be overtaken by competitors. For example, according to the Eurobarometer, in 2016 three quarters of responding SMEs had already undertaken some circular economy activities. Even among the smallest enterprises this number was 72%.

Regulations also represent an important pressure. European legislation and sustainability reporting requirements are becoming stricter. Even if many obligations apply directly to large companies, SMEs may be affected indirectly through supply chains. Large companies may require suppliers to provide information about emissions, ethics, working conditions or resource consumption (GRI, 2020).

Access to finance may also be influenced by sustainability performance. Banks and investors are paying increasing attention to ESG criteria. In the future, enterprises that cannot demonstrate responsible practices may face difficulties in obtaining loans or investments.

Therefore, economic sustainability should not be viewed as a burden, but as a condition for the survival and development of SMEs.

**Governance.** Governance represents the way an enterprise is managed, controlled and held accountable. In the context of sustainability, governance means integrating ESG principles into strategic decisions and daily business activity.

For SMEs, sustainable governance includes:

- transparent decision-making;
- compliance with legislation;
- anti-corruption measures;
- clear internal policies;
- reporting relevant information;
- accountability toward partners, employees and the community.

Corporate governance plays an important role in building trust. Investors, customers, authorities and business partners prefer to work with enterprises that act transparently and responsibly. The lack of clear rules can lead to legal, reputational and financial risks.

A relevant example for SMEs is the voluntary VSME standard developed by EFRAG for non-listed micro, small and medium-sized enterprises. It provides a simplified framework for sustainability reporting and helps SMEs present essential information about their activity. Important reporting aspects include the identification of the enterprise, its legal structure, field of activity, management mechanisms, ethics policies and compliance measures. These elements help SMEs organize their information better and respond to requirements from partners, financiers or authorities (Chifan, D., 2026).

Governance should not be perceived as a simple administrative formality. It is the foundation of stable and responsible development. A well-managed enterprise can make better decisions, prevent risks and build lasting relationships with stakeholders.

## **Conclusions**

Aligning SMEs with sustainability principles is an essential condition for their long-term development. In the context of economic, social and environmental changes, small and medium-sized enterprises can no longer treat sustainability as a secondary issue. It must be integrated into the overall business strategy, internal processes and relationships with employees, customers, suppliers and the community.

Environmental sustainability helps SMEs reduce waste, use resources efficiently and become more resilient to climate change. Social sustainability strengthens the relationship between the enterprise,

employees and the community. Economic sustainability ensures stability, profitability and adaptability, while governance provides the necessary framework for transparent, ethical and responsible decision-making.

The research highlights several important conclusions:

- Sustainability has become a strategic necessity for SMEs and an important factor for maintaining long-term competitiveness.
- The integration of ESG principles improves operational efficiency, transparency and stakeholder trust.
- Circular economy practices contribute to resource efficiency and lower operational costs.
- Social sustainability strengthens organizational reputation and employee motivation.
- Sustainable governance supports adaptation to European sustainability standards and reporting requirements.

Recommendations include increasing access to green financing, promoting ESG education and managerial training, encouraging partnerships between SMEs and public institutions and implementing simplified sustainability reporting frameworks such as VSME.

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