Vaasan yliopisto
UNIVERSITY OF VAASA

Muhammad Fadly Arintoko

Exploring How ESG-Enabling SMEs Build Corporate Reputation in Internationalization: A Multiple Case Study of Indonesian Sustainability Service Firms

School of Marketing and Communication
Master's Thesis in International Business

Vaasa 2026

UNIVERSITY OF VAASA
School of Management

Author:	Muhammad Fadly Arintoko
Title of the thesis:	Exploring How ESG-Enabling SMEs Build Corporate Reputation in Internationalization: A Multiple Case Study of Indonesian Sustainability Service Firms
Degree:	Master of Science in International Business
Supervisor:	Peter Gabrielsson
Year:	2026 **Pages: 107**

ABSTRACT :

This study examines how ESG-enabling small and medium-sized enterprises (SMEs) build corporate reputation during internationalization. While environmental, social, and governance (ESG) practices are widely discussed in relation to large corporations, limited attention has been given to SMEs that support other firms through sustainability-related services, technologies, and advisory solutions. These firms contribute to environmental compliance, sustainability reporting, and stakeholder engagement, yet little is known about how they develop reputation when expanding internationally. This study addresses that gap by exploring how internal capabilities, stakeholder relationships, and contextual conditions shape reputation in internationalization.

A qualitative multiple case study approach was adopted, focusing on three Indonesian ESG-enabling SMEs: MUSA Green, Nobu Instruments, and Tunas Muda Seharapan. Primary data were collected through semi-structured interviews with key organizational representatives and complemented by secondary sources such as company materials and publicly available information. The data were analyzed using thematic analysis to identify patterns within and across the cases. The study is theoretically grounded in the Resource-Based View (RBV) and Stakeholder Theory. RBV explains how firms use valuable resources and capabilities to create competitive advantage, while Stakeholder Theory highlights the importance of managing relationships with actors who influence organizational outcomes and reputation.

The findings show that corporate reputation in internationalization is built through the interaction of internal strengths and external engagement. First, technical expertise, innovation capability, adaptive problem-solving, and service customization emerged as important resources that help firms differentiate themselves across markets. Second, stakeholder-oriented practices such as responsiveness, collaboration, trust-building, and consistent delivery of sustainability outcomes significantly strengthen reputational standing. Third, the Indonesian institutional environment presents both challenges and opportunities. Limited ESG awareness, regulatory inconsistency, and resource constraints may hinder growth, yet these conditions also encourage adaptability, innovation, and distinctive market positioning that can support international expansion.

This study contributes by extending discussion of corporate reputation beyond large firms and highlighting ESG-enabling SMEs as relevant actors in international business. Practically, the findings offer implications for managers and policymakers seeking to strengthen sustainability-oriented firms.

Keywords: ESG-enabling SMEs, corporate reputation, internationalization, Resource-Based View, Stakeholder Theory, multiple case study, Indonesia

Contents

Figures

Tables

1 Introduction

1.1 Research Background

In recent years, sustainability has become an increasingly important strategic concern for firms across industries. Companies no longer view sustainability solely as a matter of regulatory compliance, but also as a source of competitive advantage, stakeholder legitimacy, and long-term value creation. As a result, sustainable development has gained growing influence in business practice and contemporary management models (Gladilina et al., 2024). Prior research further suggests that sustainability orientation extends beyond compliance by supporting stronger reputation, improved competitiveness, and enhanced access to investment and other strategic opportunities (Do et al., 2025). In this context, environmental, social, and governance (ESG) practices have become increasingly relevant for firms seeking to strengthen their market position in both domestic and international environments.

In parallel with these global developments, many countries have introduced policies to support more sustainable financial and business systems (Setyowati, 2020). In Indonesia, the Financial Services Authority (Otoritas Jasa Keuangan [OJK]) has positioned sustainability as an important component of national financial development through its sustainable finance roadmap. A notable regulatory milestone was the issuance of Regulation No. 51/POJK.03/2017, which requires publicly listed companies and financial institutions to publish sustainability reports (Rohman et al., 2024). More broadly, sustainability reporting is increasingly shifting from a voluntary practice to an expected organizational responsibility. These developments have increased pressure on firms to integrate ESG principles into their operations and reporting activities.

However, despite regulatory progress, ESG implementation in Indonesia remains uneven. Prior studies indicate substantial variation in how sustainability requirements are interpreted and applied in practice, while limited regulatory oversight has made tangible sustainability outcomes difficult to achieve (Setyowati, 2020). Additional challenges include inconsistent disclosure quality, limited technical expertise, and difficulties in embedding ESG considerations into everyday managerial processes. These conditions suggest that formal regulation alone is insufficient to ensure effective sustainability implementation, particularly in emerging-market contexts where institutional support systems are still evolving.

As a response to these challenges, ESG-enabling SMEs have emerged as increasingly important actors. In this thesis, ESG-enabling SMEs refer to smaller firms whose core role is to help other organizations implement sustainability-related practices, systems, and solutions. Their activities may include ESG advisory services, sustainability reporting support, environmental monitoring technologies, resource-efficiency solutions, and assistance in meeting changing regulatory or stakeholder expectations. This role is particularly relevant because many firms face resource constraints, capability gaps, and difficulties in managing complex ESG requirements (OECD, 2025). Accordingly, ESG-enabling SMEs function as intermediaries that translate sustainability demands into practical and scalable business solutions.

The strategic importance of these firms can also be understood through Stakeholder Theory and the Resource-Based View (RBV). Stakeholder Theory suggests that firms face increasing pressure from customers, regulators, investors, and wider society to demonstrate responsible business conduct and transparent sustainability performance (Appiah-Kubi, 2025). Because stakeholder evaluations shape trust and credibility, ESG-related actions can strongly influence corporate reputation. At the same time, the RBV emphasizes that competitive advantage is shaped by valuable firm-specific resources and capabilities. For ESG-enabling SMEs, such resources may include technical expertise, problem-solving ability, trusted relationships, and the capacity to adapt sustainability solutions to client needs across different contexts.

For these firms, internationalization represents both an opportunity and a challenge. Expanding across borders can broaden the client base, increase growth potential, and create new learning opportunities. However, research on international new ventures and born global firms shows that SMEs often face liabilities of newness, smallness, and foreignness when entering international markets, which may restrict access to resources, networks, and legitimacy (Hallbäck & Gabrielsson, 2013). For ESG-enabling SMEs, these challenges may be especially significant because their services depend heavily on stakeholder trust, perceived expertise, and the ability to adapt to different regulatory and market environments.

Despite growing research on ESG, SMEs, and internationalization, limited attention has been given to how ESG-enabling SMEs build corporate reputation while expanding internationally, particularly in emerging economy settings. This represents an important gap because these firms do not only adopt sustainability practices internally, but also enable wider sustainability transitions through the services and capabilities they provide to other organizations. Therefore, this thesis examines how ESG-enabling SMEs build corporate reputation in internationalization through a multiple case study of Indonesian sustainability service firms.

1.2 Research Gap

Despite growing scholarly interest in ESG practices, sustainability reporting, SME development, and internationalization, much of the existing literature has examined these themes as relatively separate domains. Prior studies have generated valuable insights into ESG integration within firms, sustainability governance in emerging economies, stakeholder pressure and disclosure, and the structural challenges faced by internationalizing SMEs (Appiah-Kubi, 2025). Similarly, research on international new ventures and born global firms has explained how smaller firms face liabilities of newness, smallness, and foreignness when entering foreign markets (Hallbäck & Gabrielsson, 2013). While these streams have advanced understanding in their respective areas, limited attention has been given to how they intersect in the case of smaller firms operating in sustainability-oriented business models.

A particularly important gap concerns ESG-enabling SMEs. Existing studies often examine SMEs as organizations that must comply with ESG expectations, respond to stakeholder pressure, or improve their own sustainability performance. However, less attention has been paid to SMEs whose primary role is to help other organizations implement ESG-related systems, reporting practices, monitoring solutions, or sustainability improvements. As a result, the strategic role of ESG-enabling SMEs as intermediaries that translate sustainability demands into practical business solutions remains underexplored. Although studies such as those by the OECD (2025) discuss sustainability reporting requirements, framework convergence, and implementation barriers for SMEs, they do not specifically examine firms that operationalize these requirements for clients as a core business activity.

A second gap relates to corporate reputation. Prior research widely recognizes reputation as an important strategic asset associated with stakeholder trust, legitimacy, and competitive advantage (Chabowski et al., 2022). However, limited research has examined how ESG-enabling SMEs actively build reputation through the capabilities and services they provide to other organizations. In particular, insufficient attention has been given to how technical expertise, problem-solving ability, trust-based relationships, and visible client outcomes contribute to reputation formation in this category of firms. This omission is important because, for service-oriented SMEs, reputation may depend less on formal brand scale and more on demonstrated value creation and stakeholder confidence.

A third gap concerns internationalization in emerging-economy contexts. While previous studies explain common barriers to SME internationalization, less is known about how ESG-enabling SMEs from emerging markets pursue cross-border opportunities while simultaneously building reputational assets. This issue is especially relevant in contexts such as Indonesia, where ESG implementation continues to face institutional inconsistencies and evolving regulatory support (Setyowati, 2020). Existing research has not sufficiently explained how smaller enabling firms compensate for these environmental constraints through capabilities, networks, and stakeholder engagement when expanding internationally.

Taken together, current literature does not adequately explain how ESG-enabling SMEs mobilize firm-specific resources and manage stakeholder relationships to build corporate reputation during internationalization. Addressing this gap contributes to the intersection of sustainability, corporate reputation, and international business research, while also offering insight into how smaller firms from emerging economies create value under constrained and evolving institutional conditions. Therefore, this study examines how ESG-enabling SMEs build corporate reputation in internationalization through a multiple case study of Indonesian sustainability service firms.

1.3 Research Questions

The research gap highlights that ESG-enabling SMEs are understudied, especially in the context of emerging economies such as Indonesia. While it has been studied that these firms play a growing role in helping others adopt sustainability, little is understood about how they build their own corporate reputation in the process of expanding internationally. This leads to the central research question of this thesis:

How do ESG-enabling SMEs build corporate reputation during internationalization?

To answer this overarching question, the study addresses the following sub-questions:

1. What kinds of resources and capabilities do ESG-enabling SMEs draw upon to build and maintain their reputation across borders?
2. How do ESG-enabling SMEs engage with stakeholders at local and international levels in order to establish and strengthen their reputation?
3. In what ways do institutional conditions in Indonesia influence the opportunities and challenges faced by ESG-enabling SMEs when building corporate reputation during internationalization?

Together, these questions aim to uncover the mechanisms through which ESG-enabling SMEs construct reputation as both a resource and a response to stakeholder expectations, and how this process unfolds when operating from the emerging market context of Indonesia.

2 Literature Review

2.1 ESG and Corporate Reputation

Environmental, social, and governance (ESG) practices have increasingly become central to how companies are evaluated by their broader social environment. Growing societal awareness of environmental and social risks has intensified expectations for firms to adopt more responsible and transparent business practices. In this context, Setyowati (2020) highlights that the Intergovernmental Panel on Climate Change (IPCC) reported in 2018 that rapid and large-scale changes across social and economic systems are required to mitigate environmental risks, thereby accelerating the push toward a low-carbon economy. These developments have elevated ESG from a voluntary initiative to an important framework guiding corporate behavior. As key components of sustainable development, ESG principles promote responsible business practices that are increasingly visible to external stakeholders. Firms that align their activities with ESG principles may therefore enhance how they are perceived, as ESG adherence has been associated with improved stakeholder perceptions and enhanced corporate reputation (Gladilina et al., 2024).

The practical implementation of ESG practices reflects the importance of how firms are perceived by their stakeholders. Stakeholders tend to respond positively to companies that demonstrate consideration for environmental and social impacts, which elevates the role of corporate reputation in shaping firm outcomes. In this sense, corporate reputation can be understood as a valuable strategic asset that emerges from stakeholder perceptions rather than from firms' internal intentions alone. Jeffrey et al. (2019) argue that a positive corporate reputation may serve as a source of competitive advantage, as it represents an intangible asset that is difficult for competitors to replicate or imitate. In line with this view, Li et al. (2024) suggest that strong ESG performance contributes to long-term firm value by enhancing a firm's image and reputation among external audiences.

Beyond general stakeholder evaluation, empirical evidence highlights the importance of ESG disclosure in shaping market responses. Prior studies indicate that responsible corporate behavior is associated with favorable stakeholder reactions. Saygili et al. (2021) report that successful corporate social responsibility (CSR) activities are followed by positive market announcements and superior accounting performance. Moreover, several studies indicate that firms providing greater disclosure of social responsibility activities tend to exhibit higher market value, as investors respond positively to transparency in ESG-related information. Evidence from firms listed on the FTSE 350 Index, the Brazilian Stock Exchange, and selected German companies supports the view that social and sustainability disclosures are valued by financial markets (Saygili et al., 2021). Consequently, firms that communicate their ESG efforts transparently are often perceived as more trustworthy, which strengthens their credibility among investors, regulators, and customers, ultimately reinforcing corporate reputation.

The value of ESG implementation for corporate reputation becomes particularly salient when firms expand into international markets. Entering new markets often requires companies to demonstrate visible and credible signs of responsible business conduct in order to reduce uncertainty among foreign stakeholders. In this context, Inês et al. (2025) explain that the disclosure of CSR activities strengthens perceived credibility in international markets. By signaling adherence to socially accepted norms and responsible governance standards, firms are better positioned to gain stakeholder acceptance abroad. Moreover, CSR engagement has been found to support differentiation strategies in global markets, enabling companies to strengthen their competitive positioning while reinforcing their reputational standing (Inês et al., 2025).

The role of ESG becomes more complex in emerging economies, where institutional and technological constraints may affect firms' ability to implement and disclose sustainability practices effectively. Emerging economies often face challenges in producing comprehensive sustainability disclosures due to lower levels of technological infrastructure and reporting capacity. In addition, both developed and emerging economies experience pressures from diverse stakeholder groups that shape ESG engagement. Appiah-Kubi (2025) notes that diverse stakeholder groups including governments, non-governmental organizations, investors, communities, customers, and suppliers have increasingly expressed concern regarding sustainability information disclosure. In such contexts, ESG practices serve not only as compliance mechanisms but also as strategic tools through which firms signal credibility and responsiveness to stakeholder expectations, thereby influencing corporate reputation.

Taken together, these studies suggest that ESG practices influence corporate reputation primarily through stakeholder evaluations and perceptions, while reputation itself functions as an intangible strategic resource that may contribute to competitive advantage.

2.2 ESG-Enabling SMEs

Sustainability has become increasingly central to business evaluation due to the visible environmental impact of corporate activities and growing stakeholder awareness of responsible business conduct. Firms are now assessed not only on financial performance but also on their environmental and social contributions. Appiah-Kubi (2025) highlights that sustainability information disclosures serve as a mechanism through which organizations contribute to sustainable development goals and inform stakeholder decision-making. Importantly, stakeholder pressure is identified as a key determinant of such disclosures (Appiah-Kubi, 2025). From a Stakeholder Theory perspective, sustainability implementation therefore reflects firms' responses to evolving stakeholder expectations. As these expectations intensify, firms require structured mechanisms to operationalize and communicate sustainability practices effectively, creating space for specialized actors that facilitate this process.

In emerging economies, sustainability transformation is shaped by both developmental priorities and institutional constraints. Indonesia's Sustainable Finance Roadmap, launched in 2014, represents an early effort to scale sustainable finance toward a low-carbon economy. However, its implementation and impact remain underexplored. Setyowati (2020) estimates that Indonesia requires approximately USD 24.8 billion annually to meet its emission reduction targets, illustrating the magnitude of the transition (Setyowati, 2020). Such large-scale transformation suggests that regulatory initiatives alone may be insufficient. Firms may face limitations in developing the technical and organizational capacities required to meet sustainability expectations, particularly in rapidly evolving institutional environments.

Given these institutional and technological constraints, firms in emerging economies may struggle to implement and disclose sustainability practices effectively (Appiah-Kubi, 2025). The complexity of sustainability reporting, carbon measurement, and environmental monitoring often requires expertise and technological capabilities that are not internally available (Appiah-Kubi, 2025). In this context, ESG-enabling SMEs can act as facilitators by providing sustainability-related services such as reporting support, environmental monitoring systems, and advisory solutions aimed at improving environmental performance. From a Resource-Based View perspective, these SMEs contribute to the development and transfer of ESG-related capabilities. By strengthening firms' sustainability-oriented resources and competencies, ESG-enabling SMEs enhance their ability to respond to stakeholder pressures and regulatory demands.

The adoption of sustainability-oriented business processes is shaped by both external and internal drivers. Juráček, Jurík, and Makyšová (2025) identify external drivers such as regulatory pressure, stakeholder expectations, and institutional norms, alongside internal drivers related to firms' resources and organizational capabilities. Their findings indicate that firms with stronger resource bases are better positioned to implement complex sustainability practices. For ESG-enabling SMEs, this highlights their role in addressing capability gaps among client firms. When firms lack the expertise or infrastructure required for ESG implementation, ESG-enabling SMEs provide specialized knowledge and technological support that facilitate sustainability adoption. From a Resource-Based View perspective, this reflects the development and transfer of ESG-related capabilities (Juráček et al., 2025). Because sustainability adoption is closely linked to stakeholder expectations, strengthened ESG capabilities influence how firms are evaluated externally. By enabling more credible and structured sustainability practices, ESG-enabling SMEs indirectly contribute to improved stakeholder perceptions and, consequently, corporate reputation.

Furthermore, stakeholder pressure remains central in emerging economies, where external drivers such as regulatory demands, stakeholder expectations, and institutional norms increase the urgency for sustainability disclosure (Juráček et al., 2025). At the same time, the ability to disclose sustainability information depends on firms' knowledge and competencies, as SMEs with adequate expertise are more likely to engage actively in ESG reporting (Appiah-Kubi, 2025). In emerging economies, however, skills related to ESG analysis and disclosure remain unevenly distributed. Institutional and technological constraints may limit firms' capacity to meet evolving sustainability expectations. In this context, ESG-enabling SMEs assume a critical role by compensating for capability gaps and supporting firms in aligning with regulatory and stakeholder requirements. Their importance is therefore amplified in environments where formal institutional support is limited but external sustainability pressures continue to intensify.

Taken together, the discussion highlights that ESG-enabling SMEs operate at the intersection of stakeholder expectations and organizational capabilities. In emerging economies where regulatory pressures, stakeholder demands, and institutional norms intensify sustainability disclosure requirements (Juráček et al., 2025), firms may lack the internal expertise necessary to implement complex ESG practices effectively. At the same time, the ability to engage in meaningful sustainability disclosure depends on the availability of knowledge and competencies (Appiah-Kubi, 2025). In this context, ESG-enabling SMEs function as mediating actors that translate external sustainability pressures into operational ESG capabilities. Through the development and transfer of ESG-related knowledge and systems, they strengthen client firms' capacity to align with stakeholder expectations and enhance the credibility of sustainability implementation.

Consequently, ESG-enabling SMEs indirectly contribute to corporate reputation formation by reinforcing the capability foundations upon which stakeholder evaluations are based.

The discussion positions ESG-enabling SMEs as mediating actors that translate external sustainability pressures into organizational capabilities. Central to this process is the role of stakeholder expectations in shaping firms' sustainability behavior and influencing reputational outcomes. To better understand how external actors affect corporate decision-making and evaluation, it is necessary to further elaborate the theoretical foundations of Stakeholder Theory, which provides the conceptual basis for examining the relationship between firms, their stakeholders, and corporate reputation.

2.3 Stakeholder Theory

2.3.1 Stakeholder Theory Concept

Stakeholder theory, as articulated by R. Edward Freeman and further developed by Bidhan L. Parmar and colleagues, conceptualizes the firm as a network of relationships among various stakeholders such as customers, employees, suppliers, financiers, and communities who both affect and are affected by business activities. Originating as a challenge to the shareholder-centric view, the theory emphasizes that value creation and trade occur through the interaction of these groups rather than being generated solely for shareholders. In this sense, firms are required to respond to stakeholder expectations not only to create value but also to maintain legitimacy and ensure long-term survival. The theory further integrates ethical considerations into business by linking capitalism with moral responsibility, requiring managers to adopt a mindset that balances value creation with fairness across stakeholders. Accordingly, managers are responsible for actively shaping and managing stakeholder relationships to maximize joint value, while addressing conflicts through rethinking trade-offs in ways that benefit a broader set of stakeholders over time. From this perspective, corporate outcomes, including reputation, emerge as a reflection of how effectively firms respond to and are evaluated by their stakeholders (Parmar et al., 2010).

Normative stakeholder theory positions the firm as a moral entity that must be governed by ethically defensible principles while remaining economically viable. It bridges ethics and management by arguing that business decisions should not only be judged by their outcomes but also by their alignment with moral norms, such as fairness and responsibility toward stakeholders. In this view, value creation extends beyond shareholders to include a broader set of stakeholders whose interests must be considered in organizational decision-making. Importantly, the theory emphasizes that ethical conduct is not separate from performance. Rather, adhering to these norms can enhance long-term value creation and sustainable profitability. Thus, stakeholder theory integrates normative (moral) and instrumental (performance-driven) perspectives, suggesting that responding to stakeholder expectations is both an ethical obligation and a strategic necessity. This integration challenges traditional amoral management theories and provides a framework in which ethical responsibility and economic performance jointly shape how firms are managed and evaluated, including how they are perceived by their stakeholders (Jones & Wicks, 1999).

While stakeholder theory establishes that firms must respond to the expectations of multiple stakeholders to create value and maintain favorable evaluations, it does not assume that all stakeholders exert equal influence. In practice, managers face constraints in attending to all actual or potential stakeholder claims simultaneously, particularly in sustainability contexts where pressures arise from regulators, investors, customers, and broader societal actors. As a result, managerial attention becomes selective, requiring the interpretation and prioritization of competing stakeholder demands (Mitchell et al., 1997). This highlights the need to understand how certain stakeholders are perceived as more important than others, and how such perceptions shape organizational responses and, ultimately, reputational outcomes.

2.3.2 Stakeholder Salience and Managerial Interpretation

Building upon the foundational premise that firms must respond to multiple stakeholders, stakeholder theory further addresses the question of how managers determine which stakeholders warrant attention. Although the concept of stakeholders is widely established in management literature, there remains limited consensus regarding “who or what really counts” in managerial decision-making. In practice, managers are unable to attend to all stakeholder claims simultaneously, necessitating a mechanism for prioritization. To address this, Mitchell et al. (1997) propose a stakeholder salience framework in which stakeholders are identified and categorized based on the possession of three key attributes: power, legitimacy, and urgency. Power refers to the ability of a stakeholder to influence organizational outcomes, legitimacy reflects the perceived appropriateness of the stakeholder’s relationship with the firm, and urgency captures the extent to which stakeholder claims require immediate attention. The combination of these attributes determines the degree of salience attributed to a stakeholder, thereby influencing the level of managerial attention and response. Importantly, this model emphasizes that stakeholder salience is not inherent but is shaped by managerial perception and situational context, allowing for a dynamic understanding of how firms prioritize stakeholder relationships (Mitchell et al., 1997).

While the stakeholder salience framework provides a structured basis for identifying which stakeholders matter, it does not imply that salience is fixed or objectively determined. Rather, the attributes of power, legitimacy, and urgency are variable and may change over time depending on the evolving context of stakeholder–firm relationships. As highlighted by Mitchell et al. (1997), the presence and degree of these attributes are not inherent properties but are subject to multiple perceptions, making stakeholder salience a socially constructed reality. This suggests that managerial interpretation plays a central role in translating stakeholder attributes into organizational priorities, as managers assess not only the existence of these attributes but also their relative importance in a given situation. Furthermore, stakeholders may possess certain attributes without actively exercising them, meaning that salience is also influenced by whether stakeholders choose to assert their claims. Consequently, stakeholder salience is dynamic and context-dependent, shaped by both environmental conditions and managerial cognition, rather than being a stable or purely objective classification (Mitchell et al., 1997).

In sustainability contexts, firms are increasingly exposed to complex and overlapping stakeholder pressures driven by global challenges such as climate change, biodiversity loss, and social inequality. As sustainability becomes more integrated into business strategy, organizations are expected to incorporate environmental, social, and governance (ESG) considerations into their core operations and decision-making processes, not only to comply with regulations but also to create long-term value for stakeholders (Do et al., 2025). These developments intensify stakeholder demands for transparency, particularly through sustainability information disclosure, which reflects growing expectations for firms to account for their environmental and social impacts. Such pressures indicate that stakeholders associated with ESG issues often possess heightened legitimacy and urgency, and in some cases increasing power, thereby amplifying their salience in managerial decision-making (Appiah-Kubi, 2025).

In this context, managers are required not only to respond to stakeholder expectations but also to interpret and prioritize which ESG-related demands warrant attention. However, the complexity of sustainability issues and the diversity of stakeholder expectations make this process increasingly challenging, particularly for SMEs with limited internal resources and expertise. This creates a role for ESG-enabling SMEs, which support firms in translating stakeholder pressures into actionable strategies through sustainability measurement, reporting, and compliance mechanisms. By facilitating the interpretation and prioritization of salient stakeholder demands, these SMEs contribute to how firms respond to ESG expectations, which in turn influences how they are evaluated by stakeholders and shapes their corporate reputation.

2.3.3 Stakeholder Engagement and Sustainability Strategy

Building upon the identification of salient stakeholders, stakeholder theory emphasizes that firms are required to actively respond to those stakeholders who exert the greatest influence on organizational outcomes. Earlier developments in stakeholder theory focused on understanding the sources of stakeholder influence, while later work introduced attributes such as power, legitimacy, and urgency to explain variations in managerial attention (Parmar et al., 2010). However, identifying salient stakeholders alone is insufficient; firms must also engage with these stakeholders to address their expectations and maintain favorable evaluations. This becomes particularly important in sustainability contexts, where firms are increasingly exposed to complex and overlapping stakeholder pressures driven by global challenges such as climate change, biodiversity loss, and social inequality (Do et al., 2025).

Accordingly, stakeholder engagement can be understood as the process through which firms acknowledge, interpret, and manage stakeholder needs, interests, and demands as part of their strategic decision-making. This perspective extends beyond a shareholder-centric view by positioning stakeholder relationships as central to value creation and long-term organizational success (Mahajan et al., 2023). Through active engagement, firms align their actions with stakeholder expectations, thereby sustaining relationships that are critical for organizational continuity and performance.

In sustainability contexts, stakeholder engagement is increasingly operationalized through environmental, social, and governance (ESG) practices, which serve as structured mechanisms for responding to stakeholder expectations. Growing environmental impacts of business activities, together with heightened stakeholder awareness, have intensified demands not only for the adoption of sustainable practices but also for greater transparency in how such practices are implemented and communicated (Appiah-Kubi, 2025). As a result, sustainability reporting has emerged as a key engagement tool, enabling firms to disclose information regarding their environmental and social performance to a wide range of stakeholders, including regulators, investors, customers, and communities.

Through such disclosures, firms seek to reduce information asymmetry, demonstrate accountability, and align their actions with stakeholder expectations. Empirical evidence suggests that stakeholder pressure has a significant positive influence on the extent of sustainability information disclosure, reinforcing the role of ESG practices as a response to external demands (Appiah-Kubi, 2025). Moreover, adherence to ESG principles has been associated with improved access to investment, enhanced competitiveness, and stronger reputational outcomes, as stakeholders increasingly favor firms that demonstrate responsible and sustainable conduct (Gladilina et al., 2024). In this sense, ESG practices function not merely as compliance mechanisms but as strategic tools through which firms engage with stakeholders and communicate their commitment to sustainable value creation.

Despite these developments, firms often face challenges in interpreting and operationalizing ESG-related demands, particularly when stakeholder expectations are diverse and evolving (Do et al., 2025). This creates a gap between stakeholder expectations and organizational responses. Within this context, ESG-enabling SMEs operate as intermediaries that facilitate stakeholder engagement by translating ESG requirements into actionable practices, implementing relevant systems, and supporting reporting and compliance processes. As specialized service providers, they assist firms across different scales in navigating the complexity of sustainability-related expectations.

By enabling firms to more effectively interpret and respond to salient stakeholder demands, ESG-enabling SMEs contribute to how organizations communicate their ESG performance and align with stakeholder expectations. In turn, these responses shape stakeholder evaluations and influence the development of corporate reputation. Through this intermediary role, ESG-enabling SMEs indirectly support the formation of reputation by enhancing the credibility, transparency, and consistency of firms' engagement with stakeholders.

While stakeholder theory explains why firms must respond to and engage with salient stakeholders, it provides limited insight into how firms develop the internal capacity to effectively implement such responses. As demonstrated, ESG practices serve as key mechanisms through which firms engage stakeholders and communicate their commitment to sustainability, often supported by ESG-enabling SMEs. However, the ability to translate stakeholder expectations into consistent and credible organizational actions depends on the availability and development of firm-specific resources and capabilities. In this regard, understanding how firms build and leverage these capabilities becomes essential. To address this, the Resource-Based View (RBV) offers a complementary perspective by explaining how internal resources and capabilities contribute to sustained competitive advantage and enable firms to respond effectively to stakeholder demands.

2.4 Resource-Based View Theory

2.4.1 Foundations of the Resource-Based View

The Resource-Based View (RBV) emerged from the argument that firms should be understood as bundles of resources rather than only through the products they sell or the markets in which they compete (Wernerfelt, 1984). This perspective shifted strategic analysis from external industry conditions toward internal firm-specific strengths.
Wernerfelt (1984) suggested that resources such as brand names, technological know-how, skilled personnel, and organizational capabilities shape the strategic opportunities available to firms and influence their growth, diversification, and competitive positioning. As a result, differences in firm performance may be explained not only by market conditions, but also by variations in the resources firms possess and develop (Wernerfelt, 1984).

Building on this foundation, Barney (1991) further explained why some resources generate sustained competitive advantage while others do not. He argued that resources are more likely to create long-term superior performance when they are valuable, rare, imperfectly imitable, and non-substitutable. This contribution strengthened RBV by clarifying the conditions under which internal resources become strategic assets rather than ordinary inputs (Barney, 1991).

Together, these contributions establish the core logic of RBV: firms differ in performance because they control heterogeneous resources and capabilities, and competitive advantage emerges when those resources are strategically valuable and difficult for competitors to replicate. This logic is particularly relevant to ESG-enabling SMEs, whose market position may depend less on scale and more on specialized knowledge, credibility, and problem-solving capabilities.

Building on Barney's (1991) argument, later contributions further refined the conditions under which competitive advantage can be sustained. Peteraf (1993) emphasized that superior performance depends not only on possessing valuable resources, but also on mechanisms that prevent competitors from easily acquiring or replicating them. She identified four key conditions for sustained advantage: resource heterogeneity, ex post limits to competition, imperfect mobility, and ex ante limits to competition (Peteraf, 1993). Together, these conditions help explain not only why firms differ in performance, but also why advantageous positions may be preserved over time.

A central distinction within the Resource-Based View concerns the difference between resources and capabilities. Resources refer to the tangible and intangible assets owned or controlled by the firm, whereas capabilities reflect the firm's capacity to deploy, coordinate, and utilize those resources through organizational processes in pursuit of strategic objectives (Amit & Schoemaker, 1993). Consequently, firms may possess similar resource endowments yet achieve different outcomes depending on how effectively those resources are combined and applied. For ESG-enabling SMEs, this distinction is particularly relevant, as competitive advantage may depend not only on technological tools or expert personnel, but also on the capability to transform these inputs into effective sustainability solutions that help client firms address ESG-related demands.

2.4.2 Resources, Capabilities and ESG Value Creation

Due to rising global concerns such as climate change, biodiversity loss, and socioeconomic inequality, sustainability has become an increasingly important priority for businesses, governments, and society. In turbulent business environments, firms are expected not only to remain competitive, but also to respond to evolving environmental and social challenges. Accordingly, integrating sustainability into business strategy and operations is increasingly viewed as a means of strengthening resilience and responding to external pressures (Do et al., 2025). As stakeholder expectations regarding responsible business conduct continue to intensify, many firms face capability gaps in translating sustainability demands into concrete organizational practices. This creates an opportunity for ESG-enabling SMEs to provide specialized support. ESG refers to a broad framework through which organizations address environmental, social, and governance issues, while also signaling their priorities, objectives, and risk management approaches (Furtner et al., 2023). In this context, ESG-enabling SMEs act as intermediaries by supporting reporting processes, improving operational practices, facilitating the installation of sustainability-related technologies, and delivering other ESG-oriented solutions. Through these activities, they create value for client firms that require assistance in implementing ESG practices. From an RBV perspective, such firms may possess valuable, rare, and imperfectly imitable resources in the form of specialized knowledge and focused capabilities that support ESG implementation (Barney, 1991).

Useful extension of the Resource-Based View is the distinction between tangible resources, intangible resources, and capabilities. Tangible resources refer to the physical and financial assets controlled by the firm, such as equipment, buildings, land, and capital. Intangible resources consist of non-physical assets, including reputation, proprietary knowledge, organizational culture, partnerships, and legally protected intellectual property. Capabilities, by contrast, represent the firm's ability to deploy, integrate, and reconfigure these resources through managerial, organizational, and operational processes (Kamasak, 2017). This distinction is important because firms may possess similar asset bases while achieving different outcomes depending on the quality of their intangible resources and their ability to utilize them effectively.

Integrating sustainability into business strategy and implementation is increasingly viewed as a means of reducing external pressures while supporting long-term business performance (Do et al., 2025). At the same time, ESG factors have become more influential in shaping business activities, organizational performance, and investment decisions, as they are increasingly used to assess corporate risk and value creation potential (Furtner et al., 2023). In this environment, ESG-enabling SMEs create value by transforming their internal resources into client-oriented solutions through organizational capabilities such as ESG reporting, monitoring and data analytics, regulatory interpretation, customized sustainability services, stakeholder communication, and implementation support. These capabilities allow client firms to translate broad sustainability expectations into practical actions and measurable outcomes.

From an RBV perspective, valuable and difficult-to-imitate resources may strengthen a firm's competitive position, particularly when competitors face barriers to acquiring or replicating them (Barney, 1991). By effectively leveraging specialized resources and capabilities, ESG-enabling SMEs may enhance their market position, improve performance outcomes, and create differentiated value for client firms (Kamasak, 2017). In sustainability-oriented contexts, such capabilities may also stimulate innovation and contribute to long-term organizational performance (Do et al., 2025). Beyond these economic benefits, the effective deployment of ESG-related resources and capabilities may also strengthen corporate reputation by signaling credibility, expertise, and reliability in addressing sustainability challenges.

2.4.3 Corporate Reputation as a Strategic Intangible Resource

Corporate reputation refers to the collective evaluation of a firm formed by stakeholders on the basis of the organization's past behavior, communication, and expected future conduct. It is shaped by how convincingly and authentically firms communicate their identity, values, and commitments to relevant stakeholder groups. Because reputation exists within stakeholder perceptions, firms are required to engage in transparent dialogue, maintain consistent communication, and demonstrate credibility across different audiences. Beyond perception alone, corporate reputation also represents an important organizational asset, as strong reputations are associated with greater stakeholder support, stronger resilience during crises, and improved organizational performance (Fombrun & Van Riel, 2004).

Furthermore, the Resource-Based View recognizes certain intangible assets as strategic resources when they contribute to sustained competitive advantage. Corporate reputation may be considered one of these assets because it can influence stakeholder decisions and strengthen a firm's market position. In particular, reputation becomes strategically valuable when it reflects characteristics associated with the VRIN framework, namely being valuable, rare, difficult to imitate, and non-substitutable (Barney, 1991). A strong reputation can generate stakeholder preference, trust, support, and organizational resilience, thereby shaping stakeholder choices and broader organizational outcomes (Fombrun & Van Riel, 2004). In addition, reputation often develops gradually through repeated interactions, consistent performance, and accumulated credibility, which makes it more difficult for competitors to replicate. As a result, reputation may function as an isolating mechanism that helps firms sustain advantageous positions over time (Peteraf, 1993).

Fombrun and Van Riel (2004) explain that companies with stronger reputations differ from weaker ones through five key dimensions of the Expressiveness Quotient (EQ): visibility, distinctiveness, authenticity, transparency, and consistency. Highly regarded firms tend to be more open in engaging stakeholders, communicate around a clear and distinctive identity, and build trust through authentic actions grounded in genuine corporate values. They also communicate broadly and transparently, allowing stakeholders to better understand the organization and evaluate its commitments. In addition, firms with strong reputations are more likely to coordinate initiatives across organizational functions and maintain coherent relationships with stakeholders, whereas weaker firms often experience fragmented communication and internal silos. Together, these dimensions suggest that reputation is built through credible, clear, and integrated organizational behavior (Fombrun & Van Riel, 2004). For ESG-enabling SMEs, this implies that reputation may be strengthened through demonstrated competence, credible service delivery, transparent reporting support, and consistent assistance in helping client firms address sustainability challenges. In this regard, sustainability-oriented capabilities may enhance competitiveness by strengthening innovative capacity and reinforcing stakeholder confidence (Do et al., 2025).

Because firms operating within the same industry often adopt similar strategies and technologies, reputation can become an important differentiating factor shaped by stakeholder perceptions and accumulated evaluations. In this regard, ESG-enabling SMEs may strengthen the reputations of their client firms by helping them improve ESG performance, transparency, and responsiveness to stakeholder expectations. At the same time, successful ESG enablement may also enhance the reputation of the service providers themselves by demonstrating expertise, credibility, and reliability in sustainability-related problem solving. Reputation therefore represents a valuable intangible resource that can support internationalization by signaling quality, reducing uncertainty, attracting partners, facilitating entry into new networks, and helping firms overcome liabilities associated with foreign market expansion (Chabowski et al., 2025). From an RBV perspective, a strong reputation may become a source of competitive advantage when it is difficult for competitors to imitate and effectively leveraged in cross-border growth strategies (Barney, 1991).

2.4.4 Capability Development in Internationalization Contexts

Teece et al. (1997) argue that competitive advantage depends not only on the resources a firm currently possesses, but also on its ability to reconfigure, renew, and adapt those resources in changing environments. This perspective is particularly relevant in internationalization contexts, where domestic success does not automatically translate into foreign market success. Firms entering international markets often encounter different regulatory requirements, sustainability expectations, customer preferences, cultural conditions, and institutional environments. As a result, routines and practices that are effective in the home market may require substantial adjustment abroad in order to remain competitive. In addition, expanding into uncertain and rapidly changing markets frequently requires firms to build strategic relationships and collaborative networks that support market access, learning, and opportunity development (Gabrielsson & Kirpalani, 2004).

Dynamic capabilities refer to a firm's ability to sense emerging opportunities and threats, seize promising opportunities through timely decisions and resource commitments, and reconfigure its resource base to remain aligned with changing environments. In practice, this means that firms must continuously identify market shifts, respond by mobilizing resources effectively, and transform existing routines, structures, or assets when current capabilities no longer fit new competitive conditions. Rather than relying solely on static resource advantages, firms with strong dynamic capabilities are better positioned to adapt, innovate, and sustain competitiveness under conditions of uncertainty and change (Teece et al., 1997).

As environmental and social sustainability become increasingly linked to long-term financial performance, firms are under growing pressure to transform their business models toward more sustainable forms of value creation. This transformation requires innovation that generates enduring benefits for both shareholders and stakeholders while reducing excessive consumption and unsustainable production practices. However, progress toward sustainability is often incremental, and many firms continue to face difficulties in achieving sustainability-related objectives (Chabowski et al., 2025). In this context, ESG-enabling SMEs can act as important intermediaries by providing specialized technologies, advisory services, monitoring systems, and reporting capabilities that help client firms respond to international regulatory pressures and stakeholder demands. By translating complex sustainability requirements into practical and scalable solutions, these SMEs support compliance, strengthen ESG implementation, and enhance the competitiveness of firms operating across diverse institutional environments. In addition, digital and internet-based delivery models may enable technology-oriented ESG-enabling SMEs to deliver remote monitoring, data analytics, and reporting support across borders, thereby serving international markets more efficiently (Gabrielsson & Gabrielsson, 2011).

Developing and continuously renewing capabilities is strategically important for ESG-enabling SMEs seeking growth beyond domestic markets, particularly in dynamic and uncertain international environments (Teece et al., 1997). Adaptive capabilities may help such firms enter and operate in foreign markets more effectively by improving their understanding of regulatory requirements, enabling faster responses to customer needs, and strengthening readiness for international operations (Chabowski et al., 2025). In addition, developed capabilities may allow SMEs to scale services across countries through the replication of successful solutions, the expansion of digital service models, and the efficient servicing of multiple markets (Gabrielsson & Gabrielsson, 2011). Successful international capability deployment may also reinforce corporate reputation and stakeholder trust, as reliable delivery builds confidence, international success signals credibility, and proven competence strengthens long-term evaluations of the firm (Fombrun & Van Riel, 2004). When combined with hard-to-imitate capabilities, a strong reputation may contribute to durable competitive advantage, while ongoing renewal helps sustain competitiveness over time (Barney, 1991). Therefore, capability development is central to understanding how ESG-enabling SMEs build corporate reputation and pursue internationalization through specialized ESG-enabling services for larger firms in emerging markets.

2.5 International Business Perspectives and Corporate Reputation

2.5.1 Internationalization of SMEs

Internationalization has become an increasingly important strategic pathway for small and medium-sized enterprises (SMEs) seeking growth beyond domestic markets. Foreign expansion may provide access to niche demand, new client segments, strategic partnerships, and valuable market knowledge that support long-term development. Although internationalization was traditionally associated with large multinational corporations, smaller firms are also able to expand abroad despite more limited financial and organizational resources. In many cases, SMEs accelerate this process by leveraging networks, digital channels, and collaborative relationships that provide access to learning opportunities, technologies, and broader market reach (Gabrielsson & Kirpalani, 2004). For service-oriented firms, internationalization may involve additional complexity because market entry often depends on close interaction with clients and sensitivity to cultural differences, particularly where tacit knowledge transfer and relationship-based delivery are important (Taylor et al., 2021).

Understanding the characteristics of service firms and their influence on internationalization is important for explaining why and how such firms expand into foreign markets. Service internationalization is often shaped by issues related to resource and capability constraints, trust and loyalty, customer involvement, and variation in firm–client interactions across markets (Taylor et al., 2021). These considerations are particularly relevant for ESG-enabling SMEs, which may face limited resources during their early stages of development. As a result, such firms may first concentrate on supporting larger domestic companies in implementing ESG-related activities, where regulatory environments, stakeholder expectations, and market conditions are more familiar. This domestic experience can help them strengthen operational capabilities, build credibility, and accumulate market knowledge before pursuing broader international opportunities. In addition, sustainability orientation may enhance SME competitiveness by strengthening innovative capacity, which can further support future international expansion (Do et al., 2025).

ESG-enabling SMEs occupy a distinctive position in international business because they often operate as specialized intermediaries supporting larger firms in responding to stakeholder and regulatory pressures related to sustainability (Setyowati, 2020). As environmental concerns, disclosure expectations, and ESG regulations become more prominent across markets, client firms increasingly require external expertise to implement effective ESG initiatives and reduce the risks associated with environmental and social impacts. In this context, ESG-enabling SMEs can be understood as knowledge-intensive niche firms whose internationalization may depend less on organizational size and more on specialized expertise, problem-solving capability, and the ability to build trust and credibility with clients and partners (Gabrielsson & Kirpalani, 2004). Consequently, growing global demand for ESG-related solutions may create new international opportunities for such firms, particularly when they can demonstrate reliable, scalable, and credible value creation through their enabling services (Do et al., 2025).

2.5.2 Internationalization Pathways: Born Globals and Network-Based Expansion

Not all small and medium-sized enterprises internationalize through gradual and sequential expansion. The born global perspective suggests that some firms pursue international markets from an early stage and may expand rapidly across multiple countries without a prolonged domestic development period (Gabrielsson & Kirpalani, 2004). Rather than relying primarily on scale or extensive tangible resources, these firms often compete through distinctive intangible resources and capabilities, such as specialized knowledge, innovation, entrepreneurial orientation, and market responsiveness (Cavusgil & Knight, 2015). This perspective indicates that early internationalization may be achievable when firms possess niche value propositions and capabilities that are transferable across borders.

Network-based expansion represents another important pathway through which SMEs may internationalize. From this perspective, international performance does not depend solely on internal ownership advantages or firm size, but also on the ability to build, coordinate, and leverage relationships within relevant business networks (Vahlne & Johanson, 2013). Through partnerships with local actors, firms may gain access to market knowledge, legitimacy, distribution channels, and client relationships that would otherwise be difficult to develop independently. In the case of born global firms, relationships with established partners can help overcome foreign market barriers and accelerate entry into new countries. In some cases, smaller firms may also benefit from the channels and networks of larger multinational corporations, which can support faster international expansion (Gabrielsson & Gabrielsson, 2011).

These alternative pathways also require firms to adapt their business models to the specific conditions of foreign markets. In contrast to domestic operations, international business models must respond to cross-national differences in regulation, infrastructure, customer expectations, and market structures, which may affect how value is created and delivered across borders (Chabowski et al., 2025). For ESG-enabling SMEs, this suggests that successful internationalization may depend not only on possessing specialized expertise, but also on the ability to tailor services to local sustainability requirements and institutional conditions. In addition, digital and internet-based channels may facilitate international expansion, particularly by improving market reach and service accessibility. However, relationships with channel partners remain important, as dependence on intermediaries may create coordination challenges and potential channel conflicts. Moreover, digital interaction alone may be less effective than direct personal engagement in building trust and long-term commitment with foreign partners and clients (Gabrielsson & Gabrielsson, 2011).

2.5.3 Barriers in Foreign Markets: Liability of Foreignness and Outsidership

Although internationalization offers growth opportunities, firms entering foreign markets may also face significant disadvantages commonly described as the liability of foreignness. These disadvantages include additional costs associated with geographic distance, coordination across locations and time zones, unfamiliarity with local market conditions, and weaker embeddedness in the host environment (Zaheer, 1995). Foreign firms may also encounter legitimacy challenges, discriminatory treatment, or institutional barriers arising from host-country or home-country conditions. As a result, competing abroad may involve higher uncertainty and greater operational complexity than competing in domestic markets. In response to these challenges, firms may rely on contractual arrangements and network-based collaboration to reduce risk exposure, preserve resources, and maintain uncertainty at manageable levels during international expansion (Vahlne & Johanson, 2013).

Beyond the liability of foreignness, firms may also face the challenge of outsidership when entering foreign markets. From a network perspective, important market knowledge is often locally embedded and developed through ongoing relationships, making it less accessible to firms that remain outside relevant business networks. As outsiders, firms may have limited access to critical resources, trusted partners, referrals, and emerging opportunities that arise through established interactions. Consequently, internationalization may be constrained not only by foreign status itself, but also by exclusion from networks where information, trust, and opportunity are created. In this sense, reducing outsidership through relationship building and network participation can also help firms reduce the practical disadvantages associated with foreignness (Vahlne & Johanson, 2013).

These barriers are particularly relevant for ESG-enabling SMEs from emerging markets such as Indonesia that seek opportunities in international business. As global pressure increases for firms to respond to environmental, social, and economic challenges, demand for sustainability-related expertise and solutions is also expanding across borders (Chabowski et al., 2025). However, smaller firms from emerging economies may face credibility gaps in foreign markets and may need to demonstrate their expertise more actively than established international competitors. In addition, ESG standards, regulatory expectations, and market requirements may vary across countries, increasing the complexity of cross-border expansion. Under these conditions, references, strategic partnerships, and participation in established networks may become important mechanisms for gaining access to opportunities, learning, and legitimacy in new markets (Gabrielsson & Kirpalani, 2004). Consequently, corporate reputation and network relationships may become essential strategic assets for ESG-enabling SMEs pursuing internationalization.

2.5.4 Corporate Reputation as a Strategic Enabler in Internationalization

Internationalization often involves uncertainty because customers, partners, and other stakeholders in foreign markets may have limited direct knowledge of unfamiliar firms. Under such conditions, corporate reputation can function as an important signal of expected quality, reliability, and professionalism. Strong reputations are more likely to emerge when firms communicate broadly and credibly, demonstrate authenticity in their actions, and maintain consistent relationships with stakeholder communities (Fombrun & Van Riel, 2004). In addition, reputation may be strengthened when organizations coordinate their activities effectively across internal functions rather than operating through fragmented silos. In international contexts, such signals can be especially valuable because stakeholder evaluations may also be shaped by country-of-origin perceptions, local institutional conditions, and the need for firms to adapt their business models across markets. Consequently, a favorable reputation may positively influence market acceptance and performance in foreign environments (Chabowski et al., 2025).

Beyond its signaling role, corporate reputation may also function as a strategic asset that creates tangible business value. Strong reputations are often associated with stakeholder preference, stronger relationships, and improved support from customers, employees, and partners. Such reputations are typically developed when firms align their actions and communications around a clear core identity and consistently engage stakeholders through credible and coordinated messaging (Fombrun & Van Riel, 2004). From a Resource-Based View perspective, reputation can become a source of competitive advantage when it contributes to value creation and cannot be easily replicated by competitors. In this sense, reputation may possess strategic characteristics similar to valuable, rare, and imperfectly imitable resources that support sustained superior performance over time (Barney, 1991). More broadly, differences in firm performance may depend on the unique resources and capabilities organizations control, of which reputation can be one important intangible example (Peteraf, 1993).

These arguments are particularly relevant for ESG-enabling SMEs whose core offerings are often based on knowledge-intensive services, advisory support, and sustainability solutions. A strong sustainability orientation may generate positive organizational outcomes such as enhanced brand reputation, improved stakeholder trust, stronger loyalty, and greater access to valuable partnerships and resources (Do et al., 2025). For firms operating in increasingly dynamic markets, international competitiveness may depend on the ability to design business models that effectively integrate resources, create distinctive value, and connect that value to opportunities across borders (Chabowski et al., 2025). In this context, corporate reputation can help ESG-enabling SMEs demonstrate credibility and reduce uncertainty when approaching foreign clients or collaborators. Similar to born global firms, smaller companies may also rely on alternative governance structures, close relationships, and network partners to access international channels, learning opportunities, and market resources that would be difficult to develop independently (Gabrielsson & Kirpalani, 2004). Therefore, for ESG-enabling SMEs, corporate reputation may represent a key mechanism through which specialized capabilities are translated into international opportunities.

2.6 Synthesis and Conceptual Framework

Taken together, the preceding literature suggests that ESG-enabling SMEs from emerging markets face both opportunities and barriers in internationalization, where specialized capabilities, stakeholder responsiveness, networks, and reputation become central mechanisms of growth. Growing stakeholder expectations and regulatory developments have increased pressure on firms to adopt more responsible and transparent business practices (Setyowati, 2020). At the same time, broader sustainability challenges are reshaping how firms design and adapt their business models across international markets (Chabowski et al., 2025). Across industries, organizations are increasingly expected to measure environmental and social impacts, improve governance processes, and communicate sustainability performance to external audiences. However, many firms, particularly in emerging economies, continue to face capability constraints in translating broad ESG demands into effective organizational actions. Limitations in technical expertise, reporting knowledge, digital systems, and sustainability-related resources may weaken their ability to respond consistently to stakeholder expectations. In this context, ESG-enabling SMEs emerge as specialized intermediary actors that help bridge the gap between external sustainability pressures and internal organizational capabilities. Through services such as ESG reporting support, environmental monitoring, advisory solutions, data analytics, and implementation assistance, these firms enable client organizations to operationalize sustainability requirements more effectively while creating value through their own specialized expertise (Do et al., 2025).

From a theoretical perspective, the preceding discussion suggests that the internationalization of ESG-enabling SMEs can be understood through the complementary lenses of Stakeholder Theory and the Resource-Based View. Stakeholder Theory explains how increasing expectations from regulators, customers, investors, and wider society create pressures for firms to improve sustainability performance and transparency (Freeman, 1984). These pressures generate demand for specialized external support when client firms lack sufficient internal expertise or resources to respond effectively. The Resource-Based View, in contrast, helps explain why some ESG-enabling SMEs are better positioned than others to capture such opportunities through valuable capabilities, specialized knowledge, technological solutions, and relationship-based assets (Barney, 1991). When these capabilities are applied successfully in helping clients address ESG-related challenges, ESG-enabling SMEs may strengthen their own credibility and stakeholder trust through demonstrated competence and consistent value delivery. Over time, this accumulated credibility may develop into corporate reputation, which can function as a strategic intangible asset that supports competitive positioning and future growth (Fombrun & Van Riel, 2004).

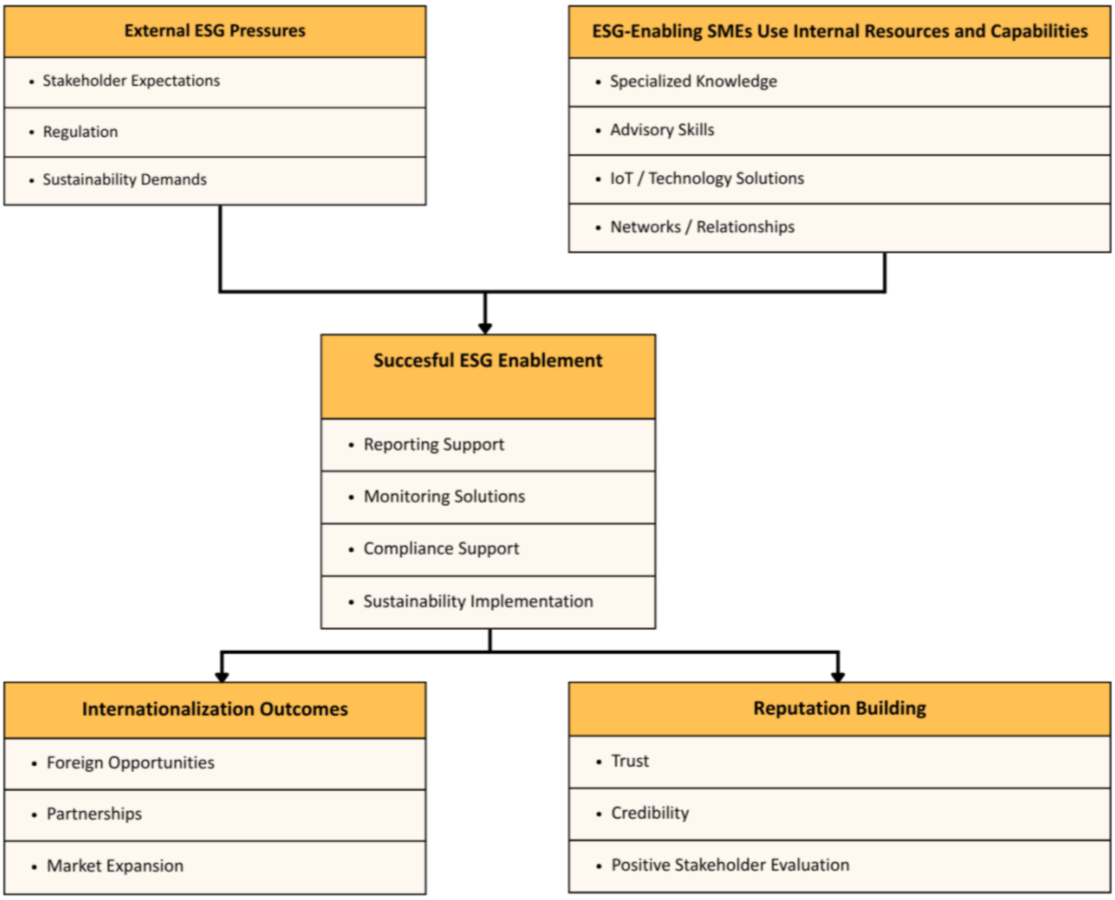

Figure 1. Conceptual Framework.

Figure 1 illustrates the conceptual framework of the study. The framework proposes that growing ESG-related stakeholder expectations create increasing pressure for firms to improve their environmental, social, and governance practices (Freeman, 1984). In addition, regulatory developments and sustainability policy initiatives have further strengthened such pressures in many markets (Setyowati, 2020). However, many organizations, particularly in emerging markets, may face capability gaps such as limited expertise, insufficient reporting systems, technological constraints, or inadequate sustainability-related resources. In response, ESG-enabling SMEs act as specialized intermediaries by deploying their internal resources and capabilities, including professional knowledge, advisory competence, technological solutions, and network relationships, to support client firms in implementing ESG-related practices (Barney, 1991). Through successful ESG enablement, these firms may generate trust, credibility, and favorable stakeholder evaluations, which gradually contribute to the development of corporate reputation (Fombrun & Van Riel, 2004). The framework further suggests that a stronger corporate reputation may support the internationalization of ESG-enabling SMEs by improving access to foreign opportunities, partnerships, and market expansion possibilities (Chabowski et al., 2025).

3 Methodology

3.1 Research Design: Case study approach

A qualitative research approach is appropriate when a study seeks to understand how individuals or organizations interpret and respond to a particular social or business phenomenon within its natural setting. Qualitative inquiry is especially valuable when the relevant variables are not yet fully established and when deeper contextual understanding is required (Creswell & Poth, 2016). Within qualitative inquiry, case study research is particularly suitable for examining contemporary phenomena in real-life settings while preserving their holistic and meaningful characteristics (Yin, 2003). It is commonly applied to research questions framed around how and why certain processes occur, especially when the boundaries between the phenomenon and its context are not clearly evident (Yin, 2003). In business research, case studies are also useful for exploring how organizational processes unfold in practice rather than only measuring predefined relationships between variables (Eriksson & Kovalainen, 2008).

In the context of this thesis, the study examines how ESG-enabling SMEs build corporate reputation during internationalization, a process shaped by stakeholder relationships, organizational capabilities, and market-specific conditions. These dynamics are context dependent and cannot be fully understood through decontextualized measurement alone. Existing research has given limited attention to ESG-enabling SMEs as focal actors in their own right, particularly regarding how they transform sustainability-oriented capabilities into reputational advantages across borders. Therefore, this thesis adopts a qualitative multiple case study design to generate an in-depth and comparative understanding of how this phenomenon unfolds across three Indonesian sustainability service firms.

A multiple case study design was selected because it offers stronger analytical insight than a single-case design when examining organizational phenomena across different settings. In multiple-case research, cases may be chosen to produce similar findings or to reveal contrasting patterns for theoretically meaningful reasons, thereby enabling a form of replication logic across cases (Yin, 2003). Evidence generated from several cases is often regarded as more compelling and the overall design as more robust because conclusions are informed by recurring patterns rather than by a single organizational context (Yin, 2003). In addition, multiple-case studies allow the researcher to conduct both within-case and cross-case analysis, making it possible to understand the distinctive features of each firm while also developing broader explanations that extend across cases (Creswell & Poth, 2016). For this thesis, the inclusion of three Indonesian sustainability service firms supports comparative analysis of how ESG-enabling SMEs build corporate reputation during internationalization under different organizational conditions.

An important requirement in case study research is to define clearly what constitutes the case and to distinguish the focal phenomenon from its surrounding context (Yin, 2003). The unit of analysis determines what is being studied and may refer to an individual, a group, an organization, a process, or another bounded entity (Creswell & Poth, 2016). In the present study, each case is defined as one ESG-enabling SME, and the unit of analysis is the firm as an organization. This focus is appropriate because the central phenomena examined in this thesis, namely corporate reputation, stakeholder relationships, and capability development during internationalization, are shaped through organizational actions and strategic decisions rather than through isolated individual behavior. In addition, the Resource-Based View emphasizes that valuable resources and capabilities are controlled and deployed at the firm level, where they may contribute to sustained competitive advantage (Barney, 1991). Accordingly, examining ESG-enabling SMEs as organizational cases provides a suitable basis for understanding how specialized sustainability capabilities are translated into reputational and internationalization outcomes.

3.2 Case Selection and Sampling Strategy

In qualitative research, participants or cases are typically selected purposively based on their ability to provide meaningful insight into the research problem and the central phenomenon under investigation. Rather than seeking statistical generalization to a wider population, qualitative inquiry aims to develop an in-depth understanding of a specific phenomenon through information-rich cases that are closely relevant to the research questions (Creswell & Poth, 2016). In business research, case selection is therefore guided by the extent to which the chosen organizations can illuminate how relevant processes occur in real-life settings (Eriksson & Kovalainen, 2008).

Accordingly, this study applies purposive sampling by selecting three ESG-enabling SMEs that are considered suitable for examining how capability development, stakeholder engagement, and service delivery contribute to corporate reputation during internationalization. These firms were chosen because they provide practical insight into how smaller sustainability-oriented firms support larger client organizations while simultaneously strengthening their own credibility, reputation, and international growth potential.

The selection of cases in a multiple-case study is guided by replication logic rather than by statistical sampling. This means that each case is chosen because it is expected either to reveal comparable patterns or to provide meaningful contrasts that can be theoretically explained, thereby strengthening the overall robustness of the study (Yin, 2003). In qualitative inquiry, the purpose of case selection is not to represent a broader population, but to enable an in-depth understanding of a central phenomenon through cases that are closely relevant to the research problem (Creswell & Poth, 2016).

Accordingly, the three selected cases consist of Indonesian SMEs operating in sustainability-related and ESG-enabling fields whose activities support client firms in addressing ESG-related needs. These firms were considered particularly suitable because they also offer relevance to the study of corporate reputation through trust-building, specialized service delivery, and stakeholder interaction, while demonstrating international orientation, cross-border relevance, or growth ambitions beyond domestic markets. The combination of shared characteristics and contextual variation provides a suitable basis for comparative analysis across cases.

Table 1. Case Selection Criteria.

Category	Criteria
Company Type	Indonesian ESG-enabling SMEs that support other organizations in adopting, implementing, or improving sustainability practices. Each firm operates as a knowledge-intensive service provider that combines technological, relational, and reputational resources relevant to international growth.
Industry	Operates in environmental and sustainability-related sectors, including IoT-based monitoring, carbon and water management, ESG reporting systems, traceability solutions, and compliance advisory services. These sectors illustrate how specialized capabilities can create stakeholder value and competitive differentiation.
Key Informant Role	Founders or senior executives directly involved in strategic decision-making, stakeholder engagement, service development, and international partnerships. Their positions provide first-hand insight into organizational capabilities and reputation-building processes.
Professional Experience	Demonstrates substantial leadership experience in ESG-oriented business development or sustainability innovation, reflecting accumulated managerial knowledge and experience-based capabilities.
Geographical Scope	Engagements in both domestic (Indonesia) and international markets (e.g., Canada, Belgium, Singapore, European Union, Malaysia), providing exposure to diverse market expectations and stakeholder environments relevant to internationalization.
Academic Relevance	Offers empirical relevance for examining how firm-specific resources and capabilities (RBV) interact with stakeholder engagement processes (Stakeholder Theory) in shaping corporate reputation during internationalization.
Policy & Institutional Interfaces	Regular interaction with regulatory bodies, multinational clients, innovation ecosystems, accelerators, certification demands, or sustainability networks. These interfaces help illustrate how external pressures and stakeholder relationships influence strategic adaptation and reputation formation.

The interview participants were selected purposively based on their ability to provide informed and experience-based perspectives on the research phenomenon. In qualitative research, participants are chosen because they possess relevant knowledge that can contribute meaningfully to the aims of the study rather than because they statistically represent a wider population (Creswell & Poth, 2016). Accordingly, the selected informants were founders or senior managerial leaders within the three case firms, namely Paksi Yudha Sasmita of MUSA Green, Sonny of Nobu Instruments, and Diva Rifandi Andana of Tunas Muda Seharapan.

These positions were considered appropriate because they involve direct responsibility for strategic decision-making, service development, client relationships, and organizational growth. As founder-level representatives, the participants were also well placed to explain how their firms develop specialized ESG-enabling capabilities, engage with stakeholders, build credibility in domestic and international markets, and pursue opportunities beyond Indonesia. Their roles therefore provided access to rich organizational insight that was highly relevant to the objectives of this study (Eriksson & Kovalainen, 2008).

3.3 Data Collection

Data for this study were collected from both primary and secondary sources in order to develop a comprehensive understanding of the research phenomenon. The primary source of evidence consisted of semi-structured interviews with founder-level or senior managerial representatives from the three selected case firms. These interviews provided direct insight into how the firms developed ESG-enabling capabilities, engaged with stakeholders, and built corporate reputation in relation to internationalization. In addition, secondary materials were used to complement and contextualize the interview data, including publicly available company information and other relevant organizational sources. The use of multiple sources of evidence is consistent with case study research, where combining different forms of data can strengthen the depth and credibility of the analysis (Yin, 2003).

3.3.1 Primary Data: Semi-Structured Interviews

The primary data for this study were collected through semi-structured interviews with the selected representatives of the three case firms. Semi-structured interviews are particularly suitable in qualitative research when the objective is to explore participants' experiences, interpretations, and organizational practices while still maintaining sufficient structure across interviews to support comparison between cases (Creswell & Poth, 2016). In business research, this format is also useful when the researcher seeks rich explanations of organizational processes while allowing participants to discuss issues that are especially relevant to their own context (Eriksson & Kovalainen, 2008). This format was considered appropriate for the present study because it allowed the discussion of common themes related to ESG-enabling capabilities, stakeholder engagement, corporate reputation, and internationalization, while also giving participants the flexibility to elaborate on issues specific to their firms.

Three interviews were conducted between October 21 and October 27, 2025, using online meeting formats. The first interview was conducted with Paksi Yudha Sasmita, Founder and Chief Executive Officer of MUSA Green, and lasted approximately 57 minutes. The second interview was conducted with Sonny, Founder of Nobu Instruments, and lasted approximately 43 minutes. The third interview was conducted with Diva Rifandi Andana, Founder and Managing Director of Tunas Muda Seharapan, and lasted approximately 48 minutes. All interviews were recorded with permission and subsequently transcribed for analysis.

The interview with MUSA Green was conducted in English and manually transcribed from the recorded session. The interviews with Nobu Instruments and Tunas Muda Seharapan were conducted in Indonesian and transcribed with the support of digital transcription tools. The resulting transcripts were then manually reviewed, refined, and translated into English for analysis. This process was intended to preserve the meaning of participants' responses, improve transcription accuracy, and ensure consistency across the data set.

The semi-structured interview protocol was developed deductively based on the conceptual focus of the study and the key themes identified in the literature review. The interview guide was organized around core themes including firm background, ESG-enabling capabilities, stakeholder relationships, corporate reputation, international activities, and future opportunities. These themes reflect the theoretical foundations of the study, namely the Resource-Based View and Stakeholder Theory, while also incorporating relevant contextual insights from the international business literature. The use of a theory-informed interview guide helped ensure that data collection remained closely aligned with the research questions while still allowing flexibility for participants to elaborate on case-specific experiences and perspectives. The full interview guide is provided in **Appendix 1.**

3.3.2 Secondary Data Sources

In addition to the interview data, secondary sources were used to complement and contextualize the primary evidence where relevant. In case study research, the use of multiple sources of evidence can strengthen the richness and credibility of the analysis by allowing the researcher to compare interview insights with documentary or publicly available materials (Yin, 2003). In the present study, secondary materials were used primarily to support contextual understanding rather than as the main source of analysis.

For MUSA Green, secondary sources included the company's official website, LinkedIn profile, and an internal company profile document provided by the firm. These materials offered additional information regarding the company's background, service portfolio, technological solutions, sustainability positioning, partnerships, and market presence. For example, the company profile described MUSA Green as an integrated sustainability platform offering environmental monitoring, ESG reporting systems, carbon accounting, and data analytics solutions for industrial clients. It also presented examples of organizational impact, including implemented monitoring sites, sustainability platforms, and environmental reporting activities.

For Nobu Instruments and Tunas Muda Seharapan, the analysis relied primarily on interview data due to the limited availability of comparable secondary materials. Overall, the secondary sources were used to enrich case descriptions, triangulate selected claims where possible, and provide broader contextual understanding of the firms and their operating environments.

3.4 Data Analysis

The interview data were analyzed using thematic analysis, a qualitative method for identifying, analyzing, and interpreting patterns of meaning within a dataset (Braun & Clarke, 2006). Thematic analysis offers a theoretically flexible yet systematic approach that allows researchers to organize data into meaningful themes while remaining adaptable to different theoretical perspectives (Clarke & Braun, 2017). Rather than merely summarizing the content of the data, the method enables the identification and interpretation of key features that are relevant to the research questions. In this study, thematic analysis was considered appropriate because it supports the examination of patterns both within and across cases, which is essential for understanding how ESG-enabling SMEs build corporate reputation in the context of internationalization. Its structured but accessible procedures also facilitate the development of codes and themes that reflect the underlying meanings of participants' experiences (Ahmed et al., 2025).

The analysis began with a familiarization phase, which represents a foundational stage of thematic analysis. At this stage, the researcher became closely immersed in the dataset in order to develop an initial understanding of its breadth, depth, and recurring patterns (Ahmed et al., 2025). Interview recordings were first transcribed, and interviews originally conducted in Indonesian were carefully reviewed and translated into English to ensure consistency across cases while preserving the intended meaning of participants’ responses. Following transcription, the transcripts were read and re-read several times to enable active engagement with the data and to identify early impressions relevant to the research questions. This process of repeated reading helped prepare the data for the subsequent coding stage by strengthening familiarity with the participants’ experiences, language, and key areas of emphasis.

Following familiarization, initial codes were generated from meaningful segments of the interview data. In thematic analysis, codes represent the smallest units of analysis that capture relevant features of the dataset in relation to the research questions and serve as the foundation for later theme development (Clarke & Braun, 2017). In the present study, coding was conducted manually in Microsoft Excel. Each relevant quotation was reviewed systematically and assigned a descriptive code that summarized its substantive meaning. Examples of initial codes included, among others, *technology-based ESG solution, partner-led international entry, trust as strategic asset, customization as core strength, and policy-to-practice execution*. The coding process aimed to remain comprehensive and inclusive by capturing both explicit statements and underlying meanings across the three cases. This step enabled the reduction of raw interview data into manageable analytical units for subsequent categorization and theme development (Ahmed et al., 2025).

After the initial coding stage, related codes were grouped into broader categories and subsequently developed into potential themes. In thematic analysis, a theme captures an important and recurring pattern of meaning within the dataset in relation to the research question (Braun & Clarke, 2006). This stage involved reviewing similarities and differences among the codes, collating relevant data extracts, and refining broader patterns that explained how the case firms built corporate reputation in relation to internationalization. Several higher-order themes emerged from the analysis, including ESG-driven capability building, trust-based reputation building, reputation through delivered value, multi-stakeholder engagement, and internationalization through networks.

The analysis was conducted both within each individual case and across cases. First, each firm was examined separately in order to understand its specific context, strategic approach, and reputation-building processes. Thereafter, cross-case comparison was undertaken to identify shared patterns as well as meaningful differences among MUSA Green, Nobu Instruments, and Tunas Muda Seharapan. In line with multiple-case study logic, this comparative process strengthened the robustness of the findings by developing explanations that were relevant across cases while remaining sensitive to case-specific variation (Yin, 2003).

The final stage of analysis involved interpreting the emergent themes through the theoretical framework of the study. The Resource-Based View was used to examine how firm-specific resources and capabilities such as technological expertise, organizational learning, agility, localized knowledge, and service customization contributed to value creation and competitive advantage (Barney, 1991). In addition, corporate reputation was understood as the broader evaluation of the firm formed by its stakeholders, making it relevant to the interpretation of how trust, reliability, delivered outcomes, and stakeholder relationships influenced perceptions of the case firms (Fombrun, 2004). Stakeholder Theory further supported the interpretation of how different stakeholder expectations, pressures, and relationships shaped firm behavior and reputation outcomes. Rather than determining the themes in advance, the theoretical lenses were applied after the coding and theme development stages in order to deepen interpretation and connect the empirical findings to the broader literature. This approach helped ensure that the analysis remained grounded in the data while also generating theoretically meaningful conclusions. The thematic analysis process resulted in eight final cross-case themes that structured the findings chapter. **Table 2** presents a summary of these themes, together with representative codes and their overall interpretation across the cases.

Table 2. Cross-Case Thematic Framework.

Developed Theme	Initial Codes	Cross-Case Interpretation
Theme 1: ESG-Driven Capability Building	technology-based ESG solution; real-time environmental monitoring; specialized IoT ESG offering; build or adapt solutions capability; engineering-based human capital; external demand drives digitalization; shift from manual to digital monitoring; continuous internal capability training; proprietary traceability system	Firms developed technical, human, and organizational capabilities that supported ESG service delivery and strengthened competitiveness.
Theme 2: Reputation through Delivered Value	reputation through customer satisfaction; demonstrate short-term value; customer value as priority; growth through customer value; repeat orders indicate satisfaction; proactive problem detection; solution-first responsiveness; reliability over visibility	Reputation was built primarily through visible stakeholder value, satisfaction, and reliable outcomes rather than promotion alone.
Theme 3: Trust and Transparent Communication	accountability through refund policy; trust protects partnerships; communication-first strategy; proactive progress communication; reporting builds international trust; trust and professionalism	Trust emerged through transparency, professionalism, fairness, and continuous communication with stakeholders.

	priority; trust as main strategic asset; honesty over promotion; transparency builds foreign trust	
Theme 4: Local Embeddedness as Advantage	localization strategy; domestic innovation ambition; imported-solution market gap; local enabler for global standards; insider legitimacy with community; trust exceeds formal authority	Local knowledge, legitimacy, and contextual adaptation created strategic advantages that larger or foreign actors may lack.
Theme 5: Internationalization through Networks	partner-led international entry; participation in global accelerator; partnerships create opportunity; need local foreign partners; international partnership experience; diversified international partner network; collaboration-first international growth	International growth was pursued mainly through partnerships and external networks that reduced barriers and opened opportunities.
Theme 6: International Learning and Capability Upgrading	participation in global accelerator; foreign scrutiny improves systems; imported professionalism practices; AI-enhanced IoT future capability; networks align local with global standards	Cross-border interaction generated learning, system improvement, and upgraded organizational capabilities.

Theme 7: ESG as Business Value Driver	ESG-economic integration; dual-value opportunity; sustainability linked to competitiveness; efficiency-oriented ESG logic; risk reduction through IoT; competitiveness plus sustainability logic; visible economic benefits drive adoption; climate service expansion opportunity	ESG was framed as a driver of efficiency, growth, competitiveness, and new market opportunities rather than only compliance.
Theme 8: Resource Constraints, Purpose, and Agility	mission-driven orientation; lean core team; resource constraints in growth; flexibility over large competitors; mission-driven local founding; purpose-driven retention; talent limits growth	Although resource limitations existed, small-firm agility and purpose orientation supported resilience and continued growth.

3.5 Trustworthiness and Research Rigor

In qualitative research, the quality of a study is commonly evaluated through criteria of trustworthiness rather than through the same standards typically associated with positivist quantitative research. For naturalistic and interpretive inquiry, Guba and Lincoln (1994) propose four central criteria of trustworthiness: credibility, transferability, dependability, and confirmability. These criteria are used to assess whether the research process has been conducted in a rigorous, transparent, and logically consistent manner. Accordingly, in the present study, trustworthiness provides an appropriate framework for evaluating the quality of the qualitative multiple-case design and the interpretation of the empirical findings.

In the present study, trustworthiness was strengthened through several practical measures. Credibility was supported by conducting interviews with founders or senior managerial representatives who possessed direct knowledge of the firms' strategic activities, stakeholder relationships, and international development. The use of verbatim quotations in the findings chapter further supports credibility by allowing readers to evaluate the connection between the empirical evidence and the interpretations drawn from it. Dependability was enhanced through the use of a structured semi-structured interview guide, consistent data collection procedures across the three cases, and a documented coding process conducted in Microsoft Excel. Confirmability was supported by maintaining a transparent analytical process in which interpretations were grounded in the data, while the theoretical framework was used as a lens for interpretation rather than as a predetermined template. Transferability was addressed through rich descriptions of the case firms, the Indonesian business context, and the boundaries of the study setting, enabling readers to assess the potential relevance of the findings to other contexts (Guba & Lincoln, 1994).

It is also important to acknowledge that qualitative data analysis involves researcher interpretation. Themes do not simply emerge automatically from the data. Rather, they are identified, developed, and reported through the active analytical judgments of the researcher. For this reason, transparency regarding how the analysis was conducted is essential for evaluating the quality of the study (Braun & Clarke, 2006). In the present research, efforts to enhance rigor included clearly documenting the stages of coding and theme development, maintaining consistency in analytical procedures across cases, and explicitly linking interpretations to empirical evidence. In addition, the researcher remained aware that translation and interpretation may involve the loss of certain contextual nuances, particularly where interviews were originally conducted in Indonesian. By making the analytical process visible and acknowledging these limitations, the study aims to provide findings that are both credible and open to critical evaluation.

3.6 Ethical Considerations

Ethical considerations were taken into account throughout the research process. All participants were informed that the interviews were conducted for the purpose of this master's thesis and agreed voluntarily to participate in the study. Prior to each interview, the purpose of the research was explained and participants were given the opportunity to decide whether they wished to take part. Permission to record the interviews was also requested and obtained before the recording process began. Participation was based on informed and voluntary consent, and the interviews were conducted in a respectful and professional manner.

The collected data were used solely for academic research purposes and handled responsibly throughout the study. Interview recordings and transcripts were used only for analysis related to the thesis. In the present study, the names of the participants and their organizations are reported openly with their knowledge and consent. At the same time, the researcher sought to represent participants' views accurately and fairly during transcription, translation, interpretation, and reporting. Care was also taken to avoid misleading representation of statements or selective use of evidence that could distort the meaning of the findings.

4 Findings

4.1 Overview of the Findings

This study examines three Indonesian SMEs operating as ESG-enabling firms in different sectors. Although all three companies support other organizations in responding to sustainability-related pressures, they do so through distinct business models, capabilities, and stakeholder environments. The selected cases therefore provide variation in how ESG-enabling SMEs build corporate reputation and pursue opportunities linked to internationalization. MUSA Green represents a technology-oriented environmental solutions provider, Nobu Instruments reflects an engineering-based IoT solutions firm focused on efficiency and customization, and Tunas Muda Seharapan illustrates a community-based sustainability facilitator operating in agricultural supply chains.

Table 3. Overview of the Case Firms.

Case	Core Business	ESG-Enabling Focus	International Relevance
MUSA Green	Sustainability technology and environmental solutions	Monitoring systems, ESG reporting, carbon and environmental data solutions	International partnerships, startup ecosystems, global relevance of sustainability services
Nobu Instruments	Engineering and IoT solutions	Energy monitoring, automation, predictive maintenance, customized efficiency solutions	Cross-border collaborations, partner-led market opportunities, digital service potential
Tunas Muda Seharapan	Sustainability facilitation in agriculture	Palm oil traceability, farmer capability building, environmental	Foreign buyer requirements, international NGO links,

		training, ESG compliance support	global supply-chain relevance

Despite their different operating contexts, the three firms share an important common characteristic: each creates value by helping client organizations address ESG-related challenges. At the same time, the cases differ in the resources they mobilize, the stakeholder relationships they prioritize, and the pathways through which reputation is developed. This combination of shared purpose and strategic variation provides a suitable basis for cross-case thematic analysis in the following sections.

4.2 Theme 1: ESG-Driven Capability Building

In MUSA Green, ESG-driven capability building was strongly associated with the integration of digital technology and sustainability expertise. Rather than offering conventional environmental services alone, the company positioned its capabilities around the use of data-based systems that could improve client environmental performance within industrial settings.

> *"We're trying to combine the IoT and the data solution technology in order to help them to improve their environmental impact within the industrial zone"* (Paksi Yudha Sasmita, MUSA Green, 2025).

A second capability identified in the case was real-time environmental monitoring. The company emphasized that digital monitoring tools created more accurate and timely visibility over environmental performance, allowing clients to respond more effectively to operational issues.

> *"We help them in order to establish the environmental monitoring tools. So they can track the environmental performance … in more precise way, in more real time"* (Paksi Yudha Sasmita, MUSA Green, 2025).

Capability development in MUSA Green also included a consultative approach to problem solving. This suggests that value creation was not limited to providing technology, but also involved diagnosing client challenges and designing appropriate responses.

> *"We understand the problem, we find the causes of the issue, and we come up with a solution"* (Paksi Yudha Sasmita, MUSA Green, 2025).

In addition, the firm highlighted system compatibility as an important capability. Instead of requiring complete technological replacement, MUSA Green adapted its solutions to existing client infrastructures, which may reduce implementation barriers and improve usability.

> *"Whatever the company already have … we can integrate with the existing technology"* (Paksi Yudha Sasmita, MUSA Green, 2025).

Overall, the findings indicate that MUSA Green built strategic capability through the combination of technological resources, diagnostic expertise, and adaptive solution integration.

In Nobu Instruments, ESG-driven capability building was primarily shaped by engineering expertise and a strong orientation toward customization. Rather than competing through standardized solutions, the company emphasized its ability to tailor technologies according to specific client requirements.

> *"Yes, that's our strength"* (Sonny, Nobu Instruments, 2025).

The company also highlighted the strategic role of internal technical human capital. Its core team was described as consisting of engineering-based personnel, suggesting that specialized knowledge formed the foundation of the firm's capability base.

> *"Our three core people are all engineers"* (Sonny, Nobu Instruments, 2025).

A further capability identified in the case was the ability to develop solutions from the beginning or significantly adapt existing systems. This indicates that the firm's value proposition was based not only on product delivery, but also on flexible solution development.

> *"We have a lot of experience in solving solutions, even developing the solution from scratch"* (Sonny, Nobu Instruments, 2025).

In addition, Nobu Instruments linked customization capability with domestic production control. By managing production more directly, the company believed it could respond to client needs in a more suitable and efficient manner.

> *"By being able to provide domestic production that we can control in the production, we can answer the client's needs much more suitably"* (Sonny, Nobu Instruments, 2025).

Capability development was also future-oriented. The company emphasized the importance of integrating artificial intelligence into its IoT solutions to support predictive maintenance and more advanced decision-making functions.

> *"We have to have integration with AI, to provide predictive maintenance, decision making, and so on"* (Sonny, Nobu Instruments, 2025).

Overall, the findings suggest that Nobu Instruments built strategic capability through the combination of engineering knowledge, customization capacity, controlled production, and continuous technological upgrading.

In Tunas Muda Seharapan, ESG-driven capability building extended beyond technical expertise alone and involved the combination of relational, environmental, and technological resources. The company emphasized that its capability base was built through multiple complementary strengths rather than a single specialization.

> *"We combine three things: community trust, environmental expertise, and technological adaptation"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

Capability development was also supported through continuous internal training. Rather than relying only on external expertise, the company invested in upgrading employee knowledge in sustainability standards, data practices, and digital tools.

> *"We train them internally through monthly workshops on ESG standards, data collection, and digital literacy"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

In addition, digital capability was reflected in the development of an internal traceability system that improved transparency across the supply chain and supported sustainability monitoring processes.

> *"TMS-Trace, our digital traceability tool, records the movement of fresh-fruit bunches from farms to mills"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

The findings further indicate that technical capability alone was insufficient in this context. Employees were also expected to understand local community realities and the social conditions surrounding implementation activities.

> *"Every staff member must understand both environmental science and the social context of each village"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

Knowledge sharing was reinforced through internal peer learning, where returning staff transferred experience and insights to other members of the organization.

> *"When they returned, they trained the rest of the team. It's a peer-learning culture"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

Overall, the findings indicate that Tunas Muda Seharapan built strategic capability through a socio-technical combination of trust, expertise, continuous learning, and practical digital systems.

4.3 Theme 2: Reputation through Delivered Value

Across the three cases, corporate reputation was not primarily described as the result of branding, promotion, or symbolic ESG claims. Instead, reputation was consistently associated with the ability to create tangible value for clients and stakeholders through reliable performance, useful solutions, and credible outcomes. The findings suggest that, for ESG-enabling SMEs, reputation emerged through what firms delivered in practice rather than through what they communicated in isolation. While the specific forms of value creation differed across the cases, each firm linked reputation to stakeholder satisfaction, trust, and demonstrated results. This indicates that reputation functioned as an outcome of value delivery and operational execution within the studied firms.

In MUSA Green, reputation was closely connected to customer satisfaction and the practical value created through each project delivered to clients. Rather than treating reputation as a separate branding activity, the participant emphasized that reputation would follow when customers were satisfied with the outcomes provided by the firm.

> *"Make sure that every project we deliver to the customer makes them satisfied. You don't need to worry about the reputation, I think"* (Paksi Yudha Sasmita, MUSA Green, 2025).

The company also highlighted the importance of demonstrating direct and timely benefits for clients. This suggests that visible business value was considered important not only for client retention, but also for strengthening external perceptions of credibility and usefulness.

> *"We need to bring the value to them so they can get also the direct benefit for the company quite fast enough"* (Paksi Yudha Sasmita, MUSA Green, 2025).

A further finding was that value creation began with understanding and solving the client's core problems. The participant explained that the company focused on fundamental issues rather than superficial solutions, indicating that relevance and problem-solving effectiveness were central to reputation formation.

> *"We focus on the fundamental, we focus on the main issue of itself"* (Paksi Yudha Sasmita, MUSA Green, 2025).

Customer value was also described as the basis for future growth. This implies that reputation and business development were viewed as mutually reinforcing outcomes of consistent value delivery.

> *"If we really give value for our customer, we expect that we can do more than we do today"* (Paksi Yudha Sasmita, MUSA Green, 2025).

Overall, the findings indicate that MUSA Green built reputation through customer satisfaction, visible client benefits, and sustained problem-solving performance.

In Nobu Instruments, reputation was strongly associated with responsiveness, service performance, and the ability to generate recurring business relationships. Rather than emphasizing formal branding efforts, the company viewed reputation as something earned when clients recognized the firm's capacity to solve problems effectively.

> *"We can provide a solution first. That's what makes the client see Nobu has a good reputation"* (Sonny, Nobu Instruments, 2025).

The findings also show that customer satisfaction was reflected through repeat orders. In this case, recurring transactions were interpreted as practical evidence that previous projects had created value and met client expectations.

> *"There is also a repeat order, the word repeat order indicates that our customers are satisfied with our performance"* (Sonny, Nobu Instruments, 2025).

Reputation was further supported by proactive service behavior. The participant explained that the company responded when operational issues emerged, suggesting that reliability and problem resolution were important sources of trust.

> *"They get to know the problem when they get complaints... Nobu is present to provide solutions"* (Sonny, Nobu Instruments, 2025).

This pattern was also visible in external relationships, where repeated cooperation with partners indicated sustained confidence in the firm's performance over time.

> *"With the partner, even the repeat order is not once. Even, three or four times"* (Sonny, Nobu Instruments, 2025).

Overall, the findings suggest that Nobu Instruments built reputation through solution-oriented responsiveness, consistent execution, and recurring stakeholder trust reflected in repeat business.

In Tunas Muda Seharapan, reputation was described as being built through reliability, measurable evidence, and stakeholder referrals rather than through promotional visibility. The participant explicitly emphasized that consistent delivery was more important than public exposure or branding activities.

> *"Reputation, in our case, is really built on reliability more than visibility"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

The findings also indicate that organic referrals played an important role in business growth. Instead of depending primarily on marketing campaigns, the company's reputation appeared to spread through positive stakeholder experiences and recommendations.

> *"All our projects come through word-of-mouth"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

A further dimension of reputation was honesty and transparency in reporting. The participant suggested that credible reporting created more value than promotional communication, particularly in sustainability-related work where trustworthiness is highly important.

> *"One honest report is worth more than a thousand brochures"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

In addition, measurable outcomes were treated as a source of reputational value. Quantified ESG results and performance indicators were presented as evidence that stakeholders could trust and evaluate.

> *"Those numbers become our reputation currency"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

Overall, the findings indicate that Tunas Muda Seharapan built reputation through operational reliability, transparent evidence, and stakeholder advocacy generated through positive experience.

Across the three cases, reputation was consistently presented as an outcome of delivered value rather than as a product of communication alone. In MUSA Green, reputation was closely tied to customer satisfaction, visible client benefits, and the ability to solve fundamental operational problems. In Nobu Instruments, reputation was associated with responsiveness, reliable execution, and recurring business relationships that reflected stakeholder confidence. In Tunas Muda Seharapan, reputation was built through reliability, transparent evidence, and word-of-mouth referrals grounded in positive stakeholder experience. Although the specific pathways differed across the firms, all three cases suggest that reputation in ESG-enabling SMEs is strengthened when organizations consistently create outcomes that stakeholders perceive as useful, credible, and trustworthy. These findings indicate that reputation functions as a performance-based asset that develops through sustained value delivery over time.

4.4 Theme 3: Trust and Transparent Communication

Across the three cases, trust was closely associated with the quality of communication and the transparency of organizational practices. Beyond delivering useful outcomes, the firms emphasized that stakeholder relationships were strengthened when information was shared openly, progress was communicated clearly, and commitments were handled in a reliable manner. The findings suggest that, for ESG-enabling SMEs, trust was not treated as an abstract concept, but as something built through everyday interactions, visible accountability, and consistent responsiveness. While the specific practices differed across the firms, all three cases linked trust to stronger stakeholder confidence and more sustainable business relationships. This indicates that transparent communication functioned as an important relational mechanism supporting reputation and long-term collaboration.

In MUSA Green, trust was closely linked to accountability, customer orientation, and responsible collaboration with external stakeholders. The participant emphasized that trust was particularly important in partnership relationships, where cooperation may involve risks related to knowledge sharing and technology use. This suggests that trust functioned as a necessary condition for sustaining collaborative business relationships.

> *"Trust is really important... your technology can be also stolen by them"* (Paksi Yudha Sasmita, MUSA Green, 2025).

The findings also indicate that trust was strengthened through accountability mechanisms that reduced perceived risk for clients. By allowing dissatisfied customers to request refunds, the company signaled confidence in its solutions and fairness in its service practices.

> *"If someone feel like not happy with our solution... they can ask us for a refund"* (Paksi Yudha Sasmita, MUSA Green, 2025).

In addition, the participant highlighted the importance of an internal service mindset centered on helping customers. This implies that trust-building was not limited to external communication, but was also rooted in organizational culture and employee attitudes toward client needs.

> *"You need to have a sense of belonging that how you can help your customers"* (Paksi Yudha Sasmita, MUSA Green, 2025).

Overall, the findings suggest that MUSA Green built trust through fair dealing, partnership responsibility, and a customer-oriented service culture.

In Nobu Instruments, trust was strongly associated with communication discipline, transparency during project execution, and professional conduct. The participant explained that communication was treated as the first priority in client relationships, indicating that trust began with responsiveness and clear interaction rather than only with technical delivery.

> *"The first thing we focus on is communication"* (Sonny, Nobu Instruments, 2025).

The findings further show that transparency was embedded in the company's operating process through regular reporting and client involvement. By providing weekly updates and including clients during project development, the firm reduced uncertainty and enabled stakeholders to monitor progress more closely.

> *"We even have a weekly report... we also involve the client"* (Sonny, Nobu Instruments, 2025).

Trust was also described as a core professional value guiding external relationships. The participant emphasized that professionalism and trust were prioritized, suggesting that reputation was supported not only by technical outcomes, but also by the manner in which projects were managed.

> *"Trust is what is prioritized. Professionalism and trust is the first thing"* (Sonny, Nobu Instruments, 2025).

Overall, the findings indicate that Nobu Instruments built trust through structured communication, process transparency, and professional relationship management.

In Tunas Muda Seharapan, trust was presented as a core strategic asset that supported relationships with both local communities and external clients. The participant directly identified trust as one of the company's main strengths, suggesting that relational credibility was central to the firm's business model and stakeholder engagement approach.

> *"Our main strength is trust both from local communities and from our clients"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

The findings also show that trust was reinforced through local embeddedness and social proximity. Because the organization was perceived as part of the community rather than as an external actor, it was able to build stronger acceptance and cooperation in field activities.

> *"Farmers see us as part of their community, not outsiders doing research"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

Trust additionally played an important role in international relationships, where transparency helped reduce distance-related uncertainty. The participant explained that foreign partners trusted the firm when they were provided with live data or visual evidence from field operations.

> *"Foreign partners want transparency. When they see live data or photos from the field, they trust our reporting"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

Overall, the findings indicate that Tunas Muda Seharapan built trust through community legitimacy, relational closeness, and transparent evidence-sharing across both local and international stakeholder groups.

Across the three cases, trust was consistently built through transparent practices, responsible conduct, and relationship-oriented communication rather than through formal claims alone. In MUSA Green, trust was strengthened through accountability mechanisms, customer-oriented culture, and responsible partnerships. In Nobu Instruments, trust was developed through structured communication, regular reporting, and professional project management. In Tunas Muda Seharapan, trust was rooted in community legitimacy and reinforced through transparent evidence-sharing with external partners. Although the specific trust-building mechanisms differed across the firms, all three cases suggest that transparent communication reduces stakeholder uncertainty and supports more durable collaborative relationships. These findings indicate that trust functions as an important relational asset that contributes to both reputation development and long-term business continuity.

4.5 Theme 4: Local Embeddedness as Advantage

Across the three cases, local embeddedness was not presented as a constraint to growth, but as a strategic advantage that supported value creation and competitive positioning. The findings indicate that the firms benefited from being closely connected to their domestic environment through contextual knowledge, stakeholder relationships, and the ability to design solutions suited to local needs. Rather than relying solely on imported models or standardized approaches, the firms emphasized adaptation to local realities as an important source of differentiation. While the specific forms of embeddedness varied across the cases, all three firms linked their local position to stronger responsiveness, legitimacy, and practical relevance. This suggests that local embeddedness functioned as a valuable resource that could support both current competitiveness and future international development.

In MUSA Green, local embeddedness was reflected in the deliberate development of solutions designed for Indonesian market conditions and client needs. Rather than simply replicating external technologies, the company emphasized the importance of localizing its solution creation process so that offerings would be more relevant and applicable in the domestic context.

> *"We're trying to maximize the localization of our solution creation from Indonesia to Indonesian people"* (Paksi Yudha Sasmita, MUSA Green, 2025).

The findings also indicate that local advantage was strengthened through close understanding of client operational challenges. Before developing innovations, the company focused on identifying the real problems experienced by clients, suggesting that contextual understanding was central to effective solution design.

> *"Before we come up with the innovation, we have to understand what is the pain point or what is the problems that our clients already have"* (Paksi Yudha Sasmita, MUSA Green, 2025).

A further dimension of embeddedness was the ability to adapt solutions to existing technologies already used by clients. This reduced switching barriers and increased the practical usability of new systems within local business environments.

> *"Whatever the company already have, when it comes to the technology, we can integrate with the existing technology"* (Paksi Yudha Sasmita, MUSA Green, 2025).

Overall, the findings suggest that MUSA Green used local market understanding, client proximity, and contextual adaptation as strategic advantages in its capability development.

In Nobu Instruments, local embeddedness was strongly associated with domestic innovation capability and the ability to respond to client needs more effectively than standardized imported alternatives. The company positioned itself as part of a local technological movement that sought to build Indonesian-made solutions rather than relying only on foreign products.

> *"We will try to be one of the IoT companies in Indonesia that has become a pioneer in developing domestic products"* (Sonny, Nobu Instruments, 2025).

The findings also indicate that the domestic market contained unmet needs that were not fully addressed by imported technologies. The participant noted that many firms in the sector operated mainly as distributors of foreign devices, creating opportunities for local producers with stronger customization capabilities.

> *"Many IoT companies... are only official distributors of devices from abroad"* (Sonny, Nobu Instruments, 2025).

A further advantage of local embeddedness was direct control over production. By managing production domestically, the company believed it could tailor solutions more suitably to client requirements and respond more flexibly to project demands.

> *"By being able to provide domestic production that we can control in the production, we can answer the client's needs much more suitably"* (Sonny, Nobu Instruments, 2025).

Overall, the findings suggest that Nobu Instruments used domestic production, local innovation identity, and market responsiveness as important sources of competitive advantage.

In Tunas Muda Seharapan, local embeddedness was most visible through community legitimacy, relational trust, and the ability to translate global sustainability expectations into locally workable practices. The participant explained that the organization was perceived as part of the local community rather than as an external actor, which strengthened acceptance and cooperation in field activities.

> *"Farmers see us as part of their community, not outsiders doing research"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

The findings further indicate that relational trust created forms of access and influence that formal authority alone could not easily achieve. This suggests that social legitimacy functioned as an important strategic resource in stakeholder engagement.

> *"That trust opens doors that formal authority cannot"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

Local embeddedness was also connected to the firm's broader role in international sustainability processes. Rather than viewing global standards as separate from local realities, the company positioned itself as an intermediary that made those standards achievable for smallholders.

> *"We see ourselves as a local enabler making global standards achievable for smallholders"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

Overall, the findings indicate that Tunas Muda Seharapan used community trust, local legitimacy, and contextual translation capability as key sources of advantage in its business model.

Across the three cases, local embeddedness was consistently associated with stronger responsiveness, legitimacy, and solution relevance. In MUSA Green, local advantage was expressed through contextual problem understanding and the adaptation of technologies to domestic client environments. In Nobu Instruments, embeddedness was reflected in domestic innovation capability, production control, and the ability to respond more effectively than imported alternatives. In Tunas Muda Seharapan, local embeddedness was rooted in community trust, social legitimacy, and the translation of global sustainability standards into locally workable practices. Although the specific forms of local advantage differed across the firms, all three cases demonstrate that proximity to local stakeholders and conditions can function as a valuable strategic resource. These findings suggest that strong local positioning may provide an important foundation for future reputation building and international development.

4.6 Theme 5: Internationalization through Networks

Across the three cases, internationalization was not primarily described as a process of independent market entry or large-scale foreign investment. Instead, cross-border opportunities were closely linked to networks, partnerships, and collaborative relationships that provided access to markets, knowledge, and credibility. The findings indicate that, for the studied ESG-enabling SMEs, international development often occurred through relational pathways that reduced resource constraints and uncertainty. External actors such as business partners, advisors, buyers, and accelerator networks played important roles in opening opportunities beyond the domestic market. While the specific forms of networking differed across the firms, all three cases associated internationalization with cooperation rather than isolation. This suggests that networks functioned as an important mechanism through which smaller firms could pursue international growth and learning.

In MUSA Green, internationalization was strongly associated with opportunities created through existing business relationships and external innovation networks. Rather than entering foreign markets independently, the company described cross-border projects as emerging through collaborations with trusted partners already connected to international clients.

> *"One of our existing partners in Indonesia asked us to collaborate to work on the international projects for the customers outside Indonesia, specifically in Canada"* (Paksi Yudha Sasmita, MUSA Green, 2025).

The findings also indicate that international networks contributed not only to market access, but also to capability development and strategic learning. Participation in a global accelerator program provided mentoring and external exposure that could strengthen the firm's readiness for broader growth.

> *"We joined the Google accelerators... we have the one-on-one session with the mentors"* (Paksi Yudha Sasmita, MUSA Green, 2025).

A further pattern in the case was the willingness to collaborate with external providers when client needs extended beyond the firm's internal capabilities. This suggests that network openness formed part of the company's broader growth logic.

> *"We don't need to solve all the problems that our customers have by our own, but we can also bring the partnership with the other provider"* (Paksi Yudha Sasmita, MUSA Green, 2025).

Overall, the findings suggest that MUSA Green pursued internationalization through partner relationships, external learning networks, and collaborative resource leveraging.

In Nobu Instruments, internationalization was linked to collaborative projects, digital delivery possibilities, and the strategic need for local partners in foreign markets. Rather than relying on direct standalone expansion, the company described cross-border opportunities as emerging through cooperation with external organizations.

> *"We partnered with edutech company from outside to kind of sell or promote their online course"* (Sonny, Nobu Instruments, 2025).

The findings also indicate that digital capabilities created alternative pathways for international activity. In software-related work, the participant explained that physical presence was not always necessary, suggesting that intangible services could be delivered across borders more flexibly than hardware-based solutions.

> *"In software development, we don't need to physically attend"* (Sonny, Nobu Instruments, 2025).

At the same time, the company recognized the continued importance of embedded local partners when entering foreign markets. The participant noted that cross-country expansion would likely require collaborators who understood local geography and context.

> *"When we talk about cross-country... it seems like we need a partner there who understand geography and so on"* (Sonny, Nobu Instruments, 2025).

Overall, the findings suggest that Nobu Instruments approached internationalization through collaborative market access, digitally enabled service delivery, and partner-supported entry strategies.

In Tunas Muda Seharapan, internationalization was strongly associated with diverse external networks that connected the firm's local activities to global stakeholders and expectations. The participant described the organization as working with several international actors, including non-governmental, advisory, and buyer organizations.

> *"Our key partners are a Japanese environmental NGO, a Singapore-based tech advisor, and a few European buyers"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

The findings further indicate that these relationships provided more than transactional opportunities. International networks also functioned as channels for learning, helping the firm align domestic operations with evolving global sustainability standards.

> *"These networks keep us updated and ensure our local work aligns with global expectations"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

A further pattern in the case was a deliberate preference for collaborative growth rather than direct foreign expansion. The participant explained that future international development would be considered primarily through partnerships.

> *"We'll consider it but always through collaboration, not direct expansion"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

Overall, the findings suggest that Tunas Muda Seharapan pursued internationalization through relationship networks, external knowledge exchange, and collaboration-based growth pathways.

Across the three cases, internationalization was consistently pursued through networks and collaborative relationships rather than through resource-intensive standalone expansion. In MUSA Green, foreign opportunities emerged through trusted domestic partners and participation in external accelerator networks. In Nobu Instruments, internationalization was associated with project-based collaborations, digitally enabled delivery, and the anticipated need for local foreign partners. In Tunas Muda Seharapan, international development was embedded in relationships with international NGOs, advisors, and buyers that also supported learning and standards alignment. Although the specific pathways differed across the firms, all three cases demonstrate that networks can reduce barriers, expand opportunity recognition, and provide access to knowledge beyond the domestic market. These findings suggest that collaborative networks function as an important strategic pathway through which ESG-enabling SMEs can internationalize under resource constraints.

4.7 Theme 6: International Learning and Capability Upgrading

Across the three cases, international exposure was associated not only with market opportunities, but also with internal learning and capability development. The findings indicate that relationships with foreign partners, international clients, and global support networks encouraged the firms to improve systems, strengthen professional practices, and upgrade technological capabilities. Rather than treating internationalization solely as geographic expansion, the cases suggest that cross-border interaction also functioned as a developmental process that enhanced organizational readiness and long-term competitiveness. While the specific learning outcomes differed across the firms, all three cases linked international engagement to some form of internal improvement. This suggests that internationalization can serve as an important catalyst for capability upgrading in ESG-enabling SMEs.

In MUSA Green, international learning was closely linked to participation in external innovation networks and exposure to cross-border projects. The company described joining a global accelerator program where direct mentoring sessions were provided, suggesting that international networks contributed to managerial learning and strategic capability development.

> *"We joined the Google accelerators... we have the one-on-one session with the mentors"* (Paksi Yudha Sasmita, MUSA Green, 2025).

The findings also indicate that involvement in international projects created practical experience beyond the domestic market. By collaborating on projects for clients outside Indonesia, the firm was exposed to broader operational expectations and more diverse business environments.

> *"One of our existing partners in Indonesia asked us to collaborate to work on the international projects for the customers outside Indonesia, specifically in Canada"* (Paksi Yudha Sasmita, MUSA Green, 2025).

A further pattern was the willingness to work with external providers when required capabilities were not fully available internally. This suggests that learning and upgrading also occurred through collaborative resource combination.

> *"We don't need to solve all the problems that our customers have by our own, but we can also bring the partnership with the other provider"* (Paksi Yudha Sasmita, MUSA Green, 2025).

Overall, the findings suggest that MUSA Green strengthened its capabilities through mentoring networks, international project exposure, and collaborative learning with external partners.

In Nobu Instruments, international learning and capability upgrading were reflected in the strengthening of professional processes and the pursuit of more advanced technological solutions. The participant explained that foreign collaboration environments were perceived as more transparent, suggesting that external market experience provided useful benchmarks for how projects could be managed more efficiently.

> *"More transparent. That's right."* (Sonny, Nobu Instruments, 2025).

The findings also indicate that trust from international partners was supported through structured reporting routines. By maintaining weekly reports for external collaborators, the firm developed communication practices that reinforced professionalism and stakeholder confidence.

> *"We have weekly report to them. So, they, I think, have trust to us."* (Sonny, Nobu Instruments, 2025).

A further dimension of upgrading was future-oriented technological development. The participant emphasized the need to integrate artificial intelligence into existing IoT solutions in order to provide predictive maintenance and stronger decision-support functions.

> *"We have to have integration with AI, to provide predictive maintenance, decision making, and so on."* (Sonny, Nobu Instruments, 2025).

Overall, the findings suggest that Nobu Instruments used international exposure as a stimulus for stronger professional routines, stakeholder management practices, and continued technological upgrading.

In Tunas Muda Seharapan, international learning and capability upgrading were strongly driven by interactions with foreign partners and external expectations. The participant explained that the firm's reports were reviewed by an international stakeholder for the first time, creating pressure to improve internal systems and reporting quality.

> *"It was the first time our reports were reviewed by a foreign partner, and it pushed us to improve our systems"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

The findings further indicate that external demands accelerated digital transformation and workforce development. In response to international requirements, the organization strengthened its data practices and invested in staff capability building.

> *"It forced us to digitalize and train our staff in data management"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

A further pattern in the case was the internal adoption of more structured professional routines learned through external relationships. This suggests that international engagement influenced not only technical systems, but also managerial practices.

> *"We learned to apply that structure internally"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

Overall, the findings suggest that Tunas Muda Seharapan upgraded its capabilities through external scrutiny, digitalization pressures, and the internalization of more advanced organizational practices.

Across the three cases, internationalization was consistently associated with internal learning and capability upgrading rather than with market expansion alone. In MUSA Green, external networks and international projects contributed to mentoring, broader exposure, and collaborative learning. In Nobu Instruments, international experience supported stronger professional routines, stakeholder communication practices, and future technological ambitions. In Tunas Muda Seharapan, foreign stakeholder expectations encouraged system improvements, digitalization, and the adoption of more structured managerial processes. Although the specific learning outcomes differed across the firms, all three cases demonstrate that cross-border engagement can strengthen internal capabilities and organizational readiness. These findings suggest that internationalization functions not only as a growth pathway, but also as a developmental mechanism for ESG-enabling SMEs operating under resource constraints.

4.8 Theme 7: ESG as Business Value Driver

Across the three cases, ESG was not described solely as a matter of compliance, ethics, or external pressure. Instead, ESG-related activities were consistently associated with practical business value for both the firms themselves and their stakeholders. The findings indicate that sustainability-oriented solutions could improve efficiency, reduce risks, strengthen competitiveness, and create new growth opportunities. Rather than viewing ESG as a cost burden, the studied firms linked it to tangible economic and strategic benefits. While the specific forms of value creation differed across the cases, all three firms presented ESG as something that could support stronger performance and future development. This suggests that ESG functioned not only as a responsibility agenda, but also as a driver of business value in ESG-enabling SMEs.

In MUSA Green, ESG was closely associated with the creation of direct business value for clients. The participant emphasized that sustainability solutions needed to generate practical benefits within a relatively short time frame rather than being treated as symbolic initiatives with unclear returns.

> *"We need to bring the value to them so they can get also the direct benefit for the company quite fast enough"* (Paksi Yudha Sasmita, MUSA Green, 2025).

A further pattern in the case was the link between successful value delivery and future business growth. The participant explained that creating value for customers would enable the company to expand its activities over time.

> *"If we really give value for our customer, we expect that we can do more than we do today"* (Paksi Yudha Sasmita, MUSA Green, 2025).

Overall, the findings suggest that MUSA Green viewed ESG as a business value proposition centered on client benefits, practical usefulness, and growth through customer impact.

In Nobu Instruments, ESG was strongly associated with operational efficiency, risk reduction, and emerging strategic opportunities. Rather than framing sustainability only as compliance, the company viewed ESG-related solutions as tools for improving business processes and strengthening long-term competitiveness.

> *"We mostly move towards efficiency of business process."* (Sonny, Nobu Instruments, 2025).

The findings also indicate that ESG technologies were valued for their role in reducing operational risks. By using IoT-based measurement systems, the company believed clients could identify problems earlier and prevent unwanted incidents.

> *"We suggest using IoT systems to do the measurement. To make the company able to reduce unwanted risks."* (Sonny, Nobu Instruments, 2025).

A further pattern in the case was the perception of ESG as a new growth space for smaller technology firms. The participant described the broader ESG agenda as a positive opportunity for the company's future development.

> *"The issue of ESG is also a fresh wind for companies like Nobu."* (Sonny, Nobu Instruments, 2025).

Overall, the findings suggest that Nobu Instruments viewed ESG as a source of efficiency gains, operational resilience, and future market opportunity.

In Tunas Muda Seharapan, ESG was closely associated with productivity improvement, stakeholder competitiveness, and practical environmental gains. The participant explained that adoption increased when stakeholders could clearly observe concrete economic benefits from sustainability practices.

> *"Once people saw real benefits lower fertilizer costs, better yields they became interested."* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

The findings also indicate that sustainability became easier to accept when it was linked to stronger productivity outcomes. Rather than treating ESG as an external obligation, stakeholders were more willing to adopt new practices when they supported day-to-day performance.

> *"Once they realize sustainability increases productivity, adoption becomes natural."* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

A further pattern in the case was the effort to combine economic competitiveness with environmental protection. This suggests that ESG value was understood as balancing commercial viability with long-term resource stewardship.

> *"I wanted to help them stay competitive while protecting the land they depend on."* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

Overall, the findings suggest that Tunas Muda Seharapan viewed ESG as a driver of productivity, competitiveness, and sustainable local development.

Across the three cases, ESG was consistently framed as a source of business value rather than as a compliance burden alone. In MUSA Green, ESG created value through direct client benefits and growth opportunities generated by successful solution delivery. In Nobu Instruments, ESG was associated with efficiency improvements, risk reduction, and new strategic market potential. In Tunas Muda Seharapan, ESG generated value through higher productivity, stronger competitiveness, and more sustainable resource use among stakeholders. Although the specific benefits differed across the firms, all three cases demonstrate that sustainability-oriented activities can produce tangible economic and strategic outcomes. These findings suggest that ESG functions not only as a responsibility agenda, but also as a practical value driver for ESG-enabling SMEs and the stakeholders they serve.

4.9 Theme 8: Resource Constraints, Purpose, and Agility

Across the three cases, business development was shaped not only by opportunities and capabilities, but also by the practical constraints commonly faced by smaller firms. The findings indicate that limited human resources, modest organizational scale, and growth challenges were recurring realities within the studied SMEs. However, these constraints were not presented solely as disadvantages. Instead, the firms also emphasized flexibility, faster adaptation, close internal coordination, and purpose-driven commitment as important strengths. Rather than competing through scale alone, the cases suggest that smaller organizations can respond through agility, entrepreneurial problem solving, and efficient use of available resources. This indicates that resource constraints and strategic advantages can coexist within ESG-enabling SMEs.

In MUSA Green, resource constraints were addressed through adaptive collaboration and a strong focus on high-value activities. Rather than attempting to solve every client need internally, the company emphasized the importance of working with external partners when additional expertise or capabilities were required. This suggests that growth under limited resources was supported through selective resource leveraging rather than full internalization.

> *"We don't need to solve all the problems that our customers have by our own, but we can also bring the partnership with the other provider"* (Paksi Yudha Sasmita, MUSA Green, 2025).

The findings also indicate that the company prioritized customer impact as a way to use limited resources effectively. By concentrating on solutions that created clear value, the firm could strengthen reputation and growth potential without relying on large organizational scale.

> *"If we really give value for our customer, we expect that we can do more than we do today"* (Paksi Yudha Sasmita, MUSA Green, 2025).

A further pattern in the case was an entrepreneurial orientation toward opportunity creation and continuous development. This implies that agility in MUSA Green was linked to strategic openness, external collaboration, and focused execution.

Overall, the findings suggest that MUSA Green managed resource constraints through partnership leverage, selective prioritization, and adaptive entrepreneurial action.

In Nobu Instruments, resource constraints were most visible in the firm's lean organizational structure. The participant explained that the company operated with a small core team, suggesting that growth and project delivery had to be managed with limited internal manpower.

> *"Nobu is a small team. We are a small company consisting of three people as the core"* (Sonny, Nobu Instruments, 2025).

The findings also indicate that the company responded to these limitations by relying on external partnerships. Additional collaborators were involved when projects required broader capacity, allowing the firm to remain flexible without significantly increasing fixed organizational size.

> *"We also have several partners when handling projects"* (Sonny, Nobu Instruments, 2025).

A further pattern in the case was the use of external market channels to compensate for limited internal commercial resources. The participant noted that other companies supported the marketing of Nobu's products, indicating that growth could be pursued through network leverage rather than internal expansion alone.

> *"There are other companies that help marketing our products"* (Sonny, Nobu Instruments, 2025).

Overall, the findings suggest that Nobu Instruments managed resource constraints through a lean structure, partner-supported execution, and externally leveraged market access.

In Tunas Muda Seharapan, resource constraints were strongly associated with the challenge of scaling human resources while maintaining service quality. The participant explained that although the organization had capable people, future growth required additional talent and capacity.

> *"Human resources. We have capable people, but scaling requires more"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

The findings also indicate that organizational purpose played an important role in retaining employees despite resource limitations. The participant noted that many individuals remained with the organization because they found meaning in the work being carried out.

> *"Many stay because they see meaning in the work"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

A further pattern in the case was the strategic advantage of flexibility. Compared with larger organizations, the firm viewed its smaller size as enabling faster responses and lower bureaucratic barriers.

> *"This flexibility helps us respond faster than bigger organizations bound by bureaucracy"* (Diva Rifandi Andana, Tunas Muda Seharapan, 2025).

Overall, the findings suggest that Tunas Muda Seharapan managed resource constraints through mission-driven retention, agile operations, and adaptive use of human capital.

Across the three cases, resource constraints were a common feature of organizational reality, particularly in relation to limited scale, human resources, and growth capacity. In MUSA Green, these constraints were managed through partnership leverage, selective prioritization, and entrepreneurial adaptability. In Nobu Instruments, a lean structure was complemented by external collaborators and partner-supported market access. In Tunas Muda Seharapan, human resource limitations were balanced through mission-driven retention and organizational flexibility. Although the specific responses differed across the firms, all three cases demonstrate that smaller size does not only create disadvantages, but can also encourage efficient resource use, faster adaptation, and creative growth strategies. These findings suggest that agility and purposeful resource management are important strengths for ESG-enabling SMEs operating under constraints.

Overall, the findings indicate that ESG-enabling SMEs build corporate reputation through multiple and interconnected mechanisms. Across the three cases, reputation was associated with distinctive capability development, consistent value creation, trust-based stakeholder relationships, and the strategic use of local embeddedness. Internationalization was largely enabled through collaborative networks and also contributed to internal learning and capability upgrading. At the same time, ESG was viewed as a source of business value rather than as compliance alone, while resource constraints were managed through agility, partnerships, and entrepreneurial adaptability. Taken together, the findings suggest that smaller firms can build strong reputational positions through capabilities, trust, collaboration, and context-sensitive growth strategies.

Table 4. Cross-Case Summary of Findings.

Theme	MUSA Green	Nobu Instruments	Tunas Muda Seharapan	Cross-Case Insight
Theme 1: ESG-Driven Capability Building	Integrated IoT, environmental expertise, consultative problem solving, system compatibility	Engineering expertise, customization, controlled production, AI-oriented upgrading	Community trust, environmental expertise, traceability system, continuous internal learning	ESG-enabling SMEs build reputation through distinctive capability bundles adapted to their operating context.
Theme 2: Reputation through Delivered Value	Customer satisfaction, visible client benefits, problem-solving outcomes	Responsiveness, repeat orders, reliable execution, recurring partnerships	Reliability, word-of-mouth referrals, honest reporting, measurable results	Reputation develops through sustained value creation rather than branding alone.
Theme 3: Trust and Transparent Communication	Accountability mechanisms, customer orientation, responsible partnerships	Communication discipline, weekly reporting, professional conduct, client involvement	Community legitimacy, relational proximity, transparent evidence-sharing	Trust is built through openness, accountability, and consistent stakeholder communication.
Theme 4: Local Embeddedness as Advantage	Localized solutions, client proximity, contextual	Domestic innovation identity, local production control,	Community legitimacy, trust-based access, translation of	Local embeddedness functions as a strategic resource

	problem understanding	responsiveness to unmet needs	global standards locally	rather than a growth limitation.
Theme 5: Internationalization through Networks	Partner-led foreign projects, accelerator networks, collaborative delivery	Cross-border collaboration, digital service potential, need for local foreign partners	International NGOs, buyers, advisors, collaboration-first expansion logic	Networks enable internationalization by reducing barriers and expanding opportunity access.
Theme 6: International Learning and Capability Upgrading	Mentoring, international project exposure, collaborative learning	Stronger professional routines, structured reporting, AI upgrading ambition	Improved systems, digitalization, imported managerial practices	Internationalization also acts as a learning mechanism that strengthens internal capabilities.
Theme 7: ESG as Business Value Driver	Direct client value, business benefits, growth through customer impact	Efficiency gains, risk reduction, strategic market opportunities	Productivity gains, stakeholder competitiveness, sustainable local development	ESG creates tangible economic and strategic value beyond compliance requirements.
Theme 8: Resource Constraints, Purpose, and Agility	Partnership leverage, selective prioritization, entrepreneurial adaptability	Lean structure, partner-supported execution, externally leveraged market access	Mission-driven retention, flexibility, adaptive use of human capital	Resource constraints can coexist with agility, creativity, and efficient growth strategies.

5 Discussion

5.1 Discussion of Main Findings

The findings indicate that distinctive capabilities were central to how the studied firms built and sustained their competitive positions. Across the three cases, capabilities took different forms, including technological integration in MUSA Green, engineering customization in Nobu Instruments, and socio-technical coordination in Tunas Muda Seharapan. This supports the Resource-Based View, which argues that firms create advantage through resources and capabilities that are strategically valuable and effectively deployed (Barney, 1991). In the present study, such capabilities were not limited to tangible technologies, but also included adaptive expertise, trust-based relationships, and contextual problem-solving competence. These findings suggest that ESG-enabling SMEs can compete not through scale alone, but through distinctive capability bundles that fit their operating environments.

The findings further suggest that these capabilities were closely connected to corporate reputation because they generated visible value for stakeholders. Rather than treating reputation as a product of communication alone, the three firms associated positive external evaluations with useful solutions, reliable execution, and measurable outcomes. This interpretation is consistent with prior research showing that sustainability-oriented capabilities can strengthen organizational performance, stakeholder trust, and reputational outcomes (Do et al., 2025). It also supports the view that sustainability has become an increasingly important strategic consideration for firms seeking competitiveness and international growth (Chabowski et al., 2025). Therefore, the study suggests that for ESG-enabling SMEs, reputation is strengthened when distinctive capabilities are repeatedly translated into stakeholder value.

The findings further indicate that trust and transparent communication were central mechanisms through which the studied firms developed and maintained stakeholder relationships. Across the three cases, trust was associated with accountability, regular reporting, openness, and responsible conduct rather than with symbolic claims alone. This interpretation is consistent with stakeholder theory, which views business as a set of relationships among groups that have a stake in organizational activities and outcomes (Parmar et al., 2010). From this perspective, managerial responsibility extends beyond internal operations to the active management of stakeholder relationships in ways that create mutual value (Parmar et al., 2010). The present findings suggest that ESG-enabling SMEs operationalized this logic through everyday practices such as client communication, transparent evidence-sharing, and responsiveness to stakeholder concerns. In this sense, trust appears not merely as a relational outcome, but as a strategic asset that supports reputation, collaboration, and long-term continuity.

The findings also suggest that local embeddedness strengthened stakeholder trust because it improved contextual understanding and relationship quality. In the three cases, proximity to local stakeholders enabled the firms to identify client needs more accurately, respond to domestic market realities, and gain legitimacy within their operating environments. This supports the argument that managers cannot attend equally to all stakeholder claims and must prioritize those viewed as most salient (Mitchell et al., 1997). In emerging-market contexts, local actors often possess legitimacy, urgency, or practical influence, making them strategically important stakeholder groups. The findings further align with the network perspective of internationalization, which emphasizes coordination through relationships rather than isolated firm action (Vahlne & Johanson, 2013). For the studied firms, strong local positioning did not limit growth potential. Instead, it created a relational foundation from which broader collaboration and future international opportunities could emerge. Moreover, in institutional environments where sustainability standards may be interpreted inconsistently, local knowledge and trusted relationships become even more valuable for translating ESG expectations into workable practices (Setyowati, 2020).

The findings indicate that internationalization among the studied firms was pursued primarily through collaborative networks rather than through resource-intensive standalone expansion. Across the three cases, foreign opportunities emerged through partner referrals, cross-border collaborations, international buyers, and external support ecosystems. This supports prior research on born global firms, which argues that smaller firms often lack the resources required for conventional international expansion and therefore rely on alternative governance structures, close relationships, and network partners to grow internationally (Gabrielsson & Kirpalani, 2004). The present findings reinforce this logic, as none of the firms described internationalization as dependent on large-scale physical presence or heavy foreign investment. Instead, relationships functioned as mechanisms for reducing uncertainty, accessing markets, and enhancing credibility. This interpretation also aligns with the network-based view of internationalization, which emphasizes coordination through relationships rather than isolated firm action (Vahlne & Johanson, 2013). Therefore, the study suggests that for ESG-enabling SMEs, internationalization is often a relational process in which strategic networks substitute for formal scale and resource abundance.

The findings further suggest that internationalization created developmental benefits beyond market access alone. Across the cases, relationships with foreign partners, international clients, and external ecosystems contributed to stronger reporting systems, digitalization, managerial learning, and future-oriented capability upgrading. This supports the argument that international expansion should be understood not only as geographic growth, but also as an organizational learning process shaped by uncertainty, adaptation, and evolving capabilities (Vahlne & Johanson, 2013). The results are also consistent with evidence that digitally enabled and network-supported firms can expand their international reach while simultaneously strengthening internal capabilities (Gabrielsson & Gabrielsson, 2011). In the present study, international exposure encouraged firms to professionalize routines, adopt new technologies, and respond to higher external expectations. Moreover, because sustainability challenges often extend across borders, international engagement may create additional incentives for firms to transfer, adapt, and refine ESG-related business models in different contexts (Chabowski et al., 2025). Therefore, the findings suggest that for ESG-enabling SMEs, internationalization functions not only as a growth pathway, but also as a catalyst for continuous capability development.

The findings also indicate that the studied firms operated under constraints commonly associated with smaller enterprises, particularly in relation to limited human resources, modest organizational scale, and capability gaps. This is consistent with prior research showing that many SMEs, especially in emerging economies, face significant barriers in sustainability implementation due to limited resources, lack of expertise, and complex reporting demands (OECD, 2025). However, the present study suggests that such constraints did not function solely as disadvantages. Across the three cases, smaller size was also linked to flexibility, faster decision making, selective prioritization, and the strategic use of partnerships to access complementary resources. This supports the view that SMEs possess important agility and innovation potential that can contribute to sustainability transitions and market responsiveness (OECD, 2025). The findings further align with research on born global firms, which argues that resource-constrained firms often rely on alternative governance structures, close relationships, and network partners to overcome capability limitations and pursue growth (Gabrielsson & Kirpalani, 2004). In addition, the role of purpose-driven commitment in one of the cases suggests that non-financial motivations may help smaller firms retain talent and sustain effort despite structural limitations. Therefore, the study indicates that for ESG-enabling SMEs, resource scarcity can coexist with strategic agility, adaptive collaboration, and entrepreneurial resilience.

5.2 Theoretical Implications

This study offers several implications for the Resource-Based View by showing that valuable resources in ESG-enabling SMEs extend beyond traditional tangible assets or proprietary technologies. Across the three cases, competitive strength was associated with broader capability configurations that included adaptive expertise, stakeholder-oriented problem solving, trust-based relationships, contextual market knowledge, and the ability to integrate sustainability solutions into client operations. These findings reinforce the RBV argument that firm-specific resources and capabilities can become important sources of advantage when they improve effectiveness and are not easily replicated by competitors (Barney, 1991). However, the study also extends this perspective by highlighting that in smaller sustainability-oriented firms, strategic resources are often relational and process-based rather than asset-heavy. In addition, the findings suggest that corporate reputation itself should be understood as a capability-related outcome that emerges when firms repeatedly convert internal competencies into visible stakeholder value. The cases further indicate that agility, partnership leverage, and international learning can strengthen resource positions over time, suggesting that valuable resources are not only possessed, but also continuously developed through adaptation and collaboration. Therefore, the study contributes to RBV by illustrating how resource advantage in ESG-enabling SMEs is built through dynamic combinations of capabilities, relationships, and learning processes.

This study also contributes to Stakeholder Theory by showing that stakeholder relationships are not only external pressures that firms must respond to, but active sources of reputation formation, capability development, and growth opportunities. Across the three cases, trust was strengthened through transparent communication, accountability, responsiveness, and the consistent delivery of value to clients and other stakeholders. These findings support the stakeholder perspective that firms create value through managing relationships with groups that have a stake in organizational activities and outcomes (Parmar et al., 2010). At the same time, the study extends this view by demonstrating that for ESG-enabling SMEs, stakeholder trust can function as a strategic resource that enables collaboration, referrals, repeated business, and broader market access. The findings further show that stakeholder importance was shaped by context, as local communities, domestic clients, regulators, and strategic partners often held particularly salient positions in influencing firm legitimacy and opportunities. This is consistent with the argument that managers must prioritize stakeholder claims based on differences in salience rather than treat all stakeholders equally (Mitchell et al., 1997). Therefore, the study contributes to Stakeholder Theory by illustrating how trust, local legitimacy, and stakeholder prioritization become central mechanisms through which smaller firms build reputation and pursue growth.

This study further contributes to the emerging literature on ESG, SMEs, and internationalization by focusing on ESG-enabling SMEs as a distinct but underexplored category of firms. Much existing research examines how companies adopt ESG practices internally, yet less attention has been given to smaller firms whose core role is to help other organizations implement sustainability solutions, monitoring systems, reporting processes, or environmentally oriented innovations. The findings suggest that these firms do not participate in sustainability transitions only through their own internal practices, but also through the capabilities and services they provide to wider business ecosystems. In addition, the study shows that internationalization for such firms may follow collaborative and capability-based pathways rather than traditional large-scale expansion models. Foreign growth opportunities were associated with networks, partnerships, referrals, and knowledge exchange, while international engagement also supported internal upgrading and learning. These findings support recent arguments that sustainability has become an increasingly important strategic consideration in international business and that firms must adapt their business models across different market contexts (Chabowski et al., 2025). Therefore, the study extends current understanding by positioning ESG-enabling SMEs as important intermediaries that simultaneously support sustainability diffusion, build corporate reputation, and develop international opportunities through relational and knowledge-based strategies.

5.3 Managerial Implications

The findings provide several implications for managers and founders of ESG-enabling SMEs. First, corporate reputation should not be approached primarily as a branding exercise, but as an outcome of consistently delivering valuable solutions to stakeholders. Across the cases, positive evaluations were linked to reliability, responsiveness, measurable results, and the ability to solve client problems effectively. Managers should therefore prioritize capability development in areas such as technical expertise, service quality, stakeholder communication, and adaptive problem solving, as firm-specific capabilities are important drivers of competitive advantage (Barney, 1991). Second, trust-building practices such as transparency, regular communication, and accountability should be embedded in everyday operations rather than treated as occasional promotional activities, since stakeholder relationships are central to long-term value creation (Parmar et al., 2010). Third, smaller firms should recognize that limited scale does not necessarily prevent competitive success. Agility, close customer relationships, and the strategic use of partnerships can allow SMEs to compete effectively against larger organizations. Overall, the findings suggest that reputation in ESG-enabling SMEs is most sustainably built through operational excellence, stakeholder trust, and continuous capability improvement.

The findings also provide implications for managers seeking international growth. Rather than assuming that expansion requires immediate large-scale foreign investment or extensive physical presence, the cases suggest that internationalization can begin through collaborative and lower-risk pathways. Partnerships, referrals, international clients, accelerators, and professional networks were important channels through which foreign opportunities emerged. Managers of ESG-enabling SMEs may therefore benefit from treating relationship-building as a core internationalization capability. This includes developing credible partnerships, maintaining professional communication standards, and building visibility within relevant industry ecosystems. The findings further indicate that international engagement should be viewed not only as a route to new markets, but also as an opportunity for organizational learning. Exposure to foreign stakeholders can encourage stronger systems, improved reporting routines, digital upgrading, and broader strategic thinking. Overall, managers should approach internationalization as a gradual process of network expansion, capability upgrading, and opportunity development rather than only as geographic market entry (Vahlne & Johanson, 2013).

The findings also generate implications for policymakers, industry associations, accelerators, and other support organizations involved in SME development. The studied cases suggest that ESG-enabling SMEs can play an important role in helping wider business communities adopt sustainability practices, improve monitoring systems, and respond to evolving stakeholder expectations. Supporting these firms may therefore create multiplier effects that extend beyond the focal enterprise itself. Public and private support programs should consider providing easier access to training, technical mentoring, market linkage opportunities, and international networking platforms tailored to smaller sustainability-oriented firms. In addition, regulatory and reporting requirements should be designed with awareness of SME resource limitations, as excessive complexity may slow innovation and participation (OECD, 2025). Ecosystem actors can also strengthen SME growth by facilitating collaboration between smaller firms, larger corporations, investors, and public institutions. Overall, the findings suggest that enabling ESG-enabling SMEs is not only a firm-level issue, but also a broader ecosystem and policy opportunity.

5.4 Limitations of the Study

This study should be interpreted in light of several methodological limitations. First, the research adopted a qualitative multiple case study design involving three firms, which was appropriate for generating in-depth understanding of how ESG-enabling SMEs build corporate reputation in internationalization contexts. However, the small number of cases means that the findings are contextually grounded rather than statistically generalizable to wider populations of SMEs. The purpose of the study was analytical insight rather than broad numerical representativeness. In addition, case study findings are influenced by the specific characteristics of the selected firms, including their industries, developmental stages, and strategic orientations. As a result, other ESG-related SMEs may experience different reputational or internationalization pathways. Nevertheless, the design remains valuable for exploring complex processes and generating theory-informed understanding of an underexplored phenomenon.

Second, the study relied primarily on semi-structured interviews with key informants from each case firm, supported by selected secondary materials. Although this approach provided rich and relevant insights, interview-based data may be affected by subjective interpretation, selective recall, or the desire of participants to present their organizations in a positive manner. As senior representatives of their firms, the participants were well positioned to discuss strategic issues, yet their views may not fully reflect the perspectives of other internal employees, clients, regulators, or external stakeholders. In addition, the study captured perceptions at a particular point in time rather than over an extended period. Consequently, changes in reputation, capability development, or internationalization processes could not be observed longitudinally. These limitations do not invalidate the findings, but they suggest that the results should be understood as informed managerial perspectives rather than exhaustive organizational accounts.

Third, the scope of the study was intentionally focused on Indonesian ESG-enabling SMEs operating in selected sustainability-related service contexts. This narrow scope supported contextual depth and relevance, but it also limits the transferability of the findings to other national environments, sectors, or types of organizations. Institutional conditions, stakeholder expectations, and internationalization opportunities may differ substantially across countries and industries. Similarly, larger firms or SMEs that adopt ESG practices internally rather than provide ESG-enabling services may face different strategic dynamics. The study also concentrated on the relationship between ESG, corporate reputation, and internationalization, meaning that other potentially relevant outcomes such as financial performance, innovation outputs, or employee well-being were not examined in depth. Therefore, the conclusions of this research are most applicable to contexts that share similar characteristics with the cases investigated.

5.5 Suggestions for Future Research

Future research could extend this study by examining a larger number of ESG-enabling SMEs across different industries and national contexts. While the present research provides in-depth insights from three Indonesian cases, broader samples would allow scholars to explore whether similar patterns of capability development, reputation building, and internationalization emerge in other environments. Comparative studies between emerging and developed economies may be particularly valuable, as institutional conditions, stakeholder expectations, and sustainability regulations can vary substantially across countries. In addition, future quantitative research could test the relationships identified in this study, such as the links between ESG-related capabilities, stakeholder trust, corporate reputation, and international growth outcomes. Such approaches would complement the qualitative insights developed here and strengthen the generalizability of knowledge in this area.

Future research may also benefit from adopting longitudinal and multi-stakeholder approaches. The present study captured managerial perspectives at a particular point in time, whereas reputation building and internationalization are dynamic processes that evolve over time. Longitudinal studies could therefore examine how ESG-enabling SMEs develop capabilities, respond to stakeholder expectations, and build reputational positions across different stages of growth. In addition, future studies could incorporate perspectives from clients, employees, regulators, investors, or community stakeholders to provide a more comprehensive understanding of how reputation is formed and evaluated. Comparing internal managerial views with external stakeholder perceptions would offer valuable insight into whether intended reputational strategies are recognized and trusted by relevant audiences. Such approaches would deepen understanding of reputation as an interactive and evolving phenomenon.

Future studies could further explore additional variables and emerging themes that were beyond the primary scope of this thesis. For example, researchers may examine how ESG-enabling SMEs influence client sustainability performance, innovation outcomes, financial resilience, or employee engagement. The growing importance of digital technologies also suggests opportunities to investigate the role of artificial intelligence, data analytics, and digital platforms in scaling ESG-related services and strengthening international competitiveness. In addition, future research could analyze how public policy, reporting frameworks, and support ecosystems shape the growth trajectories of smaller sustainability-oriented firms. As sustainability expectations continue to evolve globally, ESG-enabling SMEs are likely to become increasingly important actors in business ecosystems. Continued research in this area would therefore contribute to both academic knowledge and practical development.

6 Conclusions

6.1 Summary of Findings

This thesis examined how ESG-enabling SMEs build corporate reputation in the context of internationalization through a multiple case study of three Indonesian sustainability-oriented firms: MUSA Green, Nobu Instruments, and Tunas Muda Seharapan. The study found that corporate reputation was built through multiple and interconnected mechanisms rather than through communication or branding alone. Across the cases, reputation was strongly associated with distinctive capability development, including technological expertise, adaptive problem solving, customization, trust-based relationships, and contextual market knowledge. These capabilities became reputationally valuable when they were translated into visible stakeholder benefits such as reliability, efficiency, responsiveness, and measurable sustainability outcomes.

The findings also showed that trust and stakeholder relationships were central to reputation formation. Transparency, accountability, regular communication, and consistent value delivery strengthened confidence among clients, partners, and wider stakeholders. In addition, local embeddedness emerged as an important strategic advantage, as close understanding of domestic contexts enabled the firms to respond more effectively to stakeholder needs and build legitimacy within their operating environments.

Regarding internationalization, the study found that expansion was pursued mainly through collaborative networks rather than through resource-intensive standalone growth. Partnerships, referrals, foreign clients, and external ecosystems created access to opportunities, while international engagement also contributed to learning, stronger systems, and capability upgrading. Finally, although the firms faced constraints related to scale and resources, these limitations were balanced through agility, entrepreneurial adaptability, and the strategic use of partnerships.

Overall, the study concludes that ESG-enabling SMEs build corporate reputation in internationalization by combining distinctive capabilities, trusted stakeholder relationships, locally grounded legitimacy, collaborative network strategies, and continuous adaptation under resource constraints.

6.2 Final Contributions to the Study

This study makes several contributions to research and practice. First, it extends understanding of corporate reputation by showing that, in smaller sustainability-oriented firms, reputation is built primarily through capability-based value creation, trusted relationships, and consistent stakeholder outcomes rather than through formal scale or brand visibility alone. Second, it contributes to the Resource-Based View and Stakeholder Theory by illustrating how capabilities, trust, local legitimacy, and adaptive collaboration interact in shaping competitive strength and reputational development. Third, it highlights ESG-enabling SMEs as an important but underexplored category of firms that support wider sustainability transitions through the services, technologies, and expertise they provide to other organizations.

From a practical perspective, the study suggests that managers of ESG-enabling SMEs should prioritize capability development, stakeholder trust, and collaborative growth strategies, while policymakers and support ecosystems should recognize the multiplier role these firms can play in advancing sustainability adoption. As ESG expectations continue to expand globally, smaller enabling firms may become increasingly significant actors in both domestic and international business ecosystems.

Overall, this thesis demonstrates that even resource-constrained SMEs can build strong reputational positions when they convert specialized capabilities and stakeholder trust into meaningful value across markets.

References

Ahmed, S. K., Mohammed, R. A., Nashwan, A. J., Ibrahim, R. H., Abdalla, A. Q., Ameen, B. M. M., & Khdhir, R. M. (2025). Using thematic analysis in qualitative research. *Journal of Medicine, Surgery, and Public Health, 6*, 100198. https://doi.org/10.1016/j.glmedi.2025.100198

Amit, R., & Schoemaker, P. J. (1993). Strategic assets and organizational rent. *Strategic Management Journal, 14*(1), 33–46. https://doi.org/10.1002/smj.4250140105

Appiah-Kubi, E. (2025). Stakeholder pressure and SMEs sustainability information disclosures: Why perceived benefits and sustainability knowledge matter. *Journal of Accounting & Organizational Change, 21*(3), 407–423. https://doi.org/10.1108/JAOC-11-2023-0191

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management, 17*(1), 99–120. https://doi.org/10.1177/014920639101700108

Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology, 3*(2), 77–101. https://doi.org/10.1191/1478088706qp063oa

Cavusgil, S. T., & Knight, G. (2015). The born global firm: An entrepreneurial and capabilities perspective on early and rapid internationalization. *Journal of International Business Studies, 46*(1), 3–16. https://doi.org/10.1057/jibs.2014.62

Chabowski, B. R., Gabrielsson, P., Hult, G. T. M., & Morgeson, F. V., III. (2025). Sustainable international business model innovations for a globalizing circular economy: A review and synthesis, integrative framework, and opportunities for future research. *Journal of International Business Studies, 56*(3), 383–402. https://doi.org/10.1057/s41267-023-00652-9

Chabowski, B. R., Gabrielsson, P., & Mena, J. A. (2022). Using bibliometric research to advance the business-to-business sustainability literature: Establishing an integrative conceptual framework for future application. *Industrial Marketing Management, 102*, 527–545. https://doi.org/10.1016/j.indmarman.2022.01.009

Clarke, V., & Braun, V. (2017). Thematic analysis. *The Journal of Positive Psychology, 12*(3), 297–298. https://doi.org/10.1080/17439760.2016.1262613

Creswell, J. W., & Poth, C. N. (2016). *Qualitative inquiry and research design: Choosing among five approaches* (4th ed.). SAGE Publications.

Do, N. B., Do, H.-N., & Dang-Van, T. (2025). The mechanism of sustainability orientation towards SME innovation and performance: The role of organizational capabilities and co-innovation. *Knowledge and Process Management*, 1–17. https://doi.org/10.1002/kpm.70007

Eriksson, P., & Kovalainen, A. (2008). *Qualitative methods in business research*. SAGE Publications.

Fombrun, C. J., & Van Riel, C. B. M. (2004). *Fame and fortune: How successful companies build winning reputations*. Pearson Education.

Furtner, D., Hutas, G., Tan, B. J. W., & Meier, R. (2023). Journey from an enabler to a strategic leader: Integration of the medical affairs function in ESG initiatives and values. *Pharmaceutical Medicine, 37*, 405–416. https://doi.org/10.1007/s40290-023-00485-9

Gabrielsson, M., & Gabrielsson, P. (2011). Internet-based sales channel strategies of born global firms. *International Business Review, 20*(1), 88–99. https://doi.org/10.1016/j.ibusrev.2010.05.001

Gabrielsson, M., & Kirpalani, V. H. M. (2004). Born globals: How to reach new business space rapidly. *International Business Review, 13*(5), 555–571. https://doi.org/10.1016/j.ibusrev.2004.03.005

Gladilina, I., Hajiyev, H., Vaslavskaya, I., Kirillova, E., Dymchenko, O., Hajiyev, E., Averina, O., & Shichiyakh, R. (2024). Adapting ESG principles to contracting practices: Towards sustainable business agreements. *International Journal of Sustainable Development and Planning, 19*(7), 2627–2634. https://doi.org/10.18280/ijsdp.190719

Guba, E. G., & Lincoln, Y. S. (1994). Competing paradigms in qualitative research. In N. K. Denzin & Y. S. Lincoln (Eds.), *Handbook of qualitative research* (pp. 105–117). SAGE Publications.

Hallbäck, J., & Gabrielsson, P. (2013). Entrepreneurial marketing strategies during the growth of international new ventures originating in small and open economies. *International Business Review, 22*(6), 1008–1020. https://doi.org/10.1016/j.ibusrev.2013.02.006

Inês, A., Diniz, A., & Moreira, A. C. (2025). Going the extra mile while internationalizing: A systematic literature review about the role of CSR commitment. *Corporate Social Responsibility and Environmental Management, 32*(3), 4135–4154. https://doi.org/10.1002/csr.3175

Jeffrey, S., Rosenberg, S., & McCabe, B. (2019). Corporate social responsibility behaviors and corporate reputation. *Social Responsibility Journal, 15*(3), 395–408. https://doi.org/10.1108/SRJ-11-2017-0255

Jones, T. M., & Wicks, A. C. (1999). Letter to AMR regarding "convergent stakeholder theory." *Academy of Management Review, 24*(4), 621–623.

Juráček, L., Jurík, L., & Makyšová, H. (2025). Institutional, resource-based, stakeholder and legitimacy drivers of green manufacturing adoption in industrial enterprises. *Administrative Sciences, 15*(8), 311. https://doi.org/10.3390/admsci15080311

Kamasak, R. (2017). The contribution of tangible and intangible resources, and capabilities to a firm's profitability and market performance. *European Journal of Management and Business Economics, 26*(2), 252–275. https://doi.org/10.1108/EJMBE-07-2017-015

Li, X., Saat, M. M., Khatib, S. F. A., & Liu, Y. (2024). Sustainable development and firm value: How ESG performance shapes corporate success—a systematic literature review. *Business Strategy and Development, 7*, e70026. https://doi.org/10.1002/bsd2.70026

Mahajan, R., Lim, W. M., Sareen, M., Kumar, S., & Panwar, R. (2023). Stakeholder theory. *Journal of Business Research, 166*, 114104. https://doi.org/10.1016/j.jbusres.2023.114104

Mitchell, R. K., Agle, B. R., & Wood, D. J. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review, 22*(4), 853–886.

Organisation for Economic Co-operation and Development. (2025). *Fostering convergence in SME sustainability reporting* (OECD SME and Entrepreneurship Papers). OECD Publishing. https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/02/fostering-convergence-in-sme-sustainability-reporting_133eb77f/ffbf16fb-en.pdf

Parmar, B. L., Freeman, R. E., Harrison, J. S., Wicks, A. C., Purnell, L., & de Colle, S. (2010). Stakeholder theory: The state of the art. *Academy of Management Annals, 4*(1), 403–445. https://doi.org/10.5465/19416520.2010.495581

Peteraf, M. A. (1993). The cornerstones of competitive advantage: A resource-based view. *Strategic Management Journal, 14*(3), 179–191. https://doi.org/10.1002/smj.4250140303

Rohman, I. K., Setiawan, F. J. D., & Ginting, E. G. P. (2024). *Snapshot of ESG investing in Indonesia's stock and bond market*. IFG Progress / Universitas Indonesia.

Saygili, E., Arslan, S., & Birkan, A. O. (2021). ESG practices and corporate financial performance: Evidence from Borsa Istanbul. *Borsa Istanbul Review, 22*(3), 525–533. https://doi.org/10.1016/j.bir.2021.07.001

Setyowati, A. B. (2020). Governing sustainable finance: Insights from Indonesia. *Climate Policy, 21*(sup1), S90–S103. https://doi.org/10.1080/14693062.2020.1858741

Taylor, M., Jack, R., Madsen, T., & Alam, M. A. (2021). The nature of service characteristics and their impact on internationalization: A multiple case study of born global firms. *Journal of Business Research, 132*, 517–529. https://doi.org/10.1016/j.jbusres.2021.04.050

Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal, 18*(7), 509–533. https://doi.org/10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z

Vahlne, J.-E., & Johanson, J. (2013). The Uppsala model on evolution of the multinational business enterprise: From internalization to coordination of networks. *International Marketing Review, 30*(3), 189–210. https://doi.org/10.1108/02651331311321963

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal, 5*(2), 171–180. https://doi.org/10.1002/smj.4250050207

Yin, R. K. (2003). *Applications of case study research* (2nd ed.). SAGE Publications.

Zaheer, S. (1995). Overcoming the liability of foreignness. *Academy of Management Journal, 38*(2), 341–363. https://doi.org/10.5465/256683

Appendices

Appendix 1. Interview Guide

Theme / Dimension	Interview Questions	Underlying Theoretical Lens	Intended Insight / Analytical Focus
Firm Background & Internationalization Journey	1. Could you describe your company's background and mission? 2. How did your firm begin its internationalization journey? 3. Which markets have you entered and through what channels or partnerships?	Contextual (supports both RBV & Stakeholder)	Understand firm context, international path, and external relationships shaping ESG reputation. Studying multiple cases provides "a more complete understanding of the studied phenomenon" Internationalization of SMEs is often driven by founder vision and network-based learning
ESG Strategy and Implementation	4. How are ESG principles integrated into your company's overall strategy? 5. What types of ESG-related products, services, or solutions do you provide? 6. What motivated your company to focus on ESG-enabling activities?	RBV	Identify internal resources and capabilities (technological, managerial, ethical) that form the firm's ESG advantage. ESG commitment can create sustainable competitive advantage when embedded in core strategy
Key Resources and Capabilities	7. What internal strengths or capabilities allow your company to compete in sustainability-related markets?	RBV	Explore VRIN (valuable, rare, inimitable, non-substitutable) assets that underpin ESG reputation.

	8. How were these capabilities developed or acquired? 9. Are there resources or knowledge that you believe are difficult for competitors to imitate?		Firm-specific capabilities, especially knowledge and innovation, are sources of sustainable advantage.
Technology and Innovation in ESG Delivery	10. How does technology support your ESG offerings (e.g., IoT, data analytics, platforms)? 11. How do you ensure reliability and quality in ESG-related services? 12. In what ways has innovation influenced your reputation or client relationships?	RBV	Assess how technological know-how and innovation generate competitiveness and reputation. Innovation and digitalization strengthen ESG service delivery
Stakeholder Engagement	13. Who are the key stakeholders influencing your ESG activities (e.g., clients, regulators, investors, communities)? 14. How does your company engage with these stakeholders? 15. How do you balance conflicting expectations among different stakeholder groups?	Stakeholder Theory	Examine stakeholder salience (power, legitimacy, urgency) shaping ESG decisions and reputation. Stakeholder relationships are central to legitimacy and trust.
Reputation Formation and Management	16. How would you describe your company's corporate reputation domestically and internationally?	RBV + Stakeholder	Understand how ESG engagement transforms into reputational capital bridging internal resources and external perception.

	17. What factors have contributed most to building this reputation? 18. How do ESG initiatives influence how your firm is perceived by partners or clients abroad?		Reputation emerges from both stakeholder endorsement and capability consistency.
Institutional and Market Pressures	19. What external pressures (regulations, customer expectations, investor demands) drive your ESG initiatives? 20. Are there differences between domestic and international ESG expectations? 21. How do you adapt to varying institutional standards across markets?	Stakeholder Theory (with institutional context)	Capture coercive, normative, and market pressures affecting firm strategy and legitimacy. Institutional pressures push SMEs toward ESG adaptation.
International Partnerships & Networks	22. What types of international partnerships or networks has your firm joined (e.g., accelerators, NGOs, government programs)? 23. How do these relationships contribute to your firm's credibility or market access? 24. How important is trust in maintaining these relationships?	Stakeholder Theory + RBV (Relational Resources)	Reveal how network insidership and trust-based relations build legitimacy and resource development. Relational resources and alliances strengthen global credibility.
Challenges and Opportunities	25. What are the main challenges your company faces in implementing ESG	RBV + Stakeholder	Identify barriers and adaptive strategies showing how resource scarcity and

	initiatives across countries? 26. How do you overcome constraints such as limited resources, differing standards, or stakeholder skepticism? 27. What opportunities have emerged from your ESG engagement?		stakeholder diversity are managed. SMEs often compensate for limited resources through innovation and collaboration.
Future Outlook	28. How do you see ESG trends evolving in your industry over the next five years? 29. How is your firm preparing for future stakeholder expectations or ESG regulations? 30. What capabilities or partnerships will be most important for sustaining your reputation internationally?	RBV + Stakeholder (forward-looking)	Explore how future ESG and stakeholder trends influence strategy and investment. Strategic foresight connects ESG integration with long-term reputation.