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SUSTAINABLE BUSINESS PRACTICES IN GEORGIAN SMES: ASSESSMENT, NEEDS, AND STRATEGIC PERSPECTIVES

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This paper explores the integration of sustainable business practices within small and medium-sized enterprises (SMEs) as a catalyst for regional economic development in Georgia. Against the backdrop of global environmental and socio-economic pressures, the study situates sustainability as a critical strategic consideration for SMEs operating across diverse Georgian regions. Utilizing a mixed-methods approach, the research combines quantitative survey data from 240 SMEs across Guria, Kakheti, and Tbilisi with qualitative insights to assess the current state of environmental awareness, sustainability integration, and institutional support.

The findings reveal considerable heterogeneity in SMEs' awareness of their environmental impacts, with material use (e.g., paper, plastics) being more readily acknowledged than more systemic concerns such as energy use, carbon emissions, and land degradation. Notably, a significant proportion of SMEs underestimate their environmental footprint, suggesting a pervasive gap in sustainability literacy. Moreover, the study uncovers a widespread lack of awareness regarding government initiatives supporting sustainable practices—only 5% of respondents could name a relevant program—indicating a serious communication and policy implementation deficit.

Institutional weaknesses are further highlighted by SMEs' perceived lack of regulatory enforcement, minimal financial incentives, and the absence of structured technical support. Despite this, the research identifies a clear demand for financial incentives and individualized consulting, suggesting that targeted policy interventions could catalyze more sustainable operational behavior. Drawing on successful international models from Austria, Germany, and Japan, the study proposes policy recommendations including the establishment of innovation hubs, community engagement mechanisms, and robust public-private partnerships.

The theoretical framework underpinning this study draws from the Triple Bottom Line, Circular Economy, and Multi-Level Perspective (MLP) approaches, while also incorporating institutional theories on change and embeddedness. These frameworks help explain the interplay between economic behavior, institutional capacity, and socio-cultural dynamics in shaping sustainability transitions.

This research contributes to the broader discourse on sustainable development by providing an empirically grounded, context-specific analysis of how sustainability can be effectively localized within transitional economies. It underscores the necessity of adaptive, regionally differentiated policy frameworks to support SMEs in becoming agents of sustainable growth. Ultimately, the study argues that the convergence of business innovation, institutional support, and localized strategies is essential to align Georgia's economic development trajectory with environmental and social imperatives.

Keywords:

Sustainability; Economic Development; Regional Growth; SMEs (Small and Medium Enterprises);

Eco-Innovation

JEL Classification: L26, Q56, O32

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Introduction

In recent years, the global business environment has undergone a profound transformation driven by the increasing imperative for sustainability. This shift is the result of intersecting environmental, economic, and socio-political pressures. Heightened awareness of climate change and its associated risks has compelled businesses worldwide to adopt practices that reduce their ecological footprint. Simultaneously, resource constraints and the pursuit of long-term operational viability have encouraged firms to reevaluate conventional business models. Evolving societal expectations—particularly from consumers, investors, and other stakeholders—have further accelerated this trend, as demands for corporate social responsibility, ethical conduct, and transparency intensify.

Sustainable business practices now encompass a broad spectrum of actions, including the reduction of carbon emissions, efficient resource utilization, adoption of renewable energy, and the promotion of socially equitable labor standards. These practices are increasingly viewed not only as ethical imperatives but as integral components of competitive strategy. Empirical research suggests that firms that embed sustainability into their core operations often realize improved financial performance, enhanced brand reputation, and stronger stakeholder loyalty. Moreover, sustainability-driven innovation frequently opens new markets and generates enduring competitive advantages.

In the context of Georgia, a country characterized by economic diversity and regional variation, the shift toward sustainable business practices is both timely and essential. Small and medium-sized enterprises (SMEs) represent a significant share of the Georgian economy, contributing meaningfully to employment, innovation, and local development. However, the integration of sustainability within the management frameworks of Georgian SMEs remains at an early stage. This is particularly concerning given the country's persistent environmental challenges, such as deforestation, air and water pollution, and increasing vulnerability to climate-related disruptions.

The adoption of sustainable management practices holds substantial potential for advancing both ecological resilience and socio-economic well-being in Georgia. In regions marked by uneven development, sustainability-oriented business models can contribute to more inclusive and resilient economic growth. For SMEs, aligning operational strategies with environmental and social objectives offers an opportunity to enhance long-term viability and contribute to national sustainability goals.

This study investigates the current state of sustainable management practices among Georgian SMEs, with a focus on the adoption of sustainable technologies and operational strategies. Employing a mixed-methods approach, the research analyzes empirical data from three key regions—Guria, Kakheti, and Tbilisi—to identify trends, challenges, and opportunities. The aim is to generate insights into how sustainability is being operationalized at the enterprise level and to inform policy and managerial strategies that support more widespread and effective adoption of sustainable practices.

Literature Review

Sustainable business practices have become a global imperative, with numerous studies documenting their benefits and implementation strategies. The concept of the Triple Bottom Line (TBL), which emphasizes the importance of balancing economic, environmental, and social performance, has gained widespread acceptance. Companies worldwide are increasingly adopting TBL principles, recognizing that long-term success depends on their ability to operate sustainably. The importance of integrating sustainability into corporate strategies to achieve long-term resilience and competitive advantage is emphasized in various researches (Schröder, 2020; Smith, 2019; Thompson & Green, 2021).

Another prominent trend is the adoption of the Circular Economy (CE) model, which focuses on reducing waste and maximizing resource efficiency through recycling, reusing, and refurbishing. The CE model is particularly relevant for SMEs, which often face resource constraints. Studies have shown that SMEs that adopt circular practices can achieve significant cost savings and open up new revenue streams (Kirchherr et al., 2018).

Focusing on Georgia and similar economies, regional studies provide valuable insights into the adoption and impact of sustainable business practices. Research conducted within Georgia indicates that while awareness of sustainability is growing, practical implementation among SMEs is hindered by a lack of resources, expertise, and supportive policy frameworks. However, case studies from regions like Austria offer relevant lessons. Austria has been a leader in promoting sustainable business practices, particularly among its SMEs. Austrian SMEs have benefited from robust governmental support, including subsidies for green technologies and comprehensive sustainability guidelines (Eder & Kantner, 2019).

For example, Austrian initiatives like the "Ecoprofit" program, which provides SMEs with training and resources to enhance their environmental performance, have been successful in fostering sustainable practices. Studies indicate that participating companies have not only reduced their environmental impact but also achieved cost reductions and improved market positioning (Mayer et al., 2017).

Understanding sustainable economic development requires a solid grasp of key theoretical frameworks. The Triple Bottom Line (TBL) framework, proposed by John Elkington, is central to this discourse. TBL posits that businesses should focus on three interconnected pillars: profit, people, and planet. This holistic approach encourages companies to pursue financial success while simultaneously addressing social and environmental responsibilities.

Another relevant theory is the concept of the Circular Economy (CE), which challenges the traditional linear model of production and consumption. The CE model advocates for a closed-loop system where products and materials are continuously repurposed, thereby reducing waste and conserving resources. This model aligns with sustainable business practices by promoting efficiency and minimizing environmental impact (Geissdoerfer et al., 2017).

Additionally, the Resource-Based View (RBV) theory, which emphasizes the strategic importance of leveraging a firm's unique resources and capabilities, can be applied to

sustainability. According to RBV, firms that develop sustainable competencies, such as green technologies or eco-friendly processes, can achieve a competitive advantage (Barney, 1991).

Sustainability Transformation. The theoretical framework for understanding sustainable economic growth and the necessary transitions draws upon several key works in the field. Geels (2011) introduces the multi-level perspective (MLP) on sustainability transitions, addressing various criticisms and emphasizing the interplay between niche innovations, socio-technical regimes, and overarching landscapes. This framework elucidates how systemic transformations can be driven by the alignment of activities across these levels, offering a robust analytical lens for examining sustainability efforts (Geels, 2011).

Granovetter's (1985) concept of embeddedness in economic action and social structure highlights the crucial role of social relations in economic behavior. This perspective challenges the notion of economic actions as isolated decisions, underscoring the importance of social networks and institutions in shaping economic outcomes (Granovetter, 1985). Similarly, Mahoney and Thelen (2010) explore institutional change, emphasizing ambiguity, agency, and power dynamics. Their work provides insights into how institutions evolve and adapt, which is pivotal for understanding the mechanisms driving sustainable practices within different economic systems (Mahoney & Thelen, 2010).

Polanyi's seminal work, "The Great Transformation" (2001,[1944]), offers a historical and theoretical analysis of the social and economic upheavals accompanying the rise of market economies. His theory of embeddedness and the double movement underscores the tension between market expansion and social protection, providing a foundational understanding of the socio-economic transformations necessary for sustainability (Polanyi, 2001). Schot and Geels (2008) contribute to the discourse with their examination of strategic niche management and sustainable innovation journeys. They present a theoretical and empirical framework for understanding how protected niches can foster sustainable innovations, which gradually gain traction and influence broader socio-technical regimes (Schot & Geels, 2008). Scott (2013) further explores the role of institutions in shaping organizational behavior, detailing the interaction of ideas, interests, and identities in institutional processes. His work is crucial for understanding the institutional contexts within which sustainability initiatives are implemented (Scott, 2013).

The global policy framework for sustainable development is epitomized by the United Nations' 2030 Agenda for Sustainable Development. This comprehensive agenda outlines 17 Sustainable Development Goals (SDGs) aimed at addressing global challenges such as poverty, inequality, and climate change, and provides a universal call to action for all nations to achieve sustainable development (United Nations, 2015). The WBGU's (2011) report, "World in Transition: A Social Contract for Sustainability," offers an in-depth analysis of the societal transformations required for sustainable development. The report emphasizes the need for a new social contract that aligns scientific knowledge with policy-making to address global environmental changes effectively (WBGU, 2011).

These diverse theoretical perspectives and policy frameworks collectively provide a comprehensive understanding of the multi-faceted and dynamic nature of sustainable economic growth and the institutional changes required to achieve it.

Need for Transformation in Georgia. Georgia's journey toward sustainable economic growth necessitates a comprehensive transformation, drawing lessons from international experiences while addressing unique domestic challenges. The existing economic framework must evolve to foster resilience, inclusivity, and sustainability. This transformation is critical for harnessing Georgia's potential and aligning with global economic trends.

Adapting to the contemporary global economic environment is essential for Georgia. Economic policies must be restructured to promote innovation, enhance competitiveness, and integrate sustainable practices. The country's economic strategy should focus on diversification, reducing dependency on traditional sectors, and fostering new growth areas through technological advancements and improved human capital (Bedianashvili et al., 2024).

Exploring the historical context of managerial and marketing thinking in Georgia, it is suggested that a modern reinterpretation of these principles could significantly benefit the current economic landscape. Leveraging Georgia's rich cultural heritage and historical insights can help develop innovative managerial practices that drive economic growth and sustainability (Silagadze, Mghebrishvili, & Keshelashvili, 2021).

The impact of the COVID-19 pandemic on transitional economies, including Georgia, underscores the urgent need for economic policies that can mitigate such external shocks and enhance economic resilience. This includes adopting flexible and adaptive economic policies that can respond to both local and global economic changes effectively (Silagadze, 2022).

Addressing the broader challenges of transforming the world economy, key areas where policy interventions are necessary to facilitate structural changes, improve economic governance, and enhance the efficiency of economic institutions are identified. These insights are crucial for Georgia to navigate the complexities of global economic architecture and implement effective economic reforms (Papava, 2022a).

Examining the influence of cultural factors on economic growth and entrepreneurial activity in Georgia reveals that cultural heritage can play a pivotal role in shaping entrepreneurial mindsets and business practices. Integrating cultural insights into economic policy can foster a more dynamic and innovative economic environment (Bedianashvili, 2022b).

The agricultural sector, a significant component of Georgia's economy, also requires transformation. Improved management practices, value chain development, and sustainable agricultural practices are necessary. Policies that support agricultural cooperatives, enhance the scale of farms, and promote bio-products are advocated to achieve sustainable agricultural and rural development (Keshelashvili, 2017; Keshelashvili, 2018; Kharaishvili et al., 2018; Kharaishvili et al., 2020; Kharaishvili & Atanelishvili, 2022).

In summary, Georgia's path to sustainable economic growth demands a multifaceted transformation approach, integrating lessons from international experiences and leveraging local strengths. By addressing the challenges identified in these studies, Georgia can develop

a robust, inclusive, and sustainable economic framework that ensures long-term prosperity and resilience.

Assessment of Sustainable Practice Adoption: Survey Results and Key Insights

This study employs a descriptive research design to explore the perceptions of small and medium-sized businesses (SMBs) in Georgia regarding their environmental impact and the integration of sustainability practices. The research focuses on three regions: Guria, Kakheti, and Tbilisi, to gather diverse perspectives and insights.

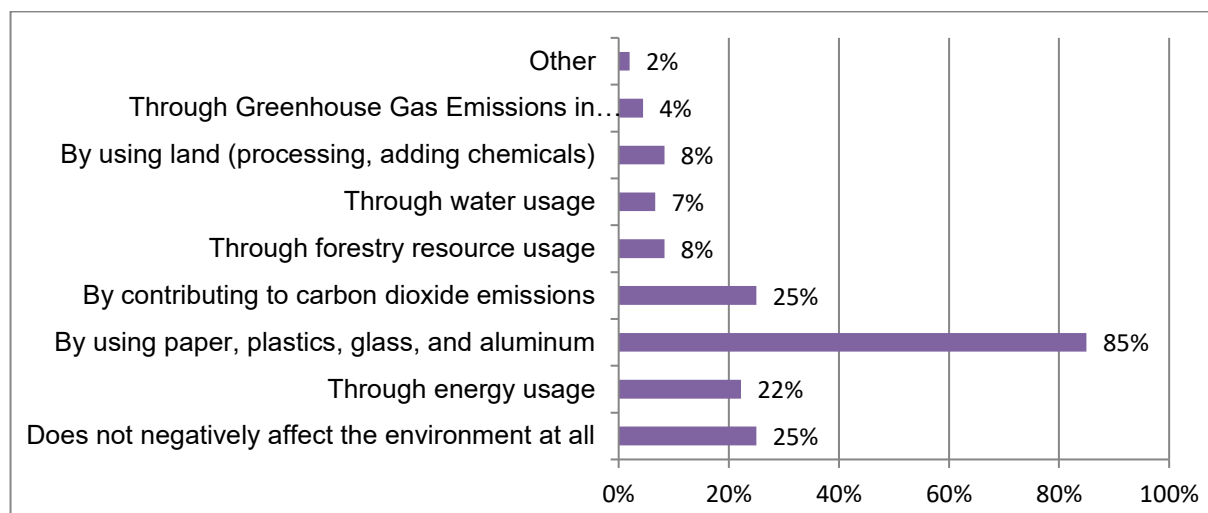
Sample Selection. The target population for this study comprises SMBs operating in the aforementioned regions. A total of 240 SMBs were selected using a stratified random sampling technique to ensure representation across various business sectors and geographical areas. This approach helps to capture a comprehensive understanding of the current business environment concerning sustainability.

A structured questionnaire was the primary data collection instrument used in this study. The questionnaire was meticulously designed to achieve the following objectives:

- **Assess the Current Business Environment:** Questions were crafted to identify the extent to which sustainability practices are integrated into the business operations of SMBs.
- **Gauge Environmental Impact Awareness:** The questionnaire included items to measure the awareness and perceptions of SMBs regarding their environmental impact.
- **Identify Potential Government Support:** The survey sought to uncover the types of support SMBs perceive as necessary from the government to enhance sustainability efforts.

The collected data were subjected to both quantitative and qualitative analysis. Quantitative data from the closed-ended questions were analyzed using statistical software to identify patterns and trends. Qualitative responses from open-ended questions were analyzed thematically to provide deeper insights into the perceptions and experiences of the SMBs. This methodological approach ensures a robust and comprehensive understanding of the perceptions of SMBs regarding their environmental impact and the necessary government support to foster sustainable economic growth in Georgia.

Participants from 240 SMBs in Guria, Kakheti, and Tbilisi were asked to identify up to three perceived negative environmental impacts of their business via a structured questionnaire. This instrument aimed to capture prevalent concerns and misconceptions regarding their environmental footprint. Respondents selected up to three answers to the question, "In what ways do you believe your business (or businesses in general) negatively affect the environment the most?"

Figure 1: Perceived Environmental Impact of Interviewed SMBs in Georgia

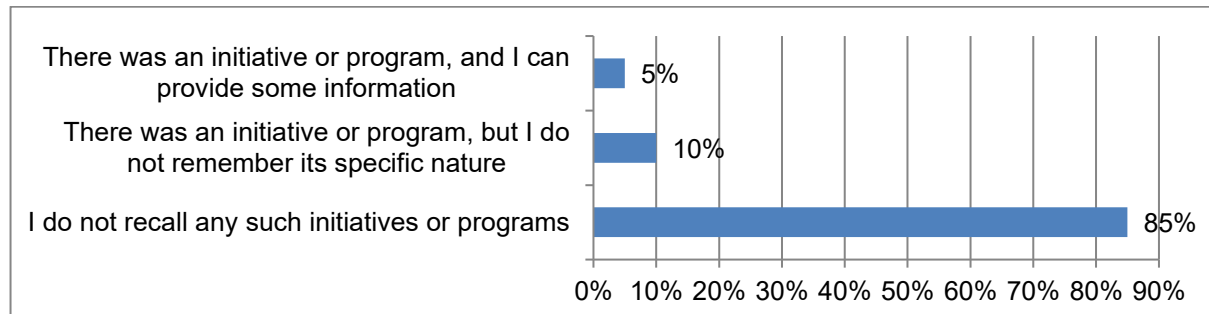
Source: Author's own compilation based on research results

The most striking observation is the high percentage (85%) of businesses that acknowledge the negative environmental effects of using paper, plastics, glass, and aluminum. This indicates a widespread awareness among SMBs regarding the detrimental impacts of these materials, which are common in business operations. Additionally, 25% of respondents believe their businesses do not negatively affect the environment at all, highlighting a significant portion of businesses that may not be fully aware of or do not acknowledge their environmental footprint. This could point to a need for increased environmental education and awareness programs targeted at SMBs. Energy usage and carbon dioxide emissions are identified by 22% and 25% of respondents, respectively, as significant negative impacts. However, considering the substantial environmental effects of energy consumption and carbon dioxide emissions, these percentages are relatively low. This suggests that many businesses may not fully recognize or understand the extent to which these factors contribute to environmental degradation, despite being ubiquitous in business operations.

Awareness Gaps in Environmental Impact among Georgian SMBs – The study reveals notable trends in the perceptions of environmental impact among SMBs in Georgia. A significant number of respondents, particularly those from the Guria and Kakheti regions, believe their businesses have no environmental impact, while fewer respondents from the capital city, Tbilisi, shared this view. Only a small percentage of businesses acknowledged specific negative environmental impacts: forestry resource usage (8%), water usage (7%), land use involving processing and chemicals (8%), and greenhouse gas emissions in agriculture (4%). These low recognition rates suggest that these environmental impacts are less understood, even businesses operating in sectors directly related to these impacts did not recognize them as significant issues. Furthermore, the study highlights a lack of awareness among local grocery stores and food markets about their environmental impact, particularly regarding decisions on product sourcing and the distances products travel. This indicates a need for increased education and awareness programs to help these businesses understand the broader environmental consequences of their operational choices. By addressing these gaps,

policymakers and stakeholders can better support SMBs in integrating sustainable practices and recognizing their role.

Figure 2: Awareness of Government Programs Supporting Sustainable Business Practices



Source: Author's own compilation based on research results

The survey results indicate that the majority of respondents (85%) do not recall any government initiatives or programs designed to support sustainable practices. A smaller percentage (10%) remembered an initiative or program but could not recall its specific nature. Only 5% of respondents could provide detailed information about such programs. Notably, those who could specify the program often mentioned initiatives such as environmental cleanup days and waste management efforts. This suggests that the broader understanding of sustainable practices among respondents is relatively low, highlighting a significant gap in awareness and knowledge about comprehensive sustainability initiatives.

Table 1: Responses to the question “How important are the following types of support for your business? (Rate each on a scale of 1-5)”

Component	Evaluation by SMBs	Conclusions from qualitative assessment
Financial incentives (grants, tax credits)	1	As anticipated, financial incentives are the most well-received
Technical assistance and consulting	3	Most SMB representatives prefer individualized assistance directly related to their specific field over group training sessions
Training and education programs	4	Most SMBs did not perceive the need to enhance their education and awareness, indicating that implementing sustainable awareness activities will be challenging
Simplified regulatory compliance	5	Received a low score due to the lack of stringent regulations by the government of Georgia, with

		most existing regulations having minimal impact on SMBs
Access to sustainable technologies and resources	2	It is crucial for SMBs to recognize that sustainable technologies can reduce costs and serve as effective marketing tools for their products. Currently, many SMBs perceive sustainable technologies as additional expenses and are inclined to adopt them only with government support.

Source: Author's own compilation based on research results

Georgia's current practices in sustainable economic growth show a significant lack of government incentives for SMEs, minimal integration of sustainability into business operations, and weak institutional support. Additionally, there is limited community and stakeholder engagement, insufficient innovation and collaboration, and few public-private partnerships. To address these issues, it is crucial to establish financial incentives such as subsidies and low-interest loans, develop comprehensive training and advisory programs, and strengthen regulatory frameworks. Enhancing community engagement, creating innovation hubs, and promoting public-private partnerships are also essential steps to drive sustainable practices and economic growth, drawing lessons from international successes such as Austria's Ecoprofit and Germany's KfW Bankengruppe.

Table 2: Current Practices in Georgia and Prospects for Improvement

Current Practices in Georgia	Prospects for Improvement (Based on International Experience and Study Results)
Lack of Government Incentives: There is a scarcity of government incentives aimed at encouraging SMEs to adopt sustainable practices. Financial support and subsidies for green technologies are minimal.	Establish Financial Incentives: Provide subsidies, tax breaks, and low-interest loans to reduce the financial burden on SMEs adopting sustainable practices. Implement programs similar to Austria's Ecoprofit or Germany's KfW Bankengruppe.
Limited Integration of Sustainability: Many businesses in Georgia do not have sustainability components integrated into their operational processes. There is a general lack of awareness and	Develop Training and Advisory Programs: Implement training and advisory programs to equip SMEs with the knowledge and skills needed for sustainable practices. Partner with academic institutions and international organizations to deliver these programs.

resources for implementing sustainable practices.	
Weak Institutional Support: There is insufficient institutional support and coordination for promoting sustainability among SMEs. Existing policies and frameworks are not effectively enforced or aligned with sustainability goals.	Strengthen Institutional Frameworks: Create clear regulatory frameworks that encourage sustainable practices and ensure effective enforcement. Establish dedicated agencies or units within government bodies to support SMEs in sustainability initiatives.
Low Community and Stakeholder Engagement: There is limited engagement with local communities and stakeholders in sustainability initiatives. Businesses often operate in isolation without leveraging community support or feedback.	Encourage Community Engagement: Foster active participation of local communities and stakeholders in sustainability initiatives. Organize forums, workshops, and partnerships to involve community members in decision-making processes.
Minimal Innovation and Collaboration: Innovation in green technologies and sustainable practices is limited. There is a lack of collaboration between SMEs, research institutions, and industry leaders.	Create Innovation Hubs and Clusters: Establish innovation hubs and industry clusters focused on sustainability. Facilitate collaboration between SMEs, research institutions, and large corporations to drive innovation in sustainable practices.
Insufficient Public-Private Partnerships: There are few public-private partnerships aimed at promoting sustainability. Government and private sector collaboration is not well developed.	Promote Public-Private Partnerships: Encourage and facilitate partnerships between the government and private sector entities. Leverage the expertise and resources of large corporations and NGOs to support SMEs in sustainability initiatives.

Source: Author's own compilation based on research results

Government Support for SMEs: Insights from International Experience

The integration of sustainability into small and medium-sized enterprise (SME) operations is increasingly recognized as a strategic priority across advanced economies. Several countries have developed robust institutional frameworks to support SMEs in adopting sustainable practices.

Austria

Austria serves as a leading example in supporting SMEs through comprehensive sustainability programs at the local level. The Austrian government has implemented several initiatives to promote sustainable practices among SMEs:

1. **Ecoprofit Program:** This program offers SMEs training and resources to improve their environmental performance. It focuses on waste reduction, energy efficiency, and sustainable resource management. Companies participating in the program benefit from cost savings and enhanced market positioning (Mayer et al., 2017).
2. **Green Tech Cluster Styria:** This initiative fosters collaboration among SMEs, research institutions, and government bodies to drive innovation in green technologies. The cluster provides SMEs with access to cutting-edge research, funding opportunities, and business development support (Schröder, 2020).
3. **Financial Incentives:** The Austrian government provides various financial incentives, including subsidies and tax breaks, to encourage SMEs to adopt sustainable practices. These incentives help reduce the financial burden of implementing green technologies and sustainable processes (Eder & Kantner, 2019).

Germany

Germany is another country with a strong track record in supporting SMEs through local government initiatives focused on sustainability:

1. **KfW Bankengruppe:** This government-owned development bank offers low-interest loans and grants to SMEs for energy efficiency projects, renewable energy installations, and other sustainable initiatives. The financial support from KfW has enabled many SMEs to invest in sustainable practices without significant financial strain (Bergmann et al., 2017).
2. **Chambers of Commerce and Industry (IHK):** Local chambers play a crucial role in promoting sustainability among SMEs by providing advisory services, training programs, and networking opportunities. They help SMEs navigate regulatory requirements and access resources for sustainable development (Schaper, 2016).
3. **Innovation and Technology Centers:** These centers support SMEs by offering infrastructure, technical expertise, and funding for research and development in sustainable technologies. They facilitate collaboration between SMEs and research institutions, driving innovation in sustainable practices (KfW, 2018).

Japan

Japan has also made significant strides in supporting SMEs through local government initiatives:

1. **Environmental Conservation Initiatives:** Local governments in Japan provide subsidies and tax incentives for SMEs that adopt environmentally friendly practices. These incentives cover a wide range of activities, including energy efficiency improvements, waste reduction, and pollution control (Morioka & Yoshino, 2017).
2. **Regional Revitalization Projects:** The Japanese government has launched various projects to revitalize regional economies by promoting sustainable practices among SMEs. These projects focus on leveraging local resources and traditional industries to drive sustainable economic development (Sato, 2019).
3. **Public-Private Partnerships:** Local governments in Japan often collaborate with private sector entities to support SMEs in implementing sustainable practices. These partnerships provide SMEs with access to funding, technical expertise, and market opportunities (Nakano & Washizu, 2018).

Conclusions and recommendations

This study examined the current state of sustainable management practices among small and medium-sized enterprises (SMEs) in three key regions of Georgia: Guria, Kakheti, and Tbilisi. The findings provide strategic insights into how sustainability is conceptualized, implemented, and supported across different sectors. The analysis highlights not only the progress made but also the significant gaps that persist in embedding sustainability within SME management systems.

1. **Lack of Comprehensive Environmental Management** - While SMEs showed awareness of environmental issues such as material waste (e.g., paper, plastic), they largely lack structured approaches to managing broader environmental impacts. There is limited attention to energy efficiency, carbon emissions, and industry-specific issues—especially in agriculture and forestry—indicating the absence of integrated environmental management systems.
2. **Limited Utilization of Support Mechanisms for Sustainable Technologies** - Although some government and international initiatives aimed at promoting sustainable business practices do exist, their number remains limited, and their practical relevance to SMEs is often unclear. Many SMEs struggle to access or understand these opportunities due to complex procedures, insufficient outreach, and a lack of tailored guidance. As a result, even when such programs are available, their impact is minimal. Greater emphasis is needed on improving the clarity, accessibility, and practical applicability of these initiatives to ensure they support real-world adoption of sustainable technologies by SMEs.
3. **Lack of Financial and Advisory Support for Strategic Implementation** - There is a widespread need for financial resources and expert advice to help SMEs adopt sustainable practices. Many enterprises express a preference for personalized technical

assistance over general training. The current support landscape lacks targeted tools that respond to specific industry needs.

4. **Weakness in Institutional and Regulatory Structures** - The regulatory environment does not provide strong incentives or enforcement mechanisms for sustainable business practices. There is a lack of clear guidelines and monitoring systems, which prevents SMEs from making long-term investments in sustainability.
5. **Lack of Stakeholder Engagement and Community Involvement** - Most SMEs operate with minimal interaction with local communities, NGOs, or research institutions. This lack of engagement limits the potential for shared learning, innovation, and public support, all of which are vital for scaling sustainable management.
6. **Limited Access to Innovation and Knowledge Exchange** - There is a noticeable gap in innovation and the exchange of knowledge related to sustainable technologies and practices. Collaboration between SMEs and universities or research centers is rare, leading to a lack of exposure to cutting-edge sustainability solutions.

To strengthen sustainable management practices among Georgian SMEs, the following recommendations are proposed:

1. **Encourage Formal Sustainability Management Systems** - Support the adoption of internationally recognized frameworks such as ISO 14001 or EMAS to help SMEs implement structured and strategic environmental practices.
2. **Improve Communication of Government Support Programs** - Create centralized and user-friendly platforms where SMEs can access updated information on government programs, incentives, and regulations. This will reduce the current lack of awareness and increase participation.
3. **Design Sector-Specific Financial Incentives** - Develop financial tools such as tax credits, low-interest loans, and green transition grants specifically designed for SMEs. These should be tailored to the unique needs of sectors like agriculture, hospitality, and manufacturing.
4. **Expand Personalized Technical Assistance** - Provide one-on-one consultancy and sector-specific advisory services to help SMEs understand and implement sustainable strategies. Local sustainability advisors can be embedded in regional economic offices to offer ongoing support.
5. **Strengthen Legal and Institutional Frameworks** - Introduce clear, enforceable sustainability standards and improve oversight mechanisms. Establish dedicated units within government agencies to focus exclusively on supporting sustainable SME practices.
6. **Foster Multi-Stakeholder Engagement** - Organize local forums and working groups to bring together SMEs, municipalities, NGOs, and citizens in developing regional sustainability plans. Such collaboration helps align business strategies with community needs and environmental goals.

7. **Establish Innovation Clusters and Knowledge Networks** - Create innovation hubs that connect SMEs with research institutions, green tech providers, and larger firms. Promote joint projects and pilot initiatives that accelerate the adoption of sustainable technologies.
8. **Promote Public-Private Collaboration** - Support partnerships between the public sector, private enterprises, and civil society to mobilize resources and expertise for sustainability initiatives. Encourage larger corporations to mentor and support SMEs through knowledge-sharing platforms and supply chain collaborations.

The future of sustainable economic growth in Georgia hinges on the strategic capacity of SMEs to adopt and institutionalize sustainability within their core management practices. Addressing the current lack of support, engagement, and regulatory guidance through targeted reforms and capacity-building initiatives will empower SMEs to contribute meaningfully to national and global sustainability objectives.

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