



Drivers and Barriers of Business Sustainability Practices in Emerging Market Enterprises

Bafana Daulat Dilip, Research Scholar, Department of Management, Sabarmati University, Gujarat

Dr. Abhay Rameshlal Bora, Professor, Department of Management, Sabarmati University, Gujarat

Abstract

Business sustainability has become a central concern for enterprises operating in emerging markets due to increasing environmental pressures, regulatory expectations, and stakeholder awareness. However, the adoption of sustainability practices in these regions is uneven, shaped by both enabling forces and significant constraints. This paper explores the key drivers and barriers influencing business sustainability practices in emerging market enterprises. Drawing on existing literature, it identifies institutional, economic, technological, organizational, and social factors that shape sustainability adoption. The study highlights that while market opportunities, regulatory pressures, and competitive advantage act as major drivers, barriers such as resource limitations, weak institutional frameworks, and lack of awareness continue to hinder progress. The paper concludes by suggesting that integrated policy support and strategic organizational commitment are essential for accelerating sustainability transitions in emerging economies.

Keywords: Business sustainability, emerging markets, sustainability practices, drivers of sustainability, barriers to sustainability

Introduction

Business sustainability has emerged as a critical area of concern in contemporary management literature, reflecting the growing need for firms to integrate economic performance with environmental stewardship and social responsibility. In recent decades, sustainability has transitioned from being a voluntary corporate initiative to a strategic imperative driven by global environmental challenges, regulatory pressures, and increasing stakeholder expectations. This transformation is particularly significant in the context of emerging market enterprises (EMEs), where rapid industrialization, urbanization, and economic expansion are often accompanied by environmental degradation and social inequality. Emerging markets present a unique institutional environment characterized by regulatory uncertainty, limited infrastructure, resource constraints, and evolving governance systems. These conditions create both significant opportunities and substantial challenges for the adoption of sustainability practices. Despite these constraints, many EMEs are increasingly adopting sustainability-oriented initiatives such as energy efficiency improvements, waste management systems, green supply chain practices, and corporate social responsibility

(CSR) programs. These practices are often motivated by a combination of internal strategic considerations and external pressures from global value chains, regulatory bodies, and socially conscious consumers. However, the extent of sustainability adoption across emerging market firms remains uneven. While some enterprises have successfully integrated sustainability into their core business strategies, others continue to face significant barriers related to financial limitations, technological gaps, lack of awareness, and weak institutional support. This divergence highlights the need to systematically examine the underlying factors that influence sustainability adoption. Against this backdrop, this study aims to explore the key drivers and barriers of business sustainability practices in emerging market enterprises. By identifying and analyzing these factors, the study seeks to contribute to a deeper understanding of how firms in emerging economies navigate sustainability challenges and opportunities, and how policy and managerial interventions can facilitate more widespread adoption of sustainable business practices.

Despite the growing body of literature on business sustainability, there remains a significant gap in understanding how multiple drivers and barriers interact simultaneously in



the context of emerging market enterprises (EMEs). Most existing studies have either focused on developed economies or have examined sustainability drivers and constraints in isolation. Furthermore, limited attention has been given to the role of institutional weaknesses, resource constraints, and global supply chain pressures in shaping sustainability adoption in emerging markets. Therefore, this study aims to provide an integrated analysis of both the drivers and barriers influencing sustainability practices, offering a more comprehensive perspective on how EMEs can navigate sustainability challenges and opportunities.

Literature Review

Acemoglu et al. (2012) environmental policy can influence the direction of technological change by encouraging innovation in either "dirty" or "clean" technologies. They argue that in the absence of intervention, markets tend to favor polluting technologies due to existing infrastructure and accumulated knowledge, leading to technological lock-in. However, policies such as carbon taxes and research subsidies can redirect innovation toward cleaner technologies by changing economic incentives. The study also highlights that early policy intervention is crucial to avoid long-term dependence on environmentally harmful technologies. Overall, the paper shows that environmental policies play a key role in shaping sustainable technological development, especially relevant for countries undergoing rapid industrialization.

Barney, et al. (2018) an updated review of resource-based theory (RBT), emphasizing its continued relevance in explaining firm performance and sustainable competitive advantage. The authors argue that firms achieve superior performance when they possess valuable, rare, inimitable, and non-substitutable (VRIN) resources and are able to effectively organize and deploy them. The study also highlights extensions of RBT, including dynamic capabilities and the role of external environments in shaping resource value. It further discusses how intangible assets such as knowledge, organizational

culture, and managerial capabilities have become increasingly important in modern competitive settings. Overall, the paper reinforces RBT as a foundational theory in strategic management and explains how resource heterogeneity among firms leads to differences in long-term performance and competitiveness.

Hsu and Zomer (2014) environmental performance in firms and how it is influenced by strategic and organizational factors. The authors argue that environmental performance is increasingly becoming a key component of overall business strategy due to rising stakeholder expectations, regulatory pressures, and competitive dynamics. The study highlights that firms with proactive environmental strategies, strong managerial commitment, and well-developed environmental management systems tend to achieve better environmental outcomes. It also emphasizes the role of innovation and operational efficiency in improving environmental performance, as firms adopt cleaner technologies and more sustainable production processes. Additionally, the authors note that environmental performance is often linked with improved corporate reputation and long-term competitiveness. Overall, the paper contributes to the literature by showing that environmental performance is not only a compliance issue but also a strategic factor that can enhance firm value and sustainability outcomes.

❖ Drivers of Business Sustainability Practices

The adoption of business sustainability practices in firms is influenced by a combination of external pressures and internal organizational factors. The literature identifies several key drivers that encourage firms, particularly in emerging markets, to integrate sustainability into their strategic and operational activities.

- **Regulatory and Institutional Pressures:** Regulatory and institutional frameworks are among the most significant drivers of sustainability adoption. Governments, environmental agencies, and international organizations impose laws,



standards, and compliance requirements that compel firms to reduce environmental harm and improve social responsibility. Acemoglu et al. (2012) emphasize that policy interventions such as environmental regulations and incentives can actively shape firm behavior by directing innovation toward cleaner technologies. In emerging markets, where institutional systems are still evolving, compliance with international environmental standards also plays a critical role in pushing firms toward sustainability.

- **Market and Customer Demand:** Market forces and changing consumer preferences strongly influence corporate sustainability practices. Increasing awareness of environmental degradation and ethical consumption has led customers to prefer sustainable products and responsible companies. Carroll and Shabana (2010) argue that firms adopting CSR and sustainability strategies benefit from enhanced reputation, customer loyalty, and improved financial performance. As a result, firms are motivated to adopt greener production processes and transparent reporting systems to meet stakeholder expectations.

- **Competitive Advantage:** Sustainability is increasingly viewed as a strategic tool for gaining competitive advantage. Firms that integrate sustainability into their core operations can achieve cost reductions, improve efficiency, and differentiate themselves in competitive markets. Hsu and Zomer (2014) highlight that proactive environmental strategies contribute positively to firm performance and long-term competitiveness. Thus, sustainability becomes not only a responsibility but also a strategic asset.

- **Technological Innovation:** Technological advancement is a key enabler of sustainability practices. Innovations in clean technology, digital transformation, and green production systems allow firms to reduce resource consumption and environmental impact. Hansen et al. (2009) explain that sustainability-oriented innovation helps firms simultaneously achieve economic efficiency and

environmental goals. Similarly, access to environmental technologies enhances firms' ability to implement sustainable practices effectively.

- **International Supply Chain Requirements:** Global supply chains significantly influence sustainability adoption, particularly in emerging markets. Multinational corporations often require suppliers to comply with environmental and social standards, which leads to the diffusion of sustainability practices across local firms. Cantwell, Dunning, and Lundan (2010) note that multinational enterprises play a key role in transferring knowledge and sustainability norms across borders, thereby shaping supplier behavior in developing economies.

- **Organizational Leadership and Awareness:** Internal organizational factors, especially leadership commitment, are critical for sustainability implementation. Galbreath (2010) emphasizes that managerial values, ethical orientation, and strategic vision significantly influence CSR and sustainability outcomes. Firms with strong top management support are more likely to embed sustainability into corporate culture and long-term strategy.

❖ **Barriers to Business Sustainability Practices**

Despite the growing importance of sustainability, its adoption in emerging market enterprises is often constrained by several structural, institutional, and organizational barriers. The literature highlights that these barriers collectively slow down or limit the effective integration of sustainability into business operations.

- **Financial Constraints:** One of the most significant barriers is limited financial capacity. Many firms in emerging markets face difficulties in accessing affordable capital, which restricts their ability to invest in sustainable technologies and infrastructure. Sustainable initiatives often require high initial investment, even though they may generate long-term benefits. This financial gap discourages especially small and medium enterprises from adopting green practices.



- Weak Institutional Frameworks:** Weak or inconsistent institutional systems also hinder sustainability adoption. In many emerging economies, environmental regulations are either poorly enforced or lack consistency, reducing the pressure on firms to comply. As Acemoglu et al. (2012) suggest, effective policy frameworks are essential for guiding firms toward cleaner technologies, and their absence can result in continued reliance on unsustainable practices.
- Lack of Awareness and Expertise:** A major internal constraint is the lack of awareness and technical knowledge regarding sustainability practices. Many firms do not possess the required expertise to design and implement environmental management systems or CSR initiatives effectively. This knowledge gap limits their ability to recognize sustainability as a strategic opportunity rather than a cost burden.
- Technological Limitations:** Access to advanced and environmentally friendly technologies is often restricted in emerging markets due to high costs and limited availability. Del Río (2009) emphasizes that technological capability is a key determinant of environmental technology adoption, and without access to such technologies, firms struggle to transition toward sustainable operations.
- Organizational Resistance to Change:** Resistance within organizations also acts as a significant barrier. Traditional management practices, rigid organizational structures, and employee resistance to new processes can slow down sustainability integration. Firms that are highly dependent

on conventional production systems often find it difficult to shift toward sustainable models.

- Short-Term Profit Orientation:** Many firms in emerging markets prioritize short-term financial gains over long-term sustainability investments. This short-term orientation discourages investment in environmentally friendly practices that may have delayed returns. As a result, sustainability is often viewed as an additional cost rather than a strategic investment.

Methodology

This study adopts a qualitative research approach based on a systematic review of existing literature. Relevant academic articles, books, and reports were collected from recognized databases such as Scopus, Web of Science, and Google Scholar. The selection of literature was based on keywords including “business sustainability,” “emerging markets,” “sustainability drivers,” and “sustainability barriers.” Priority was given to peer-reviewed journal articles published ensure both relevance and academic rigor. The collected studies were carefully analyzed and categorized into key themes, including institutional, economic, technological, organizational, and social factors influencing sustainability practices. A thematic analysis approach was used to identify patterns, relationships, and gaps within the literature. This method enables a comprehensive understanding of the complex interactions between drivers and barriers affecting sustainability adoption in emerging market enterprises.



Figure 2: Process Model of Business Sustainability Adoption in Emerging Market Enterprises

Discussion

The analysis indicates that business sustainability in emerging market enterprises is the outcome of a complex interaction between enabling drivers and constraining barriers. External forces such as regulatory requirements, market and customer expectations, and competitive pressures play a significant role in encouraging firms to adopt sustainability practices. These drivers are further strengthened by technological advancements and the influence of global supply chains, which expose local firms to international sustainability standards and practices. At the same time, the adoption of sustainability is constrained by several structural and organizational barriers. Financial limitations, weak institutional frameworks, limited access to advanced technologies, and lack of managerial awareness significantly hinder the effective implementation of sustainability initiatives. Additionally, short-term profit orientation and resistance to organizational change further slow down the integration of sustainability into core business strategies. The findings suggest that sustainability in emerging markets should not be viewed merely as a compliance requirement, but rather as a strategic transformation process. Firms that are able to overcome these barriers and leverage available drivers tend to achieve

superior outcomes, including improved operational efficiency, enhanced corporate reputation, stronger stakeholder relationships, and long-term competitive advantage. Furthermore, multinational enterprises and global value chains play a crucial role in accelerating sustainability diffusion. By imposing environmental and social standards on local suppliers, they facilitate the transfer of knowledge, technologies, and best practices, thereby contributing to broader sustainability adoption in emerging economies.

Conceptual Framework

The study proposes a conceptual framework in which business sustainability practices in emerging market enterprises are influenced by a dynamic interaction between driving and constraining factors. Drivers such as regulatory pressures, market demand, technological innovation, and organizational leadership positively influence sustainability adoption. In contrast, barriers including financial constraints, weak institutional frameworks, technological limitations, and lack of awareness negatively affect the adoption process. The framework suggests that the extent of sustainability implementation depends on how effectively firms are able to leverage drivers while overcoming existing barriers.



Figure 1: Conceptual Framework of Drivers and Barriers Influencing Business Sustainability Adoption in Emerging Market Enterprises



Policy Implications

The findings of this study suggest several important policy measures that can enhance the adoption of business sustainability practices in emerging market enterprises. Since sustainability is influenced by both external institutional frameworks and internal organizational capabilities, effective policy interventions must address multiple dimensions simultaneously.

First, strengthening environmental regulations and ensuring their effective enforcement is essential. Clear, consistent, and well-implemented regulatory frameworks create necessary pressure for firms to comply with sustainability standards and reduce environmentally harmful practices.

Second, governments should provide financial incentives such as subsidies, tax benefits, and low-interest loans to reduce the financial burden associated with adopting sustainable technologies. Such support is particularly important for small and medium enterprises that face capital constraints.

Third, improving access to green and clean technologies is crucial for enabling firms to transition toward sustainable production systems. Policies that support technology transfer, research and development, and innovation ecosystems can significantly accelerate this process.

Fourth, developing training and awareness programs for business managers and employees can help address the knowledge and expertise gap. Capacity-building initiatives can improve understanding of sustainability benefits and enhance implementation effectiveness.

Finally, encouraging public-private partnerships can foster collaboration between governments, industries, and research institutions. Such partnerships can promote sustainability innovation, knowledge sharing, and the development of context-specific solutions for emerging markets.

These policy measures collectively contribute to creating an enabling environment that supports the integration of sustainability into business practices and promotes long-term sustainable development.

Conclusion

This study concludes that business sustainability in emerging market enterprises is shaped by a combination of interrelated drivers, including regulatory and institutional pressures, evolving market and customer expectations, technological advancements, international supply chain requirements, and internal organizational factors such as leadership commitment. Together, these forces encourage firms to adopt more sustainable business practices and integrate environmental and social considerations into their strategic decisions. However, the widespread adoption of sustainability practices remains constrained by several significant barriers. Financial limitations, weak institutional frameworks, inadequate technological access, lack of managerial expertise, organizational resistance to change, and short-term profit orientation collectively hinder the effective implementation of sustainability initiatives in emerging markets. Overall, the findings suggest that achieving business sustainability requires a balanced approach involving both supportive external environments and strong internal capabilities. Coordinated efforts from governments, industry stakeholders, and international organizations are essential to overcome existing constraints and promote sustainable business transformation. Firms that proactively embed sustainability into their core strategies are better positioned to achieve long-term resilience, improved performance, and sustained competitive advantage in the evolving global economy.

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