



# Effect of Sustainability Leadership Practices on Food Sectors SMEs Sustainability

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**Abstract.** This research is motivated by the low level of business sustainability in SMEs in the West Java food sector as viewed from economic, social, and environmental sustainability perspectives. The large role of leaders in food SMEs as entrepreneurs who control the pace of SMEs means this research focuses on the role of leadership in achieving sustainability for SMEs. This research aims to determine the practice of sustainable leadership in food SMEs and its influence on sustainable leadership and the sustainability of SMEs. This research was conducted using a quantitative approach with a survey method. The population is SME owners in the food sector in West Java. The sampling technique used is quota sampling in each SME work area in West Java. The number of samples was 234 food SME owners in West Java. The data analysis technique used is descriptive and correlational verification using SEM PLS. The results of this research reveal that sustainable leadership practices are especially demonstrated with the most evidence of ethical behavior, environmental responsibility, enabling culture, team orientation, and trust; moderate evidence were labor relations, success planning, and innovation; and the least evidence was developing people, valuing staff, organization culture, stakeholder orientation, and team orientation. Besides that, sustainable leadership practices influence the sustainability of SMEs in the food sector. The results of this research provide information about things that leaders must practice to achieve sustainability in SMEs.

**Keywords:** Sustainability, Leadership, Practices, SMEs, Food.

## 1 Introduction

As the primary forces behind economic development in this instance, the sustainability of MSMEs is crucial to the stability of long-term economic growth. According to [1], [2], [3], [4] MSMEs in Indonesia suffer from low sustainability, with the economic dimension showing the lowest sustainability. This demonstrates the need for West Java MSMEs' economic sustainability strategies to be improved. According to study [4], the reduction in MSEs, the high incidence of environmental degradation, and labor and industrial conflicts in society are the main causes of MSMEs in West Java's soybean-based food industry. MSMEs exhibit relatively low levels of sustainability, particularly

regarding their dedication to mitigating air and water pollution and promoting the use of clean water [4]. Sustainability is significant because it contributes to long-term environmental preservation, enhanced social welfare, and economic stability. Businesses and communities can improve everyone's future, minimize their negative effects on the environment, boost productivity, and develop resilience by embracing sustainable practices. Innovation, competitiveness, and general success in the global economy are all facilitated by sustainability. Alternative strategies for boosting sustainability include making corporate actors more conscious of environmental issues, tightening environmental laws, and offering rewards for environmentally friendly company endeavors. In addition, entrepreneurs' understanding and proficiency in managing their enterprises sustainably can be enhanced by training and teaching on sustainable business practices [4].

According to the research findings, business actors can receive energy conservation, waste management, and environmental preservation training. In addition, commercial players can help minimize ecological challenges by partnering with stakeholders.

Business Sustainability is necessary to contribute to internal and external factors [2]. Internal factors consist of (1) performance, (2) employee, and (3) manager/owner, while external factors consist of (1) government, (2) customer, and (3) stakeholders. Because they are the primary control in corporate management, human resources are among these variables that are crucial to boosting sustainability. I assert that business actors significantly influence MSMEs' operational and economic activities. Thus, skill, growth and development, motivation, and leadership are the elements that affect a firm's sustainability. Others in the company will be guided and motivated to adopt sustainable practices by the sustainability leadership. Transparency, accountability, and the involvement of stakeholders—people who influence favorable outcomes in the environmental, social, and economic spheres—are essential components of effective, sustainable leadership. Leadership is the key component of human resources. Sustainability in leadership is the foundation of sustainability. Visser and Courtice[5] stated, "A sustainability leader inspires and supports action towards a better world." They also mentioned that the Sustainability Leadership Institute ([www.sustainabilityleadershipinstitute.org](http://www.sustainabilityleadershipinstitute.org)) defines sustainability leaders as "people who are driven to make a difference by expanding their understanding of themselves in connection to the world around them." They accomplish this by accepting novel viewpoints and interacting methods that result in imaginative, durable solutions.

However, sustainability research in MSMEs is constrained by the extra expenses associated with implementing a sustainability mandate, particularly social sustainability practices like paying fair wages, engaging in community activities, and creating delicious, safe, and nutritious food products. This stands in the way of the leadership's desire to apply sustainable practices and the requirement for low selling prices. This serves as the foundation for the research's goal of identifying how sustainability leadership affects sustainability. The present study aims to investigate the potential impact of business sustainability leadership on the sustainability of 234 owners of food businesses in West Java who were surveyed for this study. It is envisaged that this research

would provide an overview of sustainability in MSMEs and sustainability leadership practices and insight into how sustainability is affected by sustainability leadership.

## 2 Methods

Both a quantitative strategy and an explanatory survey method are employed in this study. The study's population comprised the MSME owners of West Java's food industry. In this study, there are two variables: sustainability, which is the dependent variable, and sustainable leadership practices, which are the independent variable and comprise 16 indicators [6], as presented in Table 2. 234 proprietors of food MSME were found through the use of simple random sampling and area sampling approaches. The methods used to collect data were distributing questionnaires, conducting interviews, and making observations. A closed questionnaire with divergent semantics serves as the instrument. A second-order confirmatory factor analysis was used to assess the validity and reliability of the instrument. The convergent validity test with the average variance extracted (AVE) value and the Fornell-Larcker criterion is used to test the claim's validity. Reliability test with composite reliability and Cronbach's alpha. An algorithmic technique known as partial least squares (PLS-SEM) and inferential statistics are utilized to assess hypotheses.

## 3 Results and Discussion

### 3.1 Results

This part will address the findings of the study that describe sustainable leadership practices in business, how sustainability impacts leadership in sustainability, and the premise that sustainability influences leadership in sustainability.

**Business Sustainability.** Business sustainability is one of the essential topics in the debate about SMEs since they confront various uncertainties in terms of demand and supply and stronger competition <sup>7</sup>Sustainability has three dimensions: economic sustainability, social sustainability, and environmental sustainability, which are presented in Table 2. The results of research on these variables are in Table 1.

**Table 1.** Business Sustainability SMEs Food Sector Descriptive Statistics

	N	Min	Max	Sum	Mean	Std. Deviation
<b>Economic Sustainability</b>						
Cost Reducing	234	1,00	7,00	1457,00	6,2265	High
Earn Profit	234	1,00	7,00	807,00	3,4487	Low
Market share	234	1,00	7,00	1080,00	4,6154	Moderate
<b>Social Sustainability</b>						

Fair Wage	234	1,00	7,00	1192,00	5,0940	Moderate
Safety and healthy	234	1,00	7,00	1307,00	5,5855	High
Community service	234	1,00	7,00	1218,00	5,2051	High
Safety Product	234	1,00	7,00	955,00	4,0812	Low
Environmental Sustainability						
Ef. of raw material	234	1,00	7,00	1242,00	5,3077	Moderate
Ef. of auxiliary material	234	1,00	7,00	903,00	3,859	Low
Fuel save	234	2,00	7,00	1315,00	5,6197	High
Waste filter	234	1,00	7,00	787,00	3,3632	Low
Clean water efficiency	234	1,00	7,00	952,00	4,0684	Low
Valid N (listwise)	234					

Source: Author's Work

The study indicates that UMKM food has the highest social sustainability compared to other aspects and the lowest environmental sustainability. While UMKM can cut manufacturing costs more effectively than other companies when looking at sustainability from an economic angle, it is more challenging for UMKM to turn a profit. Regarding the social component, UMKM is primarily responsible for upholding workers' health and creating a safe work environment. Regarding the environment, realistic sustainability scores highly in terms of reducing fuel use but poorly in terms of waste management.

**Sustainable Leadership.** The sustainability core values that were established before mergers and acquisitions, the addition of new major shareholders who may have different ideas about what constitutes acceptable performance for the company, and the hiring of new executives who may have different values from their previous positions and lack familiarity with organizational cultures are just a few of the external events that can affect effective leadership systems and practices<sup>5</sup>. Based on research, most evidence of ethical behavior environmental responsibility, enabling culture, team orientation, and trust; moderate evidence was labor relation, success planning, and innovation, while the least evidence was developing people, valuing staff, organization culture, stakeholder orientation, and team orientation. The use of PLS-SEM techniques in data analysis is based on research objectives that focus on predicting the influence of sustainable leadership on business sustainability by (1) building a structural model, (2) testing validity and reliability, (3) measuring models (outer model), and (4) testing the significance of the relationship between variables (inner model)

**Table 2.** Sustainable Leadership SMEs Food Sector

	N	Min	Max	Sum	Mean	Criteria
Develop people	234	2,00	6,00	1089,0	4,6538	least evidence
Labor Relation	234	1,00	8,00	857,00	3,6624	Moderate evidence
Success Planning	234	1,00	7,00	1013,00	4,3291	Moderate evidence
Valuing Staff	234	1,00	7,00	858,00	3,6667	least evidence

Ethical Behavior	234	1,00	7,00	1409,00	6,0214	Most evidence
Organize Culture	234	,00	6,00	853,00	3,6453	least evidence
Env Responsibilities	234	4,00	7,00	1440,00	6,1538	Most evidence
Stakeholder Orientation	234	1,00	7,00	882,00	3,7692	least evidence
Visioner	234	1,00	7,00	1100,00	4,7009	Moderate evidence
Social Responsibilities	234	1,00	7,00	898,00	3,8376	least evidence
Team orientation	234	3,00	7,00	1413,00	6,0385	Most evidence
Enabling Culture	234	1,00	7,00	1213,00	4,7564	Most evidence
Knowledge Sharing	234	4,00	7,00	1429,00	6,1068	Most evidence
Trust	234	1,00	7,00	1234,00	4,8462	Most evidence
Innovation	234	1,00	7,00	1160,00	4,9573	Moderate evidence
U	234	1,00	7,00	1179,00	5,0385	Most evidence
Valid N (listwise)	234					

Source: Author's Work

The validity test results with the AVE value are all observed variables above 0.5, and the values of Fornell-Larcker criterion ES, SS, and VS are 0.75, 0.82, and 0.92, so the instrument is valid. Reliability uses Cronbach's alpha and composite reliability. The reliability test results are above 0.7, so the instrument is reliable. Hypothesis testing is obtained by testing the fit model to obtain R-square values. The endogenous variable is business sustainability (0.025)

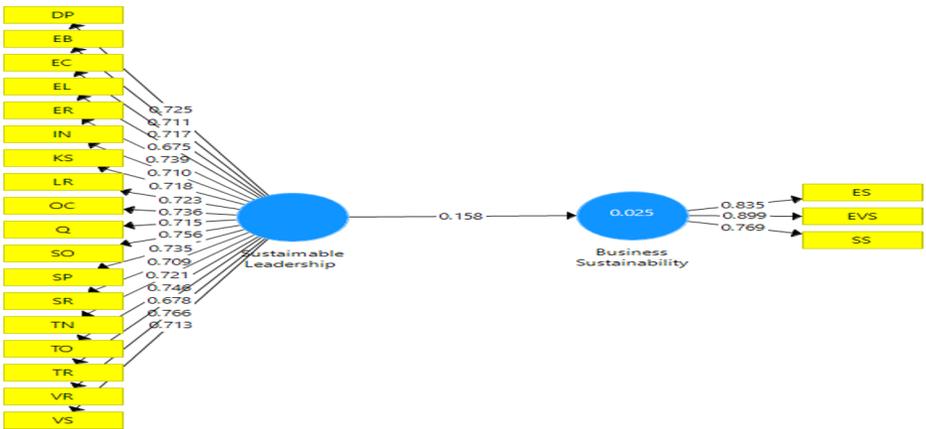


Fig. 1. Measurement Model

Source: Author's Work

This number indicates that the business sustainability variable has a 2.5% predictive power for learning outcomes, with other factors outside the model influencing the remaining 97.5% of the prediction. The Q-square value, as is the R-square, is another metric used to assess the model's suitability for predictive relevance. The following are the outcomes of the Table 3 and Q-square calculations:

**Table 3.** R-Square ( $R^2$ ) Score

	R Square	R Square Adjusted	SSO	SSE	$Q^2 (=1 - SSE/SSO)$
Bus. Sustainability	0.025	0.021	702,000	694,873	0.010

Source: Author's Work

For business sustainability, the endogenous variable R-Square has a value of 0.025. The goodness of models is also assessed using Q-Square values, where models with a  $Q^2 > 0$  score have predictive significance, whereas those with a  $Q^2 < 0$  score. The Q-square test value of 0.01 indicates that models are not very good at predicting the sustainability of businesses. Accordingly, other factors that have the potential to promote sustainability—like stakeholder involvement, regulation, and sustainability commitment—must be included to create a sustainable business [4]

### 3.2 Discussion

The theory of sustainable leadership prioritizes the establishment of a robust corporate culture. Academics indicate longevity, resilience, and long-term organizational performance are fueled by a standard, strong culture and values [7]. A culture's underlying values and beliefs guide behavior and assist staff in recognizing appropriate conduct. According to [8] research, "built-to-last" businesses have strong cultures among their employees, making them a "special place to work" [8]. Additionally, empirical evidence indicates that a robust and cohesive culture is a highly significant determinant of worker happiness [9]. According to current thinking skills are necessary, corporate culture also calls upon leaders in sustainability need to rely on innovation to create profitable businesses. Innovation is a key differentiator for Rhineland's sustainable businesses, allowing them to dominate their respective industries [10]. Innovative companies can achieve long-term growth and sustainable outcomes [7], [11], [12], [13].

Innovation in teams where individuals exhibit shared leadership and collaboration is crucial for sustainable organizations [10], [14], [15]. According to the study, SMEs must foster an empowered culture to develop their innovation capacity [14]. SMEs need to be inventive and have faith in their team members. They should also rely on their teams' talents to be creative and gain a competitive edge. The theory of sustainable leadership prioritizes the establishment of a robust corporate culture. Academics indicate that longevity, resilience, and long-term organizational performance are fueled by a standard, strong culture and set of values 10A culture's underlying values and beliefs provide guidelines for behavior and assist staff in recognizing appropriate conduct. According to Collins & Porras's (1996) research, "built-to-last" businesses have strong cultures among their employees, making them a "special place to work" [8].

This means that if policymakers in the food sector want to improve the business sustainability of MSMEs, they need leaders who have high intensity in carrying out ethical, innovative behavior, developing good organizational culture, and developing employees. The limitation of this study is that internal and external factors are needed to build business sustainability. This study is limited to the role of leaders in realizing

business sustainability. In further research, it is necessary to involve many internal and external factors in building business sustainability. Internal factors can be employees, while external factors are government regulations, customers, suppliers, and competitors.

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