ENVIRONMENTAL MANAGEMENT SYSTEM IN SMALL-MEDIUM SIZED ENTERPRISES (SME)

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**Introduction**

Sustainability has gained a significant level of importance among businesses and consumers. An environmental management system is essential to organizations to identify, manage, monitor, and control issues relating to the environment holistically (Introduction to ISO 14001:2015, 2015). ISO 14001is an internationally agreed standard mandated with setting requirements for an environmental management system to help organizations enhance performance about the environment by efficiently using resources and minimizing waste, thereby gaining a competitive advantage and winning stakeholders' trust (Boiral et al. 2018, p.412). Several past studies have established a positive relationship between environmental management systems (EMSs) and the implementation of eco-innovation by businesses concerning organization and processes (Carrillo-Labella et al. 2020, p.1724). Besides enhancing sustainable development goals over time, EMSs have also been considered to facilitate and motivate the adoption of ecological innovations in organizations and industries (Nemati et al. 2016). This article assesses the challenges and opportunities that accompany the development of Environmental Management Systems in small-medium sized enterprises (SME) and the impacts of the Covid-19 pandemic on implementing corporate strategies.

**Challenges and Opportunities in Developing Environmental Management System in Small-Medium Sized Enterprises (SME)**

**Challenges**

The definition of small-medium sized enterprises (SME) varies from country to country and from industry to industry. According to the European Union (EU), SME is any enterprise with employees below 250, and with a turnover of less than EUR 50 million or a balance sheet total that does not exceed EUR 43 million (Oecd.org 2015, p.15). Minimizing SME's impacts on the environment by achieving environmental compliance goals in manufacturing and service industries is a critical success element in greening the economy (He et al. 2018, p.481). Environmental management system (EMS) such as ISO 14001 offer guidelines and practical guidelines SME plays a critical role in the green growth as they are the essential drivers of eco-innovation and crucial players in the emerging green industries (Murmura et al. 2018, p.691). Therefore, environmental management systems are viewed as tools for action in sustainable strategic management of small-medium enterprises.

Whereas EMSs are strategic tools of sustainability for SMEs, many SMEs lack formal EMSs or environmental policy currently. Recent studies have established that whereas SME accounts for about 64% of total industrial pollution in the European Union (EU), only a small number of the SMEs are proactively engaging in actions to reduce their impacts on the environments (Graafland 2018, p.278). Besides, government regulations on SMEs present pose some significant challenges due to the diversity of small-medium enterprises' activities and related environmental issues, a substantial number of operators, and minimal information available to the regulator on the level of compliance by the SMEs (Luis 2018). According to studies, small-medium enterprises have a low likelihood of adapting to environmental management systems due to resource constraints, uncertainty concerning implementation processes, and perceived absence of compensatory mechanisms (Johnstone 2020, p118802). While the barriers have both internal and external orientations such as corporate culture and attitudes and institution and economics, internal factors are considered more likely to hinder the implementation of EMS by SMEs compared to the external factors.

The internal challenges in developing an environmental management system in small-medium sized enterprises (SMEs) can be grouped into resources, attitudes, company culture, and awareness levels. Concerning resources, the internal challenges include lack of time for investigating issues or locating support tools and extreme pressure concerning time in SMEs (Reis et al. 2018). Others have inadequate resource allocation for addressing environmental issues, poor environmental training, investment cost constraints, and lack of responsibility allocation to employees in environmental matters (Chowdhury 2018, p.400). Factors relating to attitudes and company culture include the belief that some small-medium enterprises possess less impact on the environments, hence having minor issues relating to the environment worth considering (Erauskin‐Tolosa et al. 2019, p.1149). Besides, the absence of compatibility between SMEs' beliefs and actions hinders the translation of positive attitudes towards the environment into activities (Johnstone and Hallberg 2020, p.110592). There is also the perception that the environment plays no role in the business; hence environmental impacts are not assessed as one of the SME issues (Sorooshian and Ting 2018, p.129). Moreover, the prevalence of short-term planning in SMEs leads to the rise of the belief that costs associated with environmental measures increase faster than the benefits accrued by the business (Singh et al. 2015, p.300). A low level of awareness of legislation on the environment and a low level of knowledge on support groups and information sources can assist in environmental management issues (Habidin 2018, p.50). Furthermore, challenges of costs and reduced access to finance and bureaucratic barriers such as complicated procedures in administration and out of date technical requirements are also some of the critical obstacles of SME engagement in green practices.

**Opportunities**

While SMEs face several internal and external challenges in implementing green policies, there are opportunities for adopting the environmental management system. Green innovation has proved to be one of the ideal problem-solving approaches in recent decades that has seen a constant rise in global warming and environmental challenges (Khan and Johl 2019, p.6). Green innovation as a concept is synonymous with ecological innovation, eco-innovation, and environmental innovation, using each term depending on the author, country, and context (Arimura et al. 2016, p.559). Many stakeholders have established the benefits of green product innovation (GPI) by enhancing effectiveness and efficiency on the use of limited resources and the minimization of waste (Hikichi et al. 2017, p.247). Green product innovation is also a source of corporate goodwill, enhance the building of a unique market position, achieving competitive advantage, and building the reputation of green leadership.

Besides, the adoption of environmental management systems (EMSs) by small-medium enterprises (SMEs) may result in several strategic benefits. Adherence to ISO 14001 can help an SME in demonstrating compliance with both present and future statutory as well as regulatory requirements (Pacana 2019, p.393). The adoption of green practices by an SME also increases employee engagement and leadership involvement and builds a more substantial reputation for the company (Zimon et al. 2020, p.4282). Besides, it enhances stakeholders' confidence through strategic communication and helps in the achievement of strategic objectives through the incorporation of environmental issues into the management of the business (Lemkowska 2020). The involvement of SME in EMS also enhances both the competitive and financial advantage of an organization through improved efficiencies and reduced costs of operation (Dejan and Vesna 2018). Moreover, it also encourages suppliers to improve their environmental performance by integrating them into the organization's business systems (Darnall 2016). Other benefits include enhanced control and management of emissions, effluents, and wastes by an SME (Laskurain et al. 2017, p.1758). Others include safe handling of polluting materials, improving energy management efficiency, reducing costs, and improving the conservation of natural resources like water, land, and minerals (Briggs 2015, p.10). Furthermore, implementation of EMS by an SME is a comprehensive approach towards meeting environmental legal requirements, operational efficiency, and pursuit of initiatives that are environmentally linked and which are aligned to priorities of the business.

**Impacts of Covid-19 on the Implementation of Corporate Strategies**

Covid-19 pandemic has had significant impacts on corporate strategies, with small-medium enterprises responding similarly during the onset of the pandemic. First, some SMEs have taken steps to protect both employees and customers against infection by the virus (Intracen.org 2020). Whereas workers around are maintaining the delivery of essential services, corporate leaders must reflect on the lasting effects of Covid-19 and the possible measures that can ensure the recovery of employees, businesses, and society long-term (Rowan and Laffey 2020, p.138532). Consequently, possible corporate strategies that will ensure the survival of SMEs include strategies of resilience and agility. For instance, stability helps build the pro-competitive capacity every moment there a shock because of a disaster.

A pandemic is a hazard characterized by large scale outbreaks of infectious diseases, resulting in a significant disruption in economic, social, and political activities. For instance, the Covid-19 pandemic has presented substantial unique challenges to various socio-ecological nature systems with apparent significant effects on the environment (Cheval et al. 2020, p.2). Consequently, there have been substantial changes in corporate strategies such as sustainable production to meet the changing economic and social factors necessitated by the pandemic (Kumar et al. 2020, p.5). For instance, environmental changes such as monitoring and modeling through enhanced systems of observation and advanced weather and climate models have been implemented as corporate strategies for addressing the Covid-19 pandemic (Rupani et al. 2020, p.5). Besides, the Covid-19 pandemic has necessitated the need for environmental monitoring and climate services by creating adversities relating to observation and preparedness (Cheval et al. 2020, p.4140). Consequently, the pandemic has motivated environmental scientists to reinforce capabilities relating to monitoring and sustainability issues.

The impact of the Covid-19 pandemic on the economy of the world is an unprecedented event. Therefore, a covid-19 pandemic could pose significant environmental changes concerning modern marketing and a profound effect on corporate social responsibility (CSR), consumer ethics, and the basic philosophy of marketing (He and Harris 2020, p.116). Inevitably, the Covid-19 pandemic has forced many companies to adhere to ethical business conduct through enhanced corporate social responsibility (Aguinis et al. 2020). Other than impacts on CSR, Covid-19 has lowered the quality and quantity of climate services such as weather forecasting and aircraft weather observations (Cai et al. 2020). Therefore, corporate strategies should ensure a health workspace through enhance health security and sustainability (Tabish et al. 2020, p.2). Besides, the corporate plan must provide proper waste management strategies as an approach to the environmental management system and business sustainability during this period of the Covid-19 pandemic.

**Conclusion**

An environmental management system is essential to organizations to identify, manage, monitor, and control issues relating to the environment holistically. Several past studies have established a positive relationship between environmental management systems (EMSs) and the implementation of eco-innovation by businesses concerning organization and processes. Minimizing SME's impacts on the environment by achieving environmental compliance goals in the manufacturing and service industries is a critical success element in greening the economy. Environmental management system (EMS) such as ISO 14001 offer guidelines and practical guidelines SME plays a crucial role in the green growth as they are the critical drivers of eco-innovation and essential players in the emerging green industries. The internal challenges in developing an environmental management system in small-medium sized enterprises (SMEs) can be grouped into resources, attitudes, company culture, and awareness levels. Concerning resources, the internal challenges include lack of time for investigating issues or locating support tools, extreme pressure about time in SMEs, inadequate resource allocation for addressing environmental issues, poor environmental training, investment cost constraints, and lack of responsibility allocation to employees in environmental matters. Adherence to ISO 14001 can help an SME in demonstrating compliance with both present and future statutory as well as regulatory requirements. Whereas workers around are maintaining the delivery of essential services, corporate leaders must reflect on the lasting effects of Covid-19 and the possible measures that can ensure the recovery of employees, businesses, and society long-term.

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