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From Sustainable Business Models to Competitive Advantage in Small and Medium-Sized Enterprises: The Role of Innovation Capabilities and Strategic Reconfiguration

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ABSTRACT: Small and medium-sized enterprises (SMEs) face increasing pressure to transform their business models towards sustainability amid market volatility, environmental and social responsibility requirements, and resource constraints. However, adopting a sustainable business model (SBM) does not automatically generate competitive advantage when firms lack innovation capabilities and strategic reconfiguration capacity. This paper employs an integrative literature review and theoretical synthesis to examine the mechanisms through which SBM can be translated into competitive advantage in SMEs. The synthesis identifies three complementary components: SBM establishes the architecture for creating, delivering, and capturing value; innovation capabilities enable firms to develop and implement new value-creating solutions; and strategic reconfiguration facilitates the adjustment, recombination, and reallocation of resources to operationalise and sustain innovation. Building on these insights, the paper proposes an integrative conceptual framework and five research propositions. It also identifies financial resources, absorptive capacity, the quality of partner relationships, and industry characteristics as contextual conditions that may facilitate or constrain the transformation process. The main theoretical contribution lies in clarifying the complementary but distinct roles of innovation capabilities and strategic reconfiguration in translating SBM into long-term competitive advantage in SMEs. The proposed propositions represent a theoretical synthesis and have not yet been empirically tested.

KEYWORDS: sustainable business models, small and medium-sized enterprises, innovation capabilities, strategic reconfiguration, competitive advantage.

1. INTRODUCTION

Sustainable development has become a strategic imperative, prompting firms to move beyond the pursuit of economic value maximisation towards creating value across economic, social, and environmental dimensions. This shift requires firms to rethink how they define their value propositions, organise activities, coordinate with partners, and capture value [1]–[2]. For small and medium-sized enterprises (SMEs), transitioning to a sustainable business model (SBM) creates opportunities for differentiation, resource efficiency, and an enhanced position within value chains. Nevertheless, constraints in capital, specialised human resources, technology, and managerial capabilities create substantial barriers to this transition. Studies indicate that sustainability practices in SMEs are shaped by both internal capabilities and external environmental conditions; therefore, no single transition model is suitable for all firms [3]–[4]. Moreover, the transformation of SBM into competitive advantage is not automatic. It depends on contextual conditions such as financial resources, absorptive capacity, the quality of partner relationships, and industry characteristics. A sustainability-oriented business model can generate an advantage only when it meets customer needs, remains economically viable, and aligns with the firm's operational capabilities [1]–[2], [5]. Accordingly, value configuration, organisational capabilities, and the business environment must be considered together to explain differences in transition outcomes among SMEs. Against this background, this paper addresses three research questions: (1) Through which theoretical mechanisms can SBM be translated into competitive advantage in SMEs? (2) How do innovation capabilities and strategic reconfiguration differ while complementing each other in this transformation process? (3) Which resource-related and contextual conditions may facilitate or constrain this process? Accordingly, the study aims to systematise the theoretical foundations, analyse the complementary mechanisms of the two capabilities, propose an integrative conceptual framework and research propositions, and derive managerial and policy implications for SMEs.

The paper makes three contributions. First, at the conceptual level, it clarifies the distinctions among SBM, business model innovation, innovation capabilities, and strategic reconfiguration. Second, at the theoretical level, it proposes an integrative framework explaining how innovation capabilities and strategic reconfiguration work together to translate SBM into long-term competitive advantage. Third, at the practical level, it identifies contextual conditions affecting the transition process, thereby providing insights for SMEs and business-support organisations. The paper adopts an integrative literature review and theoretical synthesis; the proposed conceptual framework and propositions require further empirical testing.

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2. RESEARCH CONTENT

2.1. Theoretical foundations and review methodology

2.1.1. Sustainable business models

A business model is the logic or architecture through which a firm creates, delivers, and captures value, encompassing the structure, content, governance of activities, and coordination with partners [1]. Teece [2] regards it as a managerial hypothesis concerning customer needs, how those needs are addressed, and how the value proposition is converted into revenue and profit.

An SBM extends this logic by integrating social and environmental objectives and impacts into business model design. Stubbs and Cocklin [6] argue that sustainability objectives should shape organisational structures and relationships with stakeholders, while Schaltegger et al. [14] emphasise that business model innovation is a system-level approach that goes beyond improving individual activities.

In this paper, an SBM comprises three interconnected components: (1) a sustainable value proposition for customers and stakeholders; (2) a value creation and delivery system encompassing resources, processes, technology, human resources, and partners; and (3) a value capture and distribution mechanism encompassing revenue, costs, profit, reinvestment, and the distribution of benefits. A change in one component often necessitates adjustments to the others.

SBM must be distinguished from sustainable business model innovation (SBMI): SBM refers to a configuration for creating, delivering, and capturing value that integrates economic, social, and environmental objectives, whereas SBMI refers to the process of changing that configuration. Business model innovation (BMI) has a broader scope and is not necessarily sustainability-oriented. This paper uses SBM to denote the configuration and BMI/SBMI to denote the process of change.

2.1.2. Innovation capabilities in small and medium-sized enterprises

Innovation capability is the ability to mobilise knowledge, resources, and processes to develop and implement valuable innovations; it should not be equated with an idea or a technology investment. Innovation may occur in products, processes, organisational arrangements, marketing, or business models. In SMEs, this capability is closely associated with the owner's role, learning from customers and suppliers, and the ability to connect with external knowledge.

Absorptive capacity provides a foundation for innovation. Cohen and Levinthal [15] define it as the ability to recognise the value of external knowledge, assimilate it, and exploit it, while Zahra and George [16] extend this perspective by identifying the processes of acquisition, transformation, and exploitation. Relationships with customers, suppliers, universities, industry associations, and support organisations broaden access to knowledge; however, SMEs benefit only when they convert information into concrete changes.

Innovation capabilities support SBM in four ways: (i) product and service innovation translates sustainability objectives into customer benefits; (ii) process innovation reduces material use, energy consumption, time, and waste; (iii) organisational and managerial innovation establishes responsibilities and performance indicators; and (iv) market and business model innovation expands customer segments, distribution channels, or revenue streams. These directions should be aligned with the architecture of the business model to avoid fragmented initiatives [5], [7], [17].

In this study, innovation capability is understood as the ability to select, experiment with, implement, and adapt solutions that are appropriate to an SBM, rather than the number of ideas generated or innovations achieved. This capability depends on mobilising external knowledge, coordinating internal resources, learning from the market, and translating insights into valuable products, processes, or business practices.

2.1.3. Strategic reconfiguration and dynamic capabilities theory

Dynamic capabilities theory explains a firm's ability to integrate, build, and reconfigure internal and external capabilities to adapt to its environment [12]. Teece [13] identifies three microfoundations: sensing opportunities and threats; seizing opportunities through resource mobilisation; and transforming/reconfiguring assets, processes, structures, and relationships.

Strategic reconfiguration is the process of adjusting resources and activities to maintain alignment among strategy, the business model, and the environment. It may involve reallocating capital, changing products, redesigning processes, developing human resources, adjusting distribution channels, establishing partnerships, or withdrawing from activities that no longer create value. Unlike operational adjustments, reconfiguration can alter the underlying logic of value creation and capture.

Eisenhardt and Martin [18] view dynamic capabilities as being manifested in processes such as product development, decision-making, and resource reconfiguration; Helfat and Peteraf [19] emphasise that capabilities may develop, decline, or be renewed. In this paper's framework, dynamic capabilities provide the broader theoretical foundation: innovation capabilities help develop and implement new value-creating solutions, whereas reconfiguration adjusts resources, processes, and relationships to integrate those solutions into business operations.

Reconfiguration does not necessarily produce positive outcomes. Change that is too rapid may increase costs, disrupt relationships, or erode core capabilities, while delayed change may cause the business model to lose its fit with the environment. SMEs therefore need to select the timing, scope, and sequence of change in light of their resources, uncertainty, and capacity to absorb change.

2.1.4. Competitive advantage in SMEs

According to the resource-based view (RBV), competitive advantage arises when a firm owns or controls resources that are valuable, rare, difficult to imitate, and difficult to substitute [20]. In a changing environment, firms must also coordinate, renew, and reconfigure their resources; dynamic capabilities theory provides a complementary explanation [12]–[13].

Within an SBM, competitive advantage may take the form of product or service differentiation, lower life-cycle costs, greater supply-chain reliability, expanded market access, stronger reputation, and closer customer relationships. Sustainability practices become an advantage only when they are recognised by the market, are difficult to imitate, and generate sufficient economic value to be sustained. Thus, sustainability outcomes such as emissions reductions are not synonymous with competitive advantage.

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For SMEs, advantage may stem from specialisation, responsiveness, local knowledge, close customer relationships, and flexibility rather than scale. However, dependence on a single individual, customer, or supplier may weaken this advantage. Innovation and reconfiguration help transform flexibility into a sustainable competitive capability.

2.1.5. Transition from traditional business models to sustainable business models

Traditional business models generally prioritise economic value, while social and environmental objectives may remain outside the core business logic or be treated merely as compliance requirements. The distinguishing feature of an SBM is the integration of these objectives into business operations while maintaining economic viability and considering impacts on employees, communities, suppliers, and other stakeholders [6], [8], [14].

The transition to an SBM may occur at three levels: (1) improving the existing model, for example by saving energy or reducing defective output; (2) modifying one or more components, such as the value proposition, processes, sourcing, or customer relationships; and (3) redesigning the logic of value creation and capture, for example by shifting from product sales to services, take-back and reuse, or circular business models. These are not mandatory sequential stages; firms may combine and adapt them according to their resources and markets [7]–[8].

For SMEs, incremental transition is often more feasible than comprehensive transformation because of constraints in capital, human resources, technology, and management. Leipziger, Kanbach, and Kraus [9] show that transitions in small businesses often involve incremental changes shaped by dynamic capabilities, entrepreneurial orientation, resilience, and the ecosystem. Improvements constitute substantive transformation only when they are connected into a coherent configuration.

Accordingly, the extent of transition should be assessed by examining changes in three components: the value proposition (what value is created and for whom); the value creation and delivery system (how resources, activities, and relationships are organised); and the value capture mechanism (how revenue, profit, and reinvestment are sustained while social and environmental impacts are managed). These criteria distinguish operational improvements from business model innovation.

2.1.6. Dynamic capabilities as a mechanism guiding innovation and reconfiguration

Dynamic capabilities explain why some firms adjust their business models in response to change, while others remain locked into existing configurations. Teece, Pisano, and Shuen [12] describe these capabilities as the integration, building, and reconfiguration of capabilities; Teece [13] highlights the three activities of sensing, seizing, and transforming.

Sensing involves monitoring technology, customer needs, regulations, input prices, supply-chain standards, and environmental and social issues to identify opportunities and risks. SMEs can draw on customer interactions, sales data, supplier feedback, industry associations, and management information; the value lies in interpreting these signals and translating them into strategic implications.

Seizing involves selecting opportunities and committing resources. SMEs should prioritise initiatives with clear value, that can be tested, and that involve acceptable levels of risk. Product trials, collaboration, or the development of new channels can reduce uncertainty. Innovation capability is reflected in the conversion of knowledge and opportunities into implementable solutions.

Transforming/reconfiguring involves adjusting assets, processes, skills, management practices, and partnerships so that a new business model can operate reliably. Reallocating budgets, training employees, changing procurement standards, or eliminating unsuitable activities helps move beyond isolated experiments. Innovation creates new options; reconfiguration adjusts the system to sustain and scale those options.

These three activities form a learning cycle rather than a rigid sequence or a causal relationship established for all SMEs. Research on BMI in SMEs also emphasises resource mobilisation, knowledge absorption, experimentation, and networks, while evidence concerning feedback loops remains limited [10].

2.1.7. Literature review methodology

This paper adopts an integrative literature review and theoretical synthesis to connect research on SBM, business model innovation, innovation capabilities, dynamic capabilities, reconfiguration, and competitive advantage in SMEs. This approach enables the analysis and comparison of arguments and the development of a conceptual framework explaining how SBM may be translated into competitive advantage.

The literature review focuses on five groups: (i) business models and SBM; (ii) BMI and SBMI; (iii) innovation capabilities and absorptive capacity; (iv) dynamic capabilities and reconfiguration; and (v) competitive advantage in SMEs. The keywords include “sustainable business model”, “sustainable business model innovation”, “business model innovation”, “SMEs”, “innovation capability”, “dynamic capabilities”, “strategic/resource reconfiguration”, and “competitive advantage”, combined according to each conceptual group.

Sources were selected according to three criteria: direct relevance to the theoretical components; conceptual, theoretical, review-based, or empirical contributions that help explain the relationships under study; and bibliographic information and content that could be verified against reliable sources. Foundational works were retained where they offered theoretical value, whereas sources referring generally to sustainability or SMEs without informing the research questions were not used as primary evidence.

The synthesis proceeded in three steps: distinguishing SBM, SBMI, BMI, innovation capabilities, and dynamic capabilities; comparing the roles of innovation and reconfiguration in developing, implementing, and sustaining change; and integrating the findings to construct the conceptual framework, identify contextual conditions, and formulate research propositions.

This is an integrative review, not a systematic review conducted in accordance with PRISMA. The study does not use primary data, firm-level surveys, or statistical testing. Because the search and screening records were not fully documented, the paper does not claim to cover the entire body of literature or report record counts as if it had followed a systematic screening process. The findings therefore constitute theoretical synthesis and interpretation rather than causal evidence.

2.2. SBM and the extent of transition towards sustainable business models

The synthesis indicates that systemic integration is the defining feature of an SBM. Using recycled packaging, saving electricity, or conducting community activities is not, by itself, sufficient to demonstrate that a firm has changed its business model. A transition is substantive only when sustainability objectives are integrated into the value proposition, activities, partnerships, and value capture mechanism [1], [7].

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SMEs may begin with feasible intervention points, such as reducing material losses, repairing and reusing products, extending product life cycles, or improving traceability. However, they need to assess the effects on costs, quality, customer experience, human resources, and cash flow; an environmentally beneficial solution that is not economically viable is difficult to sustain.

An SBM is an adaptable architecture rather than a fixed template. The archetypes proposed by Bocken et al. [7] provide guidance, but SMEs need to select approaches in line with their industry, value chain, resources, and market needs. Assessing transition therefore requires examining systemic changes in value creation, delivery, and capture. SBM establishes the direction, while innovation capabilities and reconfiguration determine whether that direction can be implemented and sustained.

2.3. Innovation capabilities as a mechanism for translating sustainability objectives into market-accepted value

Whereas SBM defines the logic of value creation and distribution, innovation capabilities determine whether a firm can develop and implement the changes required. These capabilities combine internal knowledge, market information, and external knowledge; absorptive capacity helps SMEs recognise and exploit knowledge rather than merely receive it passively [15].

Product and service innovation can create differentiation through durability, repairability, energy efficiency, or transparent sourcing. However, differentiation has competitive significance only when customers recognise it and are willing to pay a premium or continue purchasing. Technical innovation should therefore be aligned with customer needs and supported by credible communication.

Process innovation can generate cost advantages by reducing materials, energy, water, time, and defects. Many improvements can begin with standardised procedures, production layout, maintenance, material sorting, and supplier coordination, without necessarily requiring expensive technology. Firms should assess total costs and avoid shifting environmental burdens to other stages.

Organisational and managerial innovation establishes responsibilities, indicators, and decision-making processes. Examples include monitoring material consumption, incorporating environmental criteria into supplier selection, and using operational data to identify waste.

Business model innovation can change revenue streams and customer relationships, for example by shifting from product sales to maintenance services, take-back schemes, repair and reuse, or by exploiting by-products. Such changes simultaneously affect the value proposition, costs, revenues, and partners [5], [17]. However, an innovative option can be sustained only when the firm has adequate capital, personnel, processes, and relationships; a complementary reconfiguration mechanism is therefore required.

2.4. Strategic reconfiguration as a means of maintaining business model fit over time

Innovation capabilities generate new options but do not ensure that these options will be integrated and sustained. Strategic reconfiguration links innovation to substantive changes in resource allocation, processes, and relationships. According to Teece [13], it is a component of dynamic capabilities that enables assets and capabilities to be transformed as the environment changes.

In SMEs, reconfiguration occurs at three levels: resources (reallocating capital, personnel, and equipment); processes (redesigning production, procurement, delivery, and recovery); and relationships (expanding or changing suppliers, technology partners, customers, and support organisations).

Reconfiguration also involves discontinuing activities that are no longer appropriate. Firms may need not only to add technologies and products but also to eliminate processes, assets, or relationships that obstruct the new business model. Such decisions should take account of sunk costs, labour, and cash flow.

Reconfiguration should not occur only in response to crises. Periodic reviews of customer needs, input costs, partner requirements, market standards, and environmental performance help identify misalignment at an early stage [12]–[13]. Effectiveness depends on the quality of the innovation option, the ability to mobilise resources, and contextual fit. The two capabilities are therefore complementary, not interchangeable.

2.5. An integrative mechanism: from sustainable business models to competitive advantage

The transformation of SBM into competitive advantage is not automatic; it requires the coordination of three components: SBM establishes the architecture for creating, delivering, and capturing value; innovation capabilities develop new value-creating options; and reconfiguration adjusts resources and activities to operationalise, sustain, and scale those options.

First, SBM guides innovation by defining the economic, social, and environmental value to be created. This direction supports consistent choices of products, processes, technologies, and partners; without it, initiatives may become fragmented [5]–[7], [14].

Second, innovation capabilities translate sustainability objectives into solutions through knowledge acquisition, learning from customers and partners, product experimentation, process improvement, and the development of business practices. Absorptive capacity supports this process [15]–[17]. SMEs need to screen options according to market acceptance, cost recovery potential, technology, and available resources.

Third, reconfiguration converts innovation options into a coherent operating configuration by adjusting capital, skills, processes, suppliers, partner networks, and discontinuing unsuitable activities. Without this mechanism, innovation may remain at the experimental stage [12]–[13], [18]–[19].

Fourth, the coordination of innovation and reconfiguration helps SBM remain relevant amid change: innovation continuously develops value options, while reconfiguration adjusts resources to implement them. This coordination may generate differentiation, resource efficiency, supply-chain reliability, and reputation; however, outcomes also depend on customer recognition, resistance to imitation, and market conditions [12]–[13], [20].

This process is non-linear. Customer feedback, technological developments, or buyer requirements may prompt firms to adjust SBM, develop innovations, and reconfigure resources simultaneously. Figure 1 illustrates the interactions and contextual conditions; it does not assert a causality chain that has been empirically validated.

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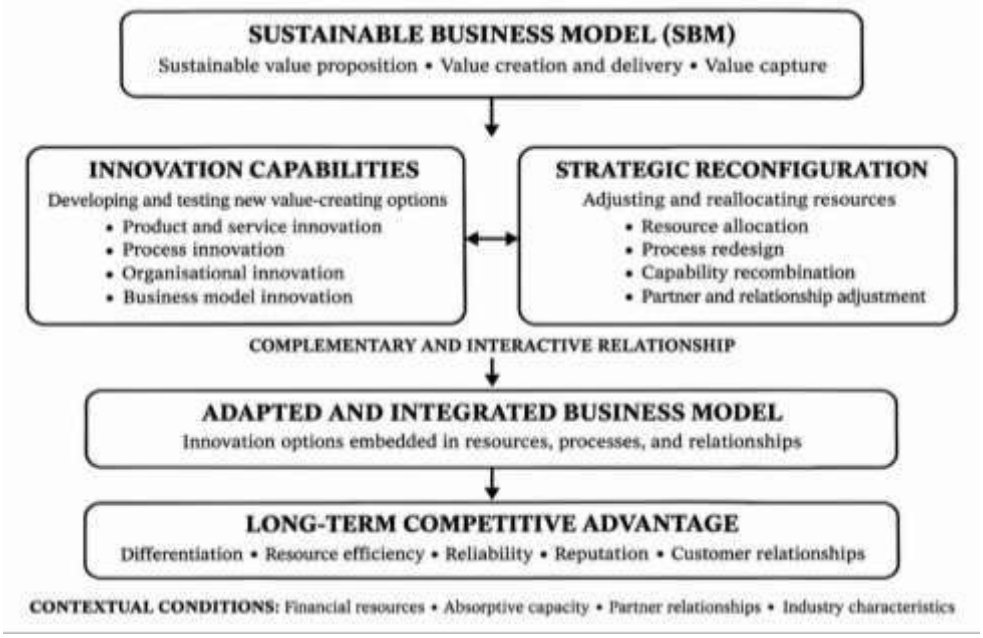

Figure 1. An integrative conceptual framework for the mechanisms through which sustainable business models are translated into competitive advantage in SMEs.
Source: Developed by the author based on the synthesis of [1], [5]–[7], [12]–[20].

2.6. Translating innovation capabilities and reconfiguration into long-term competitive advantage

Long-term competitive advantage should be distinguished from short-term innovation outcomes. A new product or cost-saving process may create a temporary advantage but can be easily imitated. Under the RBV, sustained advantage is associated with resources that are valuable, rare, difficult to imitate, and difficult to substitute [20]; dynamic capabilities enable firms to continuously sense, seize, and reconfigure in order to maintain fit with the environment [12]–[13].

In the proposed framework, long-term advantage emerges when SBM creates a value configuration recognised by customers and partners; innovation capabilities continuously improve value and efficiency; and reconfiguration maintains alignment with the market. Potential sources of advantage include differentiation, resource efficiency, reliability, reputation, traceability, and customer relationships.

For SMEs, advantage does not necessarily depend on proprietary technology or large scale. It may arise from accumulated knowledge of customers and processes, trusted relationships, customisation, and learning speed. Such advantage can be sustained only when firms continue to invest, maintain economic viability, and avoid making sustainability claims that exceed the available evidence. Three levels should be distinguished: sustainability outcomes (reduced emissions and waste); business outcomes (lower costs, higher revenue, and improved quality); and competitive advantage (superior value that is difficult to imitate). These levels are related but not equivalent.

Table 1. Distinguishing levels of business model transition

Transition level	Main focus of change	Illustrative example	Competitive implications
Improvement of the existing model	Resource efficiency and compliance	Reducing material losses, energy use, and defective output	Lower costs and reduced operational risks
Component adjustment	One or several elements of the value proposition, processes, or partnerships	Sustainable materials, traceability, new suppliers	Differentiation and increased reliability
Business model redesign	The logic of value creation, delivery, and capture	Services instead of outright sales; take-back and reuse	New revenue streams and deeper customer relationships

Source: Compiled by the author based on [5]–[9].

2.7. Components and research propositions

Based on the conceptual framework, this paper proposes five theoretical propositions to guide future research; these are outcomes of theoretical synthesis rather than tested hypotheses.

Table 2. Proposed research propositions

No.	Proposed proposition	Theoretical basis
P1	The extent to which economic, social, and environmental objectives are integrated into the value proposition, value creation and delivery system, and value capture mechanism of an SBM is positively associated with the firm's ability to create value recognised by customers and stakeholders, thereby providing conditions for competitive advantage in SMEs.	[1], [5]–[7], [14]

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No.	Proposed proposition	Theoretical basis
P2	The stronger the innovation capabilities, the greater the ability of SMEs to translate SBM orientation into products, services, processes, organisational practices, and business models that create market value.	[5], [7], [15]–[17]
P3	The stronger the strategic reconfiguration capabilities, the greater the ability of SMEs to integrate, sustain, and adjust innovation options within their resource configurations and operations.	[12]–[13], [18]–[19]
P4	The relationship between SBM and competitive advantage in SMEs is strengthened when innovation capabilities and strategic reconfiguration complement each other: innovation capabilities generate new value options, while reconfiguration provides the resources and organisational conditions needed to operationalise, sustain, and adjust them.	[5], [12]–[13], [17]–[19]
P5	The extent to which SBM is translated into competitive advantage in SMEs depends on contextual conditions. Financial resources, absorptive capacity, the quality of partner relationships, and industry characteristics may facilitate or constrain the effectiveness of innovation capabilities and strategic reconfiguration.	[3]–[4], [15]–[16]

Source: Proposed by the author based on theoretical synthesis.

P1 highlights the role of the SBM configuration; P2 and P3 distinguish the functions of innovation capabilities and reconfiguration; P4 expresses the central argument concerning complementarity; and P5 identifies contextual conditions. These propositions should be tested in future research, taking into account differences in firm size, industry, and organisational maturity.

2.8. Contextual conditions affecting the transformation process

Resource constraints are a salient characteristic of SMEs. A lack of capital may hinder investment in equipment, certification, technology, and personnel, but it may also encourage small-scale experimentation, resourcefulness, and collaboration. The effects depend on the degree of constraint and organisational capabilities; it cannot be concluded that the fewer resources SMEs have, the more innovative they become. Absorptive capacity determines the ability to exploit knowledge from customers, suppliers, associations, universities, and consulting organisations. Without personnel capable of evaluating, transforming, and applying such knowledge, external knowledge is unlikely to become practical innovation [15]–[16]. Industry characteristics create different opportunities. Manufacturing focuses on materials, energy, design, and waste, whereas services place greater emphasis on customer experience, sharing models, digitalisation, and reducing indirect impacts. Dependence on supply chains, major customers, and market standards also shapes the drivers of transition. Partnerships and the institutional environment help SMEs access resources, technology, and markets, but excessive dependence may reduce their autonomy. Effective policies should respond to practical needs and reduce the costs of accessing information, consulting, finance, and technology rather than encourage merely formal plans. Innovation and reconfiguration also entail risks: excessively frequent change may increase costs, disrupt operations, and disperse resources, while retaining outdated configurations may cause firms to miss opportunities. SMEs should experiment on a small scale, evaluate outcomes in stages, and preserve core capabilities.

2.9. Implications for SMEs in the Vietnamese context

For Vietnamese SMEs, SBM transition should be viewed as a focused process of business model innovation and adjustment, rather than a collection of isolated environmental and social activities. Firms need to balance customer value, economic efficiency, sustainability impacts, and their ability to mobilise resources. First, identify sustainability issues directly connected to the business model and competitive position. Prioritise measurable indicators such as material losses, energy consumption, defect rates, logistics, traceability, and product durability. Second, develop innovation capabilities systematically by collecting feedback from customers and suppliers, conducting small-scale trials, recording results, assessing costs and benefits, and scaling up only when evidence supports doing so. Business owners should assign clear responsibilities and resources. Third, periodically review and reconfigure the value proposition, costs, sourcing, personnel, sales channels, customer needs, and sustainability standards. Adjust products, processes, partners, or revenue streams when the business model loses its fit. Fourth, collaborate selectively with associations, universities, consulting organisations, suppliers, and customers to access knowledge, share risks, and expand markets. Agreements should clearly specify quality requirements, data, ownership of innovation outcomes, and the responsibilities of each party. Fifth, assess economic and sustainability outcomes simultaneously using indicators such as profit margins, repeat customers, delivery time, material consumption, reuse rates, defect rates, and compliance with customer requirements. Firms should not merely count green initiatives or investment amounts.

2.10. Implications for support organisations and policymakers

Support programmes should be differentiated according to SMEs' levels of maturity. Firms at an early stage need self-assessment tools, process consulting, and assistance in identifying waste; firms with an established foundation need support for product innovation, circular business models, certification, traceability, and market access. Financial policies should reflect the scale and cash flows of SMEs and may include green credit, credit guarantees, consulting support, and co-funding for technology trials. Requirements should be transparent and simple, avoiding documentation burdens that exceed firms' capabilities. Associations and intermediary organisations can share knowledge, provide industry-specific guidance, offer technology catalogues, and connect firms with expert networks. Educational institutions and research institutes can collaborate with SMEs on process improvement, life-cycle assessment, packaging design, quality management, and skills development, thereby strengthening absorptive capacity and reducing innovation costs. Policies should encourage sustainability disclosure in proportion to firm size and impact. Simple, consistent, industry-specific guidance can help SMEs focus on substantive improvements rather than merely completing documentation.

3. CONCLUSIONS AND RECOMMENDATIONS

3.1. Conclusions

This paper employs an integrative literature review and theoretical synthesis to analyse how SBM can be translated into competitive advantage in SMEs. The findings indicate that SBM is a configuration integrating economic, social, and environmental objectives into the value proposition,

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operating system, and value capture mechanism, rather than a collection of isolated initiatives. Nevertheless, SBM does not automatically generate an advantage in the absence of the organisational capabilities required for implementation.

The central contribution is to clarify the complementary yet distinct roles of innovation capabilities and strategic reconfiguration. Innovation capabilities develop, test, and implement new value-creating options, whereas reconfiguration adjusts resources, processes, and relationships to integrate, sustain, and scale those options. Their coordination may translate SBM into competitive advantage through differentiation, resource efficiency, reliability, and customer relationships.

The transformation process is influenced by financial resources, absorptive capacity, partner relationships, and industry characteristics. These conditions may facilitate or constrain innovation and reconfiguration; consequently, no single transition pathway applies to all SMEs.

3.2. Recommendations

From a managerial perspective, SMEs should prioritise sustainability issues linked to customer needs and operational efficiency; test solutions at an appropriate scale; assess economic, social, and environmental outcomes simultaneously; and periodically review the business model for necessary adjustments. Support organisations should provide consulting, finance, knowledge, and technology in line with firms' needs and levels of maturity.

This study has two limitations. First, it is an integrative review rather than a systematic review following the PRISMA process. Second, the framework and five propositions are based on theoretical synthesis and have not been empirically tested. Accordingly, the findings do not establish causal relationships or claim generalisability across all industries and firm sizes.

Future research should: (i) conduct systematic reviews with transparent search strategies, selection criteria, and quality appraisal; (ii) test the propositions through quantitative surveys or multiple-case studies of SMEs; and (iii) compare firms across industries, sizes, maturity levels, and ecosystem conditions to clarify the effects of contextual factors.

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