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The Impact of Sustainability Orientation and Practices on Financial Performance: A Combined Sufficiency and Necessity Logic Approach

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Abstract

This study aims to examine the interplay of corporate sustainability orientation and sustainability practices, namely social and environmental dimensions and their impact on the financial performance of Small and Medium-sized Enterprises (SMEs) using Stakeholder theory. This study empirically tested 126 valid questionnaire responses received from the SMEs' services sector in Malaysia using Partial Least Squares Structural Equation Modelling (PLS-SEM) analysis. The result reveals that corporate sustainability orientation and social dimension influence financial performance, while the environmental dimension does not. The supplementary combined importance performance map analysis (cIPMA) analysis indicates that the environmental dimension is necessary for the financial performance outcome, albeit its effect is not significant in the regression analysis. This study acknowledges the contribution of stakeholder theory in providing insights into how the social dimension and environmental dimension of sustainability and corporate sustainability orientation influence SME's financial performance. These findings provide practical insights to practitioners when re-strategizing their business strategies and goals which in turn, resulting SMEs to becoming sustainability-oriented firms, thus achieving SDG 8 of Decent Work and Economic Growth.

Keywords: Corporate Sustainability Orientation, Social Dimension, Environmental Dimension, Financial Performance, Small and Medium-sized Enterprises (SMEs), Stakeholder Theory, SDG 8: Decent Work and Economic Growth

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1.0 Introduction

Sustainability practices have been increasingly acknowledged by organizations due to growing challenges stemming from both internal and external pressures. This has prompted organizations to address these challenges by considering social and ecological issues in their efforts to become more sustainable (Le, 2023). Sustainability now lies at the core of the business world, and failure to adapt to ever-evolving practices may lead organizations to lag behind (Park, 2023). As a result, organizations are progressively integrating sustainability initiatives into their business structures to align with stakeholders' expectations and to support the nation's goals. This, in turn, enables organizations to survive and grow in a dynamic and complex business environment (Nejatian et al., 2018). At the same time, the adoption of sustainable practices can enhance financial performance, offering a competitive advantage as businesses move toward a more sustainable future (Tardin et al., 2024).

In this context, Malaysia is ranked 54th globally in terms of readiness to integrate environmental and social practices, indicating a relatively low level of support for the adaptation of sustainability among businesses, particularly SMEs. This is critically important as SMEs are the major contributors to the country's economy. The low readiness of SMEs could hamper the country's global competitiveness and lead to difficulty in attracting investors. Furthermore, SMEs are lacking knowledge on the implementation of sustainability practices in their business. Undeniably, the main objective of a company is to have a profitable business while simultaneously taking environmental and social concerns into account, which is crucial for sustaining and guiding the business toward long-term profitability (Shankar, 2019; Jhek, 2024). Practically, more and more organizations are increasingly incorporating sustainability initiatives as a way to compete and enhance their profitability (Tardin et al., 2024). Nonetheless, these organizations often overlooked the importance of aligning sustainability with their overall business strategy and the impact on business profitability. Given that sustainability has become an indispensable component of contemporary organizations (Le, 2023; Park, 2023). This further iterates the need for SMEs to embrace social and environmental dimensions and corporate sustainability orientation as a way of life in their business operations.

From the literature's perspective, substantial attention is given to sustainability and firm performance-related studies in strategic management research (Zhao & Murrell, 2016; Maletic et al., 2018; Awaysheh et al., 2020); surprisingly, there is a lack of studies focusing on the bi-dimensional aspect of sustainability (i.e., social and environmental) and corporate sustainability orientation in strategic management research that relates to financial performance (Park, 2023). For instance, a study on Pakistan's SMEs explores the impact of environmental CSR in enhancing firms' environmental performance (Soomro et al., 2024). Similarly, Sardana et al., (2020) examine the importance of corporate social responsibility (CSR) in enhancing SMEs' firm performance in India. This study, therefore, addresses the research gap by proposing and testing a model that integrates corporate sustainability orientation, environmental dimension and social dimension, which in turn lead to the increase of SMEs' financial performance in a single research framework (Le, 2023; Park, 2023).

Moreover, prior studies have primarily focused on the impact of sustainability innovation on firm performance, emphasizing aspects such as research and development, commercialization, and the adoption of new business models that can enhance organizational outcomes (Ikram et al., 2020; Park, 2023). Findings from prior studies support the notion that sustainability-driven innovation helps increase competition and is pivotal to firm performance (Kuzma et al., 2020; Hermundsdottir & Aspelund, 2021; Le, 2023). On the other hand, the importance of corporate sustainability orientation is often overlooked, particularly in the context of small and medium enterprises (SMEs). This oversight has resulted in a predicament among SMEs when it comes to the implementation of sustainable development practices, specifically environmental and social aspects of sustainability, which ultimately affect their financial outcomes (Park, 2023; Faiqah Kamaruddin, 2024).

Underpinned by stakeholder theory, this study aims to investigate if corporate sustainability orientation, social dimension, and environmental dimension influence SME's financial performance. This study enhances knowledge on strategic management studies by introducing and incorporating a new orientation and sustainability elements, known as corporate sustainability orientation, sustainability practices (i.e., social and

environmental) in the research model in driving SMEs' financial performance, which are better known as sustainable-oriented SMEs, rather than non-sustainable-oriented SMEs.

2.0 Underlying Theory

The stakeholder theory articulates the need for an organization to maximize and satisfy the needs of its stakeholders (Parmar et al., 2010; Schaltegger et al., 2019). Freeman (2010) further elucidates that stakeholders can be comprised of employees, customers, suppliers, communities, and the environment as opposed to only shareholders. Generally, stakeholders are critical to the success of any organization, in which a firm's strategy and value must be shared and recognized by its stakeholders. Hence, a firm's corporate sustainability orientation, as part of an SME's business strategy, has to be transparent to its stakeholders (Mahajan et al., 2023). Following this, SMEs with a corporate sustainability orientation are scrutinized by their stakeholders based on their ethical stance and actions on sustainability. Adopting a corporate sustainability orientation as part of the strategy will position the firm as a sustainability-oriented organization in the eyes of its stakeholders.

In today's sustainable environment, a sustainability-focused strategy can result in a sustainable competitive advantage. Banerjee et al. (2003) explore the importance of stakeholder pressures in enhancing a company's environmental practices and financial performance. Guerci et al. (2016) suggest that green human resource management can effectively improve environmental performance and stakeholder satisfaction. Additionally, there is a strong consensus that different dimensions of Corporate Social Responsibility (CSR) are imperative for a firm to manage its relationships with its stakeholders (Theodoulidis et al., 2017). Similar to Cabaleiro-Cervino and Mendi (2024), who examine the need for firms to prioritize stakeholder interests in order to align their actions with the improvement of key performance metrics.

2.1 Literature Review and Hypotheses Development

2.1.1 Financial Performance

Financial performance serves as the firm's operating blood, which is the key to every firm's success and survival. The good financial performance of firms can be assessed through their business model, strategies, and growth potential. (Ahinful et al., 2023; Ahsan, 2024). Moreover, financial performance reflects how well the firms achieve their objectives in meeting the interests of their stakeholders. (Ikram et al., 2020; Goldstein, 2022). On the other hand, financial performance indicates the operating power and the amount of resources controlled by the firms in the context of SMEs. This further depicts that poor financial performance increases financial stress, which subsequently impacts the overall performance.

Most prior studies focus on heavy and large listed firms, and limited studies were found in the context of SMEs, particularly in the context of Asia. It is remarkably crucial to examine the financial health of SMEs due to the differences between SMEs and large firms, such as ownership structure, target market, and governance systems. On top of that, SMEs actively contribute to the economic development in most countries, particularly developing countries (Ahinful et al., 2023). The financial performance of the SMEs in this context is measured subjectively, as objective data for the firms is not readily available. The subjective approach in measuring financial performance is commonly used and appropriate for SMEs. Thus, financial performance in this context is believed to be linked to the ability of SMEs to be resilient and improve their efficiency to meet the expectations and interests of their stakeholders (Ahinful et al., 2023; Le, 2023).

2.1.2 Corporate Sustainability Orientation and Financial Performance

Corporate sustainability orientation, as derived from the work of Guerci et al. (2015), highlights a dynamic balance between economic, social, and environmental performance from an employee's perspective. From an organizational standpoint, a sustainability-oriented firm is expected to incorporate ethical dimensions within the framework of

sustainability. This further implies the inclusion of a moral compass that pervades the organization. This study differentiates corporate sustainability orientation by measuring it at the corporate level rather than from the perspective of employees and consumers. For example, it includes the interplay of internal and external organizational elements instead of the pro-environmental and prosocial perspective of the individual (Guerci et al., 2015; Giang & Dung, 2022; Tardia et al., 2024). In this realm, corporate sustainability orientation is viewed as a mindset toward sustainability that drives the organization to focus more on ethically related issues in achieving sustainable financial performance.

From a stakeholder perspective, this study argues that organizations need a combination of sustainability and ethics-based frameworks to enhance profitability. Corporate sustainability orientation focuses on the firm level, which is a relatively new context in the field of strategic management. There are limited studies that examine corporate sustainability orientation in strategic management, where most of the studies explore individual-level (Guerci et al., 2025; Liang et al., 2020). Guerci et al. (2015) share their viewpoint on the importance of green employees in HRM practices, which contributes to a stronger ethical climate in sustainability orientation. Furthermore, it explains that the higher employees' perception of sustainability, the greater the impact of HRM practices. Due to limited existing research, our study uses corporate social responsibility as a guide to explain corporate sustainability orientation and firm performance. Aftab et al. (2024) indicate that CSR practices, such as environmental and social impact, positively influence business performance in manufacturing firms. Therefore, the systematic integration of sustainability and ethical considerations into the business ecosystem will significantly influence their actions and performance. Firms should create benefits for their stakeholders by fostering good relationships and satisfying their needs, which can ultimately lead to better financial performance. Accordingly, this study hypothesizes the following:

H1: Corporate sustainability orientation will have a positive influence on financial performance.

2.1.3 Social Dimension and Financial Performance

Social dimension of sustainability refers to the relationship of the firm between internal and external stakeholders. This relationship is an integral part of the organization in maintaining its success. With that said, the ability of the firm to successfully manage its relationship with stakeholders will subsequently generate value for the business (Martinez-Conesa et al., 2017; Alodat & Hao, 2025). Concerning this study, the social dimension refers to the participation of stakeholders in the firm's activities. More precisely, SMEs' involvement and focus on the social well-being of their stakeholders is posited to enhance their financial performance. In addition, a social-oriented firm which practices social responsibility and involves stakeholders' engagement is more likely to improve its financial performance. This will subsequently improve the trust and loyalty of stakeholders. Moreover, firms are recognizing the importance of the social dimension as a strategic approach that can further support ongoing success, competitiveness, and performance. The involvement of society in firms is one of the initiatives of the country, serving as the most influential voice in businesses.

However, limited studies were found in this context, as SMEs tend to be less systematic in maintaining their stakeholders' relationships. Moreover, the degree of importance of the social dimension may be distinct due to differences in cultural and social perspectives (Sardana et al., 2020; Handoyo & Anas, 2024). The relationship between social dimension and financial performance lies in the mutual investment between the firm and its stakeholders (Handoyo & Anas, 2024). This relationship is further supported by Licandro et al. (2024) and Kim and Li (2021). It further explains that the presence of a social dimension in the firm will contribute to a high corporate reputation, which will lead to stakeholders' satisfaction and financial performance. In addition, the success of a firm relies on the relationship management between the firm and its employees, suppliers, customers, and communities. As a result of successful relationship management, the firm is more likely to experience a high level of customer loyalty, which ultimately improves its sales and profitability (Chang et al., 2021; Becchetti et al., 2022). Accordingly, this study hypothesizes the following:

H2: Social dimension will have a positive influence on financial performance.

2.1.4 Environmental Dimension and Financial Performance

The environmental dimension of sustainability is defined as the actions of organizations to protect and prioritize environmental elements as the core of their business. A firm that practices environmental sustainability tends to change the way how their business interacts with ecosystems as well as adapt to the changes in the market environment (Courrent et al., 2018). The environmental dimension is one of the major sustainable development dimensions that is required for firms to align with their business models and strategies (Martinez-Coneza et al., 2017; Shahzad et al., 2021). The continuous effort of the firm to embrace environmental practices is crucial in enhancing business competitiveness and fulfilling its ethical and legal obligations, which ultimately lead to overall firm performance and long-term success.

Environmental issues such as pollution, climate change, and deforestation are major concerns for businesses as they pose a significant impact that may affect business sustainability (Sun et al., 2025). This has resulted in serious concern from the government and stakeholders on the importance of implementing environmental standards such as ESG implications and SDGs goals (Doni & Fiameni, 2024). On the same note, businesses such as SMEs are facing increasing pressure to adopt environmental actions due to their firm size and cost (Aibar-Guzman et al., 2024). In this view, SMEs are expected to combat environmental issues while attaining greater financial outcomes. However, SMEs are unprepared for the integration of environmental practices into their business and remain on the current traditional business practices. This has led to a large gap that needs to be addressed (Aibar-Guzman et al., 2024; Sun et al., 2025).

Previous research posits a positive relationship between environmental sustainability and financial performance. Practising environmental sustainability can enhance firms' compliance with environmental regulations, such as water, social and air pollution. Ultimately, this will reduce environmental issues and improve the quality of the environment (Sardana et al., 2020; Shahzad et al., 2021). Likewise, in a prior study conducted by Handoyo and Anas (2024), environmental sustainability is beneficial to firms in achieving financial performance. Environmental activities such as reducing waste, lowering carbon footprints, conserving resources, and reducing climate change

eventually bring a greater impact to the natural environment. Firms that practice such activities will gain a competitive edge and change the perception of the stakeholders, ultimately achieving better financial outcomes. Similarly, a firm with strong environmental actions is more likely to enjoy a high reputation and improve financial outcomes. This eventually helps the firm to benefit from cost savings and discover market opportunities that drive the firm to have better sales and profits (Ventouri et al., 2023). Accordingly, this study hypothesizes the following:

H3: Environmental dimension will have a positive influence on financial performance.

3.0 Methodology

Given the research context, small and medium enterprises (SMEs) in Malaysia, which constitute 97% or 1,151,339 companies, were chosen because these companies are in the process of embracing sustainability and beginning to future-proof their businesses to ensure long-term viability. To reiterate, 97% of the companies in Malaysia include micro, small, and medium enterprises, and this study only considered small and medium enterprises because of the size of the micro-enterprises. Additionally, micro-enterprises face several challenges when embracing sustainability actions, such as resources, capability, and size of the enterprises. Therefore, this study focuses on small and medium enterprises because these firms contribute to the country's economy. This reflects how SMEs aim to operate and generate profit without compromising access to resources while contributing to the achievement of Malaysia's sustainability goals (Shahril, 2023; Department of Statistics Malaysia, 2024). Since it is impossible to obtain a complete list of service SMEs in Malaysia due to its size, a sampling frame is unavailable for the study. Therefore, non-probability sampling was used, employing a purposive sampling method. The firms selected must be SMEs in Malaysia and operate in the services industry. The online questionnaire was administered to middle-level managers and above who are involved in decision-making within the firm.

Prior to distribution, a pre-test of the questionnaire was conducted among five academics and three industry professionals to verify the questions. The study required a

minimum of 119 respondents, as determined by the G-power tool, and a total of 126 responses were received, making the sample size sufficient and acceptable (Faul et al., 2007). The survey items were developed based on past studies using a seven-point Likert scale, ranging from ‘strongly disagree’ to ‘strongly agree.’ Corporate sustainability orientation consists of 3 items adapted from Guerci et al. (2015), while 13 items from the environmental and social dimensions were adapted and derived from Courrent et al. (2018) and Bansal (2005). Partial Least Squares-Structural Equation Modelling approach (PLS-SEM) was applied to this model, and SmartPLS 4 was used to perform the data analysis (Ringle et al., 2022).

4.0 Results and Discussion

4.1 Common Method Bias

To assess common method bias because of the single source data collection method, this study employed the full collinearity assessment as proposed by Kock and Lynn (2012) and Kock(2015). Firstly, this study created a dummy dependent variable using the RAND function available in Excel, then regressed both exogenous and endogenous variables of the model with the dummy dependent variable. Table 1 denotes the VIF value from the full collinearity assessment. As demonstrated, all VIF values are below the threshold value of 3.3 (Diamantopoulos & Siguaaw, 2006), suggesting that common method bias, as well as multicollinearity, is not a concern in this study.

Table 1: Full Collinearity Assessment

Constructs	VIF
Corporate Sustainability Orientation (CSO)	1.564
Environmental Dimension (ENV D)	2.481
Financial Performance (FINANP)	2.030
Social Dimension (SOC D)	2.700

4.2 Assessment of Measurement Model

All the constructs underlined in this study are latent in nature and were measured through dedicated observed variables, thus resulting in the need to assess the relationship between the dedicated observed variables and their desired construct. This process is known as measurement model assessment. Past literature has suggested that these observed variables respectively manifest the underlying constructs the researcher intends to measure; therefore, the present study employs the reflective measurement model assessment to assess the measurement model (Hair et al., 2020). To assess convergent validity, this study evaluated the loadings of indicators on the intended constructs, the average variance explained (AVE) of each indicator as well as the composite reliability (CR). As demonstrated in Table 2, the factor loadings, the average variance explained (AVE), and the composite reliability (CR) demonstrate satisfactory levels and well surpassed the minimum threshold value as indicated in the PLS-SEM literature (Ramayah et al., 2018; Hair et al., 2020). Next, this paper assesses the discriminant validity using the Heterotrait-Monotrait correlation ratio (HTMT) by Henseler et al. (2015). As demonstrated in Table 3, the HTMT value did not violate the HTMT_{.85} threshold (Voorhees et al., 2016), suggesting that discriminant validity is established.

Table 2: Factor Loadings, Composite Reliability, and Average Variance Extracted

Constructs	Items	Loadings	Composite Reliability	Average Variance Extracted
Corporate Sustainability Orientation (CSO)	CSO1	0.900	0.927	0.808
	CSO2	0.866		
	CSO3	0.930		
Environmental Dimension (ENVD)	ENVD1	0.831	0.943	0.704
	ENVD2	0.825		
	ENVD3	0.798		
	ENVD4	0.899		
	ENVD5	0.869		
	ENVD6	0.843		
	ENVD7	0.807		

Constructs	Items	Loadings	Composite Reliability	Average Variance Extracted
Financial Performance (FINANP)	FINANP1	0.884	0.957	0.848
	FINANP2	0.953		
	FINANP3	0.939		
	FINANP4	0.907		
Social Dimension (SOCD)	SOCD1	0.829	0.915	0.645
	SOCD2	0.804		
	SOCD3	0.838		
	SOCD4	0.882		
	SOCD5	0.833		
	SOCD6	0.602		

Table 3: Heterotrait-Monotrait Ratio (HTMT)

Variables	CSO	ENVD	FINANP	SOCD
CSO				
ENVD	0.580			
FINANP	0.578	0.590		
SOCD	0.491	0.810	0.693	

4.3 Assessment of Structural Model

The structural model assessment examines the proposed relationship between variables in the hypothetical model. Specifically, Hair et al. (2020) proposed a five-step approach to assess the structural model. The first is to assess the model for collinearity issues, followed by the assessment of the path coefficient, the coefficient of determination (R^2), the effect size (f^2) and the predictive relevance of the model. Tables 4 and 5 depict the results for collinearity assessment, the R^2 and the f^2 for the hypothetical model. From the result, collinearity is not a concern since the VIF value is below the threshold value. The effect size assessment suggests that both CSO and SOCD exert a medium effect on FINANP, while ENVD does not exert any effect on FINANP. This result is in line with the path coefficient assessment depicted in Table where both CSO and SOCD have a positive and significant relationship with FINANP while the relationship between ENVD and FINANP is found to be not significant. Finally, we assess the predictive relevance of

the model using PLS Predict (Shmueli et al., 2016; Shmueli et al., 2019). As demonstrated in Table 6, the Q^2_{predict} value larger than 0 indicates that the hypothetical model demonstrates predictive power. Since the prediction error is highly symmetric, we compare the RMSE values of the model with the naïve LM benchmark. It is observed that the RMSE values of the model are lower than the naïve LM benchmark, indicating that the model has high predictive power (Shmueli et al., 2019).

Table 4: Collinearity, R^2 , f^2 and Q^2

Construct	VIF	Effect size (f^2)	Coefficient of Determination (R^2)	Stone-Geisser (Q^2)
FINANP				
CSO	1.392	0.124		
ENVD	2.477	0.002		
FINANP			0.507	0.462
SOCD	2.198	0.229		

Table 5: Hypothesis Testing

Hypothesis	Std. Beta	Std. Dev	t-value	p-value	PCI LLCI	PCI ULCI	Supported
H1	0.291	0.094	3.113	0.001	0.149	0.457	Yes
H2	0.498	0.090	5.545	0.000	0.348	0.645	Yes
H3	0.046	0.096	0.480	0.316	-0.111	0.202	No

Table 6: PLS Predict Assessment

	Q^2_{predict}	PLS-RMSE	LM-RMSE	PLS-LM
FINANP1	0.376	1.287	1.387	-0.100
FINANP2	0.406	1.214	1.239	-0.025
FINANP3	0.406	1.185	1.281	-0.096
FINANP4	0.360	1.209	1.255	-0.046

4.4 Importance-Performance Map Analysis (IPMA)

The study further extends the results of PLS-SEM by presenting the Importance-Performance Map Analysis (IPMA). Based on the model for financial performance, the social dimension has the highest importance (0.498), followed by corporate sustainability orientation (0.291) and the environmental dimension (0.046). In terms of performance levels predicting financial performance, corporate sustainability orientation (68.77) has the most influence, followed by the social dimension (61.71) and the environmental dimension (60.53).

4.5 Combined Importance Performance Map Analysis (cIPMA)

There are two underlying ideologies on how a combination of constructs could influence target constructs, namely, the sufficiency logic and the necessity logic. The sufficiency logic articulates that a combination of antecedent constructs is sufficient for impacting target constructs (Sarstedt et al., 2024). The sufficiency logic is commonly executed in the Importance-Performance Map Analysis. The necessity logic, however, articulates that a specific condition “has” to exist so that an outcome exists. The introduction of necessary condition analysis (Dul, 2016; Dul et al., 2023) allows researchers to understand if a specific condition prevents certain outcomes from existing. The NCA analysis enables researchers to quantify the level of an antecedent variable that must be achieved so that a specific outcome level is possible (Sarstedt et al., 2024). A recent contribution by Hauff et al. (2024) demonstrated that these two underlying logics could be merged into a unifying analysis framework known as combined IPMA (cIPMA). The newly proposed cIPMA combines results from NCA and IPMA analysis to make researchers better-informed decisions about the effect of antecedent constructs on the target variable.

The following depicts the results for NCA (Table 7) and IPMA analysis, as well as the diagrammatic output of cIPMA analysis following the guidelines by Sarstedt et al. (2024). With reference to the assessment of the structural model, this paper also found that ENVD has no significant impact on FINANP. This result is a typical sufficiency

logic result. Incorporating NCA as an extended analysis allows us to understand if this insignificance is attributed to the low level of ENVD that prevents its effect on FINANP. As demonstrated in the IPMA table, ENVD achieved desirable performance. Nonetheless, its importance is simply negligible. The NCA analysis, however, demonstrates different outcomes. The necessity logic analysis suggests that all three antecedents, CSO, ENVD, and SOCD, demonstrate a small to medium effect size on FINANP. The combined importance-performance map analysis (cIPMA) provides solid articulation that ENVD is a necessary construct for FINANP (albeit not important). However, the size of the circle demonstrated in Figure 1 suggests that many firms participating in the survey do not achieve the ENVD required level.

Table 7: Necessity Effect Sizes (CE-FDH Ceiling Line)

Construct	Effect size	P-value
CSO	0.072	0.055
ENVD	0.176	0.000
SOCD	0.191	0.000

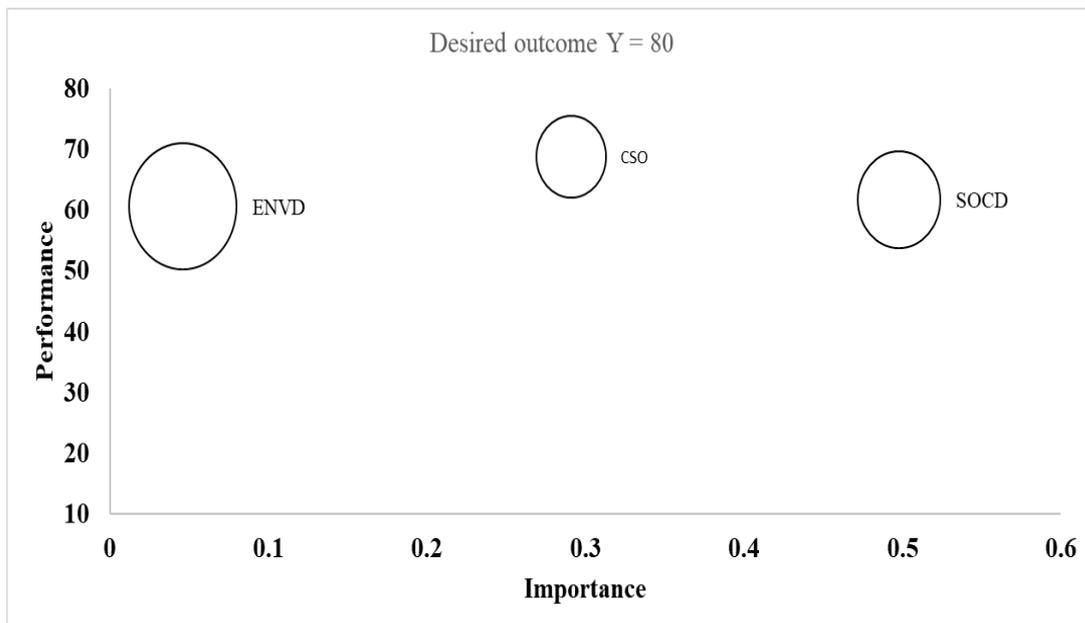


Figure 1: Combined Importance Performance Map Analysis

4.6 Discussion

This study explores how corporate social sustainability orientation, along with the social and environmental dimensions of sustainability, enhances financial performance. Firstly, corporate sustainability orientation was found to have a significant influence on financial performance, which is consistent with past studies (Guerci et al., 2015; Cabaleiro-Cervino & Mendi, 2024), and therefore, H1 is supported. This finding suggests that organizations concerned with sustainability and ethical issues are crucial for enhancing financial outcomes. In the context of this study, the finding further explains that organizations view sustainability as a key agenda, particularly in the context of SMEs. To support this view, organizations that pay attention to sustainability and ethical issues project a positive image to their stakeholders, which, in turn, influences the firm's financial performance. Corporate sustainability orientation is a necessary factor for SMEs to focus on when planning and implementing their business strategies, as indicated in cIPMA. This further indicates the need for SMEs to emphasize sustainability and ethical issues in their firm and to integrate sustainability actions when performing their tasks to enhance positive financial outcomes.

Second, the findings of the study indicate that the environmental dimension of sustainability does not enhance SMEs' financial performance. This further justifies that H2 is not supported, which is inconsistent with past literature conducted by Courrent et al. (2018). With that said, environmental practices performed by SMEs might not be noticeable to their internal and external stakeholder; these practices are not their main concern in enhancing the firm financial performance, as shown in cIPMA. Besides, there is a lack of metrics or guidelines to monitor environmental risks such as pollution levels and energy consumption, which could possibly lead to poor financial performance. The results also indicated that SMEs might focus on other sustainability dimensions, namely social and economic, as compared to the environmental dimension. Lastly, support for H3 shows that the social dimension of sustainability significantly influences SMEs' financial performance. This finding is aligned with the study of Sardana et al. (2020) as well as Handoyo and Anas (2024). Consistent communication with the community, such as website updates, will significantly help SMEs to engage with their stakeholders. This is because the social dimension of sustainability plays an important role in maintaining

the relationship with the internal and external stakeholders, which will subsequently enhance financial performance. The result of cIPMa illustrates the social dimension as the critical point for SMEs to prioritize in their business. In particular, SMEs should continuously deliver their best service and maintain their relationship with their stakeholders to enhance strong financial performance.

5.0 Implications and Future Research

Theoretically, the present study has successfully extended the literature in the context of SMEs by validating the relationship between corporate sustainability orientation, the social and environmental dimensions of sustainability, and financial performance. This study highlights the importance of firms' perceptions of sustainability and ethical-related issues in improving a firm's financial performance within the context of SMEs by introducing a firm-level corporate sustainability orientation dimension. Corporate sustainability orientation in the view of the firm reflects the importance of the firm integrating sustainability view to strengthening the competitive advantage of the business and fulfilling stakeholders' perception and expectations, which will, in turn, foster a sustainability-oriented SMEs. This study closes the gap by introducing corporate sustainability orientation, which was overlooked in past literature in the field of strategic management. Hence, this study also extended strategic management studies by introducing corporate sustainability orientation in the context of SMEs by emphasizing the adoption of corporate sustainability orientation environmental and social dimensions in enhancing economic outcomes.

Practically, this study emphasizes the importance of the social dimension in serving stakeholders' expectations. One approach is to encourage SMEs to interact with internal stakeholders (i.e., employees) on the upcoming activities and programs to enhance social welfare and satisfaction among internal stakeholders. Second, a regular update on the corporate website is crucial to keep stakeholders informed. Informative information provided by the firm is crucial in making the firm well-positioned, which ultimately enhances the firm's competitiveness and positive financial outcome. For instance, a regular update on the firm's social initiatives activities will significantly

impact the visibility of the firm. Third, government policy should focus on enhancing and developing guidelines on the environmental and social dimensions among SMEs. In addition, these guidelines should be particularly focused on the activities, programs, and actions as the exemplar for SMEs. Therefore, these guidelines enable SMEs to view the impact of environmental and social dimensions on their business. Alternatively, investments such as training programs, webinars, exhibitions, and seminars are critically important in improving SMEs' awareness of sustainability and its commitment. By joining these activities, they would be able to practice sustainability better and contribute to the goals of the United Nations on the SDGs.

This research has some limitations. The first limitation is that the generalizability of the current study is limited to the context of Malaysian SMEs, particularly the services industry among small and medium enterprises. The other industries, such as the manufacturing industry, are also crucial for the country's development. In other words, this study explores the impact of corporate sustainability orientation social and environmental dimensions on firm financial performance in a developing country such as Malaysia. As such, future studies are recommended to replicate the model of this study in other countries by employing a larger sample size to explore these relationships further. On the other hand, future researchers may consider conducting a comparative study between services and manufacturing SMEs and their financial performance. Besides, this research focuses on a quantitative approach by using cross-sectional data and a perception-based study (i.e., a subjective approach). The results might be limited due to the firms' perception instead of an objective-based approach, where the results are fixed and visible. Following this, future research is recommended to consider adopting a longitudinal or mixed-method study to assess the impact of the study and accurately gather a non-perception result to further contribute to the field of study.

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