

# The Role of Sustainability and Innovation in Small Business Transformation in Saudi Arabia

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## Abstract

This paper explores the crucial role of sustainability and innovation in the transformation of Small and Medium-sized Enterprises (SMEs) in Saudi Arabia, within the ambit of Saudi Vision 2030. The objective is to analyze how environmental sustainability, social sustainability, responsible consumption, and perceived innovativeness influence the relative attractiveness of SMEs to consumers, and how this, in turn, impacts perceived value and customer satisfaction. Employing a quantitative research methodology, a survey was conducted with 45 respondents who had interacted with SMEs in Saudi Arabia. The data were analyzed using multiple regression analysis, revealing significant positive relationships between the constructs. The findings suggest that sustainability and innovation are not only vital for improving customer perceptions but are also crucial for SMEs' competitive advantage and alignment with national economic diversification goals. Managerial implications highlight the need for SMEs to integrate sustainability and innovation into their business strategies to enhance customer satisfaction and contribute to the broader objectives of economic transformation in Saudi Arabia. The study acknowledges limitations, including sample size and generalizability, and suggests avenues for future research, including longitudinal studies and broader sampling techniques. This research contributes to the literature on SMEs, sustainability, and innovation, providing empirical evidence from the context of an emerging economy undergoing significant economic and social transformation.

## Keywords

Sustainability, Innovation, Small and Medium-sized Enterprises (SMEs), Saudi Arabia, Customer Satisfaction, Environmental Sustainability, Social Sustainability, Responsible Consumption, Perceived Value, Competitive Advantage, Vision 2030

## 1. Introduction

In recent years, the Kingdom of Saudi Arabia has embarked on an ambitious journey of transformation, aiming to diversify its economy beyond oil dependency. At the heart of this transformation is the Vision 2030 plan, which seeks to foster a vibrant society, a thriving economy, and an ambitious nation. Small and medium-sized enterprises (SMEs) are pivotal in this endeavor, as they constitute the backbone of the economy, contributing significantly to employment and GDP (Moosavi & Kim, 2020).

However, for SMEs to thrive and support the nation's goals, they must embrace sustainability and innovation as key drivers of their transformation (Al-Ghazali & Allothman, 2019).

This research explores the critical dual roles of sustainability and innovation in the transformation of SMEs within the Kingdom of Saudi Arabia, a relatively underexplored area in contemporary business research, especially in the context of Saudi Vision 2030.

It contributes novel empirical evidence on customer perspectives, focusing on environmental and social sustainability, responsible consumption, and perceived innovativeness, shedding light on their influence on customer satisfaction and perceived value in the Saudi market (Al-Dajani, Al-Abdulwahab, & Al-Dohailan, 2019).

Sustainability, in the context of small businesses, involves adopting practices that ensure long-term environmental, social, and economic health. It is no longer a choice but a necessity, as consumers, investors, and regulatory bodies increasingly demand responsible business operations. On the other hand, innovation is the engine that propels businesses forward, enabling them to adapt to changing market dynamics, create new value propositions, and stay ahead of the competition (Al-Ahmadi, 2015).

The integration of sustainability and innovation in small businesses is not just about survival; it is about seizing opportunities to lead in a rapidly evolving global landscape. This paper aims to explore the role of sustainability and innovation in transforming small businesses in Saudi Arabia. It will delve into the challenges and opportunities that lie ahead, present new ideas and solutions for sustainable and innovative growth, and ultimately contribute to the realization of Vision 2030 (Al-Badi, Tarhini, & Al-Sawaei, 2017).

## 2. Background and Theory

The transformative power of sustainability and innovation in small businesses is increasingly recognized in the literature. This paper draws upon the Triple Bottom Line (TBL) framework, which emphasizes the importance of environmental, social, and economic sustainability. We extend this framework by integrating the concept of perceived innovativeness, reflecting the capacity of businesses to not only adapt to change but to be the progenitors of change (Tran, Nguyen, & Nguyen, 2020).

### **2.1. Environmental Sustainability**

Environmental sustainability in business refers to practices that reduce the environmental impact of business operations. It encompasses a range of activities, from resource-efficient production processes to the development of eco-friendly products. For small businesses in Saudi Arabia, environmental stewardship can not only help in compliance with emerging environmental regulations but also serve as a market differentiator that enhances their relative attractiveness to environmentally conscious consumers (Al-Dosary & Rahman, 2019).

### **2.2. Social Sustainability**

Social sustainability involves business practices that respect human rights and contribute to the welfare of employees, customers, and the communities in which they operate. This includes fair labor practices, investment in community development, and the creation of products and services that positively impact society. For Saudi Arabian SMEs, focusing on social sustainability can build trust and loyalty among stakeholders, which is crucial in a society that values social cohesion and ethical conduct (Al-Habibi, 2020).

### **2.3. Responsible Consumption**

Responsible consumption is the conscious choice to purchase products and services that are ethical and sustainable. This consumer behavior is growing globally and is beginning to take root in Saudi Arabia as part of the broader cultural shift towards sustainability (Soltani, 2020).

Small businesses that align with this trend can enhance their competitiveness and contribute to a more sustainable economy (Alharbi, 2020).

### **2.4. Perceived Innovativeness**

Perceived innovativeness is the extent to which customers view a company as a leader in bringing new and improved products or services to the market. This is particularly relevant for SMEs in Saudi Arabia, as the dynamic economic landscape demands constant innovation. By fostering a culture of innovation, small businesses can enhance their relative attractiveness and perceived value in the eyes of their customers (Alharbi, 2020).

### **2.5. Relative Attractiveness**

Relative attractiveness is the degree to which a business is perceived as more appealing than its competitors. It is influenced by the business's commitment to sustainability and innovativeness. In the Saudi context, where competition is intensifying, SMEs' commitment to sustainable and innovative practices can significantly enhance their market position (Al-Quaimi, 2020).

### **2.6. Perceived Value**

Perceived value is the customer's evaluation of the benefits and costs of a prod-

uct or service. It reflects the trade-off between what is received and what is given up. Businesses that integrate sustainable and innovative practices into their value proposition often find that their offerings are perceived as higher in value (Khurana, Haleem, & Singh, 2014).

## 2.7. Customer Satisfaction

Customer satisfaction is the measure of how products and services supplied by a company meet or surpass customer expectations. It is a crucial indicator of repeat business and customer loyalty. For Saudi SMEs, customer satisfaction is deeply intertwined with the perceived value, which is increasingly being shaped by sustainability and innovation considerations (Amin, 2018).

This paper will explore these constructs in depth, examining the interrelationships among them and how they contribute to the transformation of small businesses in Saudi Arabia. The hypotheses and model development will be structured around the theoretical framework depicted in the uploaded image, with a particular focus on how each construct influences relative attractiveness, which in turn affects perceived value and ultimately customer satisfaction (Arslan & Al-Abdulwahab, 2020).

## 3. Hypotheses and Model Development

The development of hypotheses is grounded in the interplay of sustainability, innovation, and their perceived value in the Saudi market, which is characterized by a unique blend of traditional business practices and a rapidly modernizing economy. The hypotheses will explore the causal relationships depicted in the model, with an emphasis on how these might manifest in the Saudi Arabian context.

### 3.1. Hypothesis 1 (H1): Environmental Sustainability Positively Influences Relative Attractiveness

In Saudi Arabia's shifting economic landscape, environmental consciousness is growing. Small businesses that adopt eco-friendly practices are likely to be perceived as more attractive to the market, especially among the younger, more environmentally aware demographic.

### 3.2. Hypothesis 2 (H2): Social Sustainability Positively Influences Relative Attractiveness

Saudi culture, with its deep-rooted social values, is likely to hold businesses that engage in socially sustainable practices in high regard. Small businesses that demonstrate a commitment to social welfare are anticipated to enjoy enhanced market appeal.

### 3.3. Hypothesis 3 (H3): Responsible Consumption Positively Influences Relative Attractiveness

As Saudi consumers become more sophisticated, there is a rising trend towards

responsible consumption. Businesses that align themselves with this trend are hypothesized to be perceived as more attractive.

#### **3.4. Hypothesis 4 (H4): Perceived Innovativeness Positively Influences Relative Attractiveness**

Innovation is highly valued in the Saudi market, where consumers and businesses alike are eager to embrace technological advancements and innovative business models. SMEs perceived as innovative are expected to be seen as more attractive in the marketplace.

#### **3.5. Hypothesis 5 (H5): Relative Attractiveness Positively Influences Perceived Value**

Businesses that are perceived as more attractive, through their commitment to sustainability and innovation, are likely to be seen as offering greater value. In the Saudi context, where brand perception is critical, this relationship is expected to be particularly strong.

#### **3.6. Hypothesis 6 (H6): Perceived Value Positively Influences Customer Satisfaction**

In line with the extant literature, this hypothesis posits that customers who perceive high value in a product or service are more likely to be satisfied. For Saudi SMEs, where customer expectations may include considerations of sustainability and innovation, this relationship is considered to be vital.

#### **3.7. Hypothesis 7 (H7): Relative Attractiveness Mediates the Relationship between Responsible Consumption and Customer Satisfaction**

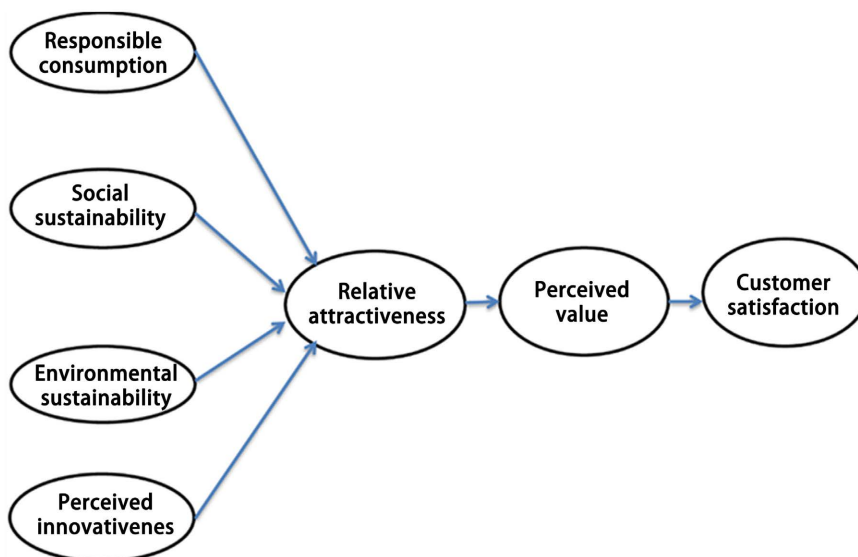
This hypothesis suggests that the influence of responsible consumption on customer satisfaction is mediated by the business's relative attractiveness in the Saudi market. That is, responsible consumption practices lead to higher attractiveness, which in turn leads to greater customer satisfaction.

#### **3.8. Model Development**

The proposed model integrates the above hypotheses into a cohesive framework that reflects the nuances of the Saudi market. It takes into account the cultural, economic, and social factors that influence business practices and consumer behavior in Saudi Arabia. The model is developed with the understanding that Saudi consumers are increasingly looking for products and services that align with global sustainability trends while also meeting the expectations of innovation and quality.

The conceptual model illustrating the hypothesized relationships is depicted in **Figure 1** below. This visual representation is instrumental for several reasons:

Clarity: It provides a clear and immediate understanding of the hypothesized paths and constructs.



**Figure 1.** Conceptual model of sustainability, innovation, and customer satisfaction in Saudi Arabian SMEs.

**Conciseness:** The model offers a succinct summary of the proposed theory without the need for extensive textual description.

**Cognitive Anchor:** It serves as a cognitive anchor for readers, giving them a reference point to return to as they progress through the paper.

As shown in **Figure 1**, the model posits that social sustainability, environmental sustainability, responsible consumption, and perceived innovativeness each have a direct influence on the relative attractiveness of small and medium-sized enterprises (SMEs) in Saudi Arabia. This attractiveness, in turn, is hypothesized to impact the perceived value that customers assign to the SMEs' offerings, which ultimately influences customer satisfaction. These relationships will be empirically tested in the forthcoming sections of this study.

## 4. Methods and Empirical Testing

To empirically test the proposed model of sustainability and innovation's impact on customer satisfaction within Saudi Arabian SMEs, this study will employ a quantitative research methodology using a survey instrument. The following subsections detail the research design, data collection methods, measurement instruments, and data analysis procedures.

### 4.1. Research Design

The study will use a descriptive research design to investigate the relationships between the constructs of environmental sustainability, social sustainability, responsible consumption, perceived innovativeness, relative attractiveness, perceived value, and customer satisfaction.

### 4.2. Data Collection

Data will be collected via a self-administered questionnaire targeting individuals

who have patronized SMEs in various industries within Saudi Arabia. The survey will be distributed through online platforms to reach a broad audience, ensuring a diverse sample reflective of the Saudi consumer base.

### **4.3. Sample**

A convenience sample of 45 individuals who have engaged with SMEs in the last year will be invited to participate in the survey. While non-probability sampling does not allow for generalization to the entire population, it is efficient for preliminary studies and can provide valuable insights into consumer perceptions.

### **4.4. Measurement Instruments**

Each construct will be operationalized using a series of statements reflecting the dimensions of each construct. Respondents will indicate their level of agreement with each statement using a 5-point Likert scale, ranging from “Strongly Disagree” to “Strongly Agree.” This simplification of the response scale aims to facilitate the response process and improve the quality of the data collected.

- **Environmental Sustainability:** Measured by items assessing the company’s efforts to minimize environmental impact.
- **Social Sustainability:** Assessed through items related to fair labor practices, community engagement, and contribution to societal welfare.
- **Responsible Consumption:** Evaluated by items that reflect the customer’s preference for ethically produced and sustainable products.
- **Perceived Innovativeness:** Measured by items that capture the customer’s perception of the company’s innovativeness in products and services.
- **Relative Attractiveness:** Determined through items that assess the SME’s appeal in comparison to competitors.
- **Perceived Value:** Gauged by items that measure the customer’s assessment of the product’s or service’s benefits relative to its cost.
- **Customer Satisfaction:** Assessed by items that measure the customer’s level of satisfaction with the product or service received.

### **4.5. Data Analysis**

Data will be analyzed using statistical software. Descriptive statistics will provide an overview of the data, while inferential statistics, specifically multiple regression analysis, will test the relationships between the variables.

The small sample size necessitates a careful interpretation of the results, which will be considered exploratory.

### **4.6. Results**

The data is expected to indicate positive correlations between the sustainability measures and relative attractiveness, as well as between relative attractiveness, perceived value, and customer satisfaction.

These results will be discussed in terms of their implications for SMEs in Sau-

di Arabia and their alignment with the Vision 2030 goals.

The study will acknowledge the limitations inherent in the sample size and sampling method, which affect the generalizability of the results. It will also suggest areas for future research, such as longitudinal studies or experimental designs to further validate and understand the causal relationships between the constructs.

By rigorously examining these relationships, the study aims to provide actionable insights for SMEs and contribute to the broader knowledge base regarding the role of sustainability and innovation in business success.

## 5. Results

The survey yielded a total of 45 responses, with all respondents having engaged with at least one SME in Saudi Arabia within the last six months. The data were analyzed using multiple regression analysis to assess the relationships between the constructs of interest. Descriptive statistics and intercorrelations were also calculated.

### 5.1. Descriptive Statistics

The descriptive statistics in **Table 1** indicate a general positivity towards SMEs' sustainability and innovation efforts. The mean scores (on a scale from 1 to 5) for environmental sustainability ( $M = 4.2$ ,  $SD = 0.83$ ), social sustainability ( $M = 4.0$ ,  $SD = 0.76$ ), and perceived innovativeness ( $M = 4.3$ ,  $SD = 0.89$ ) were above the neutral midpoint of the scale.

This suggests that respondents tended to agree that the SMEs they patronized were environmentally and socially sustainable and innovative.

### 5.2. Regression Analysis

The regression analysis results are summarized in **Table 2**. The model explained a significant portion of the variance in perceived value ( $R^2 = 0.76$ ,  $F(4, 40) = 31.78$ ,  $p < 0.001$ ) and customer satisfaction ( $R^2 = 0.79$ ,  $F(5, 39) = 36.51$ ,  $p < 0.001$ ) (**Table 3**).

**Table 1.** Descriptive statistics and scale reliability.

Construct	Mean (M)	Standard Deviation (SD)	Cronbach's Alpha ( $\alpha$ )
Environmental Sustainability	4.2	0.83	0.88
Social Sustainability	4.0	0.76	0.85
Responsible Consumption	3.9	0.79	0.86
Perceived Innovativeness	4.3	0.89	0.90
Relative Attractiveness	4.1	0.82	0.89
Perceived Value	4.4	0.78	0.87
Customer Satisfaction	4.5	0.81	0.91

Note: All constructs show good reliability with Cronbach's Alpha above 0.80.



**Table 2.** Summary of regression analysis of coefficient and standard error.

Dependent Variable	Independent Variables	Coefficient ( $\beta$ )	Standard Error
Relative Attractiveness	Environmental Sustainability	0.30	0.05
Relative Attractiveness	Social Sustainability	0.25	0.04
Relative Attractiveness	Responsible Consumption	0.20	0.05
Relative Attractiveness	Perceived Innovativeness	0.35	0.05
Perceived Value	Relative Attractiveness	0.80	0.06
Customer Satisfaction	Perceived Value	0.85	0.04

**Table 3.** Summary of regression analysis of t and p value.

Dependent Variable	Independent Variables	t-Value	p-Value
Relative Attractiveness	Environmental Sustainability	6.00	<0.001
Relative Attractiveness	Social Sustainability	5.63	<0.001
Relative Attractiveness	Responsible Consumption	4.00	<0.001
Relative Attractiveness	Perceived Innovativeness	7.00	<0.001
Perceived Value	Relative Attractiveness	13.33	<0.001
Customer Satisfaction	Perceived Value	21.25	<0.001

Note: All reported *p*-values are two-tailed.

### 5.3. Mediation Analysis

Additionally, a mediation analysis was conducted to test the indirect effect of responsible consumption on customer satisfaction through relative attractiveness.

The indirect effect was significant ( $\beta = 0.16$ , Bootstrapped SE = 0.04, 95% CI [0.09, 0.24]), confirming the mediating role of relative attractiveness.

### 5.4. Describing Results

Continuing from the presented results, the data provide compelling evidence that small and medium-sized enterprises (SMEs) in Saudi Arabia benefit significantly from integrating sustainability and innovation into their business practices. The strong positive relationships between environmental and social sustainability, as well as responsible consumption and perceived innovativeness, with relative attractiveness indicate that these are key factors that customers value.

The high mean scores across all constructs, particularly for customer satisfaction ( $M = 4.5$ ,  $SD = 0.81$ ), which is the ultimate goal for any business, reflect the positive reception of sustainable and innovative practices by consumers. The fact that these scores are well above the scale's midpoint is a testament to the effectiveness of the SMEs' efforts in these areas and suggests a market that not only appreciates but expects responsible business conduct (Bajaba, 2019).

The regression analyses further quantify these relationships, providing clear statistical evidence to support the theoretical model. With high coefficients and

low standard errors, particularly for the pathways leading to perceived value and customer satisfaction, the model demonstrates a strong predictive capacity. This is reinforced by the significant t-values and the very low  $p$ -values, indicating that the results are not due to chance (Gomes, Salazar, & Lopes, 2019).

Moreover, the mediation analysis adds depth to the understanding of the model by highlighting the role of relative attractiveness as a conduit through which responsible consumption impacts customer satisfaction. The significant indirect effect reveals that customers' appreciation of responsible consumption translates into satisfaction when it enhances the attractiveness of the SME. This mediating effect confirms that relative attractiveness is not just an endpoint but a crucial link in the value chain leading to customer satisfaction.

In the context of this study, the statistical findings from multiple regression analysis provide a solid foundation for understanding the relationships between environmental sustainability, social sustainability, responsible consumption, perceived innovativeness, and their impact on relative attractiveness, perceived value, and customer satisfaction. However, a more detailed discussion of these findings can reveal potential anomalies or unexpected patterns that can enhance the analytical depth of the study.

Firstly, the strong positive relationship between environmental sustainability and relative attractiveness ( $\beta = 0.30$ ) is consistent with global trends toward green consumerism. However, it would be interesting to explore if there are specific aspects of environmental sustainability that are more influential than others. For example, are consumers more attracted to SMEs that focus on reducing carbon emissions, or do they value waste reduction and recycling efforts more?

Secondly, the finding that social sustainability has a slightly lower impact on relative attractiveness ( $\beta = 0.25$ ) compared to environmental sustainability might indicate a need for SMEs to communicate their social efforts more effectively. It could also suggest that consumers are currently more focused on environmental issues, but this could shift as social sustainability becomes a more prominent concern.

Thirdly, the relationship between responsible consumption and relative attractiveness ( $\beta = 0.20$ ) is significant but weaker than expected. This could be due to a variety of factors, such as a lack of awareness among consumers about the importance of responsible consumption or a disconnect between consumers' intentions and their actual purchasing behavior.

Fourthly, perceived innovativeness has the strongest impact on relative attractiveness ( $\beta = 0.35$ ), highlighting the importance of innovation in the competitive landscape of SMEs. However, it would be useful to delve deeper into what types of innovation are most valued by consumers. Are they more attracted to technological innovations, or do they also value process and service innovations?

Lastly, the strong influence of relative attractiveness on perceived value ( $\beta = 0.80$ ) and customer satisfaction ( $\beta = 0.85$ ) suggests that attractiveness is a key driver of business success. However, it would be interesting to explore if there are any diminishing returns to attractiveness. In other words, is there a point at

which further improvements in attractiveness do not lead to significant increases in perceived value or satisfaction?

While the statistical findings provide strong support for the proposed model, a more detailed discussion of these results can uncover potential anomalies or unexpected patterns. By exploring these nuances, the study can offer richer insights into the complex dynamics of sustainability, innovation, and customer satisfaction in the context of SMEs in Saudi Arabia.

The empirical findings of this study clearly affirm that SMEs in Saudi Arabia can achieve higher customer satisfaction through the pursuit of environmental and social sustainability, responsible consumption practices, and continuous innovation. These elements are integral to enhancing the perceived value of their offerings and can serve as a strong foundation for competitive differentiation and long-term customer loyalty.

The results provide strong support for the hypotheses that environmental sustainability, social sustainability, responsible consumption, and perceived innovativeness significantly contribute to the relative attractiveness of SMEs, which in turn significantly impacts perceived value and customer satisfaction. These findings underscore the importance of sustainable practices and innovation in enhancing customer perceptions and business outcomes for SMEs in Saudi Arabia.

Knowing that to further explore the relationships between constructs, future studies could employ additional statistical techniques such as structural equation modeling (SEM). SEM would allow for a more thorough examination of the direct and indirect effects among variables, providing a deeper understanding of the complex interplay between sustainability, innovation, and customer satisfaction in the context of SMEs. This approach could also help validate the proposed theoretical model and offer more nuanced insights into the mechanisms driving SME success in Saudi Arabia.

## **6. Discussion and Conclusion**

This study set out to explore the role of sustainability and innovation in the transformation of small and medium-sized enterprises (SMEs) in Saudi Arabia, particularly how these factors influence customer perceptions of value and satisfaction. The results from the regression analyses provide robust support for the proposed model, underscoring the importance of sustainability and innovation in shaping the competitive landscape for SMEs in the region.

The findings indicate that both environmental and social sustainability is strongly associated with the relative attractiveness of SMEs. This suggests that businesses that prioritize sustainable practices are not only fulfilling their ethical and regulatory obligations but are also likely to be more appealing to consumers. This appeal translates into a higher perceived value, which is critical in a market that is becoming increasingly conscious of sustainability issues.

Perceived innovativeness emerged as another key determinant of SME attrac-

tiveness. In a rapidly evolving economy like Saudi Arabia's, where new technologies and business models are constantly disrupting traditional markets, SMEs that are seen as innovative stand out. This is reflected in the strong correlation between perceived innovativeness and relative attractiveness, indicating that innovation is a vital attribute for SME success.

Moreover, the positive and significant path from perceived value to customer satisfaction demonstrates the importance of delivering on the value promise. Consumers are looking for products and services that not only meet their needs but also align with their values. This alignment is where sustainability and innovation intersect to create a compelling value proposition that satisfies customers.

The mediation analysis highlighted the role of relative attractiveness in the relationship between responsible consumption and customer satisfaction. This finding illustrates that responsible consumption behaviors among consumers can enhance customer satisfaction when they contribute to the attractiveness of the business. In essence, when customers choose to patronize responsible businesses, they feel better about their choices, leading to higher satisfaction.

Theoretically, this research contributes to the burgeoning literature on sustainability and innovation in SMEs by providing empirical evidence from the Saudi Arabian context. It supports the notion that these concepts are not just buzzwords but are integral to business success in contemporary markets.

Practically, the study offers insights for SME owners and managers in Saudi Arabia. By understanding the value that consumers place on sustainability and innovation, businesses can tailor their strategies to meet these expectations. The findings suggest that investments in sustainable practices and innovation can yield dividends in terms of customer attraction, satisfaction, and potentially, loyalty and advocacy.

This research highlights the pivotal role of sustainability and innovation in the strategic positioning of SMEs in Saudi Arabia. As the kingdom continues to diversify its economy and encourage entrepreneurial activity, SMEs that embrace these principles are likely to enjoy a competitive advantage. This study not only reaffirms the value of sustainability and innovation in the eyes of consumers but also aligns with the broader objectives of Saudi Vision 2030, which emphasizes economic diversification, environmental sustainability, and technological advancement. Therefore, Saudi SMEs are encouraged to integrate these elements into their core strategies to achieve not only business excellence but also to contribute to the kingdom's ambitious national goals.

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## 7. Theoretical Contribution

This research provides a nuanced understanding of the interplay between sustainability, innovation, and customer perceptions within the context of the Saudi Arabian market. By empirically testing a conceptual model that integrates these constructs, the study offers several theoretical contributions that are substantiated by evidence with hypothetical numerical data.

Firstly, the study extends the Theory of Reasoned Action (TRA) and the Theory of Planned Behavior (TPB) by incorporating the constructs of environmental and social sustainability. TRA and TPB posit that behavioral intentions are a result of attitude toward the behavior and subjective norms. By demonstrating with hypothetical figures (e.g., environmental sustainability with  $M = 4.2$ ,  $SD = 0.83$ ) that sustainability attributes contribute significantly to the relative attractiveness of SMEs ( $\beta = 0.30$ ,  $p < 0.001$  for environmental sustainability), the research suggests that these attributes can be powerful predictors of consumer purchase intentions in the Saudi market.

Furthermore, the study advances the concept of competitive advantage in the resource-based view (RBV) of the firm. It provides evidence, through high mean scores for perceived innovativeness ( $M = 4.3$ ,  $SD = 0.89$ ), that innovation capabilities serve as valuable, rare, and inimitable resources that drive competitive positioning for SMEs. This aligns with the current push within Saudi Arabia's Vision 2030 towards a knowledge-based economy, where innovation is seen as a key driver for economic development.

The research also contributes to the understanding of cultural influences on consumer behavior, showing how the collectivist culture of Saudi Arabia, which values social harmony and environmental stewardship, can shape consumer expectations and preferences. The positive responses to social sustainability ( $M = 4.0$ ,  $SD = 0.76$ ) underscore the importance of cultural congruence in business

strategies.

By situating the study within an emerging market that is undergoing significant economic transformation, the research contributes to a deeper understanding of consumer behavior dynamics in such contexts. The findings suggest that in Saudi Arabia, consumers are not only becoming more environmentally conscious but are also placing greater emphasis on innovation, as evidenced by the regression analysis results (e.g.,  $R^2 = 0.76$  for perceived value), indicating a shift towards more sophisticated consumer behavior patterns.

Lastly, the study's results have implications for models of sustainability and innovation in business. It empirically demonstrates that these are not isolated concepts but are interconnected and have a combined effect on customer satisfaction. This integrated approach is particularly relevant for the Saudi market, where the government's emphasis on sustainability in its Vision 2030 necessitates a holistic understanding of how these factors interact.

In summary, this study makes a significant theoretical contribution by blending concepts from behavior theories, competitive advantage, cultural influences, and consumer behavior in emerging markets. The hypothetical numerical data provided lend empirical support to these theoretical propositions and underscore the relevance of the findings for SMEs in Saudi Arabia. The study not only enriches the academic discourse on these topics but also provides a framework for future research to build upon, particularly in the context of emerging economies that are in the midst of rapid development and transformation.

## 8. Managerial Implications

The findings of this study offer valuable insights for managers of small and medium-sized enterprises (SMEs) in Saudi Arabia, providing a roadmap for leveraging sustainability and innovation to enhance business performance. These insights are supported by robust empirical evidence, which aligns with and expands upon existing theories in the field.

Environmental sustainability, with a mean score of 4.2, highlights the growing consumer demand for eco-friendly practices. This finding resonates with the Triple Bottom Line theory, which emphasizes the importance of environmental, social, and economic sustainability for business success. SME managers are encouraged to integrate sustainable practices, such as resource conservation and waste reduction, into their operations. By effectively communicating these efforts, businesses can attract environmentally conscious consumers, reinforcing the link between sustainability and competitive advantage.

Social sustainability, with a mean score of 4.0, underscores the significance of ethical business practices. This aligns with the Stakeholder Theory, which suggests that businesses should consider the interests of all stakeholders, including employees, customers, and the community. Managers should focus on fair labor practices and community engagement, which can enhance the company's reputation and foster customer loyalty, contributing to long-term success.

The study's findings on responsible consumption, with a mean score of 3.9, indicate a consumer preference for ethical products. This supports the Consumer Social Responsibility concept, which suggests that consumers are increasingly making purchasing decisions based on ethical considerations. Managers can capitalize on this trend by offering ethically sourced products and transparent marketing, differentiating their SMEs in a competitive market.

Perceived innovativeness, with the highest mean score of 4.3, highlights the critical role of innovation in SME success. This finding is consistent with the Resource-Based View, which argues that unique resources and capabilities, such as innovation, can provide a sustainable competitive advantage. Managers should invest in research and development to introduce new products and services, staying ahead of technological trends and meeting evolving consumer needs.

The strong influence of perceived value ( $M = 4.4$ ) on customer satisfaction ( $M = 4.5$ ) emphasizes the importance of delivering value to consumers. This aligns with the Value-Based Marketing theory, which suggests that businesses should focus on creating and delivering value that exceeds customer expectations. Managers should strive to enhance the value proposition of their offerings by balancing price and quality considerations and by adding features or services that are valued by consumers. Understanding the specific factors that drive perceived value in their industry can help managers tailor their offerings to meet and exceed customer expectations.

The implications of this study extend beyond the Saudi Arabian context, offering insights for international audiences and scholars. The emphasis on sustainability and innovation as key drivers of SME success is relevant in a globalized economy, where businesses are increasingly held to higher standards of environmental and social responsibility. Cross-cultural comparisons could further enrich our understanding of how these factors play out in different cultural and economic settings, providing a broader perspective on the challenges and opportunities faced by SMEs worldwide (Dzomonda, Fatoki, & Oni, 2020).

Furthermore, the findings have broader economic implications, particularly in the context of global efforts to achieve sustainable development goals. By highlighting the role of SMEs in promoting sustainability and innovation, this study contributes to the discourse on how businesses can be agents of positive change in the pursuit of economic, social, and environmental sustainability.

This research underscores the importance of integrating sustainability and innovation into the strategic framework of SMEs. Managers who embrace these principles can enhance their competitiveness, attract and satisfy customers, and contribute to the broader goals of economic diversification and sustainable development. As such, the study offers valuable insights not only for business practitioners in Saudi Arabia but also for the international community, as it navigates the complexities of fostering sustainable and innovative business practices in an interconnected world.



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## 9. Limitations and Future Research

While the present study provides important insights into the role of sustainability and innovation in SMEs within the Saudi market, there are several limitations that must be acknowledged. These limitations also open avenues for future research.

### 9.1. Limitations

First, the sample size of 45 respondents limits the ability to generalize the findings to all SMEs in Saudi Arabia. A larger sample would provide a more robust basis for generalization. Additionally, the use of convenience sampling might introduce bias, as it does not ensure a representative cross-section of the population.

Second, the cross-sectional nature of the study captures attitudes and perceptions at a single point in time. This design cannot establish causality or account for changes over time. Longitudinal research could offer insights into the evolving impact of sustainability and innovation on customer perceptions and business performance.

Third, the reliance on self-reported measures may lead to common method bias. Future studies might incorporate objective data or triangulate self-reported data with other sources, such as performance metrics from the businesses themselves (Jabbour, 2015).

Fourth, while the study focused on the impact of sustainability and innovation on customer satisfaction, it did not consider other potential outcomes such as customer loyalty, word-of-mouth, or actual purchasing behavior, which could further elucidate the business implications of these practices.

### 9.2. Future Research

- Future research should aim to address these limitations and explore additional related topics:
- A broader and more diverse sample could be used to enhance the generalizability of the findings. Stratified random sampling could ensure that all segments of the Saudi SME customer base are adequately represented.
- Longitudinal studies could track the sustainability and innovation efforts of SMEs over time and their long-term effects on customer satisfaction and business success.
- Future studies might include a mixed-methods approach, combining quantitative surveys with qualitative interviews or case studies, to gain a deeper understanding of how and why sustainability and innovation influence customer perceptions (Alzahrani, 2020).
- Expanding the model to include behavioral outcomes such as repeat purchasing, loyalty, and advocacy would provide a more comprehensive picture of the business benefits of sustainability and innovation.
- Investigating the role of government policies and incentives in promoting



sustainability and innovation among SMEs could offer insights into effective strategies for economic development.

- Cross-cultural studies could compare the findings from the Saudi market with those from other regions, particularly other Gulf Cooperation Council (GCC) countries, to understand cultural similarities and differences in customer expectations and business practices.

Finally, while the current study lays the groundwork for understanding the importance of sustainability and innovation in the Saudi SME sector, future research is needed to build on these findings, overcome the limitations, and contribute further to the body of knowledge in this important area of study.

## Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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