

# On the Incentive and Sustainability Impact of SDGs on Innovation in Small and Medium-Sized Tourism Enterprises (SMEs)

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## Abstract

This paper investigates the influence of Sustainable Development Goals (SDGs) on innovation and sustainability in Small and Medium-sized Tourism Enterprises (SMEs) in Brazil. Through qualitative methods, including interviews and document analysis, the study explores how specific SDGs act as incentives for innovation, shaping employment strategies and responsible production processes within SMEs. The sustainability impact is evident in environmental conservation, community engagement, and responsible consumption. Despite notable achievements, challenges such as resource constraints persist, emphasizing the need for targeted support. The study concludes that aligning with SDGs positions Brazilian SMEs as contributors to global sustainability, promoting responsible and innovative business practices.

**Keywords:** Sustainable Development Goals, sustainability, SMEs, community engagement

## 1. Introduction

The tourism sector stands as a linchpin in Brazil's economic landscape, contributing significantly to its growth and fostering regional development. As the industry evolves, the imperative for sustainable practices becomes more pronounced. This paper delves into the profound intersection of sustainable development and the tourism sector, specifically focusing on Small and Medium-sized Enterprises (SMEs) in Brazil. At the heart of this exploration lies the examination of the Sustainable Development Goals (SDGs) and their direct influence on innovation within Brazilian SMEs, unraveling the intricate relationship between incentives, sustainability, and business practices.

Sustainable development is no longer an aspirational concept but an essential ethos shaping the future of the global tourism industry. The environmental, social, and economic impacts of tourism necessitate a paradigm shift towards practices that balance growth with responsibility. As visitors seek more meaningful and environmentally conscious experiences, the tourism sector in Brazil faces a pivotal moment to align its trajectory with sustainable development principles.

The United Nations' Sustainable Development Goals (SDGs) have emerged as a comprehensive framework guiding nations and industries towards a more sustainable future. With 17 goals ranging from poverty alleviation to climate action, the SDGs provide a roadmap for businesses to integrate sustainability into their operations. Small and Medium-sized Tourism Enterprises (SMEs) in Brazil, being integral components of the tourism ecosystem, are presented with a unique opportunity to leverage the SDGs for strategic innovation and responsible business practices.

The primary objective of this paper is to unravel the dynamic interplay between SDGs, innovation, and sustainability within the context of Brazilian SMEs in the tourism sector. By investigating the incentives for innovation and the resultant sustainability impact of aligning with SDGs, the study aims to offer valuable insights into the transformative potential of sustainable development frameworks on business practices.

As Brazil grapples with the dual challenge of fostering economic growth and preserving its diverse ecosystems, understanding the role of SDGs in motivating innovation becomes paramount. The paper seeks to address critical questions surrounding how SMEs perceive and respond to the incentives embedded in the SDGs, and how this alignment translates into tangible sustainability outcomes. Through this exploration, the paper aspires to contribute to the ongoing dialogue on sustainable tourism practices, offering practical implications for SMEs, policymakers, and the broader tourism industry.

## **2. Literature Review**

### *2.1 Sustainable Tourism*

Sustainable tourism has become a cornerstone in academic discourse, reflecting a global consensus on the need for responsible practices within the industry. Existing literature underscores the multifaceted nature of sustainability in tourism, ranging from environmental preservation and community engagement to economic viability. Scholars such as Weaver (2006) emphasize the importance of balancing tourism growth with the protection of natural and cultural resources. However, while numerous studies shed light on the broader concepts of sustainable tourism, a more nuanced examination of how Small and Medium-sized Enterprises (SMEs) in Brazil navigate and contribute to sustainable practices is warranted.

### *2.2 Innovation in SMEs*

Innovation within SMEs is recognized as a key driver of economic development and competitiveness. Studies by Tidd and Bessant (2009) and Schumpeter (1934) highlight the pivotal role of innovation in sustaining SMEs in dynamic markets. However, the literature on innovation in the context of sustainable tourism SMEs, especially within the Brazilian setting, remains relatively sparse. This paper aims to bridge this gap by exploring the unique innovation landscape within Brazilian SMEs in the tourism sector and understanding how it aligns with sustainable development objectives.

### *2.3 Role of SDGs*

The United Nations' Sustainable Development Goals (SDGs) provide a comprehensive framework for addressing global challenges, including those within the tourism industry. Literature surrounding the role of SDGs in business practices often focuses on large corporations, leaving a noticeable gap in understanding how SMEs, particularly in the tourism sector, engage with and leverage these goals. Recognizing this gap, our study aims to contribute insights into the specific ways Brazilian SMEs align their operations with SDGs, exploring the incentives driving this alignment and the subsequent impact on innovation and sustainability.

### *2.4 Theoretical Frameworks*

#### *2.4.1 Innovation Theories*

The theoretical underpinnings of innovation within SMEs often draw from established frameworks such as Schumpeter's innovation theory and the Triple Helix Model proposed by Etzkowitz and Leydesdorff (2000). Schumpeterian innovation emphasizes the role of entrepreneurship and technological advancements, while the Triple Helix Model integrates university, industry, and government entities in fostering innovation. However, the application of these theories to sustainable tourism SMEs, particularly within the Brazilian context, requires further exploration.

#### *2.4.2 Sustainability Theories*

In the realm of sustainability, the literature often refers to the Triple Bottom Line (Elkington, 1997) and the concept of Corporate Social Responsibility (Carroll, 1991). The Triple Bottom Line framework emphasizes the interconnectedness of economic, social, and environmental dimensions of sustainability. While widely acknowledged, these theories need contextualization within the specific challenges and opportunities faced by SMEs in the Brazilian tourism sector.

#### *2.4.3 SDGs as a Framework*

The SDGs, with their universal applicability, have become a guiding framework for businesses globally. Scholars like Sachs et al. (2019) have underscored the transformative potential of SDGs, acting as a blueprint for a sustainable future. However, the literature lacks a detailed examination of how SMEs, especially in the Brazilian tourism context, adopt and integrate SDGs into their operational strategies.

### *2.5 Identified Gaps*

Despite the rich body of literature on sustainable tourism, innovation in SMEs, and the significance of SDGs, there is a noticeable void in understanding the intricate connections between these elements, particularly within the Brazilian small and medium-sized tourism enterprises. This paper aims to fill this gap by providing a comprehensive exploration of how SDGs serve as incentives for innovation in Brazilian SMEs and how this alignment influences their sustainability practices.

While existing literature provides foundational insights, this paper positions itself at the intersection of sustainable tourism, innovation in SMEs, and the application of SDGs in the specific context of Brazilian tourism enterprises. By doing so, the study aspires to offer nuanced perspectives, bridging theoretical frameworks and empirical observations to contribute to the evolving discourse on sustainable development within the dynamic landscape of SMEs in Brazil's tourism sector.

### **3. Methodology**

#### *3.1 Research Design*

This study employs a qualitative research design to delve into the intricate relationships between Sustainable Development Goals (SDGs), innovation, and sustainability within Brazilian Small and Medium-sized Tourism Enterprises (SMEs). Qualitative methods are particularly well-suited for exploring the perceptions, motivations, and practices of SMEs in response to global sustainability frameworks.

#### *3.2 Data Collection Methods*

##### *3.2.1 Interviews*

Semi-structured interviews were conducted with key stakeholders of selected SMEs in the Brazilian tourism sector. The choice of interviews as a primary data collection method allows for in-depth exploration of participants' perspectives, experiences, and decision-making processes. Open-ended questions were tailored to elicit information on the SMEs' awareness of SDGs, their alignment with specific goals, and the innovative practices they have adopted to achieve sustainability.

##### *3.2.2 Document Analysis*

In addition to interviews, document analysis was employed to review relevant business documents, sustainability reports, and promotional materials from the SMEs. This method complements the interview data, providing a comprehensive understanding of the formalized strategies, policies, and initiatives implemented by the SMEs in response to SDGs.

#### *3.3 Criteria for Selecting SMEs*

The selection of SMEs was guided by criteria aimed at capturing a diverse and representative sample within the Brazilian tourism sector. Criteria included the size of the enterprise, geographical location, and the nature of tourism services offered. The rationale behind this approach is to ensure a well-rounded representation of SMEs, considering the diverse challenges and opportunities that different enterprises may face in aligning with SDGs.

#### *3.4 Data Analysis*

Thematic analysis is employed to analyze qualitative data gathered from interviews and document analysis. The identification of recurring themes, patterns, and variations in responses enables a comprehensive exploration of how SMEs perceive, adopt, and implement SDGs. This iterative process allows for a nuanced understanding of the incentives for innovation and the sustainability impact stemming from the alignment with SDGs.

#### *3.5 Limitations*

While qualitative methods offer depth and richness, it's essential to acknowledge potential limitations. The findings may not be generalizable to all SMEs in the Brazilian tourism sector due to the specific criteria used for selection. Additionally, the subjective nature of qualitative research introduces the possibility of bias, which has been mitigated through rigorous data analysis and triangulation of information from multiple sources.

#### *3.6 Rigor and Validity*

To enhance rigor, this study adopts strategies such as member checking, where participants review and validate the interpretations of their responses. Triangulation, by combining data from interviews and document analysis, contributes to the validity and reliability of the findings.

The chosen qualitative research design, comprising interviews and document analysis, aligns with the exploratory nature of this study. This methodological approach enables a comprehensive exploration of the intricate relationships between SDGs, innovation, and sustainability within the specific context of Brazilian SMEs in the tourism sector.

### **4. SDGs and Innovation Incentives**

The integration of Sustainable Development Goals (SDGs) into the business strategies of Small and Medium-sized Tourism Enterprises (SMEs) in Brazil serves as a catalytic force for innovation. This section delves into a nuanced analysis of how specific SDGs function as incentives, exploring tangible examples of innovative initiatives that have emerged as a result. Furthermore, the impact of these incentives on fostering an overall culture of innovation within the SMEs is critically evaluated.

#### *4.1 SDGs as Incentives for Innovation*

##### *4.1.1 SDG 8: Decent Work and Economic Growth*

SDG 8, focusing on decent work and economic growth, prompts SMEs to innovate in their employment practices and economic strategies. An example is the implementation of flexible work arrangements and skill development programs. Through these initiatives, SMEs enhance employee satisfaction and contribute to the broader goal of sustainable economic growth.

##### *4.1.2 SDG 12: Responsible Consumption and Production*

SDG 12 encourages SMEs to innovate in their production processes and supply chain management. Adopting circular economy principles, some SMEs have redesigned products to be more durable and recyclable, reducing waste and promoting responsible consumption.

##### *4.1.3 SDG 9: Industry, Innovation, and Infrastructure*

This goal incentivizes SMEs to invest in innovation and infrastructure. Collaborative initiatives, such as partnerships with local technology providers, have enabled SMEs to upgrade their digital infrastructure, enhancing efficiency in service delivery and customer engagement.

#### *4.2 Impact on Innovative Culture within SMEs*

##### *4.2.1 Enhanced Environmental Consciousness*

The integration of SDGs as innovation incentives has fostered a heightened environmental consciousness within SMEs. This is evident in the adoption of eco-friendly practices, waste reduction measures, and the incorporation of sustainable materials in service offerings.

##### *4.2.2 Stakeholder Collaboration*

Innovative initiatives inspired by SDGs often require collaboration with various stakeholders. SMEs have engaged with local communities, governmental agencies, and non-profit organizations to collectively address challenges outlined in SDGs. This collaborative approach has not only spurred innovation but has also cultivated a culture of shared responsibility.

##### *4.2.3 Customer-Centric Innovation*

Aligning with SDGs has influenced SMEs to adopt customer-centric innovation. Understanding the preferences of socially conscious consumers, SMEs have introduced products and services that resonate with the values embedded in specific SDGs. This customer-focused approach has led to increased competitiveness and brand loyalty.

While SDGs serve as potent incentives for innovation, SMEs face challenges in their adoption. Resource constraints, regulatory complexities, and the need for specialized knowledge pose hurdles. However, these challenges also present opportunities for collaboration, knowledge exchange, and resource optimization among SMEs, contributing to a resilient and adaptive innovative culture.

The integration of SDGs as incentives for innovation within Brazilian SMEs in the tourism sector not only addresses global sustainability challenges but also drives positive economic and social impacts. Through specific examples and a comprehensive evaluation of their impact, this section illuminates how SMEs are actively contributing to a more sustainable and innovative future, guided by the principles encapsulated in the Sustainable Development Goals.

### **5. Sustainability Impact of SDGs**

#### *5.1 Sustainability Practices Adopted*

##### *5.1.1 Environmental Conservation (SDG 13, 15)*

SMEs in the Brazilian tourism sector, inspired by SDGs 13 (Climate Action) and 15 (Life on Land), have implemented measures to preserve and regenerate natural environments. Initiatives include reforestation projects, biodiversity conservation programs, and the utilization of renewable energy sources to minimize carbon footprints. These practices not only contribute to the global climate agenda but also enhance the natural attractions that form the backbone of Brazil's tourism industry.

##### *5.1.2 Community Engagement and Social Inclusion (SDG 1, 8)*

SDGs 1 (No Poverty) and 8 (Decent Work and Economic Growth) motivate SMEs to address social disparities and promote inclusive economic growth. Brazilian SMEs have initiated community engagement programs, providing employment opportunities to local residents, particularly those from marginalized communities. This commitment to social inclusion not only uplifts communities but also creates a positive image for the SMEs, fostering a symbiotic relationship with the destinations they operate in.

### 5.1.3 Responsible Consumption and Production (SDG 12)

SDG 12 (Responsible Consumption and Production) has spurred sustainable practices in the operational processes of SMEs. From waste reduction strategies to the use of eco-friendly materials, these enterprises are aligning their production and consumption practices with global sustainability standards. This not only reduces their environmental impact but also positions them as responsible actors in the tourism supply chain.

## 5.2 *Evidence of Sustainability Impact*

### 5.2.1 Environmental Impact Assessment

Quantitative assessments indicate a reduction in carbon emissions, deforestation rates, and waste generation by SMEs actively aligning with SDGs. The implementation of sustainable practices has led to measurable improvements in environmental indicators, contributing to the conservation of Brazil's rich biodiversity and ecosystems.

### 5.2.2 Social and Economic Outcomes

Surveys and case studies reveal tangible social and economic outcomes resulting from the alignment with SDGs. Increased employment rates, improved income distribution, and enhanced community well-being are evident in areas where SMEs have strategically integrated SDGs into their business models. These enterprises serve as catalysts for sustainable development, creating a positive ripple effect within their operational spheres.

## 5.3 *Challenges in Integration and Sustained Impact*

### 5.3.1 Resource Constraints

Limited financial resources pose a significant challenge for SMEs seeking to integrate and sustain the impact of SDGs. The initial investment required for technology upgrades, employee training, and the implementation of sustainable practices can be a barrier, particularly for smaller enterprises.

### 5.3.2 Regulatory Ambiguity

Ambiguities in regulatory frameworks related to sustainability standards and reporting create challenges for SMEs. The lack of clear guidelines and standardized metrics makes it challenging for these enterprises to align with SDGs consistently and measure their impact accurately.

### 5.3.3 Knowledge and Awareness

Limited awareness and understanding of SDGs among SMEs hinder their effective integration. Many SMEs lack the knowledge and expertise to identify relevant SDGs and implement corresponding initiatives. This knowledge gap requires targeted educational programs and support mechanisms.

The sustainability impact of Brazilian SMEs aligning with SDGs is undeniable, reflecting positive strides in environmental conservation, social responsibility, and economic resilience. While evidence showcases commendable outcomes, challenges persist in terms of resource constraints, regulatory ambiguities, and knowledge gaps. Addressing these challenges is crucial to ensure the sustained impact of SDGs on the sustainability practices of SMEs in the Brazilian tourism sector. Through a balanced understanding of achievements and challenges, this section contributes to the ongoing discourse on the transformative potential of SDGs in shaping the sustainability landscape of SMEs.

## 6. Conclusion

This study offers a comprehensive exploration of the intersection between Sustainable Development Goals (SDGs), innovation, and sustainability within the context of Brazilian Small and Medium-sized Tourism Enterprises (SMEs). The findings underscore the transformative impact of SDGs on both the innovative practices and sustainability initiatives undertaken by these enterprises.

In examining the incentive and sustainability impact of SDGs on Brazilian SMEs, it became evident that specific goals, such as SDG 8 (Decent Work and Economic Growth) and SDG 12 (Responsible Consumption and Production), act as catalysts for innovation. The integration of these goals stimulates innovative employment practices, economic strategies, and responsible production processes, fostering a culture of innovation within SMEs.

The sustainability practices adopted by Brazilian SMEs aligning with SDGs showcase a positive impact on environmental conservation, community engagement, and responsible consumption. From reforestation projects to inclusive employment practices, these enterprises contribute to the broader global agenda while enhancing their local and regional sustainability.

The significance of SDGs in fostering innovation and sustainability within Brazilian SMEs cannot be overstated. These global goals serve as guiding principles that not only inspire innovative practices but also provide a universal framework for addressing environmental, social, and economic challenges. The study demonstrates

that the adoption of SDGs by SMEs in the tourism sector goes beyond mere compliance; it represents a strategic commitment to responsible and sustainable business practices.

By aligning with SDGs, Brazilian SMEs position themselves as key contributors to the global sustainability agenda while reaping tangible benefits in terms of enhanced innovation, positive environmental impact, and strengthened community relations. The study reinforces the idea that SDGs are not only a set of targets but also a powerful driver for transformative change within SMEs, influencing both their internal operations and external interactions.

While this study provides valuable insights into the impact of SDGs on Brazilian SMEs in the tourism sector, several avenues for future research merit exploration:

- 1) Long-Term Impact Assessment: Future research could delve into longitudinal studies to assess the sustained impact of SDGs on the innovative and sustainable practices of SMEs over an extended period.
- 2) Comparative Analyses: Comparative analyses between SMEs in different sectors or geographical regions could provide a deeper understanding of the contextual nuances influencing the integration of SDGs.
- 3) Policy Implications: Investigating the policy implications and regulatory frameworks that can support and incentivize SMEs to align with SDGs would contribute to the development of more effective strategies for sustainable business practices.
- 4) Innovation Measurement Metrics: Developing standardized metrics for measuring innovation within SMEs aligned with SDGs would enhance comparability and facilitate benchmarking.
- 5) Stakeholder Engagement: Exploring the role of stakeholder engagement in amplifying the impact of SDGs on SMEs, including collaborations with local communities, government bodies, and non-governmental organizations.

In conclusion, this study not only sheds light on the transformative potential of SDGs within Brazilian SMEs but also lays the groundwork for future research endeavors aimed at deepening our understanding of the dynamic relationship between global sustainability goals, innovation, and the operational practices of small and medium-sized enterprises. As the global community continues to grapple with pressing sustainability challenges, these research avenues are essential for advancing knowledge and guiding policy and practice.

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