

The impact of environmental innovation on the sustainable development of small enterprises

Malika Khasanova^{1,*}, Maryam Baskhanova², and Shamil Gazetdinov³

¹Kadyrov Chechen State University, Grozny, Russia

²Grozny State Oil Technical University, Grozny, Russia

³Kazan State Agrarian University, Kazan, Russia

Abstract. Small and Medium Enterprises (SMEs) play a crucial role in driving economic growth by not only enhancing economic activities but also promoting equitable development and providing employment opportunities with lower capital needs. Business sustainability requires SMEs to assess themselves, identify improvement opportunities, leverage their strengths, and devise strategies for future organizational development. In India, SMEs often encounter difficulties and may become unsustainable or even cease operations due to factors such as poor management and a shortsighted approach. Therefore, the primary objective of this chapter is to explore whether adopting sustainable models can help SMEs innovate and thrive. This paper aims to discuss various sustainable concepts prevalent in the knowledge world, emphasizing the need and importance of adopting sustainable and innovative approaches for sustained success. Specifically, it seeks to address questions such as: What constitutes innovation for SMEs? How can innovation in SMEs drive growth and sustainability?

1 Introduction

Innovation plays a pivotal role in driving progress towards a cleaner global environment. This encompasses not only technological advancements but also innovations in economic and social institutions, as well as in lifestyles. As innovation serves as the primary driver of modern economic growth, the transition towards sustainability not only fosters long-term economic development but also generates numerous economic opportunities for businesses.

At its essence, innovation entails introducing new ways of doing things, often aimed at enhancing profitability in business operations. Corporate innovation spans a wide spectrum, including the introduction of new products, services, initiatives, and regulations to better serve customers or improve internal processes. The transition to a green economy relies on innovations across various domains, including technology, economics, social behavior, and business models. These innovations encompass energy production, distribution, and storage; agriculture and forestry practices; natural resource extraction; infrastructure development; transportation systems; water management; waste disposal; and environmental restoration efforts. Technologies such as artificial intelligence (AI), the

*Corresponding author: sazih@mail.ru

Internet of Things (IoT), and blockchain are instrumental in accelerating the pace of innovation for the green transition.

The shift towards a green economy impacts a diverse range of industries, with significant potential for market expansion. Projections indicate that the green economy could constitute up to 10% of global market capitalization by 2030, rivaling sectors like healthcare and finance in terms of market size. Furthermore, transitioning to a green economy offers additional benefits, such as improved public health and productivity due to cleaner air and water resulting from knowledge spillovers associated with green innovation.

However, while the transition presents lucrative commercial opportunities, it also necessitates substantial reorganization within the economy and individual sectors. Countries can leverage their comparative advantages to maintain their competitive positions in the green economy by fostering leadership in green innovation.

This study provides a comprehensive assessment of existing literature on new green ideas, technologies, and business models, highlighting key researchers, institutions, and publications in this field. It underscores the importance of research in emerging green technologies for business sustainability and identifies areas requiring further investigation. The findings of this study are instrumental in informing the development, implementation, and evaluation of Emerging Green Technologies (EGTs) and innovations, contributing to efforts to combat climate change and foster sustainable growth paradigms in businesses.

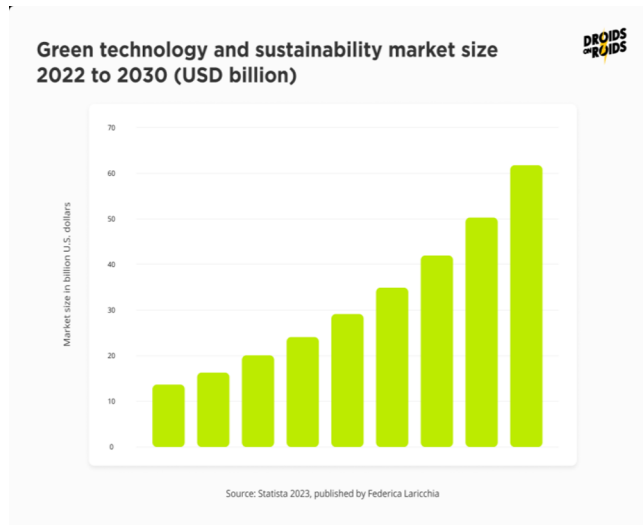


Fig. 1. Green technology and market size

As you can see above, by 2030, the global green technology and sustainability market is expected to peak at almost 62 billion U.S. dollars, increasing at a compound annual growth rate of 20.8% from 2023 to 2030.

Through a Systematic Literature Review (SLR), this study identifies developments in green technology within business studies, facilitating access to relevant literature for stakeholders interested in this topic. Additionally, it sheds light on research gaps and provides insights into the sustainability of business practices. The outcomes of this review are crucial for informing decisions regarding the adoption of eco-innovations, IT solutions, renewable energy technologies, and automation in business operations to promote sustainability. The article proceeds to discuss the methodology employed in conducting the SLR, outlining five key steps involved in the process.

2 Research methodology

After the selection of relevant publications, we identified the scholars who have contributed significantly to the research on green technologies and sustainability in contemporary business. This involved analyzing authorship patterns, citation counts, and the impact of their work in the field. By examining the most cited authors and their contributions, we gained insights into the key figures shaping current research trends. This study employed a quantitative research approach, utilizing a structured questionnaire to collect data.

3 Results and Discussions

In Russia, the research presented in [2] focuses on the role of knowledge management in developing and disseminating eco-innovative service packages for small and medium-sized enterprises (SMEs). The authors argue that effective knowledge management is crucial for SMEs to enhance their environmental performance and competitiveness through eco-innovative services. The study provides a case study of a Russian consulting company that has created a range of eco-innovative service packages for SMEs. The conclusion underscores the importance of further research to deepen the understanding of the relationship between knowledge management and eco-innovation in SMEs.

Similarly, the research in [3] investigates the role of eco-management in environmental management processes in Russia. The authors suggest that eco-management can significantly contribute to sustainable development and improved environmental performance in Russia, particularly amid the country's transition to a green economy.

In another study [4], the challenge of internationalization faced by SMEs specializing in eco-innovations in Russia is examined. The authors argue that these SMEs encounter unique obstacles due to the complexity of the eco-innovation value proposition, which often requires close collaboration and customization to meet individual customer needs. The study presents a case study of a Russian SME that has developed eco-innovative solutions for energy efficiency in various industries, emphasizing the need for further research into internationalization issues and addressing these challenges to advance sustainable development and environmental protection.

Furthermore, research [6] explores the connections between green innovation, green human resource management, green transformational leadership, and environmental performance in Russian organizations. The authors propose a mediation-modernization model, suggesting that effective green human resource management and transformational leadership can foster green innovation, thereby improving environmental performance within firms. The study, based on a survey of employees from various Russian firms, highlights the positive impact of green human resource management and transformational leadership on green innovation and environmental performance. The conclusion stresses the importance of these factors in promoting environmental performance and suggests further research to understand the contextual factors influencing their relationship.

Researchers [8] delve into the eco-innovation practices of small and medium-sized businesses (SMEs) in the food processing and manufacturing sectors in Russia. They argue that eco-innovation can confer a competitive edge to SMEs by enhancing resource efficiency, reducing waste, and meeting the rising consumer demand for environmentally sustainable products. The study, based on qualitative research conducted in Russia, identifies various obstacles hindering the widespread adoption of eco-innovation, such as limited financial resources, lack of awareness about eco-innovation techniques, and resistance to change.

Another study [9] explores how businesses in Russia implement environmentally friendly innovations through the development of green dynamic capabilities, alongside the

increasing importance of environmental sustainability and the utilization of big data analytics. The authors suggest that green dynamic capabilities enable businesses to adapt to changes in the environment and embrace green innovation techniques, ultimately enhancing performance and sustainability. The study, based on quantitative analysis of companies in Russia, sheds light on the potential of green dynamic capabilities in fostering sustainable business practices.

Furthermore, research [10] investigates the adoption and implementation of environmentally friendly innovative strategies by SMEs in Russia. The authors argue that SMEs can benefit from green innovation methods by improving environmental performance, reducing costs, and enhancing competitiveness. The study, based on qualitative research conducted in Russia, underscores the importance of encouraging SMEs to adopt environmentally friendly innovations and proposes supportive policies and programs to promote sustainable development and economic progress.

In addition, a study [2] examines the potential benefits of green innovation for technology-based SMEs in Russia. These benefits include building a green image, initiating technological advancements, and enhancing market competitiveness. The research investigates the relationship between low-carbon service innovation and business performance, suggesting that low-carbon service innovation can significantly boost the performance of technology-based SMEs in Russia under specific conditions.

Within the context of Russia's participation in eco-innovation activities, another article [4] explores the involvement of SMEs in such endeavors. The research findings indicate that SMEs in Russia engage in environmental innovation activities to a lesser extent compared to general innovation activities, categorizing Russia into distinct groups based on the level of participation in eco-innovation activities.

4 Conclusions

This investigation delineates the global environmental challenges stemming from escalating carbon emissions, energy wastage, pollution, inadequate wastewater management, and water scarcity. Small and medium-sized enterprises (SMEs) bear significant responsibility for global pollution and must seek solutions to environmental issues. The article evaluates how initiatives for corporate social responsibility (CSR), particularly green innovation, can enhance environmental performance in SMEs operating in developing nations such as the Maldives and Morocco.

In accordance with the outcomes of this research, social innovation can also positively impact environmental performance. Social innovation refers to the creation and application of novel ideas, principles, or practices aimed at meeting societal needs and improving societal outcomes. This study surveys SMEs in Semarang, Central Java, revealing that the adoption of sustainable business model innovation (SBMI) is influenced by various factors, including external conditions, dynamic performance expectations, facilitating circumstances, social influence, effort expectations, hedonic motivation, and internal speed considerations.

This inquiry sheds light on the interplay between green entrepreneurship, innovation, and financial performance within the framework of small businesses in Saudi Arabia. It underscores the significance of fostering green business self-efficacy and a business-oriented approach to foster sustainable business practices and outcomes. Social and political contributions emerge as pivotal factors in promoting sustainable product innovation, followed by efforts to mitigate pollution, waste, and emissions.

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