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SUSTAINABLE VALUE CREATION AS A STRATEGIC IMPERATIVE FOR GREEN SMEs GROWTH: EVIDENCE FROM INDONESIA

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ABSTRACT

Objective: This study aims to explore and understand the mechanisms of sustainable value creation (SVC) as a strategic imperative for green business growth in Indonesia, with a particular focus on how green-certified SME owners and managers experience, interpret, and operationalize sustainability within their business practices.

Research Design & Methods: A qualitative research design was adopted using in-depth semi-structured interviews with 18 purposively selected informants, comprising owners, managers, and sustainability coordinators of green-certified SMEs across three provinces in Indonesia. Thematic analysis was conducted, supported by NVivo 12 software for data management and coding.

Findings: Three overarching themes emerged: (1) sustainability as identity — informants viewed green practices as intrinsic to their business identity rather than as external compliance; (2) stakeholder co-creation as value amplifier — the role of customers, suppliers, and local communities in co-generating sustainability value was found to be central; and (3) the ESG–growth nexus — purposeful ESG practices were consistently linked by informants to enhanced trust, premium pricing, and market resilience.

Contributions: This study provides rich, context-sensitive insights into how SVC is lived and practiced in emerging market SMEs, offering a grounded theoretical model that extends existing quantitative frameworks and informs more nuanced managerial and policy interventions.

Novelty: This research is among the first to apply an interpretive qualitative lens to SVC in the Indonesian green SME context, revealing subjective meaning-making processes and informal ESG mechanisms that are invisible to survey-based approaches — thus offering a distinctive contribution to the sustainability management literature.

Keywords: Sustainable Value Creation, Green SMEs, ESG Integration

JEL codes: M14, Q56, G34

Article type: research paper

INTRODUCTION

The contemporary business environment is increasingly shaped by an urgent need to reconcile economic growth with environmental stewardship and social equity. Across both developed and emerging economies, the concept of sustainable value creation (SVC) has risen to prominence as a transformative strategic framework — one that challenges the conventional shareholder-primacy model and proposes a more inclusive, multi-stakeholder conception of firm performance. For green businesses, particularly small and medium enterprises (SMEs) that operate with explicit environmental mandates, SVC is not merely a regulatory compliance obligation; it represents a fundamental philosophy of how value is conceived, generated, and distributed.

Indonesia has increasingly promoted sustainable business practices through various environmental certification and eco-labeling initiatives coordinated by the Ministry of Environment and Forestry (KLHK), including PROPER, eco-label certification schemes, and green industry development programs. These initiatives encourage SMEs to adopt environmentally responsible production processes, improve resource efficiency, and enhance market competitiveness. Green certification has become particularly important as consumers, investors, and supply-chain partners increasingly demand evidence of environmental responsibility. Consequently, certified SMEs represent an important setting for understanding how sustainability principles are translated into business value creation in practice.

Existing literature on SVC has been predominantly quantitative in nature, relying on survey instruments and secondary ESG data to establish correlations between sustainability practices and financial outcomes (Indrawati et al., 2023; Aliya Putri et al., 2025). While these studies have generated valuable insights, they are limited in their capacity to capture the subjective meaning-making processes through which sustainability becomes embedded — or fails to become embedded — in organizational culture and strategy. The lived experience of sustainability, the informal negotiations between business owners and their communities, and the contextual factors that mediate the SVC–performance relationship remain poorly understood.

Although sustainable value creation (SVC) has been widely discussed in sustainability management literature, three important gaps remain. First, prior studies predominantly focus on large corporations and listed companies, while the experiences of green-certified SMEs in emerging economies remain underexplored. Second, existing research largely employs quantitative approaches that emphasize performance indicators and ESG metrics, offering limited understanding of how sustainability values are interpreted and embedded in everyday business practices. Third, few studies have examined the interaction between green certification, stakeholder co-creation, and sustainable value creation within the Indonesian SME context. Therefore, this study contributes by developing an interpretive understanding of how green-certified SME actors construct, experience, and operationalize sustainable value creation as a driver of business growth.

This study addresses these gaps by adopting an interpretive qualitative approach to explore SVC as it is experienced and enacted by green-certified SME practitioners in Indonesia. Through 18 in-depth semi-structured interviews, we seek to uncover: (1) how green SME operators understand and articulate sustainable value creation; (2) what mechanisms they identify as linking SVC to business growth; and (3) how stakeholder relationships mediate and amplify the sustainability-to-value pathway. In doing so, this research contributes a contextually grounded, theoretically enriched perspective on SVC that complements and extends the existing quantitative evidence base.

This study offers three novel contributions. First, it provides one of the few qualitative investigations of sustainable value creation among green-certified SMEs in Indonesia. Second, it integrates sustainability identity, stakeholder co-creation, and ESG practices into a unified interpretive framework explaining sustainable business growth. Third, it reveals how green certification functions not only as a compliance mechanism but also as a source of organizational legitimacy and identity formation, thereby extending existing SVC and stakeholder theory perspectives.

LITERATURE REVIEW

Sustainable Value Creation: Conceptual Foundations

Sustainable value creation (SVC) has been conceptualized in multiple ways across disciplines. In strategic management, SVC is often understood through the lens of the Resource-Based View (RBV), which posits that firms achieve competitive advantage through the possession of rare, valuable, inimitable, and non-substitutable resources (Barney, 1991). The Natural Resource-Based View (NRBV), proposed by Hart (1995), extends this framework by arguing that environmental capabilities — particularly pollution prevention, product stewardship, and sustainable development — represent a distinctive source of competitive advantage in an era of ecological constraint.

From a stakeholder theory perspective (Freeman, 1984), SVC requires that firms create value not solely for shareholders but for the full spectrum of stakeholders, including employees, customers, suppliers, communities, and the natural environment. This multi-stakeholder orientation implies that firm performance must be assessed along economic, social, and environmental dimensions simultaneously — the so-called 'triple bottom line' (Elkington, 1997). More recently, scholars have argued for moving beyond the triple bottom line metaphor to embrace integrative, systems-thinking frameworks that recognize the interdependencies among these dimensions (Aliya Putri et al., 2025).

For SMEs in particular, SVC is shaped by a distinctive set of contextual factors. Unlike large corporations with dedicated sustainability departments and formal ESG reporting infrastructure, SMEs typically rely on informal practices, owner-driven values, and localized stakeholder relationships. Research suggests that SME sustainability engagement is often shaped by owner-managers' personal values and their embeddedness in local community context (Williams & Schaefer, 2013), making qualitative inquiry particularly appropriate for understanding how it unfolds in practice.

ESG Integration in SME Contexts

Environmental, Social, and Governance (ESG) integration — the systematic incorporation of ESG considerations into business strategy, risk management, and stakeholder communication — has historically been associated with large, publicly listed corporations. However, growing evidence suggests that SMEs can and do engage in substantive ESG practices, often through informal and locally adapted mechanisms (Rodrigues & Franco, 2023).

In the Indonesian context, ESG-related practices among SMEs include participation in national eco-label certification programs, community-based environmental stewardship initiatives, fair labor practices within local supply chains, and transparent financial management. While these practices may not conform to the formal ESG disclosure frameworks applied to listed companies, they constitute meaningful governance mechanisms with demonstrable impacts on stakeholder trust and business resilience (Bruderl et al., 1992).

Critically, the ESG literature has been criticized for its excessive reliance on quantitative metrics and standardized indices that may obscure the qualitative dimensions of sustainability governance. What counts as 'good ESG' in the eyes of a village-based artisan SME in Central Java may differ substantially from the criteria applied by an institutional investor in Jakarta. Qualitative research is therefore essential for understanding the contextual, culturally embedded nature of ESG integration in SME settings

Stakeholder Co-Creation as a Value Mechanism

The concept of stakeholder co-creation — in which multiple parties jointly generate value through collaborative relationships — has gained significant traction in sustainability management research. Drawing on Service-Dominant Logic (Vargo & Lusch, 2004) and stakeholder theory, co-creation frameworks argue that value is not created unilaterally by the firm but emerges through the interactions and exchanges between the firm and its stakeholder ecosystem.

For green SMEs, stakeholder co-creation may take many forms: joint product development with eco-conscious customers, collaborative waste management systems with local communities, knowledge-sharing networks with other green businesses, or participatory governance arrangements with local government bodies. These co-creative processes are difficult to capture through standardized survey instruments, reinforcing the value of qualitative inquiry.

Research Gap and Positioning

Despite the growing body of literature on SVC, ESG integration, and stakeholder co-creation, a significant gap remains: there are very few qualitative studies that explore how green SME practitioners in emerging markets actually experience and enact these processes. Most existing research either relies on quantitative survey data (which captures what firms report doing but not why or how), or draws on case studies of large multinational corporations whose resources and institutional contexts differ markedly from those of Indonesian SMEs.

This study addresses this gap by deploying an interpretive qualitative methodology to generate thick description and theoretical insight from the lived experiences of green SME practitioners — an approach that is both methodologically distinctive and substantively novel.

Proposed Conceptual Framework

Building on the reviewed literature, this study proposes an integrative conceptual framework that organizes the process of sustainable value creation among green-certified SMEs around three interdependent pillars: identity (why sustainability is pursued), stakeholder co-creation (with whom value is generated), and ESG integration (how value is operationalized). Consistent with the interpretive qualitative design of this study, the framework functions as a sensitizing device that informed data interpretation rather than as a set of formal hypotheses to be statistically tested (da Cunha et al., 2025). It is illustrated in Figure 1 and is revisited in the Discussion in light of the empirical findings.

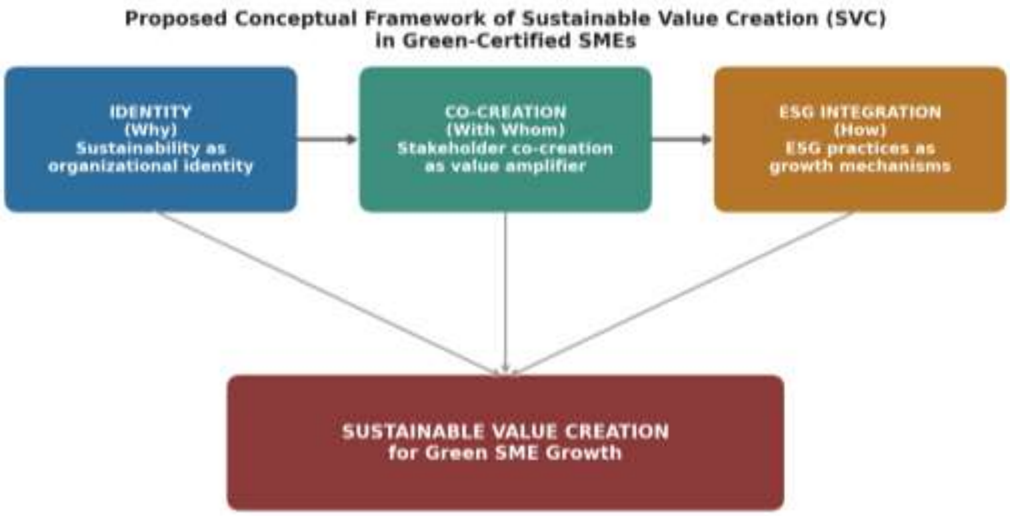

Figure 1. Proposed conceptual framework linking identity, stakeholder co-creation, and ESG integration to sustainable value creation in green-certified SMEs.

METHODS

Research Design

This study adopts an interpretive qualitative research design, grounded in the phenomenological tradition. The interpretive paradigm is appropriate for this research because it acknowledges that social reality — including business practices related to sustainability — is socially constructed through the meanings and interpretations that practitioners attach to their experiences (Creswell & Poth, 2018). Rather than seeking to measure and generalize, this study aims to understand and interpret.

The primary data collection method is in-depth semi-structured interviews, which allow for flexible, conversational exploration of informant perspectives while ensuring thematic consistency across cases. Semi-structured interviews are particularly well-suited to sustainability research in SME contexts because they enable informants to articulate complex, context-embedded experiences that would be inadequately captured by closed-ended survey items.

Research Site and Informant Selection

The research was conducted across three Indonesian provinces with significant concentrations of green-certified SMEs: Central Java (particularly the furniture and batik sectors in Jepara and Pekalongan), West Java (focusing on organic food and herbal product SMEs in Bandung and Bogor), and East Java (examining eco-tourism and marine product SMEs in Surabaya and Banyuwangi). These sites were selected to ensure sectoral and geographic diversity.

Informants were selected using purposive sampling, guided by the criterion of theoretical relevance — that is, each informant was selected because they could provide information-rich perspectives on SVC as it is practiced in green SME contexts. The selection criteria included: (1) ownership or senior management role in a green-certified SME; (2) minimum three years of experience operating under green certification; and (3) willingness to participate in an audio-recorded interview of 60–90 minutes. A total of 18 informants were recruited, achieving theoretical saturation by the 15th interview, with three additional interviews conducted to confirm the sufficiency of emerging themes.

Table 1. Profile of Research Informants

No	Role / Position	Sector	Province	Exp. (yrs)	Certification Status
I1	Owner & Founder	Eco-Furniture	Central Java	7	Active — Level III
I2	General Manager	Eco-Furniture	Central Java	5	Active — Level II
I3	Sustainability Coordinator	Batik (Natural Dye)	Central Java	4	Active — Level II
I4	Owner & Production Head	Batik (Natural Dye)	Central Java	6	Active — Level III
I5	Owner	Organic Food	West Java	8	Active — Level III
I6	Marketing Manager	Organic Food	West Java	3	Active — Level I
I7	Owner & Head of R&D	Herbal Products	West Java	9	Active — Level III
I8	Operations Manager	Herbal Products	West Java	4	Active — Level II
I9	Owner	Eco-Tourism	East Java	11	Active — Level III
I10	Community Relations Mgr.	Eco-Tourism	East Java	5	Active — Level II
I11	Owner & Financial Mgr.	Marine Products	East Java	6	Active — Level II
I12	Owner	Marine Products	East Java	4	Active — Level I
I13	Owner	Eco-Textile	West Java	7	Active — Level III
I14	Sustainability Officer	Eco-Textile	West Java	3	Active — Level I
I15	Owner & Head of Sales	Organic Farming	Central Java	10	Active — Level III
I16	Owner	Organic Farming	East Java	5	Active — Level II
I17	General Manager	Eco-Packaging	West Java	6	Active — Level II
I18	Owner & Designer	Eco-Packaging	East Java	4	Active — Level II

Source: Primary data, field interviews conducted January–March 2026.

Data Collection Procedures

Each interview was conducted at the informant's place of business, enabling the researcher to observe physical sustainability practices in context (e.g., recycling systems, eco-friendly packaging, community notice boards). Interviews were conducted in Bahasa Indonesia, audio-recorded with explicit informant consent, and subsequently transcribed verbatim. An interview guide was developed based on key themes from the literature review, covering: (1) how informants define and experience sustainable value creation; (2) the role of stakeholders in their sustainability journey; (3) the perceived financial and non-financial benefits of green certification; and (4) challenges and enabling factors in operationalizing SVC.

Follow-up member checking was conducted via WhatsApp message for 12 of the 18 informants, who confirmed the accuracy of their transcribed responses. Field notes and reflexive journal entries were maintained throughout data collection to enhance methodological rigor and researcher transparency.

Data Analysis

Data were analyzed using reflexive thematic analysis (Braun & Clarke, 2006), which prioritizes the researcher's interpretive engagement with data rather than mechanical coding procedures. The analysis proceeded through six phases: (1) data familiarization through repeated reading of transcripts; (2) generation of initial codes capturing semantic and latent content; (3) searching for themes across codes; (4) reviewing and refining candidate themes; (5) defining and naming final themes; and (6) producing the written analysis.

NVivo 12 software was used to manage and organize the dataset, facilitating systematic cross-case comparison and retrieval of illustrative quotations. To enhance credibility, peer debriefing was conducted with two colleagues in the field of sustainability management, who reviewed the coding tree and thematic structure. Transferability is supported through the provision of rich, contextual description; dependability through a detailed audit trail of analytical decisions.

Trustworthiness of the Study

To ensure the trustworthiness of the findings, this study adopted the criteria proposed by Lincoln and Guba (1985). Credibility was enhanced through prolonged engagement with participants, member checking involving 12 informants, and peer debriefing with sustainability management scholars. Dependability was established through a detailed audit trail documenting data collection, coding decisions, theme development, and analytical reflections. Confirmability was strengthened through reflexive journaling and the maintenance of transparent records linking interpretations to original interview data. Transferability was supported through rich descriptions of research settings, participants, and contextual conditions, enabling readers to assess the applicability of findings to similar contexts.

RESULT

Analysis of the 18 interview transcripts yielded three overarching themes, each comprising two to three sub-themes. These themes collectively illuminate how sustainable value creation is experienced, enacted, and narrated by green SME practitioners in Indonesia. The themes are: (1) Sustainability as Organizational Identity; (2) Stakeholder Co-Creation as Value Amplifier; and (3) The ESG–Growth Nexus in Practice. Representative quotations are provided for each theme and sub-theme.

Figure 2 presents the thematic map generated from the NVivo 12 coding process, illustrating the hierarchical relationship between the three overarching themes and their constituent sub-themes.

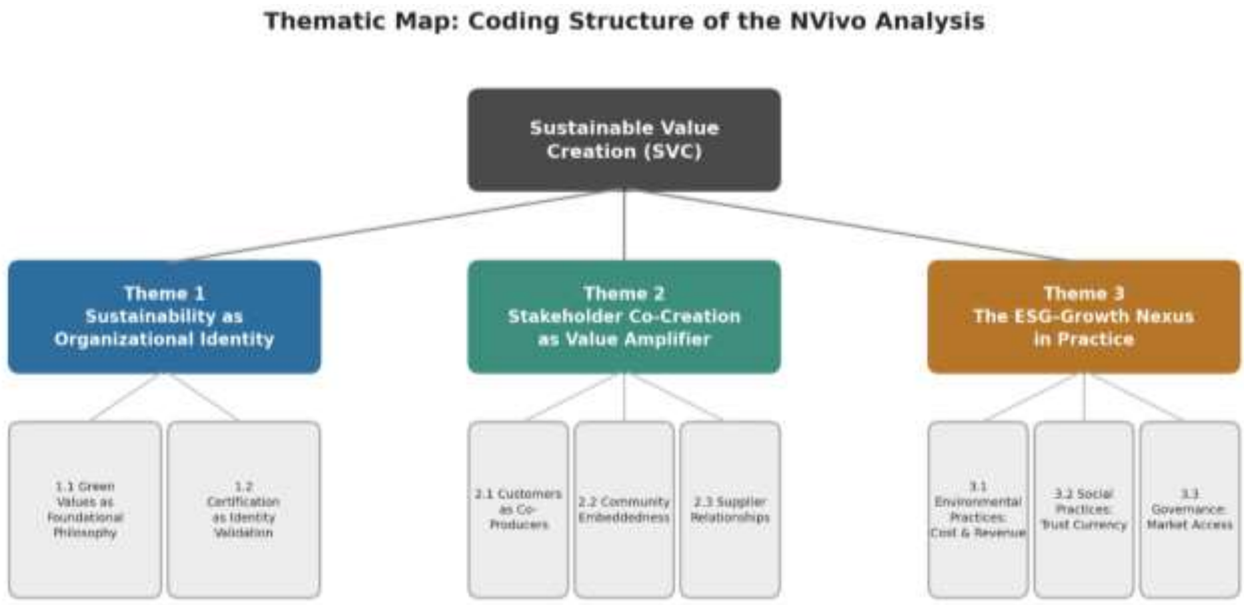

Figure 2. Thematic map showing the coding structure derived from the NVivo 12 analysis, illustrating the hierarchy of themes and sub-themes.

Theme 1: Sustainability as Organizational Identity

Sub-theme 1.1: Green Values as Foundational Business Philosophy

Across all 18 interviews, informants articulated sustainability not as a strategic choice made in response to external pressure, but as a foundational value that preceded and shaped their business model. For these practitioners, being 'green' was inseparable from who they are as business owners.

"*I did not start this business to make profit first. I started it because I wanted to show that furniture can be made without destroying the forest. The profit came later, and it came because customers trusted us.* [I1, eco-furniture owner, Central Java]"

"*When I tell people we use natural dyes only, they sometimes ask why I make it so difficult for myself. But for me, it is not difficult — it is just who we are. The batik has a soul when it is made this way.* [I4, batik producer, Central Java]"

This identity-first orientation aligns with the concept of 'values-based entrepreneurship,' in which the entrepreneur's personal ethical commitments serve as the primary driver of business model design. Importantly, informants across sectors and provinces articulated this narrative, suggesting that it reflects a common meaning-making framework among Indonesian green SME practitioners.

Sub-theme 1.2: Green Certification as Identity Validation

For many informants, obtaining green certification was experienced not as a marketing tool but as an external validation of an internal commitment. The certification process was described as challenging but meaningful — a rite of passage that publicly confirmed what informants already believed about their businesses.

"*When we received the Level III certificate, I cried. Not because of the business benefit — though that came — but because it meant that someone official was saying: yes, what you are doing is real and it matters.* [I7, herbal products owner, West Java]"

"*The audit process was very strict. They check everything — our waste, our water use, how we treat our workers. At first I was nervous. But then I realized: this is exactly what we are doing every day. We had nothing to hide.* [I9, eco-tourism owner, East Java]"

Theme 2: Stakeholder Co-Creation as Value Amplifier

Sub-theme 2.1: Customers as Co-Producers of Sustainability Value

A striking finding was the extent to which informants described their customers as active participants in the creation of sustainable value, rather than passive consumers. Multiple informants described relationships with loyal customer groups who provided feedback, co-designed products, and voluntarily paid premium prices as an expression of shared values.

"My customers are not just buying my organic rice. They are part of a movement. They come to the farm, they bring their children, they post on Instagram. They are telling the story of my business for me. Without them, my value is only rice. With them, my value is a whole way of life. [I5, organic food owner, West Java]"

"We have a customer community — we call them the 'Batik Hijau' family. They suggest new patterns, they tell us which dyes they want, they help us find new markets. It is a real partnership. [I3, batik sustainability coordinator, Central Java]"

Sub-theme 2.2: Community Embeddedness as Competitive Insulation

Several informants described deep integration with their local communities as a source of competitive advantage that was difficult for competitors to replicate. This embeddedness took forms including employment of local artisans, procurement of raw materials from community farms, and participation in local environmental governance structures.

"My workers are all from this village. Their mothers and grandmothers taught them to weave. If a competitor comes from the city with a machine, they cannot buy that knowledge, and they cannot buy the loyalty of this community to our brand. [I13, eco-textile owner, West Java]"

"We started a mangrove replanting program with the fishing village next to our property. Now they protect our coastline, and we support their income by buying their fish for our restaurant. It is not charity. It is business sense. [I9, eco-tourism owner, East Java]"

Sub-theme 2.3: Supplier Relationships as Sustainability Anchors

Informants consistently identified sustainable supplier relationships as central to their ability to maintain product integrity and manage reputational risk. Several described significant investments of time and resources in developing supplier capacity for sustainability practices.

"*I spend two days each month visiting my suppliers. I teach them how to use organic fertilizers, how to reduce waste. If they fail the audit, I fail too. So I make sure they do not fail.* [I15, organic farming owner, Central Java]"

Theme 3: The ESG–Growth Nexus in Practice

Sub-theme 3.1: Environmental Practices as Cost and Revenue Drivers

Contrary to the commonly held view that environmental sustainability imposes costs on SMEs, informants predominantly described their environmental practices as drivers of both cost reduction and revenue enhancement. Energy efficiency, water recycling, and waste reduction were framed as rational business investments with clear financial returns.

"We installed solar panels three years ago. The first year, we were nervous about the investment. By the second year, our electricity bill dropped by 60%. Now our neighbors want to know our supplier. [I2, eco-furniture manager, Central Java]"

"We use every part of the coconut shell in our packaging. Zero waste. Our production cost is lower than anyone in this district, and our customers know we are not contributing to landfill. It is a win on every side. [I17, eco-packaging manager, West Java]"

Sub-theme 3.2: Social Practices as Trust Currency

Informants articulated a clear link between social sustainability practices — particularly fair labor, community investment, and transparent business conduct — and the accumulation of stakeholder trust, which they described as the ultimate currency of business resilience.

*"In this business, your reputation is everything. If I treat my workers badly, the whole village knows by the next morning. But if I treat them well — if their children go to school because of this business — then wh*en the rains fail and my harvest is small, they stand with me. Trust is not soft. Trust is the hardest asset I have. [I5, organic food owner, West Java]"

"We publish our financial reports to our workers every year. Some people think this is strange. But it means they trust us, and they work harder because they feel they are part of something real. [I11, marine products owner, East Java]"

Sub-theme 3.3: Governance Practices as Market Access Key

For several informants — particularly those exporting or seeking to enter premium retail channels — governance-related sustainability practices (transparent record-keeping, fair contracting, and ethical procurement) were identified as prerequisites for market access rather than optional enhancements.

"Without our green certificate and our financial records, we cannot enter the Carrefour listing. They demand documentation of everything. So our governance is not about being a good company — well, it is — but also it is literally our door to a bigger market. [I17, eco-packaging manager, West Java]"

DISCUSSION

The findings of this study offer rich, contextually grounded insights into the mechanisms through which sustainable value creation unfolds in Indonesian green SMEs. Rather than treating SVC as an abstract strategic construct, the data reveal it as a dynamic, identity-driven, and relationally embedded practice — one that is simultaneously ethical in its motivation and strategic in its consequences.

The first theme — sustainability as organizational identity — resonates strongly with the values-based entrepreneurship literature (Williams & Schaefer, 2013) and extends it by demonstrating how this identity orientation interacts with formal certification systems to produce a reinforcing cycle of commitment and validation. This finding challenges the instrumental view of green certification as a purely market-oriented signal, suggesting instead that it serves important psychological and social functions for SME practitioners. It also implies that sustainability interventions targeting SMEs should recognize and engage with this identity dimension — not merely incentivize compliance.

The second theme — stakeholder co-creation as value amplifier — provides qualitative texture to quantitative findings on the stakeholder–performance relationship (Aliya Putri et al., 2025). Informants described their customers, communities, and suppliers not merely as external stakeholders to be managed, but as active co-producers of sustainability value. This finding aligns with Service-Dominant Logic (Vargo & Lusch, 2004) and suggests that the concept of 'value chain' — which implies unidirectional value flow — is insufficient to capture the relational dynamics of SVC in green SME contexts. The concept of 'value ecosystem' may be more appropriate.

The third theme — the ESG–growth nexus in practice — is perhaps the most significant for managerial audiences. Informants articulated a coherent, experience-based theory of how environmental, social, and governance practices collectively generate financial and non-financial value. Critically, this theory was not derived from formal ESG frameworks but from lived experience — suggesting that even in the absence of formal ESG infrastructure, SMEs can develop sophisticated, self-generated sustainability logics that produce tangible business outcomes. This finding resonates with Bruderl et al. (1992), who emphasize the role of social capital and legitimacy in SME survival, and extends it by demonstrating how sustainability practices serve as a mechanism for social capital accumulation.

These findings are broadly consistent with, and extend, recent scholarship on green SME development in Indonesia and comparable emerging-market settings. Dhewanto and Hanifan (2024) similarly find that stakeholder involvement is central to sustainable business practice among Indonesian MSMEs, reinforcing the centrality of the co-creation pillar identified in this study. Aliya Putri et al. (2025) propose a framework linking dynamic capabilities and value co-creation to sustainable SME performance, a structural logic that closely parallels the co-creation and ESG-growth pillars of the present model. Syafriani (2025), examining green business practices across Indonesian SME sectors, likewise reports that economic, environmental, and social benefits accrue jointly rather than as trade-offs, corroborating the ESG–growth nexus identified in Theme 3. Relative to these studies, the present research adds a distinctive identity-centred dimension, showing that green practices are experienced by owner-managers as constitutive of who they are as entrepreneurs, and not solely as a performance-enhancing strategy.

Taken together, the three themes suggest a grounded theoretical model of SVC for green SMEs that is organized around three mutually reinforcing pillars: identity (why), co-creation (with whom), and ESG integration (how). This model offers a more nuanced and contextually appropriate framework for understanding SVC in emerging market SMEs than existing quantitative models, while also providing practitioners with actionable language for articulating and communicating their sustainability practices.

CONCLUSION

This study set out to explore how sustainable value creation is experienced, enacted, and narrated by green-certified SME practitioners in Indonesia. Through 18 in-depth semi-structured interviews analyzed using reflexive thematic analysis, three central themes emerged: sustainability as organizational identity, stakeholder co-creation as value amplifier, and the ESG–growth nexus in practice. Together, these themes illuminate a rich, contextually embedded picture of SVC as a dynamic, values-driven, and relationally constituted practice.

The theoretical contributions of this study are threefold. First, it extends the SVC literature by demonstrating the centrality of identity in SME sustainability practice — an insight that quantitative frameworks are ill-equipped to capture. Second, it advances stakeholder co-creation theory by showing how co-creation operates as a mechanism of value amplification in green SME contexts. Third, it offers an empirically grounded model of the ESG–growth nexus that is derived from practitioner experience rather than imposed from institutional frameworks.

For practitioners, the findings suggest that SVC is most powerfully realized when sustainability is treated as an intrinsic organizational value rather than an external compliance requirement. Managers are encouraged to invest in deep, reciprocal stakeholder relationships — particularly with customers, local communities, and suppliers — and to view ESG practices not as cost centers but as strategic assets that generate trust, market access, and operational resilience.

For policymakers, the findings highlight the importance of green certification programs that recognize the identity-forming function of sustainability for SME owners, and that provide adaptive, context-sensitive support for ESG integration rather than imposing uniform disclosure frameworks designed for large corporations.

This study is subject to several limitations. The interpretive qualitative design limits statistical generalizability, and findings are most directly applicable to the Indonesian green SME context. Future research should extend this work through multi-country comparative studies, longitudinal designs tracking how SVC practices evolve over time, and mixed-methods designs that integrate the contextual richness of qualitative inquiry with the generalizability of quantitative analysis. Additionally, the perspectives of external stakeholders — customers, community members, and regulators — warrant exploration in future studies to generate a more complete picture of the SVC ecosystem.

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