

# **CSR AND SUSTAINABILITY PRACTICES AMONG SUSTAINABLE FASHION SMES IN THE VISEGRAD FOUR COUNTRIES**

PhD Dissertation

**Dorina Körtvési**

Budapest University of Economics and Business  
Doctoral School of Entrepreneurship and Business



Supervisor: Dr. habil. Krisztina Szegedi

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## DECLARATION

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The name of the author: Dorina Körtvési



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## **List of abbreviations**

CE	Circular economy
CER	Corporate Environmental Responsibility
CS	Corporate Sustainability
CSDDD	Corporate Sustainability Due Diligence Directive
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
CSV	Creating Shared Value
ESG	Environmental, Social and Governance
EPR	Extended Producer Responsibility
EU	European Union
GRI	Global Reporting Initiative
LCA	Life Cycle Assessment
MNC	Multinational corporation
NFRD	EU Non-Financial Reporting Directive
SCSR	Strategic Corporate Social Responsibility
SD	Sustainable Development
SE	Sharing economy
SDGs	Sustainable Development Goals
SME	Small and medium-sized enterprise
TBL	Tripple Bottom Line
TTL	Triple Top Line
UN	United Nations
V4	Visegrad Group Countries

## **1. Introduction**

The global fashion industry - a very divisive industry as being a significant driver of economic growth (European Environmental Bureau, 2022), also one of the most environmentally damaging sectors, responsible for nearly 10% of global carbon emissions and vast resource consumption (World Economic Forum, 2020). This ecological footprint coupled with poor labour practices, places immense pressure on businesses to reform, particularly through Corporate Social Responsibility (CSR) and Corporate Sustainability (CS) efforts. While larger corporations are often the focus of these discussions, small and medium-sized enterprises (SMEs), especially in emerging economies, are equally critical to the shift toward sustainable business models (Troise et al., 2023).

This research focuses on fashion SMEs in the Visegrad Four (V4) countries- Poland, Hungary, Czech Republic, and Slovakia - characterized by their unique post-socialist transition to market economies. These nations face significant challenges in implementing CSR and sustainability practices, balancing the demands of European Union regulations with domestic economic needs and limited resources (Habek, 2017). SMEs, which constitute the backbone of the fashion industry in these nations, must grapple with these tensions while addressing growing consumer demand for ethical production and transparency (TRACEX, 2024).

This dissertation investigates how fashion SMEs in the V4 region navigate the complexities of integrating CSR and sustainability into their business models, exploring the motivators and barriers, business models, and practices that shape their sustainability journeys. Through this lens, it intends to contribute to the broader discourse on sustainable fashion, offering insights into how smaller firms in emerging markets can lead the change toward a more sustainable industry.

## **1.1. Significance of the study**

The global fashion industry, while economically vital, is fraught with numerous economic, environmental, and social challenges that complicate its sustainability efforts (Todeschini et al., 2020). Economically, this \$2.5 trillion industry supports millions of jobs globally, but its fast-fashion paradigm drives inefficiencies, including textile waste and underutilised resources, amounting to annual losses of around \$500 billion (Fashion United, 2021; WorldMetrics, 2024).

Environmentally, fashion is responsible for up to 10% of global CO<sub>2</sub> emissions (UNCC, 2018), and accounts for around 93 billion cubic metres of annual water consumption, further stressing resources (Bailey & Basu, 2022). Its reliance on petrochemical-derived polyester, which comprises 60% of global fibre production, contributes to pervasive microplastic pollution in marine ecosystems (European Environment Agency, 2023). The use of toxic chemicals in textile dyeing, which represents 20% of global industrial water pollution, adds to the industry's negative environmental footprint. Additionally, less than 1% of textile waste is recycled into new garments, exacerbating landfills and contributing to the broader issue of resource inefficiency (Lara et al., 2022).

Socially, the industry's labour-intensive supply chain is notorious for labour rights violations, including underpayment, unsafe working conditions, and child labour (Köksal et al., 2018). Approximately 85% of garment workers earn below a living wage, while incidents like the 2013 Rana Plaza disaster highlight persistent safety issues (Millward-Hopkins, 2024). Gender inequity remains entrenched, with 80% of garment workers being women, many of whom report gender-based violence and harassment (Maloney, 2019). The fast-fashion model, driven by cost-cutting and rapid production demands, perpetuates these labour abuses, with informal contracts and union suppression further disempowering workers (Zahira et al., 2023).

The EU's fashion market's revenue is expected to reach USD 198.67 billion by 2025 (STATISTA, 2025). The fashion and high-end industries embody Europe's cultural heritage and craftsmanship. Employing 5 million people directly in the fashion value chain and over 1 million in the high-end sector, these industries play a significant role in the EU economy (European Commission, 2025). More than 70% of the workforce in the industry consists of women (EU, 2024). The leading textile and clothing producers in the

EU are primarily located in Germany, Spain, France, Italy, and Portugal (EU, 2024). SMEs dominate the European textile sector (European Commission, 2023), yet approximately 60% of production occurs outside Europe, exacerbating labour rights abuses and environmental degradation (Pastore et al., 2019).

SMEs often operate within highly competitive markets, constrained by limited financial resources and fragmented regulatory frameworks (Muller et al., 2021). According to Jenkins (2006), SMEs generally lack the capital and capacity to fully implement the comprehensive CSR strategies adopted by larger corporations. This disparity is particularly pronounced in the fashion sector, where companies must balance high production costs with the imperative to adopt sustainable practices (Arrigo, 2020). Brydges (2021) concludes that SMEs often struggle with the financial burden of transitioning to sustainable production processes, as the costs of sustainable materials and eco-friendly technologies can be prohibitive. Moreover, fashion SMEs are frequently constrained by the prevailing fast fashion model that perpetuates unsustainable practices, including overproduction and waste (Gazzola et al., 2020; Niinimäki et al., 2020). The V4 is a cooperation of Central European countries within the wider European integration framework. Historically, the Czech Republic, Hungary, Poland and Slovakia belong to the same cultural and civilisational sphere, and their goal is stable and democratic development (Visegrad Group, 2024). Sustainability and long-term viability of fashion SMEs in the V4 countries are critical to both the economic growth of these nations and the broader European fashion industry (Zvarikova et al., 2024; Wong & Engai, 2012). These SMEs significantly contribute to job creation and GDP but face considerable challenges in adapting to the increasing pressures of CSR and sustainability (Kocmanová & Dočekalová, 2012; Zastempowski & Cyfert, 2021). As global consumer demands shift towards more ethical and sustainable fashion, these SMEs must navigate complex economic, social, and regulatory landscapes to remain competitive (Niinimäki et al., 2020).

The economic significance of fashion SMEs in the V4 countries cannot be overstated. These businesses are important for the local economies, providing essential employment and fostering innovation in the industry. However, the survival and success of these companies increasingly depend on their ability to align with international sustainability goals. As consumer awareness of environmental issues rises, companies are facing

mounting pressure to reduce their ecological footprint, adopt circular economy models, and demonstrate their commitment to ethical labour practices (Koszevska, 2018; Falkowski, 2022; Surman & Böcskei, 2023).

One of the primary challenges for fashion SMEs in the V4 countries is the regulatory environment (Talukder, 2023). The European Union's Circular Economy Action Plan, introduced in 2020, sets ambitious targets for reducing waste and promoting sustainable production across industries, including fashion. While these regulations are designed to support long-term environmental goals, they can present significant challenges for SMEs, which often lack the resources to quickly adapt to new standards. For example, the plan's emphasis on extended producer responsibility (EPR) shifts the burden of textile waste management onto producers, requiring SMEs to invest in recycling technologies or sustainable materials. Many fashion SMEs in the V4 region already operate on tight margins, these additional financial pressures could hinder their ability to compete in both domestic and international markets (WBCSD, 2021).

Despite these challenges, fashion SMEs in the V4 countries are uniquely positioned to drive innovation in sustainability. As smaller businesses, they often have more flexibility to adopt innovative approaches to production and distribution. In some cases, this has led to the development of niche markets focused on sustainable and ethical fashion. For example, the studies of Edőcsényi & Harangozó (2021), also Dobos & Éltető (2023) point out that Hungary has seen the emergence of designers who prioritise eco-friendly materials and sustainable production methods, appealing to a growing consumer base that values transparency and sustainability. Although Hungary's textile manufacturing sector is small, it remains an essential contributor to industrial output and employment. Similarly, Poland has made strides in promoting local manufacturing and reducing its dependence on imported materials, contributing to the development of a more sustainable fashion ecosystem. The fashion sector here is highly export-oriented, making the country to the 11<sup>th</sup> largest apparel exporter internationally, contributing substantially to the national economy through both exports and a growing domestic market fuelled by rising incomes (Poposka & Sinikiewicz, 2021; Polish Investment and Trade Agency, 2023). The Czech Republic blends traditional craftsmanship with contemporary design. Prague is at the centre of the country's fashion scene, attracting global attention through events and exhibitions. While the textile industry has diminished over time, it still supports the fashion sector. Czech designers and brands export their products globally, leveraging the

country's cultural status to enhance visibility and attract tourism (Khelerová et al., 2024). Pelikánová et al. (2021) highlight how COVID-19 became a unique opportunity to rebuild the industry boosting green changes. Slovakia, despite facing challenges in its textile sector, continues to benefit from its historical strengths in manufacturing. Regions like Zvolen and Trenčín remain important industrial centres, and a new wave of Slovak designers is gaining international recognition. Efforts to blend tradition with innovation and promote Slovakian fashion through events are helping to expand the country's presence in international markets and contribute to economic growth (Daňo et al., 2020), although Csikosova et al. (2019) found a clear decrease in the number of fashion industry stores.

The cultural and historical context of the V4 countries also plays a role in shaping how SMEs approach CSR and sustainability (Zvarikova et al., 2024). As Meyer & Peng (2015) and Bertola & Colombi (2024) note, Central and Eastern European countries have undergone significant political, social, and economic transitions in recent decades, which have influenced the way businesses operate. In the fashion industry, this has resulted in a complex landscape where traditional practices often coexist with modern, sustainable innovations. Family-owned fashion businesses, in particular, tend to emphasise long-term value creation and sustainability, as these goals align with the intergenerational nature of family enterprises (Astrachan Binz et al.; 2016). However, the lack of established sustainability frameworks in the region means that many SMEs are still figuring out how to incorporate CSR into their business models in a way that is both economically viable and culturally appropriate.

This study is significant because it seeks to fill a critical research gap in the existing literature on CSR and sustainability in fashion SMEs, particularly within the V4 region. While much of the research on CSR focuses on large multinational corporations, far less attention has been paid to the unique challenges and opportunities faced by SMEs (Santos, 2011; Park & Ghauri, 2015; Martins et al., 2022), especially in Central and Eastern Europe (Habek, 2017). Furthermore, the findings of this study have important implications for the achievement of the United Nations Sustainable Development Goals (SDGs). Fashion SMEs in the V4 region have the potential to significantly contribute to global sustainability goals. However, this will only be possible if they receive targeted support through policies and resources that help them navigate the challenges of adopting sustainable practices. By identifying the specific drivers and barriers to CSR adoption,

the study intends to provide a roadmap for improving the sustainability performance of fashion SMEs in the V4 region.

Summing up, the study intends to make a significant contribution to the understanding of CSR and sustainability of fashion SMEs in the V4 countries and thus, the long-term viability and success of fashion SMEs in the V4 region.

## **1.2. Research objectives, research aim and research questions**

**The research aim is assessing the Corporate Social Responsibility (CSR) and sustainability practices within the fashion small and medium-sized enterprises (SMEs) sector in the Visegrad Four countries, identifying key drivers and barriers and examining the sector's practices aligned with the United Nations Sustainable Development Goals (SDGs), and to explore the sustainable business models applied as well as the expected future trends.**

Aligned with the research aim, the study seeks to achieve the following sub-objectives:

**RO1:** Explore CSR and sustainability concept/approach in V4 sustainable fashion SMEs

**RO2:** Identify key drivers and barriers influencing the adoption of CSR and sustainability practices in V4 sustainable fashion SMEs

**RO3:** Assess the presence of UN SDGs-related practices of V4 sustainable fashion SMEs

**RO4:** Map sustainable business models in V4 sustainable fashion SMEs

**RO5:** Identify future trends in CSR and sustainability in V4 sustainable fashion SMEs

To achieve the research objectives, the following research questions were formulated:

**RQ1:** How do sustainable fashion SMEs interpret the concepts of CSR and sustainability in V4 countries?

**RQ2:** What are the drivers and barriers affecting the adaptation of CSR and sustainability practices in V4 sustainable fashion SMEs?

**RQ3:** Which SDGs are addressed by V4 sustainable fashion SMEs and how?

**RQ4:** How do V4 sustainable fashion SMEs apply sustainable business models?

**RQ5:** What are the future sustainability trends for V4 sustainable fashion SMEs and how are they being addressed?

### **1.3. Scope of the research**

The scope of this research is delineated to provide clarity regarding the boundaries and limitations of the study, focusing specifically on geographic, sectoral and definitional contexts.

#### **Geographic scope**

This research focuses on the V4 countries, whose socio-economic profiles and shared history might shape CSR and sustainability practices in the fashion sector. The V4 region combines emerging economies with rising sustainability awareness, offering a relevant context to examine fashion SMEs' challenges and opportunities. The study focuses on urban areas. Urban centres offer higher consumer density, better resource access, and stronger sustainability demand (Romero-Lankao et al., 2016; Michalina et al., 2021). However, this urban focus may neglect rural CSR dynamics and distinct sustainability challenges. Cultural and historical differences across V4 countries may also cause CSR variations not fully addressed here.

#### **Sectoral and company size scope**

The textile and apparel industry includes fibres, yarns, fabrics, clothing, and home or decorative products (Belzagu & Gutiérrez-Bouzán, 2022).. The industry's complex supply chains, rapid pace, and rising ethical pressure make it a distinctive case for CSR and sustainability research (Thorisdottir & Johannsdottir, 2019; Thorisdottir & Johannsdottir, 2020; Chan et al., 2020).

The research is also limited to SMEs, defined in accordance with the European Union's classification as enterprises employing fewer than 250 employees and having an annual turnover below €50 million. SMEs represent a major segment of the fashion industry and often adopt more agile, innovative CSR practices than large firms (European Commission, 2023). Nevertheless, findings are not applicable to large corporations with different resources, capacities, and strategies.

## **Terminological scope**

While definitional debates are addressed in the literature review, it is essential to distinguish between initiatives and best practices, which are not interchangeable. An *initiative* is a strategic action taken to achieve specific goals. Spencer et al (2013) define team initiative as a collective construct enhancing commitment and performance. *Best practice* is a proven method for achieving optimal results in a specific context. Best practice as the industry-recognised optimal method to reach a goal (Abudi, 2011). Initiatives introduce new actions; best practices refine or replicate proven methods. Bretschneider et al. (2005) note that best practice is context-dependent and open to various interpretations. Sustainable business practices are actions addressing environmental and social issues while ensuring profitability (López et al., 2007; Ortiz-de-Mandojona & Bansal, 2016). Sustainable practices can yield economic gains, reduce environmental harm, address social issues, and enhance corporate image—creating business opportunities (Fearne et al., 2012).

### **1.4. Research paradigm**

Kuhn defined the paradigm of scientific research as "*scientific achievements that are universally recognised and, for a time, provide model problems and solutions to a community of practitioners*" (Kuhn, 1970, p. 8). A paradigm encompasses accumulated knowledge, theories, and methods, but their importance lies not in isolation, but in how they collectively form a model for solving problems within a discipline. It represents a scientific theory and practice that is accepted by the scientific community because of its consistency, productivity, and broad applicability. Additionally, a paradigm is reflected in the scientific language and terminology used by researchers within a specific field, serving as a common tool for communication (Machan, 1977).

Among various research paradigms, interpretivism stands out as an appropriate paradigm for researching CSR as it allows for a deeper exploration of the social meanings and human experiences behind CSR practices. Unlike positivism, which seeks to measure and quantify CSR's impact through objective data, interpretivism focuses on understanding the subjective experiences and social constructions of CSR by stakeholders such as employees, consumers, and managers. CSR is inherently tied to human values, ethics, and social expectations, making interpretivism ideal for uncovering the underlying reasons why organisations adopt CSR initiatives and how different stakeholders interpret

these actions. Interpretivism allows for the use of qualitative methods, such as interviews and case studies, to gain rich, detailed insights into how CSR is understood and experienced within specific cultural or organisational contexts. For example, interpretivist research might explore how employees perceive the impact of their company's CSR efforts on workplace culture or how consumers feel about the ethical commitments of a fashion brand. These insights help in understanding not just *what* CSR actions are undertaken, but *why* they are implemented and *how* they are received by those involved (Denzin & Lincoln, 2011).

Moreover, interpretivism recognises that CSR practices are socially constructed and can vary widely between organisations and across different cultures. In a globalised world, CSR expectations are shaped by local cultural norms and societal values, making it critical to use a paradigm that can capture this complexity. This approach acknowledges that CSR is not a one-size-fits-all concept and that the ways in which it is adopted, interpreted, and implemented are influenced by the unique social, cultural, and organisational contexts in which companies operate (Perry, 2012). By adopting an interpretivist approach, researchers can better understand the motivations behind CSR adoption, how CSR is communicated and interpreted among various stakeholders, and the cultural nuances that influence its implementation. This paradigm, with its emphasis on understanding human behaviour and social interaction, provides the most insightful and nuanced understanding of CSR in complex and diverse environments, such as the fashion industry in V4 countries.

### **1.5. Research methodology**

This study employs a qualitative research approach, utilising semi-structured interviews to examine sustainability practices among fashion SMEs in the V4 countries. 28 interviews were conducted with business owners and managers, recommended by Fashion Revolution, a global organisation working to make the fashion industry more sustainable and ethical, focusing on interpretation of CSR and sustainability, SDGs relevance in practice, circularity and further sustainable business models, and sustainable future trends (Fashion Revolution, 2025). The data was inductively coded and analysed, allowing for the identification of common patterns and region-specific approaches. Thematic analysis was applied to ensure that insights emerged directly from the data.

## 1.6. Research results

Sustainable fashion SMEs in V4 countries perceive CSR as a values-based operation, commitment to sustainability, ethical business conduct and community engagement. Sustainability is a more practice-oriented approach based on materials and circularity as well as design and small-scale production as the main environmental pillars. Its social pillar covers cultural heritage and craftsmanship and consumer education to promote sustainable consumption. Its economic pillar is based on local production and resource optimisation.

The V4 sustainable fashion SMEs' CSR and sustainability practices are driven by internal drivers such as owner-managers' personal value, product and technology innovation and motivated employees. External drivers cover strategic differentiation and competitive brand positioning, also collaboration, industry network and cooperation. As internal barriers, the lack of resources, such as financial, human, and scalability are identified. External barriers such as customers' price sensitivity and knowledge gap, lack of suppliers' commitment, regulatory and policy differences, lack of joint platform and technological and infrastructural deficiency constrain CSR and sustainability practices.

SDGs with economic dimensions receive particular emphasis among V4 sustainable fashion SMEs. SDG 12 (Sustainable consumption and production) addresses overproduction in fashion, promoting waste rejection, product longevity, and drastically reduced volumes. SDG 8 (Decent work and economic growth) emphasises quality growth through local economies and fair employment; SDG 9 (Industry, innovation and infrastructure) appears in industrial modernisation and environmental impact reduction; SDG 10 (Reduced inequalities) is reflected in local workforce integration and measures promoting economic equality. Environmental-related SDGs are led by SDG 13 (Climate action), reflected in carbon footprint reduction, local production, and rationalised energy and water use. Social SDGs include SDG 4 (Quality education) and SDG 5 (Gender equality), seen in sustainability education through workshops and products, as well as protecting women workers and supporting their economic empowerment and decision-making participation. SDG 2 (No poverty), SDG 3 (Good health and wellbeing), SDG 7 (Affordable and clean energy), and SDG 14 (Life below water) are not priority SDGs for this group of entrepreneurs.

V4 sustainable fashion SMEs integrate circular economy models, demand-driven production, modular design, and community-based models to advance sustainability. Circular practices, including upcycling, recycling, and closed-loop manufacturing, improve raw material efficiency. Community-based and collaborative models deepen consumer involvement, enhance transparency, reduce overproduction, and foster long-term behavioural change toward more conscious and sustainable consumption. Some V4 sustainable fashion SMEs apply subscription-based model to demand-driven production and to forecast demand more accurately, minimising excess inventory and production waste. Modular design models extend product lifespan, reduce raw material use and inventory risks, strengthen customer engagement, and enhance both sustainability and business stability.

V4 sustainable fashion SMEs see rising circularity, increased transparency, the strengthening of local supply chains, cross-sectoral collaborations for resource and knowledge sharing, AI- and digitally driven transformations, ethical sourcing practices, and the growing use of diversity as a tool for customisation as future industrial trends. The research revealed varying perceptions and responses to sustainability trends among V4 sustainable fashion SMEs. Companies that see sustainability as emerging but unclear respond cautiously, seeking guidance, peer learning, and market insight. SMEs seeing sustainability as essential and pursue it through supply chain transformation, efficiency, and innovation, face implementation challenges. Future-oriented SMEs balance long-term planning with short-term adaptation due to economic uncertainty and the instability of sustainability trends. SMEs that combine product offerings with a community mission, treat sustainability as a values-driven commitment tied to transparency, struggle to maintain credibility amid rising expectations.

### **1.7. Dissertation's structure**

This dissertation is organised into seven main chapters. Chapter 1 introduces the research motivation, objectives and research questions, the scope of the study and the research paradigm. Chapter 2 presents a focused literature review on CSR and sustainability, with particular attention to the role of SMEs and the challenges specific to the fashion industry. It begins by addressing the ongoing definitional debate surrounding CSR and introduces key theoretical frameworks that inform its practice. This is followed by a comparison of CSR across company sizes, highlighting differences between small and large enterprises,

and identifying key drivers of CSR implementation in SMEs. The second part of the chapter explores sustainability, moving from foundational concepts to current global trends, with emphasis on the UN Sustainable Development Goals. It then examines the relationship between CSR and sustainability, questioning whether the terms are interchangeable or conceptually distinct. The chapter concludes with a sector-specific analysis, applying the PRISMA model to explore how CSR and sustainability manifest within the fashion industry. Chapter 3 outlines the research design and methodological approach adopted in this study, including the data collection and interpretation procedures. It presents the rationale for using a qualitative research strategy, specifically semi-structured interviews, to explore CSR and sustainability practices among fashion SMEs in the V4 region. The chapter explains the sampling, interview process, and data analysis, with emphasis on coding and code structure development. It also discusses ethical considerations and how reliability and validity were ensured to strengthen the research's credibility. Chapter 4 presents the research findings, structured in alignment with the study's objectives and research questions, and divided into five main thematic sections. The chapter first explores how fashion SMEs in the V4 countries interpret the concepts of CSR and sustainability, revealing the nuances in their understanding and application. It then identifies the key internal and external drivers and barriers that influence the implementation of sustainability practices. The third section examines the awareness and practical integration of the UN SDGs, highlighting which goals are prioritised and how they are operationalised. The following part analyses the business models adopted by these SMEs, with attention to circularity, localism, and innovation. Finally, the chapter outlines future research directions as perceived by the participants, offering insights into anticipated challenges, opportunities, and evolving priorities in sustainable fashion entrepreneurship. Chapter 5 presents the new and novel findings of the dissertation in the form of theses. Chapter 6 discusses the findings in relation to the theoretical frameworks and debates from the literature review. It critically reflects on how the insights gained from V4 sustainable fashion SMEs confirm, challenge, or extend existing knowledge on CSR and sustainability, with particular attention to the role of company size, industry-specific factors, and regional context. Chapter 7 concludes the dissertation by summarising the key findings and highlighting the broader relevance of the research. It also outlines the study's limitations, discusses theoretical and practical implications, and suggests directions for future research in the field of sustainable fashion and SME development.

## 2. Literature review

The chapter provides an overview of the literature on CSR and sustainability and CSR, in particular its forms and practices in SMEs. The PRISMA model is used for a thematic mapping and systematic analysis of the literature, ensuring a transparent and structured processing of the research.

### 2.1. Definitional battle of CSR

Until these days there is no one singular and universally accepted, or recognised definition of CSR (Freeman & Hasnaoui, 2011; Khan et al., 2012; Hamidu et al., 2015) that might undermine the concept's credibility and legitimacy (Angelidis & Ibrahim, 1993). Table 1 summarises the definitions of authors and organisations from 1950 to nowadays.

Table 1. Key concepts of CSR through decades (source: own compilation based on the literature discussed in the chapter)

Author(s)	Publication's date	Definition's key elements
<b>Bowen</b>	1953	A businessman's duty, his decisions serve the goals of society.
<b>Frederick</b>	1960	Fulfilling of public expectation and enhancing socio-economic.
<b>Friedman</b>	1970	The role of business in fulfilling social responsibility is to maximise profits within legal and ethical boundaries, ensuring fair competition and avoiding fraudulent practices.
<b>Johnson</b>	1971	Business carries out social programmes to add profits to their organisation.
<b>Sethi</b>	1975	Proposed that CSR should align corporate behaviour with societal norms and expectations, emphasising the importance of adapting business practices to be socially and ethically responsible.
<b>Carroll</b>	1979	Introduced a CSR model encompassing economic, legal, ethical, and discretionary (philanthropic) expectations, laying the groundwork for CSR's multidimensional understanding in corporate strategy and performance.
<b>Jones</b>	1980	Form of corporations' obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract.
<b>McGuire et al.</b>	1988	CSR initiatives, such as environmental stewardship and community involvement, could positively impact a firm's reputation and long-term financial success.
<b>Global Reporting Initiative (GRI)</b>	1999	Provided frameworks for transparent reporting on economic, environmental, and social impacts, promoting CSR as an accountability tool for stakeholders and society.

<b>McWilliams et al.</b>	2006	Define CSR as activities that go beyond a company's economic and legal obligations, aiming to positively impact society while aligning with strategic goals. Their approach frames CSR as a dual-purpose tool that enhances both corporate advantage and social well-being.
<b>Porter et al.</b>	2006	Introduced "shared value" as a concept, suggesting that companies can enhance competitiveness by addressing social and environmental issues aligned with their core strategy, creating benefits for both business and society.
<b>Ligeti</b>	2007	It is understood as a voluntary commitment, including the development of the common good. By being environmentally aware, it does not live up to the possibilities of the future, social and environmental concerns are inseparable from business considerations.
<b>Tóth</b>	2007	Minimising transport distance, ensuring fairness, economics and optimal size and sustainable products are part of the organisation.
<b>Angyal</b>	2009	Beyond profitability there is an attempt to achieve community goals.
<b>Szlávik</b>	2009	Strong relation with stakeholders and voluntary, environmental and social aspects that go beyond regulation.
<b>ISO 26000</b>	2010	CSR is the responsibility of an organisation for the way its decisions and activities affect society and the environment.
<b>Porter et al.</b>	2011	Companies find business opportunities in social problems and integrate them into their core operations
<b>EU</b>	2011	Companies should integrate social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations, in alignment with applicable laws
<b>KPMG</b>	2015	Highlighted the importance of transparent reporting on social, environmental, and governance factors, showing that sustainability reporting has become a global standard for CSR practices.
<b>Crane et al.</b>	2016	Business practices that contribute to the ethical and sustainable development of society, integrating social and environmental considerations into corporate strategies, positioning businesses as key players in sustainable and responsible development.
<b>Ashrafi et al.</b>	2020	Explores the integration of CSR and corporate sustainability, using stakeholder, resource-based, and institutional theories to support CSR as a strategic framework for long-term business viability and societal impact.
<b>Rodriguez-Gomez et al.</b>	2023	Analyses CSR's evolution, highlighting that the concept has expanded to focus on meeting society-business relationship needs, encouraging a rethinking of CSR's purpose as an intersection of social and corporate interests.

CSR has evolved from the concept of social duty to complex frameworks integrating ethical, strategic, and sustainable goals. Scholars and practitioners have long debated CSR's definition. This is partly due to the wide range of interpretations adopted both within and beyond the field (Mohammed, 2020).

Bowen (1953) and Frederick (1960) framed CSR as a moral duty, arguing that businesses, due to their societal impact, must align decisions with public welfare. This approach established CSR as a social contract linking business success with societal benefit.

Friedman (1970) countered that a firm's sole duty is profit maximisation within legal and ethical bounds, viewing social initiatives as distractions from shareholder value. His economically rooted view excludes social duties from business scope—a position criticised as narrow amid rising global accountability demands (Jones, 1980; Margolis & Walsh, 2003). Friedman (1970) and Johnson (1971) both view CSR as secondary to financial goals. However, Johnson (1971) differs by acknowledging that social programmes can offer reputational or competitive benefits.

Carroll's (1979) four-dimensional CSR model balances economic, legal, ethical, and philanthropic responsibilities, highlighting accountability beyond profit. It proposes that corporate responsibility combines profit, legal compliance, ethics, and philanthropy. Critics note the difficulty of balancing such diverse duties, especially when profits conflict with ethics or philanthropy (Schwartz & Carroll, 2003). Such conflicts reveal the complexities of aligning CSR with both societal and shareholder demands amid stakeholder pressures (Garriga & Melé, 2004). The model reflects challenges in applying CSR, especially where profit motives conflict with ethical or philanthropic expectations.

Jones (1980) argued that CSR should include ethical duties toward various societal groups, not just shareholders. He promoted a stakeholder-centric, ethically driven CSR beyond legal or contractual obligations—progressive for its time. McGuire et al. (1988) viewed CSR economically, linking initiatives like environmental and community efforts to reputation and long-term performance. This suggests CSR serves ethical and strategic roles, benefiting society and supporting financial success. Jones (1980) emphasises ethics, while McGuire et al. (1988) frames CSR as both socially and financially beneficial highlighting its dual function.

Porter & Kramer (2006) proposed “shared value,” aligning CSR with core strategy to benefit both business and society. This counters Friedman's view, suggesting social issue engagement can drive competitiveness and long-term sustainability. Critics argue shared value may prioritise profit and overlook ethical or philanthropic dimensions. McWilliams et al. (2006) also advocate for strategic CSR, noting its role beyond compliance in reputation and goal advancement. They argue CSR should exceed legal and economic duties. CSR should benefit society while aligning with corporate strategy. Thus, CSR fulfils ethical duties and creates competitive advantages supporting long-term goals. This aligns with Porter & Kramer's (2006) shared value, linking CSR to mutual business-society benefits. GRI (1999) and KPMG (2015) added a transparency dimension via sustainability reporting. They emphasised that CSR requires accountability through clear

environmental, social, and governance (ESG) disclosures. According to the ISO 26000 standard, the dimensions of CSR address the social responsibility of organisations through key areas such as customers, employees, human rights, leadership, ethical behaviour, local communities and responsibility towards the natural environment (ISO 26000:2010, 2010; Hemphill, 2013). This aligns with Crane & Matten (2010) who link CSR to ethical and sustainable development. However, voluntary reporting can result in selective disclosure and greenwashing (Delmas & Burbano, 2011). The EU defines CSR as voluntary responsibility for social and environmental impact, within legal boundaries (European Commission, 2011). Critics argue that the EU’s voluntary approach weakens enforcement and enables superficial compliance (Marquis et al., 2016). This lack of rigour may reduce CSR reporting to PR rather than genuine accountability. Recent studies highlight the CSR-CS convergence, supported by stakeholder, resource-based, and institutional theories, to strengthen business viability.

CSR’s strategic role in sustainability now targets internal and external benefits like cost reduction, risk management, and reputation (Ashrafi et al., 2020; Morales-Parragué et al., 2023). Table 2 presents the evolution of CSR definitions and focus over the decades as each era in CSR research reflects distinct directions and evolving themes.

Table 2. Evolution of CSR definitions and focus over the decades (source: own compilation based on the literature discussed in the chapter)

<b>Era</b>	<b>CSR focus</b>	<b>Key themes, characteristics</b>
<b>1950-60s</b>	Corporate responsibility and social value	Gradual incorporation of ethical considerations
<b>1970s</b>	Socially conscious management	Emergence of socially aware business practices
<b>1980s</b>	Corporate–stakeholder interdependence	Emphasis on mutual dependence between firms and stakeholders
<b>1990s</b>	Societal and economic accountability	Addressing corporate-caused issues; CSR as an accountability tool
<b>2000s</b>	Strategic CSR	Concepts like “shared value” and integration into competitive advantage emerged.
<b>Since 2010</b>	Sustainability and transparency	Integration of sustainability; driven by ESG frameworks. Pressure to demonstrate social and environmental impact; meeting stakeholder and regulatory expectations

This dissertation adopts a sustainability-based CSR approach, grounded in the EU definition (2011) and the works of Porter & Kramer (2011) and Crane & Glozer (2016). The EU frames CSR as corporate responsibility for social and environmental impacts, integrated into strategic operations (European Commission, 2011). Porter & Kramer (2011) “shared value” shows social problem-solving as a business opportunity, aligning CSR with economic goals. Although CSV does not centre ethical considerations, it promotes a practical approach to solving social and environmental issues, which can also drive competitiveness. Crane & Glozer (2016) view CSR as a tool for ethical, sustainable development, integrating social and environmental concerns throughout operations. This forms the dissertation’s conceptual framework, linking business success with sustainability strategies and social responsibility.

## **2.2. CSR theories**

*“Theory is, at its simplest, a conception of the relationship between things. It refers to a mental state or a framework, and, as a result, determines, inter alia, how we look at things, how we perceive things, what things do we see as being joined with other things, and what we see as good and what we see as bad”* (Gray et al., 2009, p.6.)

Understanding CSR requires a multidimensional theoretical basis that reflects the ever-changing relationship between companies, society and the environment. The present research draws on five key theoretical approaches: stakeholder theory, shared value theory, ethical theory, integrative theory and the resource-based theory (RBV). The choice of these theories is justified due to their distinct but complementary perspectives, which allow for a comprehensive understanding of the ethical, social, organisational and strategic dimensions of CSR.

### **2.2.1. Stakeholder theory**

According to Freeman (1984) and Freeman & Reed (1983), a stakeholder is any group or individual who can influence or is affected by an organisation's goal achievement. The stakeholder method focuses on various social groups, influences business operations, and explains how the company should interact with the public. Stakeholders are individuals or organisations affected positively or negatively by corporate activities (Crane et al., 2008). Stakeholders include employees, customers, suppliers, NGOs, activists, competitors, media, academics, local communities, unions, and government bodies.

(Clarkson, 1995) Freeman (1994) and Clarkson (1995) said that the stakeholder idea mainly concentrates on two primary problems: uniting key stakeholders around shared values and clarifying managerial obligations to each group. Kujala et al. (2016) identify shared interests, interoperability, and trust as key to creating sustainable value through stakeholder collaboration. They emphasise that analysing stakeholder relations is vital to achieving shared value. Stakeholder theory helps explain why CSR reporting is a central element of corporate activity. Donaldson & Preston (1995) use stakeholder theory descriptively to explain corporate structure, management, and board perspectives on stakeholder interests. Instrumentally, it shows how stakeholder management supports CSR strategies (Khojastehpour & Shams, 2020). A key challenge is how to apply stakeholder theory in CSR practice. Henderson (2001) links CSR's rise to the development of stakeholder theory. This perspective focuses on corporate–stakeholder interactions (Crane et al., 2008). Stakeholder interaction is widely recognised as central to CSR management. Habaragoda (2017) argues that only responsible conduct within core business operations qualifies as CSR, excluding unrelated social contributions. According to Boatright (2000), firms owe specific duties to each stakeholder group. CSR is often framed negatively, highlighting what firms should avoid (Jenkins, 2006). The decision-making challenge for management is identifying which stakeholders deserve prioritisation (Crane et al., 2008). Organisations must continuously balance CSR duties toward multiple stakeholder groups competing for attention.

### **2.2.2. Shared value theory**

Shared value places more emphasis on the connection between societal and economic advancements, which will prompt enterprises to adopt novel strategies that will lead to more innovation and business success as well as increased advantages for society.

Shared value is defined by Porter & Kramer (2011, p. 13.) as *“policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress”*.

Businesses can create societal value by redefining value chain productivity, developing industrial clusters, and rethinking products and markets. Improvements in one area create opportunities in others through a “virtuous cycle” of shared value. Shared value allows

firms to reduce internal harm—such as waste, accidents, or skill gaps—by adopting new technologies, processes, and management strategies. A successful community creates demand and offers essential infrastructure and a supportive environment for business. According to (Mironska & Steuwe, 2018), communities rely on successful businesses for jobs and wealth creation.

### **2.2.3. Ethical theory**

Ethical approaches to CSR are based on the premise that companies are not only economic actors but also social actors whose decisions have moral consequences (Garriga & Melé, 2004). Classical theories of CSR treat the ethical model as a separate category, interpreting responsibility as a normative obligation. The ethical obligations of companies are based on several theoretical foundations. The deontological perspective emphasises the fulfilment of duties, virtue ethics emphasises corporate character and values, while consequentialism and utilitarianism focus on social welfare (Garriga & Melé, 2004). Theories of justice, such as the Rawlsian approach, emphasise fair distribution and equal treatment. Related to these are global norms (e.g., the UN Global Compact), the three pillars of sustainable development, and the idea of the common good, which offer guidance in practice (Garriga & Melé, 2004). The significance of ethical theory lies in its interpretation of CSR as a moral stance that determines the social legitimacy of a company (Scherer & Voegtlin, 2020). At the same time, the application of ethical principles often encounters difficulties: the rigidity of deontological obligations, the logic of utilitarianism that ignores minority interests, or the practical limitations of justice create tensions (Scherer & Voegtlin, 2020). Although the ethical approach is often less tangible, in the long term it can ensure social legitimacy and the trust of stakeholders, which is a basic prerequisite for sustainable operation (Scherer & Voegtlin, 2020).

### **2.2.4. Integrative theory**

The analyse of the integrative theory is based on Garriga & Melé (2004) concept. The society impacts the business's continued existence, growth, and success. Thus, businesses should incorporate social demands into their operations. Addressing social concerns enhances a company's credibility and legitimacy. The integrative stakeholder theory holds that corporations maintain diverse relationships with their stakeholder groups.

Stakeholder and business interactions are mutually influential: stakeholders affect the firm, and the firm affects its stakeholders. Vogel (2006) argues that firms have a philanthropic duty to support societal programmes, even if these are unrelated to their core operations. If societal projects do not affect business operations, companies are not formally obligated to contribute. However, in the spirit of public charity, companies should support societal needs and welfare (Argandona, 2017).

### **2.2.5. Resource-based theory**

Resource-based theory posits that strategic resources provide firms with a competitive advantage (Barney, 1991). These intangible assets can drive long-term profitability (Dancaková et al., 2022). The term “resources” is widely used and often ambiguous, making the theory complex to interpret (Edwards, 2015). Seppänen (2009) emphasises the need to distinguish strategic resources from general ones. Strategic resources are valuable, rare, difficult to imitate, and non-substitutable. Therefore, tangible assets like cash or vehicles typically fall outside the scope of strategic resources. Resource-based theory also supports the idea that the whole exceeds the sum of its parts. Strategic resources often emerge from the unique combination of replicable tactics and assets. According to Prieto-Sandoval et al. (2018), resources determine the capabilities of an enterprise. Certain businesses acquire the dynamic capability - the exceptional capacity to enhance, modernise, or establish new capabilities - especially in response to environmental changes (Teece, 2007). In other words, dynamic capabilities enable firms to continuously adjust to environmental changes. Utami & Alamanos (2023) note that recent advancements in the theory explain how key assets and skills drive sustained superior performance.

The theoretical basis of the dissertation is mainly stakeholder theory and resource-based theory as together they are suitable for the study of fashion SMEs in the V4 countries. Stakeholder theory helps to understand how different stakeholders influence the sustainability strategy of companies, while resource-based theory examines what resources are needed for long-term competitive advantage. Shared value theory and integrative theory play complementary roles: the former emphasises economic and social value creation, while the latter focuses on the interaction between the company and society. However, as these alone do not fully explain the sustainability challenges of

SMEs, the central theoretical framework for this research is the integrated application of stakeholder theory and resource-based theory.

### **2.3. CSR in SMEs**

Current chapter analyses the CSR relevance and presence among SMEs in general, theoretically seeking an understanding of the size dilemma that effect the communication, budget, prior motivations and explain the managerial implication side as well.

#### **2.3.1. CSR in SMEs vs. large corporations**

SMEs differ from large firms in resources (Wong et al., 2020), networking (Milovanovic et al., 2020) and various forms of capacities (Mousiolis et al., 2015) explaining their behavioural characteristics that distinguish them from multinational companies due to size-related traits (Wilkinson, 1999). Some scholars treat SMEs merely as scaled-down large firms, using the same analytical lens. Such studies often conclude that SMEs have more limited ambitions than large firms. Recently, research recognised SMEs as distinct entities with meaningful CSR engagement. A key characteristic of SMEs' responsibility engagement is that their operations are more personal, locally embedded and less tied to short-term profit maximisation, hence allowing more room for ethical convictions and community goals (Málovics, 2009). Altenburger (2018) and Bielawska (2022) argue that many SMEs engage in CSR practices without formally labelling them as such. Csutora (2008) claims CSR often falls short of sustainability goals due to corporate "escape strategies." These strategies prioritise superficial actions over systemic change, preserving image while neglecting real environmental progress. Consequently, CSR frequently serves image management rather than tangible environmental impact.

Perrini et al. (2007) note that globalization pressures SMEs, limiting networking and innovation opportunities, while large firms dominate via technological advantage. SMEs often remain overlooked and rarely view CSR as an effective risk management tool. Varamaki & Vesalainen (2010) suggest SME networking follows a logic of overlapping sub-groups, reducing risks tied to limited resources and market reach. As previous chapters introduced, as discussed earlier, stakeholder theory is central to CSR research. Irwin et al. (2008) and the European Commission (2023) stress that managing stakeholder relationships supports risk reduction and strengthens CSR.

Santos (2011) adds that CSR, though informal and unstructured, is integrated into SMEs' daily practices. Additionally, SME CSR is typically internally driven, aiming for eco-efficiency, improved workplace climate, and stronger community ties—unlike large firms. CSR in SMEs focuses on simple, cost-effective practices bridging entrepreneurship, management, and corporate citizenship. Spence & Rutherford (2003) developed “social perspective frames” to illustrate the unique social dimensions of small businesses. The four drivers include profit as the primary goal, followed by survival, social issues, and social value—each linked back to profitability (Figure 1).

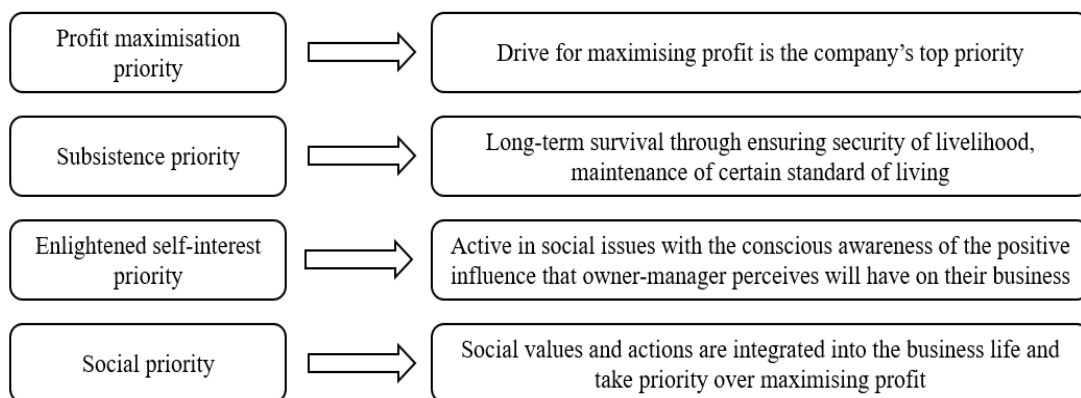


Figure 1. Characteristics influencing in small and medium-sized enterprises (source: own compilation based on Spence & Rutherford, 2003; Jenkins, 2006)

Baumann-Pauly et al (2013) created an indicator to compare the CSR activities of MNCs and SMEs. The framework for the concept was provided by Matten & Crane (2005) outline of corporate citizenship. The dimensions, indicators and associated values are summarised in Table 2. Baumann-Pauly et al. (2013) argue that large companies may be carrying out more spectacular CSR campaigns, but they are often accused of being far removed from real, everyday business practices and activities. This spectacle is due to the fact that they spend a large part of their CSR budget on external communication. In line with the findings in Table 2, this means that CSR in MNCs is often more explicitly defined and focused on structured policy, reporting and strategic branding rather than on local level engagement. Furthermore, it is also too often concluded that SMEs lack CSR activities, which is a result of their management structure and lack of appropriate materials and human resources. The research confirmed that SMEs are short of money when it comes to CSR documentation. Instead, they prefer to invest in building relationships with key stakeholders, so that is where much of the focus in terms of

communication. As it is shown in Table 2 comparison, CSR in SMEs is more informal and integrated into the organisational culture rather than communicated in an external, highly structured way. In contrast, Zadek (2005) introduces a learning stages model, which describes how companies progress through different phases of corporate responsibility, from defensive strategies to full integration into business strategy. According to this model, SMEs may be at earlier stages due to resource constraints, but they are still engaged in meaningful CSR activities, particularly through informal and community-based approaches. SMEs tend to engage in CSR through implicit, culturally embedded activities, while MNCs follow a more formalised, strategic approach (see Table 2).

Spence (2007) argues that financial performance cannot be omitted. He defines SMEs as fortress firms that are reactively responsive to immediate problems, operationally oriented, and detached from the larger business world. Thus, most SMEs consider CSR to be a risky activity and an investment with little to no financial return. Because they would receive less exposure for their social responsibility efforts than major corporations, it is less probable that a SME will invest a sizable sum of money in a CSR programme (Arvidsson, 2010; Lee et al., 2016; Burlea-Schiopoiu & Mihai, 2019).

Understanding explicit and implicit CSR is important to develop sustainable strategies. Explicit CSR refers to well-documented strategies voluntarily defined by companies (Matten & Moon, 2008), while implicit CSR stems from institutional norms and societal expectations. In developing countries, explicit CSR is driven by external regulations, while implicit CSR is shaped by local cultural and religious values (Kobrossy et al., 2022). Company size is also determinant: large companies adopt explicit CSR strategies, while SMEs tend to integrate CSR informally (Kumar et al., 2020). Explicit CSR can provide financial benefits, while implicit CSR strengthens ties to local communities. In CSR communication, the explicit form can provide transparency and reputational benefits but can also generate scepticism. The implicit form is more credible but less visible (Kumar et al., 2020). Hence, SMEs need to strike a balance: excessive formalisation can lose the original values of CSR, while a completely informal approach can have transparency and market disadvantages.

According to Matten & Moon (2008), explicit CSR is dominant in the Anglo-Saxon countries, while in Europe the implicit form is more prevalent. However, according to Kobrossy et al. (2022), explicit CSR is also spreading in developing countries because of

international regulations. Kumar et al. (2020) highlight the financial benefits of explicit CSR for large corporations, while Kobrossy et al. (2022) argue that implicit CSR can also provide a competitive advantage in gaining the trust of local communities. Table 3 provides a comparison of the key characteristics of CSR in multinational corporations (MNCs) and SMEs, highlighting differences in their strategic approaches, formalisation, internal structures, motivations, and the benefits and challenges they face.

Table 3. Comparison of CSR characteristics in multinational corporations and SMEs (source: own compilation based on Matten & Crane, 2005; Baumann-Pauly et al., 2013)

<b>Aspect</b>	<b>MNCs</b>	<b>SMEs</b>
<b>Definition</b>	Formal and conscious CSR strategy of companies, comprising formally defined objectives, policies and reporting, closely linked to corporate strategy and branding.	CSR is informal, culturally and socially embedded, not necessarily having a structured framework, but stemming from the core values of the company.
<b>Formalisation</b>	High degree of formalisation, including CSR policies, reports, objectives and audits.	Low formalisation, CSR is often an integral part of the corporate culture without formal documentation to support it.
<b>Dimensions of commitments</b>	Having a code of conduct, explicit leadership managed by the CEO, CSR coordination through specialised functions/departments.	Owner-managers' responsibility to be aware of CSR issues, informally reflected in their social attitude.
<b>Internal Structures &amp; Procedures</b>	CSR awareness is promoted through formalised incentive systems and employee training. Complaint channels, performance evaluations, and reporting schemes are part of the CSR system.	CSR is embedded in the organisational culture with informal structures, daily practices, and ad-hoc processes. Employee involvement is encouraged informally.
<b>Approach</b>	A conscious, strategic approach that sets measurable goals and is implemented through specific CSR programmes (e.g. sustainability campaigns, employee volunteering, carbon footprint reduction).	Spontaneous and organic approach that is implemented along local and cultural norms (e.g. community involvement, support for local suppliers, ethical workplace culture).
<b>Communication</b>	High levels of transparency and proactive communication, for example in the form of sustainability reports, media releases, ESG (Environmental, Social, Governance) reporting.	Less documented and more through internal, personal communication; companies do not feel the need to share CSR activities formally.
<b>Motivation</b>	External pressures and expectations, for example from investors, regulators, consumers and competitors. It is done to	Internal motivation, stemming from the company's core values,

	enhance reputation and competitive advantage	ownership and community relations, tends to be a long-term commitment.
<b>CSR dimensions</b>	The economic, legal, ethical and philanthropic dimensions are all affected, as companies are concerned with regulatory compliance and strengthening their market position.	The ethical and philanthropic dimensions are the most prominent, where corporate responsibility is based on their relationship with local communities.
<b>Key benefits</b>	<ul style="list-style-type: none"> <li>- Providing a competitive advantage in the market</li> <li>- Increase investor and consumer confidence</li> <li>- Risk management and regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>- Increase credibility and authenticity</li> <li>- Long-term consumer loyalty</li> <li>- Cost efficiency and flexibility</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>- High implementation costs and time pressure</li> <li>- Ensuring regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>- Long-term consumer loyalty</li> <li>- Cost efficiency and flexibility</li> </ul>

### 2.3.2. Key CSR drivers for SMEs

CSR practices in SMEs are influenced heavily by market forces and consumer demand. Studies show that customer preferences for ethical and socially responsible products drive SMEs to adopt more responsible business practices, even when resource constraints limit their capacity (Jenkins, 2006). Unlike larger firms, SMEs often integrate CSR reactively, particularly in response to buyer demands and market pressures rather than strategic planning (Modrenau et al., 2024). While regulatory compliance and cost-saving opportunities play a role, consumer expectations around transparency, fair labour practices, and environmental stewardship are key drivers in sectors like fashion, food, and technology (Granskog et al., 2020). Environmental responsibility is the main driver for CSR implementation in SMEs in the V4 region, followed by human resource management, financial management and finally business ethics. The results of the research show that environmental and employee aspects in particular are considered by entrepreneurs to be the most important, while the independent influence of ethical factors is relatively less (Zvaríková et al., 2024). Market-focused CSR often leads to competitive advantages, particularly in niche markets, where consumer loyalty is strongly tied to perceived ethical standards (Murillo & Lozano, 2006). However, the scale of CSR adoption in SMEs remains uneven due to financial and structural limitations. Some studies suggest that SMEs can enhance competitiveness by integrating sustainability into their core business models, leveraging consumer demand for responsible practices (Todeschini et al., 2017). Regulatory frameworks often push SMEs toward adopting CSR

but they can also create challenges that hinder smooth implementation. Stringent EU regulations - such as compliance requirements and industry-specific directives - compel businesses to integrate responsible practices, embedding CSR more deeply into SMEs' operations (European Commission, 2020). While this regulatory pressure helps establish minimum sustainability standards, the prescriptive nature of compliance often leads to reactive, checkbox-style CSR initiatives rather than strategic, values-driven transformations (Baden & Harwood, 2013). Many SMEs, constrained by limited financial and managerial resources, view regulatory compliance as a cost rather than an opportunity for competitive advantage (Revell et al., 2010). However, firms that treat compliance as a strategic component of their CSR approach tend to outperform those focused merely on avoiding penalties. Proactively embedding sustainability into their business models allows SMEs to navigate the regulatory landscape more effectively and use certifications to access new markets (Arend, 2014). Moreover, regulatory compliance can drive innovation, as firms seek to meet environmental standards more efficiently, often resulting in operational cost savings in the long run (Darnall et al., 2010). Nonetheless, critics argue that over-reliance on regulatory pressure risks stifling true CSR innovation by incentivizing minimum compliance over genuine corporate responsibility (Spence, 2007). The challenge lies in balancing regulatory mandates with voluntary, value-driven CSR. A more flexible regulatory environment could encourage SMEs to move beyond basic compliance, fostering CSR strategies that are not just reactive but also innovative, forward-thinking, and aligned with long-term competitive goals. Bringing to the table internal values and business culture, these are key drivers for CSR adoption in SMEs, often serving as the primary motivators for ethical behaviour. The leadership's commitment to social and environmental responsibilities heavily influences the direction and depth of CSR initiatives (Jenkins, 2006). Unlike larger enterprises, SMEs tend to have less formalised structures, allowing personal values to deeply embed within the organisational culture. CSR in SMEs is often driven by the owner-manager's values and cultural outlook. CSR in this context is not a formal strategy but a set of spontaneous, situational decisions, often shaped by community norms and market expectations. Owners integrate elements of sustainability and social responsibility along their own ethical convictions, which in some cases provides a competitive advantage, but the lack of structure limits long-term effectiveness. The informal and reactive nature of CSR leads to sustainability efforts that are typically ad hoc and not clearly linked to the company's strategic objectives (Nkiko, 2013; Knudson, 2016).

Moreover, effective community engagement through CSR and partnership collaborations enables SMEs to access local resources, networks and knowledge, thereby increasing their competitiveness and market flexibility. Strengthening community ties builds trust, reputation and social capital, which increases customer loyalty and improves financial performance (Rumasukun & Noch, 2023). However, this value-driven approach can lead to inconsistencies, as CSR may become fragmented or inconsistent, particularly when faced with financial pressures or shifting priorities (Battaglia et al., 2014). Moreover, the personal nature of CSR in SMEs often results in a lack of strategic alignment with long-term business goals. While informal CSR practices allow SMEs to be responsive to local community needs, they are frequently reactive, lacking scalability or formal documentation (Murillo & Lozano, 2006). This lack of formalisation means that CSR efforts in SMEs might be more vulnerable to fluctuations in leadership and market conditions, where profitability concerns can overshadow sustainability initiatives. SMEs with strong internal values may naturally adopt practices like waste reduction, ethical sourcing, or local community engagement, but the absence of formalised CSR frameworks may limit the potential for broad, systemic change within the organisation. Critics argue that the informal, values-based CSR practices in SMEs may fail to deliver meaningful long-term impacts without structured goals and metrics for accountability (Spence, 2007). To overcome these limitations, scholars suggest that while internal values are critical for initiating CSR, SMEs must transition towards more structured and strategic CSR approaches. Integrating CSR into business culture requires formalising processes, developing long-term goals, and ensuring alignment with broader sustainability objectives. This strategic shift would allow SMEs to uphold ethical practices while fostering innovation and enhancing competitiveness in a changing market environment (Darnall et al., 2010). Rosecká et al. (2024) investigates the impact of long-term orientation and strategic planning on how CSR is integrated into SMEs. Firms with a long-term perspective are more inclined to incorporate CSR into their business strategy, since sustainability efforts may involve short-term costs but offer long-term benefits. The study outlines three core dimensions of long-term orientation — future orientation, tradition preservation, and persistence — each contributing positively to CSR engagement. It also shows that strategic planning mediates the relationship between long-term orientation and CSR: firms with deliberate strategies tend to apply CSR more consistently, whereas those relying on reactive, market-driven strategies are less likely to do so. An important finding is that the paper refutes the idea that CSR can only work with

flexible, spontaneous strategies and shows that deliberate planning helps to integrate CSR. According to Metzker et al. (2021), a long-term strategic approach facilitates the integration of CSR and sustainability objectives into business models. This means that companies that are focused on short-term results find it harder to see the business benefits of CSR, while those with a long-term perspective can gain a competitive advantage.

The comprehensive literature review suggests that CSR in SMEs is mostly seen as an informal, values-based and community-based practice, in contrast to the formal, strategic CSR approaches typical of large companies. CSR activities in SMEs are driven primarily by internal convictions, customer expectations and market pressures, but resource constraints and structural limitations prevent their formalisation at a systemic level. However, for companies with a long-term strategic view, there is a clear trend towards a more conscious integration of CSR objectives into business models, which can bring competitive and sustainability benefits.

#### **2.4. Sustainable Development: concepts and definitions**

The original idea of sustainable development (SD) is tracing back to 130 years. SD, just like the CSR, is defined in many ways in the literature but the most frequently quoted definition is based on the Brundtland report (known as Our Common Future report) dating from 1987 according to which “*sustainable development is a development that meets the needs of the present without compromising the ability of the future generations to meet their own needs*” (United Nations, 1987, p. 37). The report stated that despite creating a holistic definition, it is expected that SD will remain a challenge to achieve for all the actors participating in the development processes. Jabareen (2008) has developed a conceptual framework for understanding sustainable development that identifies seven key concepts: ethical paradox, natural capital, equity, eco-form, integrated management, utopianism and political global agenda. Combined, these concepts form a solid theoretical foundation for both a multidisciplinary interpretation and a practical application of sustainability. The framework seeks to unify economic, social, and environmental aspects in the pursuit of sustainable development. According to Goodland (1995) and Sachs (2015), the concept of sustainable development encompasses three key aspects — economic, social, and environmental sustainability. Sustainability, according to Engert & Baumgartner (2016), is about finding a balance between social, political, and environmental needs. Additional definitions, including the weak and strong sustainability

models described by model (Neumayer, 2013), focus on the extent to which natural capital can be replaced by human-made capital. Strong sustainability insists that natural capital should not be degraded, while weak sustainability allows for trade-offs if technological solutions can compensate for environmental loss.

#### **2.4.1. Economic sustainability**

Economic sustainability responds to the traditional economic concept that resource efficiency can enhance earnings. Historically, corporate strategies prioritised profit maximisation and cost reduction. However, Goodland (1995) argued that sustainability should extend beyond economic growth to include responsible resource management for long-term viability, shifting corporate efficiency from a profit-driven to a sustainability-oriented approach. Fifka & Drabble (2012) further explain that economic sustainability has reshaped corporate decision-making by integrating environmental considerations. Instead of focusing solely on short-term financial gains, businesses are now encouraged to adopt strategies that minimise environmental harm while maintaining profitability. This shift stems from growing awareness of the ecological limits of economic expansion and is reinforced by findings that firms adopting proactive environmental strategies tend to outperform those that rely on regulatory compliance alone. The discussion also highlights the strain of human economic growth on ecological systems. The environment is increasingly viewed as a vital life support system, where essential resources like clean air, water, and soil must be safeguarded. Research suggests that strong sustainability models emphasise the non-substitutable nature of natural capital, reinforcing the need for corporations to incorporate environmental considerations into their strategic planning (Neumayer, 2013).

#### **2.4.2. Environmental sustainability**

The preservation of natural capital is a definition of environmental sustainability. The natural resources that are employed as inputs and outputs for corporate activities are the focus of environmental sustainability. Businesses should ensure that renewable resources are extracted at a pace that matches their natural regeneration. Similarly, the use of non-renewable resources should not exceed the rate at which viable alternatives can be developed. Moreover, waste and emissions generated by business activities must remain within the environment's capacity to absorb and recover. Technology improvements

should prioritise ensuring industrial efficiency rather than boosting output at the expense of the environment, according to environmental sustainability (Sindhi & Kumar, 2012). Risks to environmental sustainability include the rapid decline of the natural environment while the total population continues to increase, posing a challenge for the environment's cycle to keep up with demand. Corporate environmentalism can be implemented as part of CSR. Corporate Environmental Responsibility (CER) involves fully embedding sustainability within business operations to generate positive outcomes for both the environment and society (Jamison et al., 2005). This approach places stakeholder engagement at its core, emphasising transparency, accountability, and mechanisms that encourage active participation and empowerment. According to Lyon and Maxwell (2008), CERs are voluntary environmental initiatives that exceed legal requirements, aiming to support the private provision of public goods and address externalities through internal management. CER broadly covers preventive measures and policies that organisations adopt to reduce and prevent risks to the environment, emphasising the role of stakeholders in ensuring transparency (Küskü, 2007).

#### **2.4.3. Social sustainability**

Social sustainability involves recognising and addressing the positive and negative impacts that businesses have on people (UN Global Compact, n. d. ). To achieve social sustainability, communities must address the rising levels of poverty and social inequality. Furthering the disparity between the rich and the poor, conflict for limited resources results. Creating effective, sustainable communities that foster wellness through a process known as social sustainability involves knowing what people want and need from the places they live and work. Social sustainability blends the design of the physical world with the design of the social world, including social amenities, methods for citizen engagement, and space for people and places to develop. However, it is worth noting that a number of authors, including Murphy (2012), Ghahramanpouri et al. (2013), Boström (2017) confirm that there is no uniformly accepted concept of social sustainability. This is why de Fine Licht & Folland (2019) argue that the best method is always for the research subject to define what social sustainability means for them, and to build the research outcome around their conceptual framework. Social sustainability has a definition in business vocabulary as well. The UN Global Compact, for example, emphasise the critical role of stakeholders, while outline the companies' responsibility as

identifying, monitoring and managing society-related issues and outcomes. ADEC ESG (2023) confirms that human rights, fair labour practices, living conditions, health, safety, wellness, diversity, equity, work-life balance, empowerment, community engagement, philanthropy, volunteerism, and other challenges are among the social sustainability performance issues faced by organisations. Although social impact or social sustainability issues are difficult to measure or quantify, they are simpler to recognise.

#### **2.4.4. Triple Bottom Line**

Elkington (1994) introduced the Triple Bottom Line (TBL) framework, proposing that companies should expand their focus beyond traditional financial performance. Rather than concentrating solely on profit and loss, businesses are encouraged to incorporate social and environmental considerations into their core decision-making. This approach, often referred to as the "three Ps" — People, Planet, and Profit — emphasises that true corporate success must account for impacts on society and the environment alongside economic outcomes. The “people” dimension evaluates how socially responsible a company is, while the “planet” component addresses the organisation’s environmental awareness and sustainability practices. Due of its alignment with the stakeholder theory, organisations employ the Triple Bottom line framework to assess their overall sustainability performance. It places a strong emphasis on taking important stakeholders into account when assessing an organisation's success (Elkington, 1994; Hubbard, 2009). The Tripple Bottom Line is presented in Figure 2.

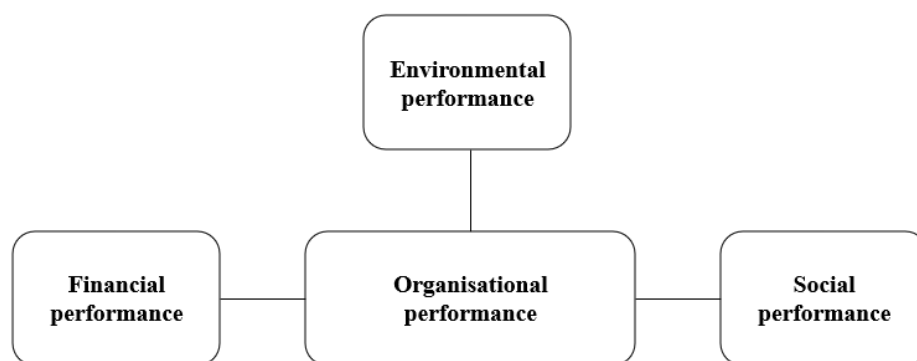


Figure 2. Triple-Bottom-Line framework (source: own compilation based on Elkington, 1994 and Park & Kim, 2016)

Hope & Conaway (2017) argue that economic, social, and environmental challenges should not be treated as separate, disconnected issues. They illustrate this interdependence using the example of poverty, which is often seen solely as a social

problem. However, poverty is also closely tied to the economic sphere, as it can be addressed through efforts that promote entrepreneurship. This highlights the fact that the three dimensions of sustainability are deeply interconnected and exert reciprocal influence on one another.

As highlighted by Mark-Herbert et al. (2010), stakeholder theory and legitimacy theory represent the two conceptual foundations of the Triple Bottom Line framework. Stakeholder theory, originally developed by Freeman (1994), emphasises that companies should consider the interests of all relevant social actors - not only shareholders, but also consumers, employees, and environmental stakeholders - in order to ensure sustainable operation. In parallel, legitimacy theory Deegan (2002) suggests that a company's long-term viability depends on aligning its actions with prevailing societal values and expectations. Within the TBL framework, this implies that in addition to generating economic value, firms must also address social and environmental responsibilities in their everyday operations. Ksiezak & Fischbach (2018) reinforce this perspective by examining the TBL within the framework of CSR. Their analysis shows that TBL offers a structured way to assess CSR, as the combination of profit, people, and planet supports the formal evaluation of economic, social, and environmental aspects. In line with this, Zak (2015) points out that the theoretical underpinnings of TBL are linked to the concept of sustainable development, according to which economic growth cannot be separated from the goals of social justice and environmental sustainability. The theoretical debate between TBL and sustainability models stems in part from the different interpretative frameworks used by different disciplines. Economic theories focus on the trade-offs between profit maximisation and sustainability, while social sciences focus on the ethical and legal responsibilities of corporations (Correia, 2019).

The value created through the TBL approach can be viewed from both external and internal perspectives. In terms of social value, this involves contributing to the well-being of the wider community externally, while also improving employee satisfaction and engagement within the organisation. Similarly, environmental value can manifest externally when a company reduces its ecological footprint, while internally it may involve promoting sustainable practices, such as reusing office equipment. Economic value also operates on both levels — for example, external stakeholders like suppliers may benefit financially from a firm's operations, whereas internal economic value refers to the direct financial returns generated for the organisation itself. This dual focus ensures

that the benefits of the Triple Bottom Line extend beyond the firm to a wider range of stakeholders (Hope & Conaway, 2017).

The literature clearly demonstrates that the economic, environmental and social dimensions of sustainability are closely interlinked and cannot be treated isolated (Elkington, 1994; Hope & Conaway, 2017). The TBL framework underlines the importance of balancing profit with objectives that consider people and the environment (Hubbard, 2009; Ksiezak & Fischbach, 2018). In addition, approaches such as Jabareen's (2008) conceptual model or theories of weak and strong sustainability (Neumayer, 2013) contribute to a complex and multidisciplinary understanding of sustainable development.

#### 2.4.5. Sustainability waves: UN SDGs

Sustainable Development Goals (SDGs) established by the United Nations serve as guiding principles for shaping the future of the global economy, society, and the natural environment (Figure 3). Sachs (2015) further describes sustainable development as a



Figure 3. United Nation Sustainable Development Goals (source: UN Office for Sustainable Development, 2015)

framework aimed at understanding and addressing the global outlook. The SDGs, as outlined by the United Nations in 2015. Emphasis is placed on the promotion of human rights, gender equality and the empowerment of women and girls. It is a set of closely interlinked and integrated goals that seek to ensure a balance between human well-being, social justice and environmental sustainability (UN Office for Sustainable Development, 2015). The official list of the SDGs is provided in Annex 1.

#### **2.4.6. SDGs importance explained to businesses**

Businesses have significant potential to design, direct, communicate, and report their strategy, goals, and activities through the SDGs, gaining multiple benefits. Businesses have strong motivations to promote social impact and participate in the SDGs (UNDP, 2023). MSCI (2021) study of 8,550 companies worldwide reveals that the most aligned goal is economic advancement and decent work, only 18% of companies cooperate in clean and affordable energy, and responsible consumption and production remain misaligned.

Shayan et al. (2022) described the SDGs for businesses as a roadmap and a shared language for integrating sustainability into their business operations. A supporting study found that the Hungarian SMEs surveyed considered the SDGs to be a strategic guide and a valuable driver for investment. According to respondents, the SDGs can help them to adapt to future regulatory policies and meet stakeholder expectations (Körtvési, 2023). Garrido-Ruso et al. (2022) described the research on SDGs as limited in scope. Several of the studies collected mention the market advantage of the SDGs (Agarwal et al., 2017; Hepner et al., 2020). Aligning business strategies with the goals enables firms to meet the rising demand for sustainability-driven products and services. For example, demand is increasing for renewable energy, eco-friendly products, and socially responsible investments. By incorporating the SDGs into their business models, companies can differentiate themselves, attract new customers, and gain a competitive advantage. Khan et al. (2021) found that green process innovation correlates positively with SDGs but negatively with returns on assets. Financial performance shows little correlation with SDGs and green service development. Non-operational green innovation and green marketing negatively impact returns on equity but positively affect returns on investments and assets. Olesen et al. (2022) examine SDG integration in SMEs, identifying five approaches:

- "Rainbow washing": Symbolic SDG adoption without real changes
- "Business as usual": Justifying existing actions with SDGs, without new initiatives
- Adding initiatives: New projects complementing existing activities
- Philanthropy: SDG support through unrelated charitable activities
- Strategic application: Deep SDG integration into core strategy

Factors influencing SMEs' attitudes towards the SDGs include negative (e.g. uncertainty about the future role of the SDGs, lack of resources and low demand for SDG compliance) and positive (e.g. ownership, social licence to operate, communication and inspiration) factors. Negative factors stem from resources, knowledge and skills gaps.

Bakhtiari (2014) emphasised risk analysis and management as key to achieve sustainable development. Environmental and social challenges — such as climate change, resource depletion, human rights concerns, and labour-related issues — present significant risks for businesses. Jorgensen et al. (2021) argue that a proper framework maximises stakeholder value and organisational performance. Corporate strategy ensures sustainability-related information is decision-relevant for the business and investors. Deloitte applies sustainable risk mitigation covering risk exposure and risk design, with elements such as strategy, operation, reporting and compliance, on the other hand risk capacity, mitigation, change management and capacity building. This approach protects reputation, enhances resilience, and reduces legal, regulatory, and operational risks (Deloitte, 2020).

Ambiguity in strategy, earnings, compliance, or safety exposes businesses to risks (Gunningham et al., 2004). Gambetta et al. (2021) and Liu et al. (2023) show financial institutions use sustainability reporting to express SDG commitment and improve corporate reporting, impacting shareholders, investors, and analysts. Sustainability-related operational risks include resource scarcity, waste management, energy inefficiency, supply chain disruptions, and labour issues. Integrating SDGs mitigates these risks and strengthens resilience. By incorporating sustainable practices and SDG considerations into their operations, businesses can mitigate these risks and enhance their long-term resilience (Gibson et al., 2022).

Regulatory risk stems from non-compliance with sustainability laws. Governments increasingly adopt SDG-aligned policies. Non-compliance leads to legal consequences, fines, reputational damage, and operational disruptions. Businesses must monitor regulatory changes, integrating sustainability proactively to reduce compliance risks and seize market opportunities. Pineiro et al. (2017) emphasise environmental management's role in reputational risk. Transparent reporting lowers environmental management costs and enhances reputation (Scandizzo, 2011).

The study of Gherardi et al. (2021) prove that SDGs encourage businesses to report their progress improving transparency, accountability, and performance tracking. Their study in Emilia-Romagna Region (Italy) highlights integrated reporting's role in sustainability. Vorisek & Yu (2010) said that by aligning with the SDGs, businesses can identify areas for improvement, adopt sustainable technologies and practices, and reduce waste throughout their value chains. However, no actual research was found investigating the connection between business' SDGs adaptation and higher access to capital, the World Economic Forum (2019) showed in the community paper of ESG and SDG, surface the most impactful areas for change, and develop actionable recommendations that could meaningfully improve the deployment of capital towards SDG-related investments.

Del-Aguila-Arcanteles et al. (2022) analyses the role of human capital's role in SDGs, entrepreneurship and competitiveness. SDGs provide a compelling business narrative, attracting top talent. Millennials and Gen Z seek purposeful work, and SDG-aligned companies benefit from higher engagement, productivity, and retention. When companies align their strategies with the SDGs, they can boost employee motivation, resulting in improved performance, increased satisfaction, and reduced turnover. SDGs promote a long-term business approach balancing economic, social, and environmental aspects (Fiandrino et al., 2022). Sustainable companies build resilience to market shifts and external shocks (Mestdagh et al., 2023), adapt to evolving market dynamics, and ensure their long-term viability (Mollaemi et al., 2020). SDG-aligned businesses are better positioned to identify emerging trends, seize new market opportunities, and foster innovation, leading to sustainable growth and profitability (Song et al., 2022). As guiding principles, Pyakurel & Marasini (2021) argue that provide globally recognised guidelines for aligning business activities with sustainable development by integrating cross-discipline evidence for sustainability policy. El-Habbadeh et al. (2021) examine top management's role in value creation through a framework integrating technology, organisation, and environment. They find that integrating SDGs into business strategies enhances. By addressing sustainability challenges, businesses can enhance enhances value creation by addressing sustainability challenges, which strengthens reputation, stakeholder trust, customer attraction, and long-term profitability Sustainable practices improve operational efficiency (Saqib et al., 2023), reduce costs, including in supply chains (Park & Li, 2021), and expand market and investment opportunities (Prieto-Sandoval et al., 2019). SDGs encourage joint efforts among companies, governments,

and non-governmental actors. Engaging in partnerships leverages shared resources, expertise, and networks to address sustainability challenges (Nelson, 2017). Findings indicate a rise in CSR research aligned with SDGs, highlighting the growing integration of sustainability in corporate practices. The study also calls for interdisciplinary approaches and identifies future research gaps, particularly regarding specific SDGs and regional differences (ElAlfy et al., 2020). Figure 4 summarises the potential business benefits and strategic advantages associated with aligning corporate activities with the SDGs.

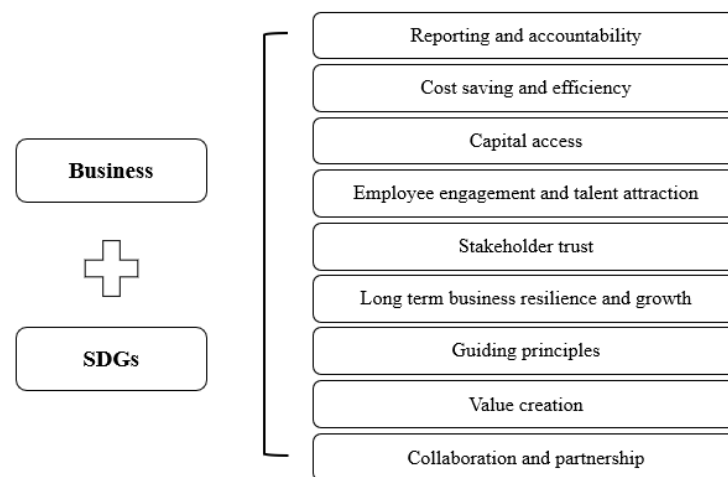


Figure 4. Relevance of the SDGs from a business perspective (source: own compilation based on the literature discussed in the chapter)

In summary, businesses should view the SDGs as an opportunity to address operational risks by implementing sustainable practices, manage regulatory risks by complying with evolving sustainability regulations, and mitigate reputational risks by aligning their actions with the global sustainability agenda. By integrating the SDGs into their business strategies, companies can drive positive social and environmental change while safeguarding their long-term success.

#### 2.4.7. Critical voices over SDGs

The conceptual framework raises the question of whether CSR drives the implementation of the SDGs or vice versa. Since their adoption in 2015, it has become evident that achieving the goals requires joint efforts from governments, civil society, and individuals. While CSR is key to sustainability, self-initiated sustainable practices also contribute to the SDGs. Sustainable development encompasses ethics, human rights, corporations, and the economy, society, and environment. CSR also involves volunteer programmes,

charity, and brand reputation. Sustainable development balances corporate needs with long-term environmental and social sustainability. Achieving the SDGs by 2030 requires companies to develop clear financial strategies that guide CSR resource allocation and prioritisation based on urgency. To meet their social responsibilities, businesses must remain adaptive, transparent, and accountable.

In today's rapidly evolving business environment, the SDGs provide a strategic framework that encourages long-term, responsible practices. Their broad and future-oriented scope guides firms beyond narrow interests, supporting innovation and sustainable development.

With their resources, expertise, and technologies, companies play a central role in addressing interconnected environmental, economic, and social challenges (Gupta & Vegelin, 2016; Martinuzzi et al., 2017; Gupta et al., 2021; Agusdinata, 2022).

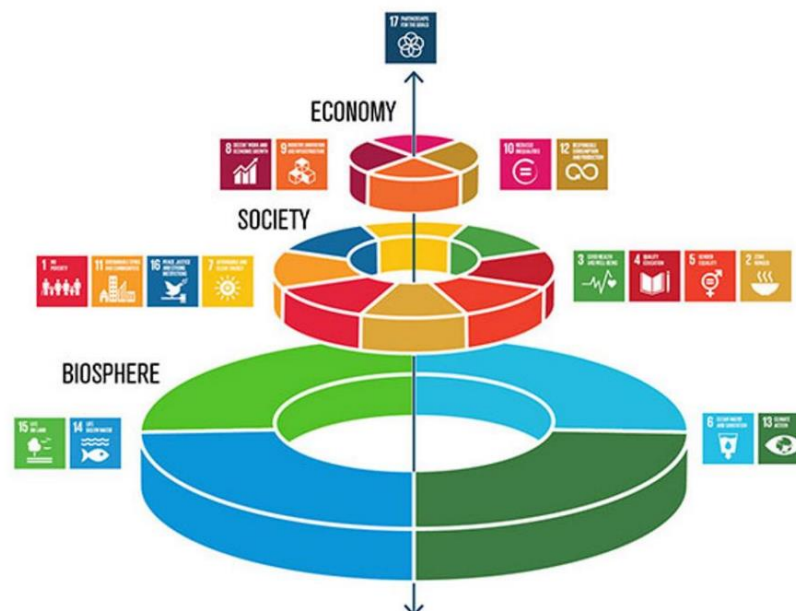


Figure 5. UN SDGs wedding cake (source: Stockholm Resilience Centre, 2016)

As illustrated in Figure 5, the Sustainable Development Goals tackle a wide range of global challenges across environmental, social, and economic dimensions. At the core lies a unifying objective that links the other sixteen goals and emphasises collaboration among various actors, including states, civil society, businesses, and individuals. This approach differs from the traditional approach, which treats social, economic and environmental processes separately. Instead, it sees them as a single, interconnected system, all based on ecological foundations (Stockholm Resilience Centre, 2016).

Nonetheless, the SDG framework has faced criticism for embodying predominantly Western, capitalist, and modernist perspectives (Kopina, 2016; Nair et al., 2021).

Critics argue they clash with socio-cultural and economic contexts of developing countries and may disrupt or fail existing sustainable practices. However, SDGs also challenge traditional approaches, promoting sustainability through innovation (Regmi & Walter, 2017). Surman & Böcskei (2023) examine sustainability in Hungarian SMEs, focusing on economic, environmental, and social aspects. While companies increasingly emphasise sustainability, SDG implementation remains due to gaps in strategy and operations. The study finds sustainability improves long-term financial performance, but stronger support and education are needed for full SDG integration.

Pieterse (1996) critiques modernist theory for its ethnocentric orientation, a concern echoed in critiques of the SDGs. Although the goals are widely supported, some argue their implementation reflects patterns similar to earlier development agendas. To be effective, SDG initiatives must be adapted to local realities. Reaching these goals also depends on cooperation between the public and private sectors, with businesses playing a crucial role in providing financial and logistical support (Emeka & Nwani, 2020), particularly in contexts with weak institutional structures (Mair & Marti, 2009).

In contexts marked by institutional voids, CSR can serve as a mechanism through which businesses develop locally adapted and responsible practices (Jan & Valente, 2012). Amaeshi et al. (2016) emphasise that in such weak institutional settings, corporate behaviour is often guided more by the pursuit of legitimacy and ethical expectations than by formal regulation. This aligns with the UN's view of CSR as a tool for addressing socio-economic disparities. Corporations often associate their public image with social causes to reinforce their identity as responsible (Alvarado-Herrera et al., 2017). Although CSR is frequently driven by economic motives, its perceived value also stems from its alignment with environmental and social sustainability goals (Galuppo et al., 2014). As the SDGs indirectly depend on corporate initiatives, CSR plays a critical role in their realisation. Chintakarn et al. (2017) observe that CSR practices often resemble one another across neighbouring countries, particularly when they are implemented at the national level and shaped by similar socio-cultural conditions. However, Abdelhalin & Eldin (2019) argue that fragile institutional environments can obstruct the integration of CSR with SDG-related strategies. ElAlfy et al. (2020) suggest that increased governmental and local regulatory involvement could foster more strategic CSR engagement in the private sector. In voluntary CSR environments, companies may be

more inclined to use CSR for reputational purposes rather than for genuinely addressing societal challenges (Hoque et al., 2018).

A stronger CSR-SDG link is desirable, but SDG implementation faces challenges due to limited knowledge of CSR's impact on sustainability. Available research focuses on economic (Kolk, 2016) and remain inconclusive (Oetzel & Doh, 2009).

Erin et al. (2022) find that while most companies reference SDGs, commitment and detail vary significantly. Reports are often symbolic, lacking measurable performance indicators and companies must enhance SDG integration and transparency. Heras-Saizarbitoria et al. (2021) contextualise "washing phenomena", including "SDG-washing", a term used by Moratis & Melissen (2019), Beyne (2020) and Izzo et al. (2020) to describe symbolic rather than substantive SDG commitments. According to Gresko & Banik (2018), SDG-washing as the use of SDGs for marketing without substantive sustainability action, often citing SDGs in communications without measurable targets. Sullivan (2018) adds that companies selectively adopt SDGs, prioritising easily attainable targets while neglecting complex issues, compromising sustainability credibility.

#### **2.4.8. Sustainable development and sustainable business**

Sustainable development promotes an integrated vision of economic growth and social advancement, with an emphasis on long-term intergenerational well-being. It is grounded in the recognition that economic, environmental, and social dimensions are deeply interconnected and must be balanced to build resilient systems. At its foundation lies the principle of addressing present needs while safeguarding the future. Key priorities include efficient resource use, environmental preservation, biodiversity, and social justice - all embedded within decision-making processes. Sustainable business, often referred to as green or responsible business embodies these principles by embedding sustainability into corporate strategies, operations, and offerings (Bathmanathan & Hironaka, 2016). Such businesses recognise that lasting success relies on a balance of financial results, ethical conduct, and strong environmental and social performance.

According to Schaltegger et al. (2016) concept: „*sustainable business model can be defined as a business model that creates, delivers, and captures value for all its stakeholders without depleting the natural, economic, and social capital it relies on*”. (p. 3.)

Sustainable business practices enhance reputation, efficiency, and social responsibility while improving overall performance (Jan et al., 2019; Hermundsdottir & Aspelund, 2021; Li, 2025). Asemah et al. (2013) identify CSR-like benefits, such as stronger reputation, attraction of conscious consumers, improving operational efficiency, cost reduction, climate risk mitigation and social equity contribution.

Sustainability frameworks include TBL and Triple Top Line (TTL). 3 P can be complemented by 3 E, which results in ethics, effectivity, efficiency according to (McDonough & Braungart, 2002). Rahmana & Bawono (2022) identify six key dimensions: self-capital, ecology, economy, environment, society, and profit. Lodder et al. (2014) argue that TTL represents the future of sustainability due to systemic transformation and paradigm shifts. Accountability shifts to the design phase, prioritising positive impacts over damage mitigation.

Circular economy is identified as a key enabler of sustainable business models (Barross et al., 2021). This approach aims to reduce waste and resource consumption by promoting product longevity, reuse, and recycling. Its core principle is to keep materials in use for as long as possible (Awan & Sroufe, 2022). The authors highlight a strong link between circular practices and business sustainability, underlining the importance of infrastructure in supporting recycling and remanufacturing activities. Awan et al. (2019) further argue that creativity plays a vital role in advancing green innovation, especially through collaboration with suppliers. Innovative thinking supports the development of environmentally friendly products and processes while improving resource efficiency and addressing sustainability challenges.

Returning to Awan (2022), the study identifies key categories of corporate sustainability motivation:

- Active → Using sustainability as a marketing opportunity or proactive with the prioritising of product enhancements.
- Reactive → Usually a social response centred on reputation.
- Inactive → When sustainability is a burden for the institution.

Business model innovation maximises positive outcomes, seizes opportunities, mitigates societal and environmental harm, and drives growth. Innovation fosters external collaboration and network engagement. Although circular economy is often applied for sustainability, economic and environmental factors dominate. Achieving sustainability and circularity requires rethinking value creation, market approaches, and operations

(Bocken et al., 2014; Geissdoerfer et al., 2017). Sustainability-oriented initiatives and open innovation positively impact sustainable innovation. Phonthanakitithaworn et al. (2023) urge SMEs and policymakers to develop intellectual capital and sustainable partnerships for competitiveness and sustainability. Along with CE, scholars such as Niero & Rivera (2018), Sanyé-Mengual & Sala (2022) advocate Life Cycle Assessment (LCA) for business sustainability. LCA systematically evaluates products' or services' environmental impact throughout its life cycle (Gradin, 2020). Costa et al. (2019) define it as a key tool for assessing environmental impacts, identifying improvement areas, and guiding decision-making. Businesses can use it to assess weaknesses and take action to minimise their ecological footprint. The survey of the European Environmental Agency (2021) conducted among companies finds LCA most linked to new product development and corporate strategy. LCA is suggested as a useful technique to assess how well CE activities are performing (Haupt & Zschokke, 2017).

Stubbs (2016) characterise sustainable businesses as B Corporations (B Corps) that voluntarily meets high social and environmental performance standards, accountability, and transparency due to their embed sustainability in governance structures, combining rely on hybrid business models. These firms embed sustainability in governance through hybrid business models. Most corporate sustainability initiatives remain "add-ons" to unsustainable practices. his framework evaluates a company's stakeholder impact, governance, worker treatment, community engagement, and environmental practices.

Overall, for companies, the SDGs offer a strategic framework and a competitive advantage, but in practice, real integration with the goals is often symbolic rather than substantive - as reflected in the phenomenon of SDG-washing. Research shows that SDG implementation can bring benefits in terms of corporate risk management, innovation and human capital, but that to be effective, it requires transparent, measurable targets and strategies adapted to the local context. Critical voices argue that the SDGs reflect a Western approach and can only be effective if they are implemented through locally relevant approaches aligned with CSR.

## **2.5. Sustainable development and CSR**

The paper has reached the point where it has elaborated in detail on the definitional approaches, thus attempting to link the two concepts.

### **2.5.1. Theoretical differences**

The literature presents divergent views on the CSR-sustainability relationship. Some argue that corporate sustainability is merely CSR in practice, while others see sustainable development as sufficient, rendering CSR terminology unnecessary. There is no consensus on replacing SD with a broader concept integrating responsibility and social awareness. Research on the social dimension of SD often avoids CSR-related terminology.

Stakeholder engagement is central to CSR but remains debated. Some argue that CSR is purely stakeholder-focused (Dmytriiev et al., 2021), emphasising that businesses must address stakeholder concerns (Campbell, 2007; Kaul & Luo, 2017). There is no consensus on whether CSR should be voluntary or mandatory (Hopkins, 2005; Welford, 2005).

Morimoto et al. (2005) examine whether CSR constitutes the social strand of SD as defined by Brundtland. They conclude that CSR is generally regarded as SD's social component, a view supported by the World Business Council and the European Parliament. Szennay (2020) highlights that CSR and sustainability overlap but are not synonymous. CSR is generally understood as a voluntary commitment by companies to address social and environmental concerns. In contrast, sustainability represents a more comprehensive global framework that seeks to balance economic growth with social well-being and environmental preservation. Although definitions may vary, many scholars agree that sustainability provides the foundation for CSR and corporate environmental strategies (Korhonen, 2003). Moir (2001) emphasises that CSR is rooted in ethical responsibility and should respond to the expectations of all stakeholders.

van Marrewijk (2003) and Zwetsloot (2003) and argue that SD serves as CSR's ethical foundation. Given SD's economic, ecological, and social dimensions, it provides a broad foundation. CSR, as a corporate-level concept, aligns business goals with stakeholder and environmental needs. van Marrewijk (2003) distinguishes CSR and corporate sustainability, which he equates with social responsibility. Corporate sustainability primarily addresses value generation, environmental stewardship, and the development

of human capital, reflecting principles of agency theory. In contrast, CSR is more closely associated with transparency, active engagement with stakeholders, and sustainability disclosures, highlighting the organisation's responsibility toward society. Three CSR and corporate sustainability models illustrate this distinction. Helsinki University of Technology defines CSR as SD's social aspect, while Erasmus University sees SD as CSR's foundation. The corporate societal accountability model equates CSR with SD. Zwetsloot (2003) sees CSR as guiding sustainable corporate practices, emphasising continuous learning and improvement. Recent studies increasingly support this view (Behringer & Szegedi, 2016; Kubiczek & Hadasik, 2022).

### **2.5.2. Theoretical similarities**

Effective CSR requires integrating sustainability into corporate strategy (Dunbar et al., 2021).. CSR and sustainability are conceptually linked, as CSR operates within a normative sustainability framework (Salas-Zapata & Ortiz-Muñoz, 2019). Juscius & Jonikas (2014) and Gholami (2024) recognise CSR and sustainable development as sharing goals, including long-term economic growth while ensuring societal and environmental well-being (Aksiki & Gal, 2011). CSR holds businesses accountable for their impact on stakeholders, employees, customers, communities, and the environment. Ebner & Baumgartner (2006) analyse TBL as CSR's foundation, finding that CSR correlates with SD's social dimension, represents SD at the corporate level, and is often used synonymously. Behringer & Szegedi (2016) argue that CSR and SD have increasingly merged, with CSR serving as a corporate mechanism for achieving sustainability.

Global initiatives, such as the UN and World Business Council for Sustainable Development, institutionalise CSR as a corporate sustainability framework. CSR is a management-oriented approach to operationalising sustainability principles in business. Dyllick & Hockerts (2002) assert that corporate sustainability requires addressing economic, environmental, and social dimensions. This means meeting present and future stakeholder needs without compromising sustainability. Among these pillars, the social dimension remains underdeveloped (Brent & Labuschagne, 2006). Lehtonen (2004) advocates integrating social factors into sustainability indicators through social capital frameworks.

CSR strengthens corporate governance by improving internal controls (Li et al., 2018). Strong internal control fosters a governance environment that facilitates CSR execution. CSR enhances stakeholder trust, reputation, social influence, and sustainable development (Pawłowska et al., 2021). Doukas & Zhang (2021) argue that fully integrating CSR into company culture enhances innovation in products and processes, creating competitive advantages and higher economic returns. Samet et al. (2022) highlight CSR as both an adaptive necessity and a long-term competitive advantage. CSR fosters long-term partnerships that sustain competitive advantage. CSR is thus a "win-win strategy" that fosters innovation and early sustainability leadership.

The dissertation accepts *corporate sustainability* and *sustainable development* as synonyms because both concepts share a core focus: balancing economic success with ethical responsibility to people and the planet. Both terms emphasise the importance of businesses operating in a way that sustains resources for future generations while meeting current needs. Corporate sustainability and sustainable development both advocate for practices that drive profitability without causing harm to society or the environment, positioning businesses as positive forces in addressing global challenges.

## **2.6. CSR and sustainability relevance in the fashion industry**

This chapter examines how CSR and sustainability are applied within the fashion industry, with a focus on sector-specific developments and challenges. A systematic analysis of the literature was conducted using the PRISMA model, which allowed for a thematic categorisation of relevant research and the exploration of the multifaceted impact of sustainability initiatives.

### **2.6.1. The PRISMA model**

The growing number of scientific journals and publications available provides instant access to a huge number of scientific works. According to Snyder (2019), systematic literature review as the structured collection and analysis of existing research, ensuring transparency within a given subject area. This dissertation searched, filtered, critically evaluated, and synthesised relevant studies, identifying links between findings for practical application. Multiple biases can affect literature analysis, even at the initial stage, including interpretation bias in foreign-language articles, quality and location bias,

social perception of the country, and time bias in extended publication processes (Kamarási & Mogyorósy, 2005).

To mitigate these biases, the PRISMA model (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) was applied. Originally developed for medical research, PRISMA has been adapted across disciplines. The 27-item checklist and 4-stage framework formed the basis of the research methodology strategy (Figure 6) based on O’Mara-Eves et al. (2013). A detailed systematic literature was conducted to summarise and synthesise the literature with precise references.

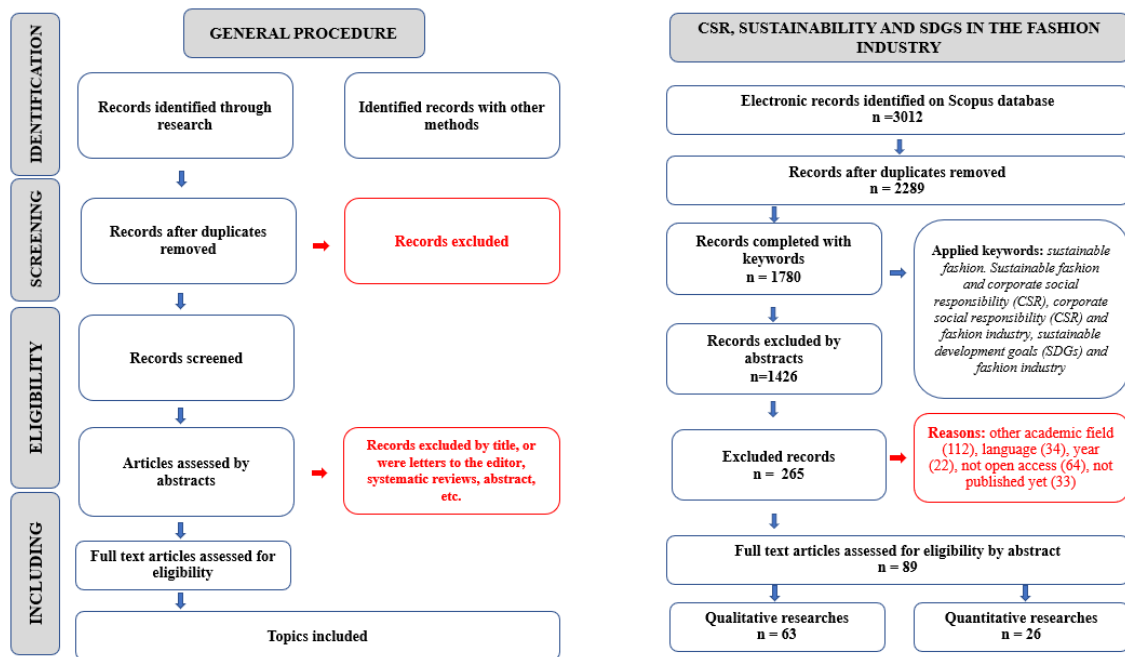


Figure 6. Prisma model of the research (source: own compilation)

To identify studies relevant to the research Scopus database was overviewed. The critical analysis was carried out in two rounds: from November 2020 to December 2021 and between January 2024 and September 2024. Searches were based on the following keywords and their pairing in English: (1) „sustainable fashion” (2) “sustainable fashion” and “CSR” (3) “CSR and fashion industry” (4) „Sustainable Development Goals (SDG)” and “fashion industry, sustainable fashion”. Abbreviations and full terms were included in the search.

A keyword search yielded a total of 3012 sources related to one or more keywords before the in-depth cleaning procedure. The screening process was as follows:

- SDGs were accepted in 2015, hence, I looked for publications from 2015.
- Limited the resources exclusively to the category of scientific articles, in the field of Business, Management and Accounting.
- In addition, language filtering was necessary, only sources written in English remained.
- Regarding the publication stage, only the fully finished, already published articles were taken into consideration.
- Being open access was also a criterium, hence, the in-depth research could reach not only the abstract level.

After this "peeling," the abstract filtering process started, allowing for the creation and classification of extra keywords to help focus the results on truly relevant articles, excluding duplicates as well.

### **2.6.2. Definitions and models of sustainable fashion**

For a precise industry definition, I adopt Steele & Major (2025) definition of the fashion industry: "*multibillion-dollar global enterprise devoted to making and selling clothes*" (para. 1). This definition highlights the industry's commercial focus centred around the production and sale of garments. Easey (2009) expands on this, describing fashion as a dynamic, consumer-driven sector shaped by societal trends and lifestyles, highlighting the industry's responsiveness to consumer demands and cultural shifts. Barnard (2020) incorporates communication and self-expression into the definition. According to Gudiel et al. (2021) approach, fashion is an industrial sector meeting apparel demand. In contrast, the textile industry encompasses fibre production and materials reused in various sectors, including automotive, furniture, and cleaning (Johnson et al., 1977). The fashion industry includes raw material manufacturing, design, production, retail, and marketing (Steele & Major, 2025). Based on Mizrachi & Tal (2022), Ray & Nayak (2023), Aponte & Gómez (2024) and Zollo (2024) the following characteristics emerge:

- 1) Clothing is central to production, consumption, and consumer identity
- 2) The industry is resource- and labour-intensive, relying on outsourced, low-cost production in developing countries.

- 3) Fashion faces minimal policy constraints: sustainability efforts depend largely on corporate commitment rather than government regulation.

Sustainable fashion has gained traction but lacks a universal definition, particularly for SMEs. In academic literature, it is viewed as a set of ideologies, processes, and characteristics rather than a single concept, summarised in Table 4.

Table 4. Concepts of sustainable fashion (source: own compilation)

<b>Author</b>	<b>Concept of sustainable fashion</b>
<b>Dzhengiz et al. (2023)</b>	a direct counter to the fast fashion model
<b>Hong et al. (2024)</b>	larger framework of alternative consumption practices, such as ethical, green, and eco-conscious consumer behaviours
<b>Geiger &amp; Keller (2017)</b>	anti-overconsumption initiative, promoting a slower, more conscious approach to clothing purchases
<b>Loureiro et al. (2018), Brewer (2019)</b>	demarcates certain areas such as careful selection of raw materials, eco-friendly textile processing, ethical production methods, minimising social harm, conserving resources, fostering transparency, and encouraging consumer commitment to sustainability
<b>Shafie et al. (2021)</b>	strike a balance between maximising societal and economic benefits while minimising environmental damage throughout the entire supply chain
<b>Kowzłowski et al. (2018)</b>	encompasses a range of perspectives that differ depending on the stakeholder or context in question

This research builds on the frameworks of Shafie et al. (2021) and Loureiro et al. (2018) ,which emphasise the need to reduce environmental impact throughout the entire fashion supply chain—from raw material extraction to production and distribution. Their work underscores the multifaceted nature of achieving genuine sustainability in the fashion industry, calling for systemic transformation that integrates environmental, social, and economic dimensions alike.

Regarding models of sustainable fashion, Pan et al. (2015) research supports how the implementation of theories into practice greatly facilitates the achievement of actual sustainability. The PRISMA model has contributed to identifying sustainable business models. Todeschini et al. (2017) identified five key macro trends that play a pivotal role in shaping sustainable and innovative business practices in the fashion industry, offering alternatives to the fast fashion model with (1) increased consumer awareness, (2) adoption of the circular economy, (3) emphasis on CSR, (4) the rise of the sharing economy and collaborative consumption, and (5) advancements in technological innovation.

### **2.6.2.1. Circular and sharing economy model**

The circular economy offers a promising framework for tackling social and environmental issues in fashion, yet its application in practice remains limited. Mishra et al. (2020) identify key stakeholders and drivers of circular transition in fashion through transition theory. Claxton & Kent (2020) explore sustainability strategies for achieving a closed-loop value chain, highlighting the role of designers. Closed-loop supply chains enable brands to reclaim used clothing for resale, repair, upcycling, or recycling. This model aims to close resource loops, limit raw material use, and reduce textile waste. It accounts for the full product lifecycle - from design to disposal. Circular business models create value by extracting residual worth from used products (Linder & Williander, 2017). The concept of circularity in fashion replaces the conventional “take-make-dispose” approach with strategies that prioritise the sustainable use and reuse of materials. Circular business models - like take-back programmes, recycled materials, and upcycling - provide both sustainability and competitive economic benefits. However, major barriers include consumer resistance, low demand for recycled inputs, and fast-changing fashion cycles, which hinder broad adoption. fashion cycles, which hinder the widespread adoption of the circular model. The model focuses on waste reduction, material reuse and recycling, and design for disassembly and regeneration. It counters fast fashion by promoting long-term value via durability, repairability, and resource efficiency. Fashion brands using circular models seek to lower environmental impact while ensuring economic viability. Studies agree that implementing circular economy requires strategic, supply chain, and consumer mindset changes (Uhrenholt et al., 2022; Bucur, 2023; Eusenreich et al., 2022; Hazen, 2024).

Some studies explore taxonomies of circular business models. These models reveal varying levels of integration, distinguishing four types: downstream, upstream, full circular, and linear. This demonstrates that circularity is gradual, depending on how fully recycling and remanufacturing are embedded internally. Several studies highlight SMEs’ role in implementing CE. The case study of the Prato shows CE can revitalise declining industrial districts. Proximity and networking speed up innovation diffusion, while limited technology access and information gaps hinder SME transitions. The transformation of supply chains is a key factor in the functioning of CE. Research shows CE adoption fosters supplier collaboration, vertical integration, and supply chain centralisation. Long-term contracts and tech support aid CE adoption, but competition

and distrust may hinder innovation. Reike et al. (2022) analyse the Dutch textile sector's CE transition as a mission-driven innovation system. They identify three economic streams: second-hand clothing has stable value; mechanical recycling is advanced but lacks demand; chemical recycling is innovative but risky with uncertain returns. To accelerate the circular transition, Extended producer responsibility can reduce economic risks and support resource efficiency. Success relies on institutional flexibility, innovation investment, and aligned market incentives.

Institutional theory identifies two pressures driving CE: coercive (from consumers/regulators) and normative (via standards and certifications). Italian fashion studies show CE adoption is mainly driven by rising consumer demand for sustainability and transparency (Bressanelli et al., 2022; Elf et al., 2022; Abbate et al., 2023). Dragomir & Dumitru (2022) find that circular integration varies across firms, with limited transparency in post-consumer recycling. They advocate for clear benchmarks and quantitative metrics to enhance transparency and measure CE impact. Based on Dissanayake & Weerasinghe (2022) review, Figure 7 illustrates circularity in fashion.

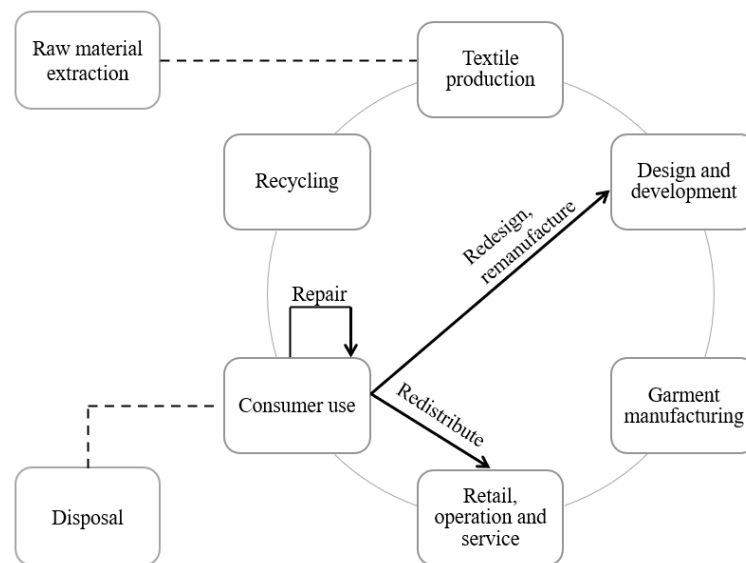


Figure 7. Circular model in the fashion industry (source: own compilation, based on Dissanayake & Weerasinghe (2022))

The linear fashion model - resource extraction, production, consumption, and waste - is environmentally unsustainable, particularly due to emissions and water use (Dissanayake & Weerasinghe, 2022). The circular economy proposes three strategies: slowing material use, narrowing resource input, and closing product life cycles.

Sharing economy models in fashion support sustainability through three key mechanisms. Reusing, exchanging, and sharing clothing creates value while reducing the environmental costs of new production. Digital tools connect consumers directly, supporting more efficient and sustainable consumption. Operational and logistical optimisation is crucial to unlocking the sharing economy's sustainability potential. Strategic digital platform management—e.g., forecasting, pricing, and network optimisation—maximises environmental and economic gains (Liu, Lin, Guo, & Shi, 2022). Value chaining supports economic sustainability by offering income from second-hand sales and affordable alternatives for consumers, while providing a more affordable alternative for shoppers. Thus, the sharing economy effectively supports circularity and offers a sustainable alternative to rapid consumption (Bastone, Leone, Ciasullo, & Matho, 2024). The sharing economy extends product lifecycles and reduces environmental impacts by enabling sharing, renting, or exchanging underused goods via digital platforms.

According to (Ruiz-Navarro, Hintzmann, & Corrons, 2025), the model relies on three drivers:

- digital technologies and online communities facilitating trust and information flow
- circular principles promoting reuse and extended lifecycles
- regulation and consumer trust ensuring protection and system integrity

#### **2.6.2.2. Alternative sustainable business models**

The Sustainable Business Model Archetypes framework, developed by Bocken et al. (2014), has become a widely referenced model for sustainability-oriented innovation in business models. It outlines eight distinct pathways through which companies can integrate sustainability into their core operations. These archetypes have since been applied across a variety of industries, including the fashion sector, as demonstrated by recent studies (Coscieme et al., 2022; Barletta et al., 2024). Figure 8 demonstrates that sustainable business model innovation addresses environmental and economic aspects alongside stakeholder involvement and value creation that transcends profit. The figure adapts key elements from the original framework of Bocken et al. (2014), emphasising

the central role of stakeholder engagement in the transition toward more sustainable business practices.

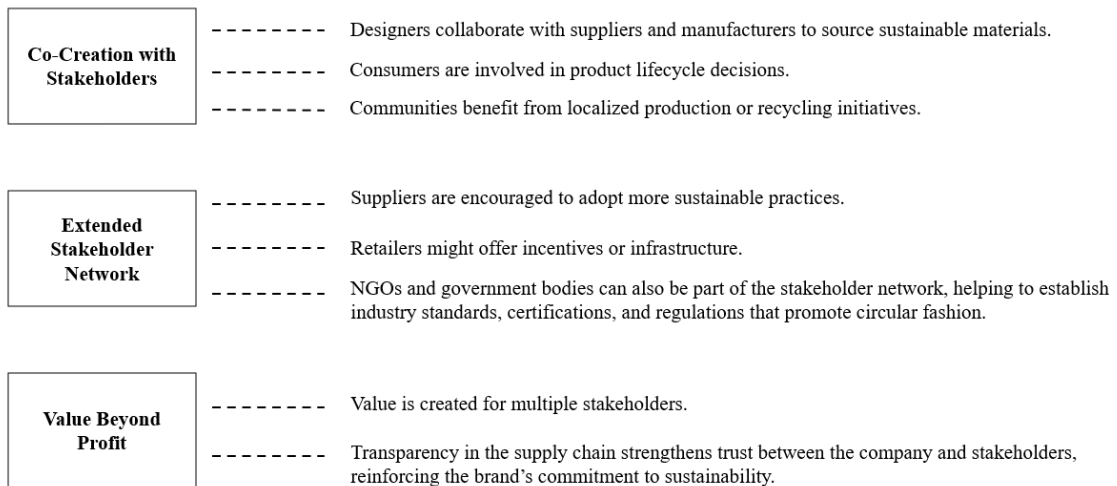


Figure 8. Sustainable Business Model Archetypes (source: own elaboration based on Bocken, et al. (2014))

Digital second-hand platforms support clothing reuse, reducing textile waste and demand for new products (Persson & Hinton, 2023). Zero-waste and upcycling design minimise manufacturing waste while offering innovative sustainable solutions (Carrico et al., 2022). On-demand and local production helps prevent overproduction and lowers environmental impact (Wulff, 2023). Blockchain enhances supply chain transparency, enables tracking of sustainable materials, and optimises production to reduce waste (Kouhizadeh et al., 2021). Peer-to-peer clothing exchange fosters community-based consumption, reducing new production and reshaping clothing value perceptions (Fors et al., 2023). The capsule wardrobe model promotes fewer, high-quality, combinable garments, discouraging impulse purchases and lowering environmental impact (Bang & DeLong, 2022). AI-driven customisation enables personalised design and efficient production, reducing resource use and surplus inventory, and transforming design and manufacturing processes (Butteddi & Butteddi, 2024).

### **2.6.3. CSR and sustainability in the fashion industry**

A literature review based on the PRISMA model confirmed that CSR can be understood as an umbrella concept, incorporating several drivers and barriers. Different interpretations and practical approaches to CSR are linked to various corporate objectives, industry specificities and organisational contexts. Consequently, CSR decisions may be driven by strategic or external market imperatives, intrinsic values-based motivations and resource constraints. The literature thus provides a multifaceted and complex picture of why and how companies engage in CSR activities and what factors help or constrain their implementation.

#### **2.6.3.1. External environment factors**

##### **Geographical factors**

Geographical context significantly shapes CSR and slow fashion, influenced by cultural, historical, environmental, and socio-economic factors. In Central and Eastern Europe (CEE), CSR evolves more slowly due to the post-Soviet legacy. This distrust in corporate motives and weak regulation hinder the spread of ethical practices (Zukauskas et al., 2018). In contrast, Nordic CSR is well-integrated, supported by welfare systems and environmental awareness, showing that institutional strength and civic engagement promote sustainability (Strand, 2024). Geographical proximity enables local production and recycling, improving resource efficiency and reducing transport costs (Chembessi et al., 2024). However, proximity requires institutional backing and stakeholder collaboration to enable circular economy models (Henrysson, 2021). Cultural geography also plays a significant role in shaping sustainability practices. In individualistic societies, personal ethics drive consumer activism, while collectivist cultures rely on community norms to guide CSR (Junça-Silva & Guilherme, 2025). Urban areas show higher CSR engagement due to better access to sustainable goods and stronger social pressure for eco-responsibility. Regions exposed to climate risks are more likely to adopt proactive sustainability measures. Resource scarcity drives sustainable innovation, while resource abundance can delay such efforts. Infrastructure gaps and economic disparities hinder the spread of CSR and slow fashion. Logistical issues, poor market access, and environmental degradation further obstruct sustainability strategies (Singh et al., 2023; Afzali et al., 2024).

## **Regulatory and policy framework**

Li et al. (2020) used the DEMATEL method to identify key factors influencing CSR implementation in Chinese textile firms. They found that government initiatives were most influential, followed by human rights improvements and customer pressure. On the other hand, societal support was found to be the least influential factor. The findings underline the role of government incentives and regulation in promoting CSR, particularly in developing economies. International customer demands and foreign regulations pressure exporters, whereas weak domestic enforcement offers limited incentive (Wahga et al., 2018). Lueg et al. (2013) in their earlier research propose an industry-wide comply-or-explain code of conduct, which would have implications for supply chain management. In addition, the biggest impact of government is thought to be positive for ethical labour practitioners, despite their findings that corporate sustainability does not yield quantifiable or clearly positive results.

To complement the PRISMA analysis, a review of EU-level regulatory and policy frameworks provides an institutional environment. The EU has long promoted CSR as a strategic tool for sustainable business, dating back to the 2001 Green Paper, which positioned CSR within labour, environmental, and stakeholder-related domains. Key sector-specific regulations include the REACH and Biocidal Products Regulations, directly impacting textile and leather processing through chemical use control (European Chemicals Agency, 2018). Despite efforts to define CSR, the EU's approach has been shaped by corporate lobbying favouring a voluntary framework, while NGO influence has remained limited (Contrafatto et al., 2020; Dorssemont, 2016).

The EU Circular Economy Action Plan (2015) and related initiatives—such as the EU Strategy for Sustainable Textiles and the European Clothing Action Plan—seek to reduce textile waste, promote recycling, and establish circular production models. Scholars argue that without regulatory enforcement, SMEs may lack the capacity to adopt these voluntary guidelines effectively (Moorhouse & Moorhouse, 2017; Jacometti, 2019). Reporting obligations have also evolved: the Non-Financial Reporting Directive (NFRD) mandates ESG disclosure for firms with over 500 employees, while the Corporate Sustainability Reporting Directive (CSRD), implemented in 2022, expands this to listed SMEs and aligns with the EU's circular economy goals (Cuomo et al., 2022; Contipelli, 2024).

Further, the EU Ecolabel identifies products with low environmental impact, although uptake remains limited due to trust and awareness gaps (Recio-Romén et al., 2024).

The upcoming Corporate Sustainability Due Diligence Directive (CSDDD) introduces mandatory human rights and environmental risk assessment along the value chain, applying to firms with 250+ employees (KPMG, 2024). While some scholars highlight its normative and strategic importance (Thrones et al., 2024), others warn about administrative burdens and enforcement risks, particularly for SMEs (Sinning & Zetzsche, 2025).

In addition to EU-level directives, national laws and global frameworks (e.g., the Global Reporting Initiative, Sustainable Apparel Coalition, and Substantiating Green Claims Directive) provide complementary guidance. Controversies remain—for example, around the Higg Index’s credibility and the appropriateness of using the Product Environmental Footprint method (Cascale, 2023), yet these instruments reflect a broader move toward measurable, accountable, and harmonised sustainability standards in the European fashion sector.

### **Economic conditions**

Local production and short supply chains reduce transport costs and boost regional economic growth (Kim, 2024). Research highlights small-scale production’s economic benefits, particularly in flexibility, innovation, and market adaptability. Small firms are able respond quickly to consumer shifts, with lower costs and reduced risk in production adjustments. In addition, Norris (2017) argues that local production fosters uniqueness and higher quality, offering an edge over mass-produced goods. The study stresses that small-scale production has sustainability and cultural benefits, as it supports local economies and strengthens community linkages. Circular practices improve resource efficiency, reduce costs, and boost competitiveness. Financial barriers to circular model adoption can be eased by government incentives and supportive regulations. Such measures enhance the economic resilience of fashion firms using circular models. Several economic factors influence sustainable fashion consumption. Price sensitivity remains a major barrier, as consumers often prioritise affordability over sustainability. The positive relationship between income level and willingness to support sustainable fashion suggests that financial resources significantly affect ethical consumer choices. The cost of sustainability, driven by higher production expenses for eco-friendly materials and

ethical labour, presents a challenge for both consumers and brands, limiting the competitive pricing of sustainable products. Wealthier consumer segments show more interest in sustainable fashion. Economic barriers—like financial constraints, inequality, and perceived low returns—limit both consumer demand and business investment in sustainability. These findings stress the need for affordability and economic incentives to foster sustainable fashion adoption (Riesgo et al., 2020; Abreu et al., 2022).

### **Technological environment**

Sustainable fashion is driven by local production, shorter supply chains, and circular models, though digital transformation remains slow (Marino & Remondino, 2021). Su (2023) shows that combining innovation with responsible practices in Malaysian fashion enhances environmental outcomes and strengthens competitive advantage. The study underscores that long-term growth depends on embedding CSR and environmental priorities into the company's central strategies and operations.

Digitalisation is critical for competitiveness, driving transformation in supply chains and operations (Wu, 2024). Russo et al. (2023) identify technology, digital skills, governance, and control systems as key to digital transformation. Digitalisation promotes resource efficiency, increases supply chain transparency and supports sustainability goals. For SMEs, digitalisation poses challenges due to high costs and limited expertise, alongside the need to uphold online brand credibility. Engaging consumers and communicating sustainability values are vital for CSR success (Lee et al., 2021). Sarker & Bartok (2024) find that automation and data-driven technologies (e.g. automation, data-driven decision making) significantly support sustainable operations. Digital tools boost efficiency, cut waste, and increase supply chain transparency (Wu et al., 2024). Circular models play a key role in achieving sustainability goals (Reike et al., 2022), and their integration is made more effective with technological support. Key challenges to transformation include lack of digital skills, the cost of technological investment, and organisational resistance (Gornostaeva, 2023; Hardabkhadze, 2023; Szozda, 2023). Findings highlight that digital–green synergies are essential for combining competitiveness with sustainability. Innovative solutions like blockchain (Benstead et al., 2024; Jain et al., 2021) and Smart Mirror Technology enhance in-store efficiency through automation and real-time inventory control (Ogujimi et al., 2021). Hardabkhadze (2023) emphasises that integrating digital and humanitarian technologies is crucial for transforming fashion into a sustainable ecosystem.

### **Cultural and demographic environment**

To discuss cultural and demographic factors Khan et al. (2024) research compares Italian and Russian consumers to find out how cultural dimensions affect consumers' willingness to pay a premium for sustainable fashion. Findings highlight that cultural nuances shape sustainable fashion behaviour, urging managers to align messaging and pricing with cultural contexts. Zaborek & Nowakowska (2024) show that Gen Z and Millennials are more responsive to CSR and more willing to support sustainable brands. Cultural knowledge about environmental conservation shapes emotional connections to sustainability, with stronger positive attitudes toward eco-friendly practices in cultures where sustainability is a core value (Matararachchi et al., 2025). Additionally, generational shifts, particularly among Gen Z female consumers, show a growing preference for individual creativity and environmental awareness, driving higher engagement in sustainable refashioning practices (Prashar & Kausul, 2025). Sustainability awareness supports slow fashion adoption, with emphasis on ethics, authenticity, and local production. However, a gap exists between awareness and behaviour, as knowledge doesn't ensure sustainable action. Despite strong values, price and accessibility limit Gen Z and Millennial engagement in slow fashion. Attitudes mediate between knowledge and behaviour, with social equity and craftsmanship as key motivators (Arribas-Ibar et al., 2022; Seock et al., 2023). Karaosman, et al. (2015) apply Hofstede's cultural dimensions to explain how culture affects sustainable fashion choices. Culture has a profound influence on consumer attitudes and behaviour towards sustainable fashion, as value systems, social norms and traditions determine how people relate to sustainability issues (Zhang et al., 2021). In individualistic cultures, ethical choices are personal; in collectivistic ones, community norms and social duty dominate (Rahman et al., 2021). Despite supporting sustainability, consumers often prioritise price and convenience, reflecting an attitude-behaviour gap (Borges-Tiago et al., 2024).

### **Consumers and public opinion**

Increasing ethical buying habits and rising attention to sustainability in fashion production are contributing to the development of a distinct consumer segment focused on sustainable fashion (Lundblad & Davies, 2015). Recent research focuses on cooperative and sustainable consumption. Bhaduri (2015) finds a positive link between sustainability transparency and consumer trust, with gender-based differences in perception. Brand loyalty varies based on how effectively trust, knowledge, and

communication are managed in sustainability contexts. Transparency is both a compliance and competitive tool, with consumer trust shaped by real-time supply chain visibility and personalised sustainability (Speight & Karpova, 2022; Samuels, 2022; He, 2024). Borah et al. (2024) show that green knowledge influences sustainable purchasing, mediated by social responsibility and reinforced by advertising and confidence. Evens & Peirson-Smith (2018) warn that unclear sustainability messaging frustrates consumers and undermines brand loyalty. Ecological messaging alone does not ensure trust or loyalty; product quality and economic sustainability are stronger loyalty drivers. Dabija et al. (2020) confirm that store image, price, location, and service drive loyalty, while *CSR impact varies by generation*. Social responsibility boosts loyalty in Gen X, but not in Gen Z, highlighting generational differences in response to sustainability. Sustainability alone is insufficient; trust and loyalty depend on communication, quality, and generational alignment. Ritch (2015) links sustainable marketing to consumer decisions, suggesting it can shape purchase intentions. Similarly, Pereira et al. (2018) and Neumann et al. (2021) say that clear, strategic sustainability enhances loyalty, trust, and perceived safety in fashion. Zaborek & Nowakowska (2024) link price sensitivity in sustainable fashion to consumer wealth. This implies that wealthier consumers are less price-sensitive and more responsive to CSR, especially when motivated by social recognition. Trust in ethical practices mediates the CSR–purchase intention link. Perceived inauthenticity in CSR fosters scepticism and weakens impact. CSR fatigue and its related concepts (perceived credibility, emotional job exhaustion, job satisfaction and dissatisfaction) appear in several studies, i.e. overexposure to CSR messages can lead to consumer scepticism, especially if perceived as greenwashing, which reduces the positive impact of CSR initiatives (Kim et al., 2018).

Public opinion appeared in the form of social media and communication. Social media's influence is widely acknowledged in the literature. Ritch (2020) and Johnstone & Lindh (2022) highlight social media's role in sustainability awareness, while Colucci et al. (2020) note message reach differs by company size supported by Johnstone & Lindh (2022). Arrigo (2018) states that fast fashion increasingly seeks to shape consumer behaviour, requiring stakeholder engagement - echoed by (Khuran & Ricchetti, 2016; Li et al., 2020). Johnstone & Lindh (2022) see influencers as vital to sustainability uptake, Kwon & Lee (2021) criticise superficial CSR on Instagram, revealing authenticity gaps. Quiles-Soler et al. (2023) observe that Spanish brands underuse social media for sustainability engagement, focusing instead on product promotion. Sharing economy and

digital services drive behavioural change, reflecting preferences for flexible, accessible alternatives (Csutora et al., 2022).

### **Supply chain and industry relations**

Supply chain management has been the subject of research in several articles (Li et al., 2016), which identify supply chain and green sustainability programmes as two of the most sensitive areas of the fashion industry that can positively contribute to mitigating economic risks for companies. Talay et al. (2020) examine the influence of large retailers in asymmetric sustainable supply chain relationships. The results show retailers often pressure suppliers to cut costs and adopt sustainable practices, while suppliers respond by improving efficiency and adapting to demands. The study reveals that supplier–retailer collaboration is often unequal, helping suppliers stay competitive but also imposing adaptation pressures. Nayak et al. (2019) and Wanga et al. (2019) highlight global pressures on Asian supply chains to use smart materials, adopt technology, and explore transport alternatives. Medcalfe & Miro (2022) extend the discussion by exploring the financial impacts of sustainability, finding a robust positive correlation between sustainable practices and financial stability, where improved sustainability aligns with enhanced financial outcomes, reinforcing the economic value of sustainable supply chain practices. Blockchain enhances supply chain transparency by tracking transactions, reducing information asymmetry, and building trust (Chan et al., 2020). Di Vaio et al. (2024) report that misalignment between corporate ethics and local cultural values hinders responsible innovation in fashion supply chains. The Asian study stress that responsible innovation is essential for advancing SDGs, especially in fostering sustainability and circularity in fashion.

### **Competitors and competition dynamics**

The search underlying the PRISMA model did not identified any article that dealt with competitors as main topic, complementary research was carried out. Nalebuff & Brandenburger (1997) based their research on the idea that the co-presence of cooperation and competition (coopetition) plays a key role in promoting sustainable business practices by balancing cooperation and competition between industry players. Sustainable transformation requires systemic changes that individual companies are often unable to implement on their own due to resource constraints, regulatory barriers and technological gaps. Collaboration enables companies to share knowledge, resources and supply chain infrastructure, accelerating sustainability innovation while maintaining competitive

advantage. Hence, industry actors do not act as isolated competitors but as a knowledge-sharing network, facilitating the diffusion of sustainable technologies. Peredo & McLean (2006) social entrepreneurship model also emphasises that companies committed to sustainability often prioritise the development of the whole industry ecosystem rather than short-term competitive advantage. By integrating cooperative sustainability strategies, companies can overcome their individual constraints and collectively promote a more sustainable and greener fashion industry transition.

### **2.6.3.2. Internal organisational factors**

#### **Organisation culture and structure**

Nguyen et al. (2020) emphasise that organisational culture is crucial for advancing sustainability in CSR, especially in developing countries. They emphasise that a culture grounded in ethics, social awareness, and trust is key to embedding sustainability in business operations. Integrating cultural values promotes collective responsibility, enabling CSR strategies beyond compliance or marketing. In developing contexts, hierarchical structures and traditional practices can either support or hinder sustainable CSR adoption. Sustainability-oriented cultures reduce stakeholder conflict through shared values and ethical leadership. CSR strengthens employer branding in fashion SMEs by attracting and retaining talent via positive reputation. Practices such as fair wages, diversity, and safety improve employee satisfaction and reduce turnover. A sustainability-oriented organisational culture, rooted in transparency and ethical values, strengthens employer appeal. Despite constraints, SMEs implement CSR through informal practices and committed leadership. Long-term CSR integration boosts competitiveness through retention, loyalty, and reputation (Szegedi et al., 2023).

#### **Owner-manager values**

Owner-managers are pivotal in shaping sustainability and CSR strategies in SMEs, where decision-making is highly centralised, and corporate governance reflects their values and management philosophy (Kutzsbach et al., 2021). Sustainability depends on owner-managers' strategic vision, control, and stakeholder management, rather than institutional pressures. CSR is integrated through rational business logic, aligned with long-term competitiveness.

Owner-managers' sustainability choices are influenced by internal and external factors. Internal motivations include individual values, ethical business behaviour and

commitment to local communities, while external factors are driven by the regulatory environment, industry standards and market actors' expectations (Kutzsbach et al., 2021). Sustainability attitudes emerge through three strategic value-sharing mechanisms goals (Oldham, 2024):

- Rational value sharing: framing sustainability as a competitive and cost-efficient strategy
- Affective value sharing: embedding personal values into governance through emotional engagement
- Building values-aligned relationships: fostering stakeholder networks aligned with sustainability.

These mechanisms influence how deeply sustainability is embedded in operations and structure. In companies where the business decision-making logic of the owner-manager is based on a long-term embedding of sustainability considerations, CSR integration is deeper and more structured. If seen as emotional or reputational, CSR remains opportunistic and informal (Saveanu et al., 2021). Research shows that a significant proportion of CSR structures formed by owner-managers are not institutionalised, leading to the phenomenon of green blushing. It means that sustainability is practiced but often omitted from formal reports or disclosures. Owner-managers often see sustainability as inherent to operations, making separate communication seem redundant. On the other hand, weak SME regulation reduces pressure to formally report CSR activities. This information asymmetry limits the reputational and market impact of sustainability, as stakeholders lack objective data (Kutzsbach et al., 2021).

Managerial demographics significantly influence CSR integration (Cera et al., 2022). Younger and older managers favour sustainability, whereas middle-aged ones focus on cost and short-term liquidity. Educational background is also an influential factor: education in CSR increases managers' likelihood of integrating sustainability into business. However, industry and competitiveness also matter, regulated sectors adopt formal CSR, while in less regulated ones, CSR depends more on owner-managers.

## **Employee engagement**

In SMEs, CSR and sustainability rely heavily on employee engagement due to informal structures and limited formal strategies. Employee involvement in CSR initiatives is achieved through selection and socialisation practices. Fair trade SMEs have two models: one is to recruit employees who identify with sustainability values from the outset, while the other is to build on professional competences and develop CSR awareness through formal socialisation (Davies & Crane, 2010). Smaller firms prefer value-aligned recruitment, while larger ones rely on formal socialisation. The key challenge is balancing ethics with business skills, as neither alone ensures effective CSR integration. Aligned employee and company values foster commitment; CSR should be leveraged in employer branding (Szegedi et al., 2023). Engagement is shaped by the balance of internal and external CSR. Internal CSR (well-being, training) has stronger motivational effects than external CSR (Ferreira & Real, 2014). Employees can be classified into three categories based on their level of CSR participation. Indifferent employees are disengaged; curious ones need guidance; engaged employees actively support CSR. Incentives like training and open communication foster employee ownership of CSR values.

CSR is both an ethical factor and a catalyst for innovation. Paruzel et al. (2023) find CSR promotes creativity, especially in small firms. CSR boosts job satisfaction via creative self-efficacy and fosters innovation through positive emotional climates (Ahmad et al., 2024). CSR must be embedded in governance to effectively support innovation. CSR also offers long-term employee retention benefits. CSR-oriented firms attract talent by offering value-driven work and development paths (Watson & Li, 2024). Consistent CSR enhances motivation and loyalty, offering competitive advantages (Ejoh & Omoile, 2023).

The literature review based on the PRISMA explored how external and internal factors influence the integration of CSR and sustainability in the fashion industry. External influences include geographical environment, legal and regulatory frameworks, economic environment, cultural values, demographic trends, technological developments, consumer demand and industrial relations while internal factors encompass organisational culture, owner-manager leadership, employee engagement. The findings demonstrate that sustainability is shaped through the interaction of these external pressures and internal capabilities, resulting in diverse responses across firms.

## 2.7. Industrial overview in V4 countries

The apparel sector in V4 countries plays a pivotal role in the regional economy and the broader European market. Analysing economic contributions, export dynamics, productivity, challenges, and growth potential reveals the sector's significance and the interplay of various factors.

The apparel industry significantly contributes to the economies of the V4 countries. In Poland, for instance, it generated approximately €12 billion in 2022, accounting for about 1.8% of the national GDP (EUROSTAT, 2025). The Czech Republic employs over 20,000 workers in this sector, highlighting its role in local economies (STATISTA, 2024). In Hungary, the clothing sector contributes around €1.5 billion to the GDP and employs approximately 25,000 individuals (Clean Clothes Campaign, 2021). Slovakia's apparel industry adds about €1,8 billion to the economy, with a workforce of around 15,000 (ReportLinker, 2023).

Investment in sustainable practices has increased across the V4 countries. In Poland, eco-friendly production methods have seen a 25% increase in investment over the past three years (Polish Ministry of Economy, 2023). The Czech Republic's circular economy initiatives have resulted in a 15% productivity boost (Czech Ministry of Industry and Trade, 2022). Hungary's focus on sustainable manufacturing has led to increased efficiency, while Slovakia reports a 10% productivity improvement due to the adoption of new technologies.

The V4 apparel sector faces challenges including rising labour costs, with average wages increasing by 10% annually in Poland and Hungary, affecting profit margins (Clean Clothes Campaign, 2021). The global sustainable fashion market is growing significantly, worth USD 7.805 billion in 2024 and is expected to reach USD 39.840 billion by 2032, representing an annual growth rate of 22.60%. This trend reflects the growing demand for sustainable fashion, which offers the V4 countries' apparel industry an opportunity for growth (Credence Research, 2024).

Beyond numbers, Dobos (2021) calls these states as *invisible sewing shop*. Through Dobos' lens as globalization advances, it is important to distinguish between a fashion brand's "home country," which is their corporate headquarters, and the location where actual production is carried out. The luxury and high-end, designer categories, which make up the higher market segments of the fashion business, are especially attentive to their appearance since customers associate such brands with a specific history, prestige,

and level of quality. Even high-end products can be produced in CEE nations at low pay and in appalling working conditions according to EU country of origin regulations. Hence, Dobos (2021) suggest that the distinction between the ideas of invisibility and non-transparency must be realised.

### **2.7.1. CSR and sustainability evidence in V4 sustainable fashion SMEs**

Country-specific studies offer a detailed view of sustainability challenges in V4 sustainable fashion SMEs. These studies include (Körtvési, 2021; Pelikánová et al., 2021; Popowska & Sinkiewicz, 2021; Hála et al., 2022; Witek-Hajduk et al., 2022; Edőcsény & Harangozó, 2023; Novotna et al., 2023; Szegedi et al., 2023).

Hungarian fashion SMEs show growing commitment to sustainability through circular economy adoption. Edőcsény & Harangozó (2023) report that artisanal brands use closed-loop systems to repurpose textile waste and reduce environmental impact. These firms emphasise supply chain transparency and use storytelling to communicate sustainability and build trust. Educational initiatives further support sustainable fashion by raising awareness of slow fashion and ethical consumption.

Polish fashion SMEs are increasingly integrating eco-friendly materials and technologies into production. The use of certified organic cotton and recycled polyester addresses both consumer demand and regulatory sustainability goals. Research indicates that Polish SMEs increasingly engage in sustainability certification, serving as both marketing and compliance tools. Such initiatives boost credibility and attract eco-conscious consumers, enhancing competitiveness.

In Slovakia, fashion SMEs increasingly acknowledge the strategic role of CSR and sustainability in their operations. Despite high production costs, firms are shifting toward innovative practices aligned with sustainability objectives. They increasingly use digital tools to improve supply chain transparency, traceability, and accountability. Such efforts strengthen consumer trust and brand reputation as sustainability gains strategic importance.

Czech fashion SMEs recognise CSR as a means of boosting competitiveness. They adopt energy-efficient technologies and local sourcing to lower carbon emissions. This dual focus on environmental sustainability and community engagement meets regulatory requirements and appeals to a growing segment of consumers seeking ethically produced

fashion. CSR practices foster brand loyalty and trust, supporting long-term business sustainability.

V4 sustainable fashion SMEs are increasingly integrating CSR and sustainability in response to regulatory, stakeholder, and market pressures. Nonetheless, the sector faces structural challenges, including financial limitations, low technological readiness, and fluctuating demand. Stakeholder collaboration, innovation, and transparency are key to overcoming barriers and aligning with Europe's sustainability agenda.

### **2.7.2. Challenges of CSR and sustainability in V4 sustainable fashion SMEs**

Related studies suggest that businesses encounter multiple challenges in implementing sustainability (Battaglia et al., 2014; Knudson, 2016; Martinez-Conesa et al., 2017). SMEs, including those in fashion, face resource constraints that hinder comprehensive CSR and sustainability implementation. They may lack the necessary funds to invest in sustainable technologies or hire dedicated sustainability professionals (Körtvési, 2021; Szegedi et al., 2023). These challenges are compounded by limited awareness and expertise. Many V4 sustainable fashion SMEs lack in-depth knowledge of CSR and its business benefits. This knowledge gap limits effective strategy development and implementation. Pacana et al. (2023) found that most V4 firms lack HR strategies targeting sustainability.

The global and multi-actor nature of fashion supply chains complicates the implementation of sustainable practices, especially for small and medium-sized enterprises with limited control over upstream partners. Yet, their smaller scale can enable shorter, more controllable supply chains and better-informed decisions. Literature highlights SMEs' potential in creativity, innovation, job satisfaction, and positive socio-environmental impact. Regarding regulatory compliance, Karaosman et al. (2020) suggest that adapting to evolving CSR regulations is challenging, even for luxury brands, and poses greater difficulties for SMEs. SMEs often struggle with navigating complex legal frameworks, especially across multiple V4 countries. Zvariková et al. (2024) note that limited resources hinder SMEs' ability to adapt to evolving environmental regulations and reporting demands. To remain competitive, fashion SMEs must meet consumer expectations, yet sustainability goals are often hindered by limited funding, expertise, and resources, making CSR strategy development difficult (Nagypál, 2014). Szegedi et al. (2023) highlight that resource constraints and cost pressures complicate

efforts to meet consumer expectations. Collaboration with stakeholders like NGOs, associations, or research bodies can support SMEs in addressing sustainability challenges. However, such collaboration remains limited in the CEUC and V4 region, hindering progress (Talukder, 2024). Accessing sustainable materials presents further difficulties for SMEs. Constraints related to availability, affordability, and sustainable supply chains complicate material sourcing for SMEs. The mismatch between consumer expectations and business capacity hinders the adoption of sustainable models. Despite rising demand, SMEs often struggle to meet sustainability trends. Pacana et al. (2023) find that business and consumer sustainability expectations often diverge, with firms lacking the resources and strategies to meet rising consumer demands.

Previous justifications are often general and descriptive in nature. While some studies focus on fashion SMEs, their geographic scope often excludes the V4 region. In Hungary, three combined studies offer a comprehensive view of the growth barriers faced by fashion SMEs and how these barriers also hinder sustainability, limiting or preventing the implementation of effective CSR strategies. Results are systematically presented in Table 5.

Table 5. Fashion SMEs general challenges to grow (source: own compilation based on Hungarian Fashion and Design Agency, 2021; National Fashion League, Hungary Association, 2021; Kokas-Palicska, 2011)

<b>Production</b>	Rapidly evolving manufacturing technology Manufacturing related skills shortage High degree of wage labour orientation
<b>Design</b>	Domestic designers have limited insights into international trends and forecasts Low level of intellectual property awareness Limited choice of domestic raw material
<b>Sales</b>	Small and fully opened domestic market Domestic brands with low brand awareness Dominance of large companies and competition Domestic products are not favourable for domestic consumers' preferences
<b>Human resource</b>	Lack of training and education to market need, career prospects and motivation system Lack of up-to-date knowledge of international processes Low level of international contacts
<b>Marketing and communication</b>	Lack of capital for larger-scale or targeted media events Lack of international and strategic marketing Lack of domestic brands promotion at national market
<b>Financial barriers</b>	Lagging in terms of professional investors

<b>Collaborations and industry fragmentation</b>	Lack of cooperation between industry players Limited funding and financial support targeting industry development
--------------------------------------------------	----------------------------------------------------------------------------------------------------------------------

Building on the reviewed literature - from CSR definition to industry-specific overviews — it becomes evident that the intersection of SMEs, the fashion industry, and the Visegrad Four region remains underexplored in terms of sustainability and CSR (Figure 9).

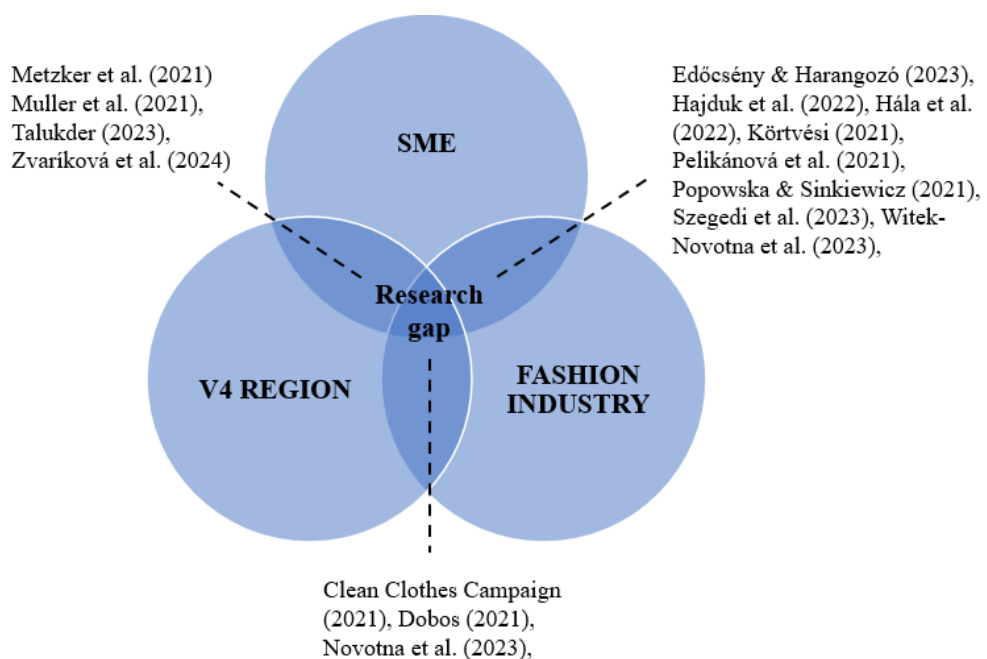


Figure 9. Research gap (source: own compilation)

### 3. Research methodology

Research methodology defines the researcher's approach to a problem and the search for solutions. The chosen approach depends on the researcher's interests and objectives (Taylor et al., 2015). Quinlan (2011) describes research technique as the process of conducting a study. This chapter outlines the research methods employed to address the study's research. To meet the research objectives, it begins with the research design and methodology, followed by a description of the study site, demographic, sample, and data quality control procedures. Figure 10 overviews the methodological framework of the study and chapter.

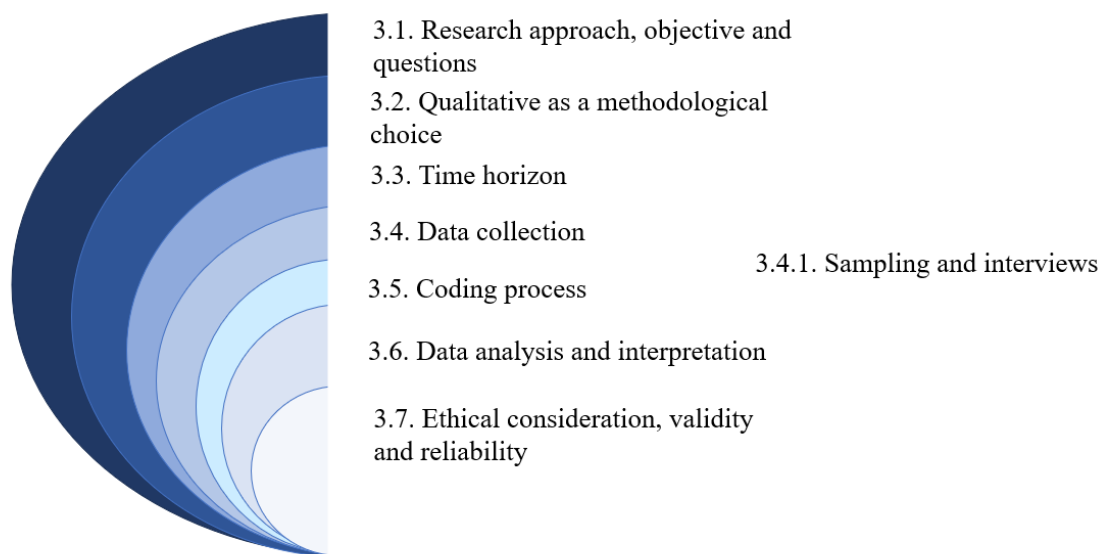


Figure 10. Outline of the research methodology (source: own compilation)

#### 3.1. Research approach, objectives, aim and questions

According to Saunders et al. (2012) the research approach concerns how theory is applied in a study. Research is typically conceptualized through inductive or deductive methods. This study employs an inductive approach, meaning that the analysis starts from the empirical data itself. Through coding and categorisation, patterns and themes are identified directly from the material, allowing for the development of concepts and theoretical insights that emerge from the data rather than being imposed in advance (Chandra & Shang, 2019). To formulate the research topic, develop interview questions, and provide a comprehensive interpretation, relevant concepts were examined within a theoretical framework (Creswell, 2003). Thus, the established theoretical framework

guides this study's approach. It has been used to develop assumptions regarding CSR knowledge management, support data collection, and interpret findings.

Additionally, the selected literature has shaped and refined the research question throughout the study (Figure 11).

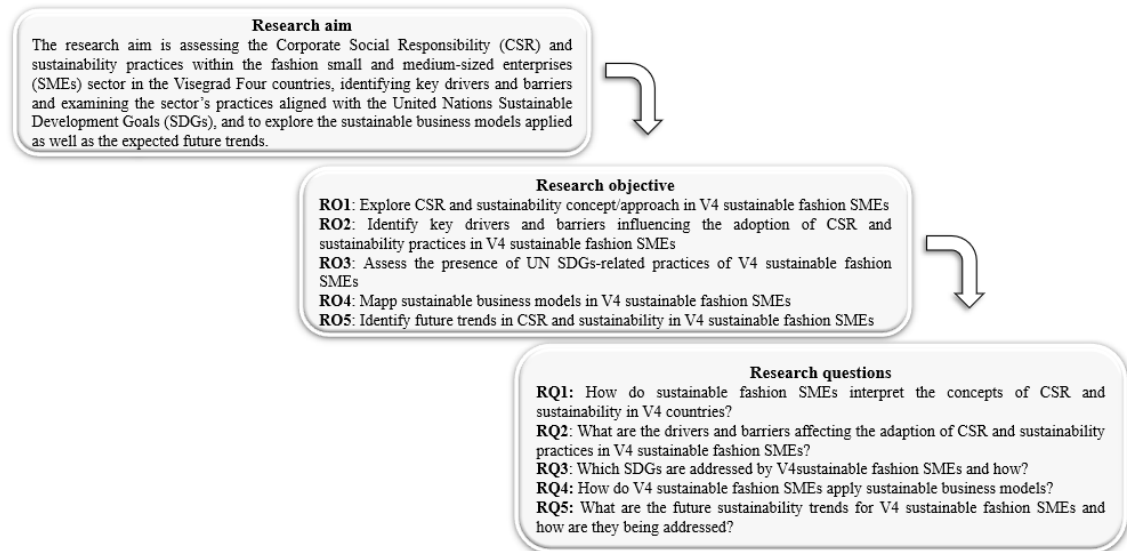


Figure 11. The relation of the research aim, research objectives and research questions (source: own compilation)

**The research aim is assessing the Corporate Social Responsibility (CSR) and sustainability practices within the fashion small and medium-sized enterprises (SMEs) sector in the Visegrad Four countries, identifying key drivers and barriers and examining the sector's practices aligned with the United Nations Sustainable Development Goals (SDGs), and to explore the sustainable business models applied as well as the expected future trends.**

Aligned with the research aim, the study seeks to achieve the following sub-objectives:

**RO1:** Explore CSR and sustainability concept/approach in V4 sustainable fashion SMEs

**RO2:** Identify key drivers and barriers influencing the adoption of CSR and sustainability practices in V4 sustainable fashion SMEs

**RO3:** Assess the presence of UN SDGs-related practices of V4 sustainable fashion SMEs

**RO4:** Mapp sustainable business models in V4 sustainable fashion SMEs

**RO5:** Identify future trends in CSR and sustainability in V4 sustainable fashion SMEs

To achieve the research objectives, the following research questions were formulated:

**RQ1:** How do sustainable fashion SMEs interpret the concepts of CSR and sustainability in V4 countries?

**RQ2:** What are the drivers and barriers affecting the adaptation of CSR and sustainability practices in V4 sustainable fashion SMEs?

**RQ3:** Which SDGs are addressed by V4 sustainable fashion SMEs and how?

**RQ4:** How do V4 sustainable fashion SMEs apply sustainable business models?

**RQ5:** What are the future sustainability trends for V4 sustainable fashion SMEs and how are they being addressed?

### **3.2. Qualitative as a methodological choice**

Qualitative research represents an ideal methodological choice for studies that seek to explore complex, context-dependent, and socially constructed phenomena (Creswell, 2003; Flick, 2018). This research investigates nuanced perspectives and experiences, requiring an approach capable of capturing depth, context, and interpretive complexity. Qualitative methods are particularly well-suited to studies where the objective is not merely to quantify or generalise findings, but to understand participants' unique experiences, behaviours, and the meanings they ascribe to various aspects of their environment (Patton, 2002; Denzin & Lincoln, 2011). Unlike quantitative research, which aims to measure variables objectively and often operates within a hypothetico-deductive framework, qualitative research offers a more holistic, flexible approach, enabling the exploration of subtle processes and dynamic social interactions (Silverman, 2020). A qualitative approach is essential in studies that seek to uncover the subjective realities of participants, particularly in socially rich contexts where individuals actively construct meaning in response to their surroundings (Tracy, 2020). According to Stake (1995), qualitative research allows for the study of phenomena within their natural settings, enabling the researcher to gain insights into the intricate ways individuals experience and interpret their environments. By focusing on how participants construct their own realities, qualitative research prioritises the subjective and contextual elements of experience that quantitative methods often overlook (Lim, 2024). Additionally, qualitative research aligns well with exploratory research objectives, which seek to

generate new theories or deepen existing ones (Charmaz, 2014). This is particularly significant in fields where knowledge is still emerging, as qualitative methods offer the flexibility to adapt to unanticipated findings and redefine research questions as patterns and themes emerge during data analysis (Bouncken et al., 2021). Qualitative research also affords a high degree of methodological adaptability, permitting researchers to delve deeper based on participant responses and to incorporate iterative, emergent themes as the study progresses (Seidman, 2019). This adaptability is critical in capturing the rich, complex data needed to elucidate subjective phenomena such as personal motivations, affective states, and intricate relational dynamics (Mohajan, 2018). The choice of a qualitative research methodology is grounded in the nature of the research questions, which call for a deep exploration of participants' lived experiences and the social dynamics surrounding them. This approach is particularly suited to the study's aim of uncovering the nuanced, context-dependent aspects of human behaviour, as qualitative inquiry prioritises interpretative analysis and rich, detailed understanding of real-world interactions (Nowell et al., 2017). By prioritising these aspects, qualitative research allows for a comprehensive, contextually grounded understanding that enhances the validity of the findings and aligns with the study's interpretive aims (Sutton & Austin, 2015).

### **3.3. Time horizon**

The research adopted a cross-sectional approach to data collection, with a qualitative phase spanning four years, culminating in intensive data collection in late 2024. Over this period, the interviews evolved, refining structure and content as the research focus developed. Pilot interviews were conducted during the early stages of the research to test the interview guide, refine question wording, and assess thematic relevance. These pilots contributed to improving the overall structure, ensuring clarity, and enhancing alignment with the research objectives. The related publications that informed and grounded the research themes are summarised in Annex 2. This iterative process allowed for continuous improvement of the interview outline, ensuring alignment with both the research objectives and participants' specific contexts. Test interviews conducted from 2022 onwards established the study's methodological foundation. These preliminary interviews, linked to prior research, explored key themes and refined the research design. The original interview protocol, identifying strengths and weaknesses that shaped

the structure and content of subsequent interviews (Lim, 2024). Each interview round provided new insights, refining questions, optimising sequencing, and ensuring thematic consistency. As a result, the final interview structure in late 2024 featured a more focused, coherent question set. The full data collection occurred in October-December 2024, ensuring temporal coherence and minimising seasonal or periodic influences on responses. Recording interviews in this focused timeframe enabled the creation of a consistent, timely, and detailed database, providing a credible representation of participants' perspectives (Seidman, 2019).

### **3.4. Data collection**

This research followed a qualitative design, with semi-structured interviews as the main data collection method. The interviews explored SME strategies and sustainability practices within the sustainable fashion sector. Subsequent sections outline the sampling process and methodological framework.

#### **3.4.1. Sampling and interviews**

The interview topics were developed based on relevant literature, PRISMA model results, and research objectives, ensuring comprehensive coverage of key SME operations in the sustainable fashion industry. In defining topics, theoretical frameworks on corporate sustainability and CSR practices, along with prior research on sustainability were considered. Sustainability and CSR at the firm level focused on firms' sustainability practices and corporate approaches. Barriers and drivers were developed based on literature addressing sustainability transition opportunities and challenges originated from external and internal environment. The SDG link examined how business sustainability goals align with international frameworks, specifically SDG relevance for SMEs. Sustainable business models analysed innovative solutions for sustainability. Future trends and CSR typology examined business sustainability visions and different sustainability approaches. To avoid biasing participants, interview questions were structured without predefined concepts (Figure 12).

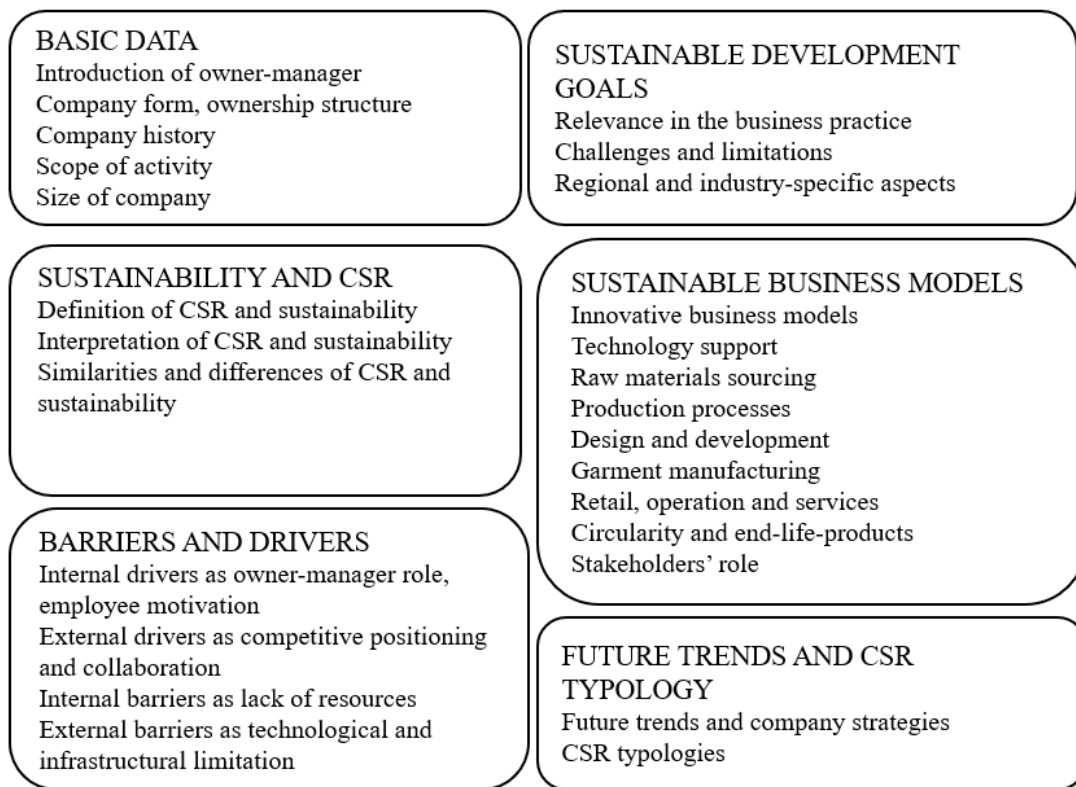


Figure 12. Thematical structure of the interviews (source: own compilation)

The formulated interview questions are presented in Annex 3. Interviews were conducted via online platforms, primarily Microsoft Teams and Google Meet, enabling flexible participation from geographically diverse entrepreneurs. Interviews lasted 60 to 120 minutes, were fully recorded, and transcribed verbatim for analysis.

The aim of the research was to examine SMEs in the sustainable fashion industry in the V4 countries. To this end, the target group of the research consisted of enterprises that are actively engaged in sustainable fashion practices. The subjects were selected through a purposive and expert-recommended sampling procedure, which ensured that relevant entrepreneurs with credible experience participated in the research. Potential interviewees were selected through Fashion Revolution's professional network. Fashion Revolution is a global organisation working to make the fashion industry more sustainable and ethical and is considered a credible player in shaping the international dialogue on sustainable fashion (Fashion Revolution, 2025). The organisation's Country Coordinators at national level play a key role in promoting sustainable fashion by supporting local sustainability initiatives, building a professional community and identifying sustainable brands and businesses, launching annual reports. In each of the

countries interviewed, the entrepreneurs were selected based on recommendations from Fashion Revolution's Country Coordinators. Sample is presented in Table 6.

Table 6. Sample characteristics

	<b>Country</b>	<b>Type of Initiative</b>	<b>Sector</b>	<b>Target Market</b>	<b>Date Established</b>	<b>Size (N of Employees)</b>
<b>A</b>	HUN	Ltd.	Clothing, accessories and home	Men, women, children	2008	50-100
<b>B</b>	HUN	Social Enterprise	Clothing, accessories	Men and women	2017	10-25
<b>C</b>	HUN	Ltd.	Clothing, accessories	Men and women	2018	10-25
<b>D</b>	HUN	Ltd.	Clothing, accessories and home	Men and women	2009	10-25
<b>E</b>	HUN	Ltd.	Clothing	Women	2013	25-50
<b>F</b>	HUN	Ltd.	Clothing	Women	1992	25-50
<b>G</b>	HUN	Social Enterprise	Clothing, accessories	Men and women	2013	25-50
<b>H</b>	PL	Ltd.	Clothing	Women	2011	10-25
<b>I</b>	PL	Ltd.	Clothing	Men and women	2014	100+
<b>J</b>	PL	Ltd.	Clothing	Men and women	2015	50-100
<b>K</b>	PL	Ltd.	Clothing, accessories	Women	2019	10-25
<b>L</b>	PL	Social Enterprise	Clothing, accessories	Women	2014	25-50
<b>M</b>	PL	Social Enterprise	Clothing	Men and women	2015	10-25
<b>N</b>	PL	Ltd.	Clothing	Women	2018	50-100
<b>O</b>	SK	Ltd.	Clothing, accessories	Men, women, children	2008	50-100
<b>P</b>	SK	Ltd.	Clothing, accessories	Men, women, children	2007	25-50
<b>Q</b>	SK	Ltd.	Clothing, accessories	Men, women, children	2015	25-50
<b>R</b>	SK	Ltd.	Clothing, accessories	Men and women	2011	50-100
<b>S</b>	SK	Social Enterprise	Clothing	Women	2017	10-25
<b>T</b>	SK	Ltd.	Clothing, accessories	Men and women	2018	100+
<b>U</b>	SK	Ltd.	Clothing	Women	2017	10-25
<b>V</b>	CZ	Social Enterprise	Clothing, accessories and cosmetics	Women	2002	10-25
<b>X</b>	CZ	Ltd.	Clothing	Men and women	2018	50-100
<b>Y</b>	CZ	Ltd.	Clothing, accessories	Women	2019	25-50
<b>Z</b>	CZ	Ltd.	Clothing	Men and women	1999	25-50

<b>AA</b>	CZ	Social Enterprise	Clothing, accessories	Women and children	2003	25-50
<b>BB</b>	CZ	Ltd.	Clothing, accessories	Men and women	2015	25-50
<b>CC</b>	CZ	Ltd.	Clothing	Women	2014	50-100

The selection of SME owner-managers as respondents is grounded in the findings of Baden et al. (2009) and Saveanu et al. (2021). In SMEs, owner-managers strongly influence company behaviour, making their sustainability or CSR orientation directly observable in business practices. Managerial actions are shaped by established norms and external policies. In SMEs, managerial perspectives often reflect the entire firm, unlike in large corporations where they represent individual roles. Owner-managers are primary sources of reliable information, as they directly drive CSR engagement in SMEs. Additionally, credibility considerations also influenced the decision to interview managers.

### **3.5. Coding process**

The thematic analysis used in the research was designed to systematically process the interviews within a predefined theoretical framework. The coding process was not linear but was carried out in parallel and feedback analysis cycles, allowing for a continuous comparison of the data and the systematisation according to theoretical models. The first step was to structure and pre-categorise the interview transcripts. In line with the conceptual framework defined based on the literature, the codes were structured according to five main themes: corporate sustainability and CSR, sustainability barriers and drivers, SDGs application, sustainable business models, and future trends. During the first readings, I broke down the interview text into sub-parts along these categories, fitting each statement into the conceptual framework I had previously defined.

In the second stage, I reviewed each interview several times, focusing only on one thematic dimension, to validate the data set and ensure its consistency. This approach allowed me to compare the narratives associated with each theme and to focus on the logical relationships identified by the theoretical models. After identifying the key terms associated with each theme, I linked the relevant passages back to the original literature categories, examining whether the models articulated in the theories were indeed reflected in the interviewees' experiences. I used NVivo 12 software to structure the data and organise the coding process. NVivo enabled the texts to be processed quickly and accurately according to thematic categories, ensuring that each code was consistently

mapped to the theoretical framework (Carmichael & Cunningham, 2017). During the coding process, particular care had to be taken to ensure that the codes did not overlap literally, which posed a significant challenge for interpretation. In order to avoid overlap between similar themes and concepts, differentiation of codes required continuous feedback to ensure that they were clearly distinguished from each other while still fitting within the research framework.

The third step was to examine the deeper context within the theoretical framework. Those codes that, although belonging to the pre-defined categories, did not fully fit the original theoretical models were subjected to a separate analysis. In such cases, I applied the theoretical concepts in an interpretative way to see whether the concept was implicit in the text or whether another approach in the literature would more accurately describe the entrepreneurial experience. During this process, certain predefined codes proved to be inapplicable, as the narratives of the interviewees deviated from the structures outlined by the theoretical models. Consequently, some of the initially assigned codes had to be modified, and new codes were created, which were developed by considering the qualitative analysis of the interviews together with the literature.

In the final stage, each thematic group was collated, structured and the interrelated codes were linked. This procedure ensured that the information relevant to the research questions was organised into clearly delineated thematic units, allowing for a logical structure for the next phase of analysis, the interpretation of the results. The final and applied code list is presented in Figure 13.

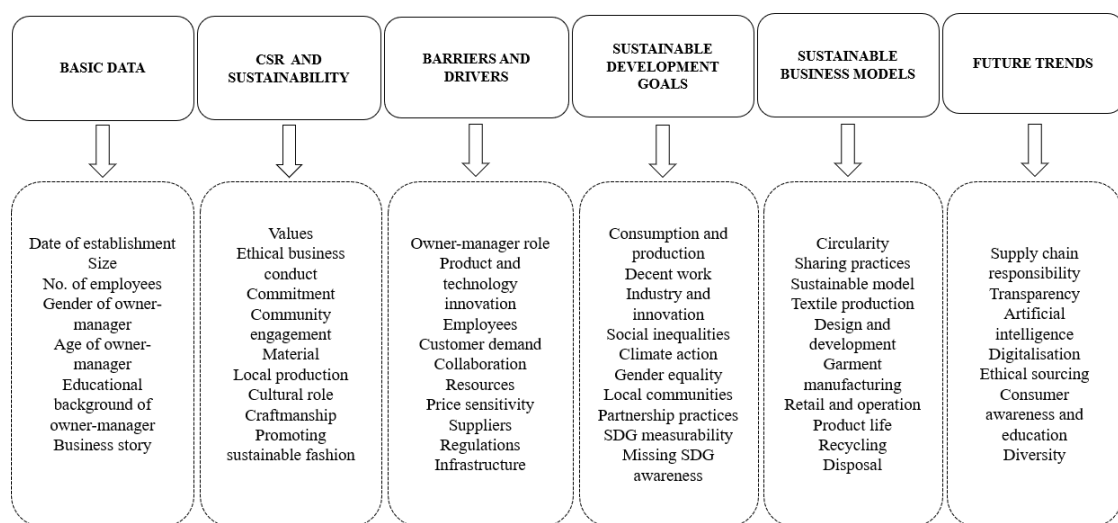


Figure 13. Code structure

### **3.6. Data analysis and interpretation**

Following the completion of the coding process, a thorough thematic analysis was carried out to identify and interpret recurring patterns within the data in relation to the study's research questions. The thematic analysis followed the structured process outlined by King & Brooks (2018). The thematic analysis aimed to provide a deeper interpretation of the results of the inductive coding by examining the patterns and thematic relationships identified from the interviews. The analysis process followed the structured procedure described by King & Brooks (2018), which involved exploring, reviewing, fine-tuning and interpreting the interrelationships between themes. In analysing the coded data, I examined the interactions and overlaps between themes, taking into account the coherence between theoretical frameworks and empirical findings. In deeper interpretation of the data, I examined the ways in which each theme related to the research questions and the extent to which theoretical models described empirically explored processes. The next step in the analysis was a hierarchical classification of the themes, in which I grouped the interrelated codes into higher-level categories.

The dissertation identifies several challenges related to data collection and analysis. Accessing consistent CSR data on SMEs is particularly difficult, as fashion-sector SMEs often lack formal strategies or avoid disclosure due to limited resources, regulatory exemptions, or a focus on operational survival over reporting (Santos, 2011). Unlike larger corporations that publish regular CSR reports, SME data remain scarce and fragmented. As a result, researchers often rely on interviews, surveys, or case studies, limiting the scope and generalisability of findings (Baden et al., 2009).

In the V4 countries, data collection is further complicated by language differences and uneven digital infrastructure. While Poland and Hungary have made progress in digitising business data, comparable information from Slovakia and the Czech Republic remains limited, especially in English. The lack of harmonised CSR standards across the V4 region also hinders cross-country comparability, as definitions and metrics vary widely. Fashion SMEs face sector-specific challenges due to fluctuating market demands and short, fast-fashion-driven product cycles. Such a business environment prioritises short-term adaptability over structured sustainability reporting, discouraging detailed disclosures that may expose environmental or social shortcomings (Brydges, 2018).

Qualitative research in this sector also involves subjectivity, as SMEs may provide socially desirable answers under consumer and regulatory pressure (Van de Ven & Poole,

1995). Varying stakeholder definitions of CSR further complicate interpretation, affecting the reliability and validity of findings.

### **3.7. Ethical consideration, validity and reliability**

Ethical compliance and data validity were prioritised throughout the research. In the email invitation, interviewees received detailed information on the research purpose, methodology, and publication in the PhD thesis. Participants had the option of anonymity, requested by 11 of 28 interviewees, with one additional participant requesting anonymization of product names. Participation was entirely voluntary, with no coercion or pressure, and interviewees could withdraw at any time. The research process ensured participants' physical and psychological safety and adhered to ethical standards. Avoiding conflicts of interest safeguarded research independence and objectivity (Mirza et al., 2023).

To ensure internal validity, research questions were structured around a theoretical framework based on sustainability and CSR models, ensuring responses aligned with the research problem. Providing transparent information throughout the process ensured that participants fully understood the purpose of the research leading to unbiased and authentic data. Validity was further supported by the sampling strategy, targeting SME owners and managers actively engaged in sustainable business. The geographic distribution of interviews and company size diversity allowed broader interpretation of sustainability practices in the V4 countries. Reliability was ensured through multiple levels of verification, maintaining consistency and reproducibility in data processing. To enhance test-retest reliability, interviews underwent multiple rounds of analysis and verification, ensuring consistent coding of narratives within the same themes. Throughout the analysis, each code and theme were continuously compared to the theoretical framework, ensuring conceptual consistency across interviews (Roberts & Priest, 2006).

## 4. Research results

This chapter outlines the key findings of the study, offering an in-depth analysis of CSR, sustainability, and related practices among fashion SMEs in the V4 countries.

### 4.1. CSR and sustainability definitions and interpretations

In this chapter, it is introduced how fashion SMEs in the V4 understand the concept of CSR and corporate sustainability and how businesses define these concepts in the context of their own operations and the emphasis they place on each aspect.

#### 4.1.1. CSR definition and interpretation in V4 sustainable fashion SMEs

An analysis of the definitions and approaches to CSR in the fashion SMEs of the V4 shows that the concept of CSR is not universal but varies considerably from one business to another. Table 7 presents the typical ways in which owner-managers of V4 sustainable fashion SMEs interpret the concept CSR. Detailed CSR approaches are presented in Annex 4.

Table 7. CSR interpretation according to V4 sustainable fashion SMEs' owner-managers (source: own compilation)

SME	CSR DEFINITION
A	<i>"We view CSR as a way to operate responsibly within the context of both local and global challenges, while ensuring that our work contributes positively to society."</i>
B	<i>"CSR is this huge, formal idea, and what we do is... smaller, more hands-on..." What I think it is rather shared responsibility..."</i>
C	<i>"CSR is about making decisions that positively impact not just our immediate business but also the broader community and environment."</i>
D	<i>"CSR is woven into the very fabric of our brand..."</i>
E	<i>"CSR is rooted in our commitment to a more sustainable fashion model."</i>
F	<i>"Defines not just what we do but who we are as a brand."</i>
G	<i>"Practicality and multifunctionality were always key for me... It's about encouraging people to buy fewer, smarter items that truly serve them."</i>
H	<i>"We don't just make clothes; we create a whole ecosystem where every step respect people and the planet."</i>
I	<i>"CSR, for us, it's—how do you say—natural part of what we do."</i>
J	<i>"It's about...being honest with what we do and, like, making things better, not worse. We focus on transparency."</i>
K	<i>"We believe that being "well dressed" isn't just about following the latest trends...CSR means creating environmentally friendly garments in a conscious, sustainable way." ... "Also, we aim to donate 1% of the annual turnover from sales of environmentally friendly clothing to environmental protection organisations."</i>
L	<i>"CSR is about bringing that spirit of old craftsmanship into modern fashion."</i>
M	<i>"How we do... things good for people and earth."</i>

<b>N</b>	<i>“Is not just a term or a strategy—it’s kind of a, hmm, a living philosophy. You know, we see CSR as this, um, dynamic intersection of ethical production, innovative design, and creating garments.”</i>
<b>O</b>	<i>“It’s embedded in our values, especially because we are deeply rooted in the local economy here in Slovakia.... designing “one size” garments is a kind of CSR because it means less waste and more inclusivity.”</i>
<b>P</b>	<i>“CSR is deeply personal—it’s a promise to children and their families. For us, CSR is about designing clothing that embodies care, quality, and responsibility.”</i>
<b>Q</b>	<i>“Is about ownership—taking responsibility for the impact we have as a business.”</i>
<b>R</b>	<i>“An efforts; it’s the thread that holds everything together. We call it “conscious creation,” deeply tied to the Slovak ethos of resourcefulness and interconnectedness.”</i>
<b>S</b>	<i>“I would rather call it moral integrity sewn into fabric. For me, it’s about infusing my designs with a sense of responsibility.”</i>
<b>T</b>	<i>“CSR, to me, is a bit of a buzzword, to be honest. I think it’s more of a checklist that some businesses tick off just to say they’re doing something.”</i>
<b>U</b>	<i>“It’s about pioneering innovative approaches to fashion that go beyond just making clothes...and collaboration for sure.”</i>
<b>V</b>	<i>“Showing that as a company, we care about more than just making a profit. It’s about giving back to the community, treating our workers well, and doing the right thing even when nobody’s watching...” We have “CSR initiatives like charity donations or community projects”</i>
<b>X</b>	<i>“CSR is about changing the entire lifecycle of clothing.”</i>
<b>Y</b>	<i>“Responsibility for people, the world, and... we care about, the workers, they must be treated good.”</i>
<b>Z</b>	<i>“For us...like respecting others.”</i>
<b>AA</b>	<i>“It’s about being present in the local context, respecting Czech tradition.”</i>
<b>BB</b>	<i>“...the context of our company, I believe it’s not just about doing good for the sake of marketing”</i>
<b>CC</b>	<i>“We care about people.”</i>

In the V4 countries' understanding of CSR for fashion SMEs, we can identify values-based operations, commitment to sustainability, ethical business conduct, community engagement and philanthropy, education and awareness raising, and the preservation of craft traditions (Figure 14).

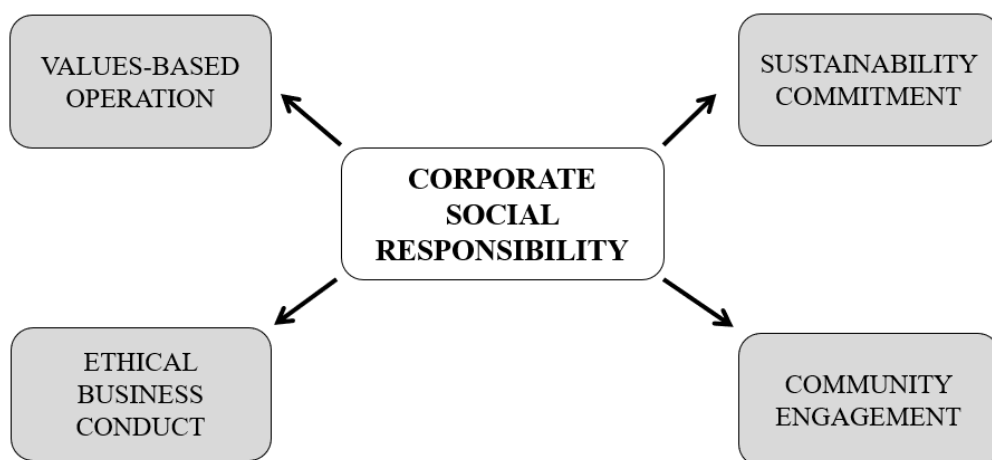


Figure 14. V4 sustainable fashion SMEs’ owner-managers’ conceptual map about CSR (source: own compilation)

#### **4.1.1.1. Values-based operation**

CSR practices are naturally integrated into the company's day-to-day operations and value creation. For many small fashion businesses, CSR is not a separate initiative but an integral part of their identity and operations. As Company B puts it: *“For us, it's not about ticking boxes or making a statement; it's just part of how we work.”* Similarly, Company C states: *“CSR is not a side project; it's the foundation of how we operate and communicate our values,”* while Company D emphasises that *“CSR is woven into the very fabric of our brand.”*

In these companies, CSR defines actions and identity, as Company F notes: *“It defines not just what we do but who we are as a brand.”* This deep integration is echoed by Company I: *“CSR, for us, it's—how do you say—[a] natural part of what we do.”* For Company N, it is even more than a strategy—it is *“not just a term or a strategy—it's kind of a, hmm, a living philosophy... a dynamic intersection of ethical production, innovative design, and creating garments.”*

This value-driven mindset is also reflected in how some companies embed CSR into local and inclusive practices. As Company O shares: *“It's embedded in our values, especially because we are deeply rooted in the local economy here in Slovakia... designing ‘one size’ garments is a kind of CSR because it means less waste and more inclusivity.”* Together, these statements reveal a vision of CSR as an authentic, embedded philosophy—a natural extension of business values, identity, and everyday practices in the world of small fashion enterprises.

#### **4.1.1.2. Ethical business conduct**

Small fashion businesses often reflect on fundamental moral questions, explicitly express core ethical values, and emphasise the role of key stakeholders. This perspective goes beyond compliance or image-building and instead engages with deeper questions of what is right, good, and fair in the context of business.

Several fashion SMEs articulate the ethical foundation of their business conduct by engaging with the core question of what constitutes “good” or “right” behaviour. As Company M puts it simply: *“How we do... things good for people and earth.”* Company BB clearly rejects superficial motivations: *“...the context of our company, I believe it's not just about doing good for the sake of marketing.”* This ethical foundation is further conceptualized by Company N, who describe CSR as a living, value-driven practice: *“It's*

*not just a term or a strategy—it's kind of a, hmm, a living philosophy. You know, we see CSR as this, um, dynamic intersection of ethical production, innovative design, and creating garments.*" Company S expresses this moral grounding metaphorically: *"I would rather call it moral integrity sewn into fabric. For me, it's about infusing my designs with a sense of responsibility."* Company B connects this ethos to a shared societal role: *"CSR is this huge, formal idea, and what we do is... smaller, more hands-on... What I think it is rather shared responsibility..."*

The CSR definitions articulated by fashion SMEs reflect a broad set of ethical values, including respect, care, honesty, trust, fairness, and transparency. Respect appears as a foundational value: *"We don't just make clothes; we create a whole ecosystem where every step respect people and the planet."* (Company H). *"For us... like respecting others."* – Company Z. Care is particularly emphasised in relation to people and purpose: *"CSR is deeply personal—it's a promise to children and their families. For us, CSR is about designing clothing that embodies care, quality, and responsibility."* (Company P). *"Showing that as a company, we care about more than just making a profit. It's about giving back to the community, treating our workers well, and doing the right thing even when nobody's watching..."* (Company V). *"We care about people."* – Company CC. Honesty and transparency appear as closely linked values: *"It's about...being honest with what we do and, like, making things better; not worse. We focus on transparency."* – Company J. *"CSR for us is creating a transparent system where waste becomes resources."* – Company X. Trust is especially relevant in supply chain relationships: *"Building trust with our suppliers ensures both quality and ethical proof."* – Company K. Fairness is reflected in pricing, sourcing, and wage practices: *"We explain to our customers why our prices might be higher than fast fashion—it's because we pay fair wages, use high-quality sustainable fabrics, and avoid wasteful production."* (Company I). *"We have faced criticism for promoting fair trade but struggled to ensure full compliance across all our suppliers."* – Company O.

Fashion SMEs also demonstrate ethical sensitivity by explicitly referencing key stakeholder groups in their CSR definitions, including workers, customers, women, NGOs, and vulnerable communities. For instance, Company B highlights support for civil society and gender rights: *"Our annual charity fairs raise funds for various NGOs, which advocates for women's rights."* Similarly, Company F emphasises systemic and inclusive change: *"CSR is rooted in creating long-lasting change, whether that's through*

*empowering women, supporting sustainable business practices, or standing with vulnerable communities in their time of need.*” Company Y stresses the humane treatment of workers: *“Responsibility for people, the world, and... we care about, the workers, they must be treated good.”* And Company G links ethical production to customer empowerment and conscious consumption: *“Practicality and multifunctionality were always key for me... It’s about encouraging people to buy fewer, smarter items that truly serve them.”*

#### **4.1.1.3. Sustainability commitment**

The evaluation of SMEs extends beyond financial performance, encompassing their environmental and social contributions as well. This perspective can be captured through three interrelated dimensions: adopting a forward-looking mindset, recognising broader societal and ecological impacts, and integrating sustainable operational practices. Within a long-term orientation, CSR is perceived as a future-focused commitment aimed at generating enduring positive outcomes. As Company E puts it: *“CSR is rooted in creating long-lasting change, whether that’s through empowering women, supporting sustainable business practices, or standing with vulnerable communities in their time of need.”* Similarly, Company Q highlights the importance of long-term outcomes: *“Educating the community about sustainability ensures long-term impact beyond our business.”*

The environmental and social impact approach emphasises the wider implications of business operations, including their effects on local communities, ecological systems, and societal dynamics. As Company A explains: *“We view CSR as a way to operate responsibly within the context of both local and global challenges, while ensuring that our work contributes positively to society.”* Also: *“CSR is about creating meaningful value that respects our community and the environment.”* Company C adds: *“CSR is about making decisions that positively impact not just our immediate business but also the broader community and environment.”* According to Company H: *“We don’t just make clothes; we create a whole ecosystem where every step respect people and the planet.”* Company K frames it in the context of fashion: *“We believe that being ‘well dressed’ isn’t just about following the latest trends...CSR means creating environmentally friendly garments in a conscious, sustainable way.”* Company M sums it up concisely: *“How we do... things good for people and earth.”* Company Q emphasises the importance of awareness and agency: *“It’s about ownership—taking*

*responsibility for the impact we have as a business.*” Company Y adds: *“Responsibility for people, the world, and... we care about, the workers, they must be treated good.”*

The sustainability commitment of these companies is clearly reflected in their tangible day-to-day operations. As Company F describes: *“CSR is rooted in our commitment to a more sustainable fashion model.”* Company G encourages conscious consumption: *“Practicality and multifunctionality were always key for me... It’s about encouraging people to buy fewer, smarter items that truly serve them.”* Company M emphasises waste reduction through creative reuse: *“We use fabric scraps to create accessories, ensuring nothing goes to waste,”* which aligns with Company X’s approach: *“CSR for us is creating a transparent system where waste becomes resources.”* Company U stresses innovation and collaboration: *“It’s about pioneering innovative approaches to fashion that go beyond just making clothes... and collaboration for sure.”* Finally, Company X outlines a holistic shift in mindset: *“CSR is about changing the entire lifecycle of clothing.”*

#### **4.1.1.4. Community engagement**

Several companies emphasise creating meaningful value for communities, extending beyond the boundaries of their core business. As Company A explains: *“CSR is about creating meaningful value that respects our community and the environment.”* Similarly, Company C articulates a broad, inclusive approach: *“CSR is about making decisions that positively impact not just our immediate business but also the broader community and environment.”*

However, the frequency and depth of engagement varies. A Hungarian SME acknowledged: *“We focus on community projects primarily during holiday seasons to boost visibility.”* (Company E)

Company Q highlights the importance of knowledge sharing and awareness-building: *“Educating the community about sustainability ensures long-term impact beyond our business.”* Meanwhile, Company R fosters local skill development and togetherness: *“Our sewing workshops teach valuable skills but like also foster a sense of community.”* Other enterprises speak of giving back as a core driver of their operations. As Company V puts it: *“Showing that as a company, we care about more than just making a profit. It’s about giving back to the community, treating our workers well, and doing the right thing*

*even when nobody's watching...*” They add: *“We have CSR initiatives like charity donations or community projects.”*

Beyond active engagement, the practice of charity is also explicitly integrated into CSR interpretations. Company K makes a direct link between sales and environmental support: *“Also, we aim to donate 1% of the annual turnover from sales of environmentally friendly clothing to environmental protection organisations.”* Similarly, philanthropic activities, such as NGO fundraising, arise from immediate social needs rather than structured CSR strategies. During the COVID-19 pandemic and the Ukrainian crisis, several companies participated in fundraising and mask production. As Company F notes: *“Our annual charity fairs raise funds for various NGOs, which advocate for women's rights.”* Charitable activities can include monetary donations, material support or professional assistance that contributes to the company's positive social impact. Company F also frames CSR as a long-term contribution to societal change, especially for marginalised groups: *“CSR is rooted in creating long-lasting change, whether that's through empowering women, supporting sustainable business practices, or standing with vulnerable communities in their time of need.”*

#### **4.1.2. Sustainability definition and interpretation in V4 sustainable fashion SMEs**

V4 sustainable fashion SMEs' understandings of sustainability are deeply embedded in local economic, cultural, and social contexts while also reflecting global sustainability discourse. The owner-managers' interpretations of sustainability have been thematized and structured according to the classical sustainability framework: economic, environmental, and social dimensions (Table 8). Detailed sustainability approaches are presented in Annex 5.

Table 8. Sustainability interpretation according to V4 sustainable fashion SMEs' owner-managers (source: own compilation)

<b>SME</b>	<b>SUSTAINABILITY DEFINITION</b>
<b>A</b>	<i>“Creating things that last, with minimal impact on the environment, while staying true to our creative roots.”</i>
<b>B</b>	<i>“It's really about slowing things down—like using materials that already exist, whether that's leftover fabrics or clothes people bring in to repurpose”</i>
<b>C</b>	<i>“Creating fashion that respects the planet, empowers people, and tells a story of craftsmanship...Sustainability also means embracing transparency.”</i>
<b>D</b>	<i>“Goes beyond just using organic cotton or recycled fabrics. It is rooted in the concept of creating lasting value—both for the environment and society. Sustainability is our way of bringing the past into the future...”</i>

<b>E</b>	<i>"Is all about creating clothes that don't just follow fleeting trends but are designed with longevity in mind."</i>
<b>F</b>	<i>"Sustainability means creating fashion that is beautiful and functional, and conscious and ethical. It begins with the choice of materials."</i>
<b>G</b>	<i>"Sustainability is mostly about how we design and create...with versatility in mind."</i>
<b>H</b>	<i>"Creating clothes that matter—not just for one season but for years."</i>
<b>I</b>	<i>"We make clothes, but they're not just clothes; they carry a story, a purpose. For me, sustainability means creating something that lasts, not just physically but also emotionally."</i>
<b>J</b>	<i>"You know, it's about being careful.... We keep our collections complementary, so the pieces fit together, and we use vegan leather and focus on local production."</i>
<b>K</b>	<i>"It's about creating capsule wardrobes that free you from relentlessly following trends."</i>
<b>L</b>	<i>"This is sustainability to me—thinking not just of the product, but its journey, its future."</i>
<b>M</b>	<i>"Upcycling, zero-waste."</i>
<b>N</b>	<i>"For us, it's also about circularity—turning post-consumer textile scraps into entirely new garments through a special enzymatic fibre-rebonding process. The modular design allows us to reconfigure the space with each collection, avoiding wasteful retail practices while, let's say, giving customers a sensory experience of sustainability. It's about integrating every detail!"</i>
<b>O</b>	<i>"It's this circular approach—we even use leftover fabric scraps to make smaller items like accessories."</i>
<b>P</b>	<i>"It's about creating clothes that are timeless, such as our signature one-size-fits-multiple-years designs, which adapt as children grow."</i>
<b>Q</b>	<i>"Sustainability means prolonging the life of what already exists."</i>
<b>R</b>	<i>"Sustainability, to me, is legacy in action. It's ensuring that the work we do today isn't just a short-term fix but a foundation for future generations."</i>
<b>S</b>	<i>"That resourcefulness stayed with me and became part of how I think about design."</i>
<b>T</b>	<i>"...being sensible with the resources we have..."</i>
<b>U</b>	<i>"Sustainability for us goes far beyond minimising environmental harm. It's about constantly pushing the boundaries of what's possible."</i>
<b>V</b>	<i>"Being smart and thinking long term. It's the real backbone of our business."</i>
<b>X</b>	<i>"To us, is about circularity—we design every piece of clothing to be recycled infinitely."</i>
<b>Y</b>	<i>"Sustainability... yes, it's, the way we do business, no waste, no, plastic. Eco-friendly materials, like, Tencel, bamboo fabric and ECOVERO."</i>
<b>Z</b>	<i>"...taking a step back and looking at how we... create without destroying..."</i>
<b>AA</b>	<i>"Is something we live daily. It's not just about using eco-friendly materials or having a green label. No, it's about building a business model that lasts, one that isn't tied to short-term trends or wasteful production."</i>
<b>BB</b>	<i>"The ability to create products that are eco-friendly and ensure that they will have a minimal environmental impact throughout their lifecycle."</i>
<b>CC</b>	<i>"Sustainability is about keeping things good for the future. Our clothes are made to last."</i>

For fashion SMEs, ""sustainability for us goes far beyond minimising environmental harm" (Company U) and that means "...taking a step back and looking at how we... create without destroying..." (Company Z). Fashion SMEs' understanding of sustainability clearly reflects a future orientation: "Being smart and thinking long term. It's the real

*backbone of our business.*" (Company V). *"Sustainability is about keeping things good for the future. Our clothes are made to last."* (Company CC) This is very important from an environmental, social and economic point of view. The most relevant factors in the SMEs' understanding of sustainability in the economic pillar are optimising resources and the local production. In the environmental pillar, design and small-scale production and material and circularity. In the social pillar, cultural heritage and craftsmanship and consumer education, promoting sustainable consumption. This is summarised in the conceptual map (Figure 15).

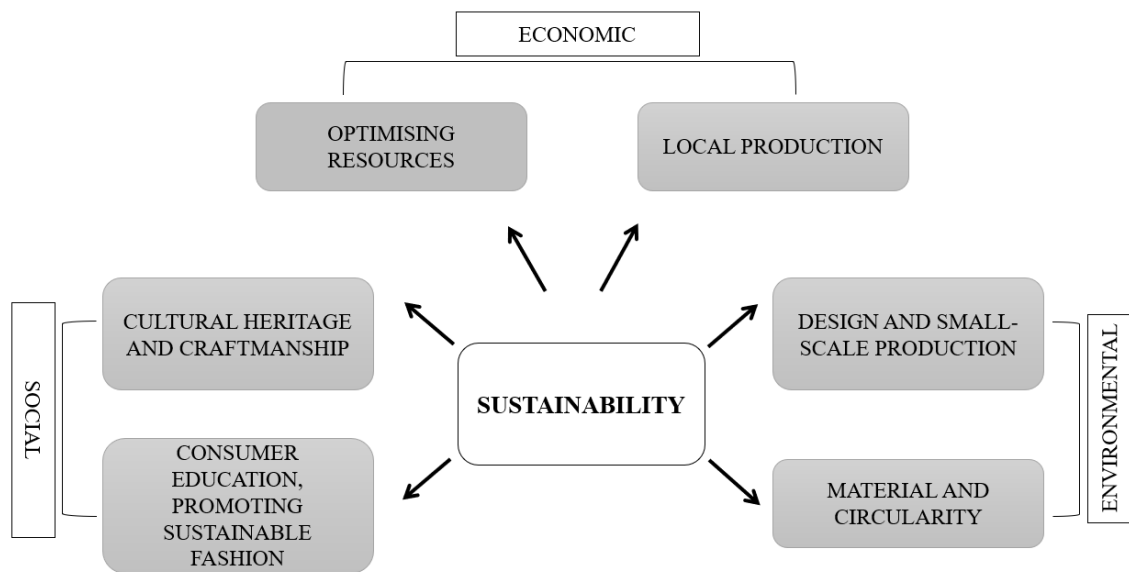


Figure 15. V4 sustainable fashion SMEs' owner-managers' conceptual map about sustainability (source: Körtvési&Szegedi,2025)

#### 4.1.2.1. Environmental

##### Material and circularity

Interviewees frequently highlighted high-quality, sustainable fabrics. *"Sustainability starts with the materials we choose - for example, recycled fabrics, organic cotton."* (Company A) The focus on durability and timelessness aligns with the slow fashion movement, advocating reduced consumption and longer product lifespan. The owner-manager of Company F agrees: *"Sustainability means creating fashion that is beautiful and functional, and conscious and ethical. It begins with the choice of materials."*

Respondents emphasised that investment in innovation and long-term planning is essential for improving material efficiency. They highlight the use of *"eco-friendly*

*materials*” (Company AA, Company Y), such as *“...organic cotton or recycled fabrics”* (Company D), or *“vegan leather”* (Company J), *“flax and hemp”* (Company R), and *“Tencel, bamboo fabric and ECOVERO”* (Company Y). Company L said that *“We use digital platforms for sourcing materials to make it easier to find sustainable alternatives, such as innovative recycled textiles or materials with a smaller ecological footprint.”*

A very important aspect of sustainability is *“thinking not just of the product, but its journey, its future.”* (Company L). *“Upcycling, zero waste.”* (Company M) and in general *“...prolonging the life of what already exists.”* (Company Q) For Company X, sustainability is about designing *“...every piece of clothing to be recycled infinitely.”* It's essential to use materials that already exist, *“... whether that's leftover fabrics or clothes people bring in to repurpose”* (Company B). Company O considers it important *“...to even use leftover fabric scraps to make smaller items like accessories.”* (Company O). *“For us, it's also about circularity—turning post-consumer textile scraps into entirely new garments through a special enzymatic fibre-rebonding process.”* (Company N)

To reduce textile waste, numerous SMEs have implemented systems that enable consumers to return used garments for recycling. In parallel, digital technologies—such as smart manufacturing solutions and tools for tracking material flows—have become essential in supporting the efficient and sustainable use of resources.

### **Design and small-scale production**

Product longevity emerged as a key dimension of sustainability, with many SMEs emphasising durable, timeless designs that transcend seasonal trends, encouraging mindful consumption. This reflects a shift from fast fashion, which prioritises speed and volume over quality.

For many SMEs, sustainability is deeply rooted in how they approach design and production. As Company G puts it, *“Sustainability is mostly about how we design and create... with versatility in mind.”* This principle of thoughtful creation is echoed across various brands that prioritise longevity, adaptability, and reduced waste in their practices. At Company S, the focus on resourceful thinking has shaped their entire design philosophy: *“This ingenuity has stayed with me and has become part of my thinking about design.”* Similarly, Company J emphasises harmony and continuity in their collections: *“We keep our collections complementary so that the pieces fit together.”* Instead of chasing short-lived trends, Company K aims to liberate consumers through curated minimalism: *“It's about creating capsule collections that free you from the relentless*

*pursuit of trends.*” The idea of multifunctionality and long-term use is also central to Company P, who notes: *“It's about creating garments that are timeless, such as our distinctive, one-size-fits-all, multi-seasonal designs that adapt as children grow.”*

Beyond the garments themselves, sustainable design can extend to the retail experience. Company N incorporates modularity in product and in space equally: *“Modular design allows us to reconfigure the space with each collection, avoiding wasteful retail practices while, say, giving shoppers a sensory experience of sustainability. It's about integrating every detail!”* These insights reveal how sustainability in fashion SMEs is a value, and a design strategy—embedded in every choice from concept to customer experience.

#### **4.1.2.2. Social pillar**

##### **Cultural heritage and craftsmanship**

The interview findings suggest that sustainability in the V4 region is closely tied to local cultural and social values. Sustainability is *“creating things that last, with minimal impact on the environment, while staying true to our creative roots.”* (Company A). Several respondents emphasised that preserving local craft traditions is a key sustainability strategy, particularly in regions with strong textile heritage. For a Hungarian company, it's important *“creating fashion that respects the planet, empowers people, and tells a story of craftsmanship...”* (Company C) As Company O described, *“We are deeply connected to the local economy here in Slovakia, maintaining the textile heritage of the region.”* This perspective reflects cultural capital, where sustaining local craftsmanship generates both economic and cultural value. Interviewees also highlighted the importance of supporting local communities and shortening supply chains, which provide both economic resilience and sustainability benefits. As Company P put it, *“We shorten supply chains, reduce output, and support the local economy.”* Respondents viewed this localised production approach as a strategy to strengthen both businesses and communities, ensuring long-term viability.

##### **Consumer education, promoting sustainable fashion**

Many SMEs perceive sustainability as an operational principle influence consumer behaviour. By educating customers on the environmental and social impact of their purchases, businesses seek to foster responsible consumption. Initiatives such as workshops, transparency in production, and informative labelling are common strategies.

Understanding sustainability is crucial in shifting consumer habits. According to Companies B and F, promoting sustainable consumption is a key priority. Company B states: *"By showing people how to sew, repair, or create something new, we're helping them connect with their clothes in a more meaningful way."* Businesses encourage conscious consumption through education, transparency, and informative labels. Company F also reflects this perspective: *"We believe in promoting conscious consumption by educating our customers about the environmental cost of fashion."*

#### **4.1.2.3. Economic pillar**

##### **Optimising resources**

Sustainability is about *"...building a business model that lasts, one that isn't tied to short-term trends or wasteful production."* (Company AA) Resource efficiency is viewed as both an environmental and economic necessity. SMEs strive to minimise production losses through small-scale production and optimised material allocation. *"Optimising our material use helps us remain profitable, but without proper innovation funding, achieving full efficiency is challenging."* (Company O) Interviewees agreed that resource optimisation supports economic sustainability but requires strategic investment and innovation. Respondents emphasised that sourcing sustainable materials and integrating circular practices reduce material costs and inventory risks over time.

##### **Local production**

Many respondents highlighted that local production and short supply chains reduce transport costs and enable faster responses to changing demand patterns. As Company C stated, *"Local production allows us to respond quickly to changes in demand while avoiding excess inventory and overproduction."* There was no direct mention of economic sustainability in the interviews, as entrepreneurs did not explicitly refer to financial stability, investment allocation, or profitability as sustainability issues. However, several interviewees indirectly addressed economic factors, such as the cost-effectiveness of local production, the financial benefits of waste reduction, and the long-term viability of sustainable business models.

Respondents highlighted that small-scale production lowers transport costs and strengthened regional economic growth, while resource optimisation and circular practices help reduce operating expenses. These strategies were seen as essential for maintaining competitiveness and ensuring long-term market stability. Entrepreneurs also

emphasised that sustainability serves as a market differentiator, enabling fashion SMEs to attract environmentally conscious consumers and establish a unique competitive position. Some interviewees noted that ongoing investment in sustainability-driven innovation is necessary to stay competitive as sustainability practices become industry norms.

While immediate financial returns are not always evident, the interviews suggest that sustainability investments contribute to long-term brand value, customer loyalty, and market resilience. Owner-managers emphasise that although *“Sustainability is great, but it's not always what sells immediately”* (Company J) it plays a crucial role in building authentic consumer relationships and securing future competitiveness. By fostering trust, optimising resources, and reducing supply chain risks, sustainability is increasingly seen as a strategic investment rather than a cost — one that ensures long-term viability.

#### **4.1.3. CSR and sustainability as synonyms in V4 sustainable fashion SMEs**

The interviews and literature confirm that CSR and sustainability are closely linked in V4 sustainable fashion SMEs, often treated as synonymous. *“CSR and sustainability are deeply intertwined – one cannot truly exist without the other...”* (Company I). CSR and sustainability were observed in three key areas: environmental responsibility, social embeddedness, and market differentiation. Commitment to sustainability is linked to long-term business stability, achieved through material optimisation, shorter supply chains, and ethical sourcing. Transparency and responsible communication were consistently described as fundamental to building customer trust. *“We don't separate sustainability from CSR – it's an overarching framework that informs all our decisions.”* (Company H). The interviews reveal that fashion SMEs in the V4 region perceive sustainability as a market strategy rather than a structured balance of economic, social, and environmental factors. While businesses emphasised local economic engagement, ethical practices, and cultural heritage, economic sustainability was rarely framed in terms of financial stability or investment. Instead, sustainability was viewed as an inherent part of operations, with little focus on measuring social impact.

The interviews demonstrate that local production and cultural heritage preservation strongly link CSR and sustainability in the V4 countries. Collaboration with local suppliers, use of artisanal techniques, and strengthening community ties contribute to regional identity and market positioning. Respondents believe that leveraging local

resources offers both sustainability and economic benefits, such as reducing supply chain risks and improving market adaptability. *"Working with local artisans ensures the credibility of our products while reducing our carbon footprint – it's not just sustainability, it's responsible business."* (Company AA). The link between CSR and sustainability is also evident in education, particularly in raising consumer awareness. Interviewees actively promote sustainable fashion through workshops, transparent manufacturing demonstrations, and product labelling to influence consumer behaviour. Over time, such educational efforts can strengthen brand image and deepen consumer loyalty, while also appealing to ethically minded customers who are prepared to invest more in sustainable products. This contributes to building a distinctive competitive edge.

#### **4.1.4. Differences between CSR and sustainability in V4 sustainable fashion**

##### **SMEs**

The analysis of the interviews confirms that conceptual differences between CSR and sustainability were primarily noted among managers with limited understanding of CSR integration or differing business priorities. In these cases, business decisions and sustainability efforts focused mainly on environmental considerations, while CSR was seen as a broader framework centred on social responsibility. Several business leaders viewed CSR as a communication and reputation-building tool, whereas sustainability was described in terms of concrete operational activities like resource efficiency, waste reduction, and circular models. As a Hungarian interviewee stated: *"CSR is not a central element for us, sustainability has always been a priority."* (Company E) Similarly, a Czech entrepreneur explained: *"CSR is about the image of the company, sustainability is about how we operate."* (Company V) The interviews indicate that CSR is primarily linked to social engagement and ethical transparency, supporting sustainability goals, while sustainability is tied to concrete business practices like recycled materials and sustainable production models.

The interviews underscore the diverse ways CSR and sustainability are interpreted across V4 countries, with these national specificities presented in detail in Figure 16 and Figure 17:

- Hungary: Emphasis on local communities, crafts, and sustainable production models. The preservation of traditions was repeatedly emphasised. *"Sustaining textile heritage is almost a responsibility."* (Company B)

- Poland: Strong focus on ethical supply chains and sustainable materials. Company L highlighted the timelessness of handcrafted products and the importance of local production processes: *"We design pieces that are rooted in tradition but made for the future."*
- Slovakia: Characterized by inclusiveness and innovative sustainability approaches. Company T exemplified the use of leftover materials from high-fashion factories for meaningful production: *"We use leftover materials from high fashion factories to create something meaningful."* Social sustainability, such as supporting the local workforce, is also prominent.
- Czech Republic: CSR is more communication-focused, while sustainability is prioritised in product development and circular economy efforts. Company X described circular production as central to their sustainability approach: *"Sustainability for us is about circularity – we design every piece of clothing to be recycled infinitely."*

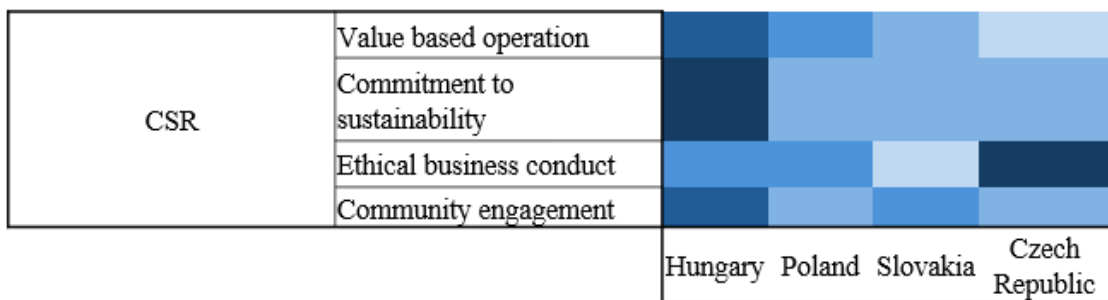


Figure 16. CSR interpretation by V4 sustainable fashion SMEs (source: own compilation)

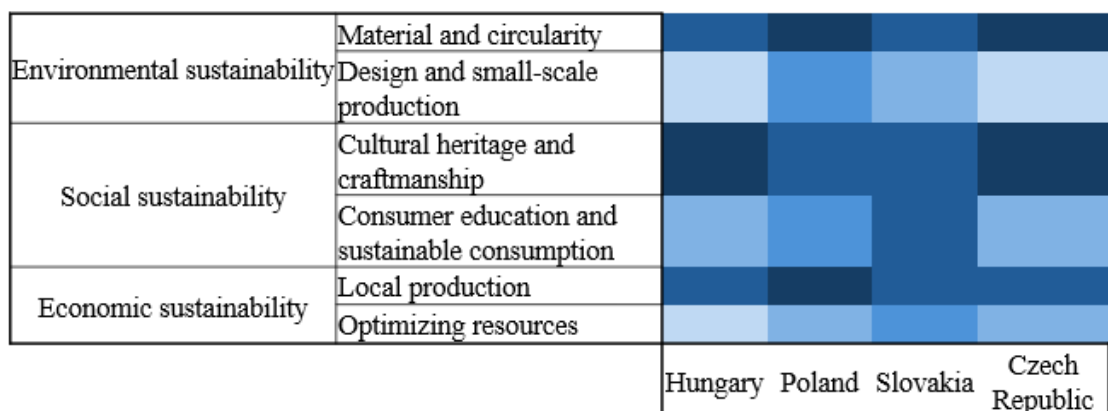


Figure 17. Sustainability interpretation by V4 sustainable fashion SMEs (source: own compilation)

## 4.2. Drivers and barriers influencing CSR and sustainability practices

This chapter presents the internal and external drivers and barriers that influence the implementation of CSR and sustainability practices among fashion SMEs in the V4 countries. The detailed mapping of interview quotations to both drivers and barriers is provided in Annex 6.

### 4.2.1. Internal drivers

#### Owner- manager personal value

Most businesses have embedded sustainability into their business model as a personal and cultural value base. Interviews indicate that ethical considerations and tradition preservation shape corporate decision-makers' philosophies. The integration of sustainability and CSR in V4 sustainable fashion SMEs is primarily driven by the personal values and management philosophy of owner-managers. Interviews confirmed that sustainability initiatives in the region, especially in Hungary and Slovakia, stem from founders' convictions rather than formalised CSR strategies. *"Design is not just aesthetics; we have to create solutions."* (Company T). This personal approach fosters strong brand loyalty and consumer trust yet can limit growth and innovation capacity if businesses remain overly dependent on owner-led decision-making. *"I wanted to create something that wasn't just about selling, but about teaching people to value what they already have."* (Company H)

Based on the findings, three strategic mechanisms define sustainability approaches in V4 sustainable fashion SMEs, in line with (Oldham, 2024) classification:

- Rational value sharing: this strategy can be observed mainly in Czech and Slovak fashion brands, where sustainability is perceived as a competitive advantage and a cost-efficiency tool. According to the interviews, the sourcing of sustainable materials and ethical production are primarily a means of maintaining brand credibility, rather than the result of an independent moral commitment. CSR in these cases is seen more as a market imperative, driven by consumer expectations and competitor strategies. As one Czech entrepreneur put it, *"For me, sustainability is partly about values, but also about credibility—our customers pay attention to these things now, so we had to make sure our practices reflect that."* (Company V).

- **Affective value sharing:** For Hungarian and partly Slovak fashion brands, interviews showed that sustainability often stems from personal commitment. *"From the start, we wanted to do things differently, to push back against fast fashion and overproduction."* (Company B) The interviews showed that these types of managers often develop their sustainability strategies intuitively, without formal corporate structures or sustainability reporting, leading to flexible but less transparent operations. As one interviewee put it, *"My decisions are not based on a pre-designed strategy, but on what feels right to me. If a material or a production method does not seem ethical, we don't use it, regardless of the financial impact."* (Company S). As another interviewee put it, *"Sometimes I am so personally involved in everything that I don't have time to develop a comprehensive strategy."* (Company A). *"I wanted to create something that wasn't just about selling, but about teaching people to value what they already have."* (Company H) This shows that emotion-based leadership can lead to immediate, credible decisions, but in the long term it can also hinder organisational development and the development of operational delegation, which is a particular challenge for companies in growth phases.
- **Building values-aligned relationships:** According to the interviews, one of the most important tools for successfully integrating sustainability is to select suppliers and employees in a way that is aligned with the company's sustainability goals. Companies with higher ownership control achieve better CSR performance by minimising conflicts of interest. As one interviewee put it, *"We try to work with people—whether employees or suppliers—who actually believe in what we're doing. If they don't share our values, the collaboration never works in the long run."* (Company BB)

### **Motivated employees**

Sustainability strategies in V4 sustainable fashion SMEs depend on employee engagement and active participation, directly impacting culture, innovation, and efficiency. Both values-based recruitment and professional socialisation were present. Several V4 sustainable fashion SMEs prioritise sustainability in their hiring and training practices. Interviewees noted that they seek employees who share sustainable values, ensuring alignment with the company's mission. For those without prior sustainability experience, structured onboarding and training build awareness. As one interviewee from

Company X stated: *"We look for people who are already interested in sustainability because it's much easier to integrate them into our processes."* Similarly, in Company Y, a respondent emphasised: *"Sustainability training is part of our onboarding—we want every employee to understand why and how we operate this way."*

Creative employee involvement is key to stimulating innovation. Initiatives like sustainable product development fairs or upcycling challenges stimulate creativity and contribute to long-term employee satisfaction and loyalty. Owner-managers believe that CSR fosters creativity and innovation. One example involved a two-week competition for recycling ideas, with the best concepts incorporated into the product offering, demonstrating the value of participatory innovation (Company P).

To sustain employee commitment to sustainability, interviews revealed that most companies hold regular "impact update" meetings, showcasing achievements like waste reduction or carbon footprint decreases through measurable results (Company N, M, T, X).

Ethical and eco-fatigue, along with operational challenges, emerged as key themes, particularly the complexity of working with new sustainable materials and technologies, which can cause production delays and frustration, posing significant barriers to sustainability. *"New eco-materials often disrupt our usual workflow, they are harder to work with."* (Company Z). For instance, Company S noted that employee engagement grew when they received regular feedback from customers and observed the direct impact of their efforts: *"Our team became much more motivated once they saw how their work made a real difference—not just internally, but in how customers responded"*. This suggests that external CSR might be direct motivator in V4 sustainable fashion SMEs when results are communicated transparently.

### **Product or technological innovation**

Product and technological innovation are major internal drivers of sustainability for fashion SMEs in V4 countries. *"The fashion industry is one of the biggest polluters, and textile waste is a huge problem. We knew we had to do something, so we developed our circular nylon and created recycling technologies such as molecular and thermomechanical recycling."* (Company Y) Another interviewee described similarly: *"We couldn't find a zipper made from recycled material in the quantities we needed, so we worked with a local engineer and developed it together. We now use it in all our collections."* (Company AA) Several interviewees pointed out that innovation often

started from the basic situation that the sustainable solution they were looking for - for example, a certain material or component - was simply not available on the market. In such cases, they started their own development, often in collaboration with local engineers and manufacturers, which resulted in flexible, creative solutions. Some also reported these eco-friendly innovations were later used across their entire collection and became a key part of their brand identity.

#### **4.2.2. External drivers**

##### **Customer driven market shift**

The interview findings clearly show that consumer expectations are a key internal driver of sustainability-related decisions among fashion SMEs in the V4 countries. Businesses are actively responding to rising demand for durability, functionality, and ethical practices. As one entrepreneur explained, *“Customers are starting to want more sustainable options, so that’s why we focus on capsule wardrobes. They want clothes that last longer, not fast fashion.”* (Company L) This shift is particularly visible in Poland and the Czech Republic, where customers increasingly inquire about material origin, labour conditions, and environmental impacts: *“Customers in Poland are asking more and more questions—about where the materials come from, how workers are treated, and what the true environmental cost is.”* (Company L); *“Czech customers expect us to be transparent about our processes and materials, and they’re willing to invest in durability over trend-driven fashion.”* (Company Z) Consumers also influence design priorities by favouring practical and unique pieces, prompting SMEs to align their product strategies accordingly: *“Customers definitely influence me. They want items that are unique but also practical.”* (Company P) Furthermore, appreciation for local craftsmanship among consumers reinforces the integration of cultural values into sustainability efforts: *People here love local crafts, but they still compare prices with mass-produced items. It’s a challenge to explain the value of sustainability.”* (Company R).

##### **Strategic differentiation and competitive positioning**

Interviewed SMEs reported that in the absence of large marketing budgets or economies of scale, competitive positioning must rely on deliberate choices in design, production, and communication. One respondent stated, *“We don’t have the budget for big campaigns, so we position ourselves through quality and smart design. That’s our way*

*to stay competitive.*” (Company F) Others emphasised that price-based competition with fast fashion is not realistic, prompting them to define their market role differently: *“We knew we couldn’t compete on price with fast fashion, so here we are competing on values.”* (Company O) Speed and adaptability were described as distinct advantages of being small. *“We don’t try to copy trends. Our strength is that we’re small, we’re fast, and we make smart choices. That’s what makes us competitive.”* (Company CC) This reflects a strategic use of scale as flexibility, not limitation. Company CC added, *“People are mistaken when they think that just because you’re unique, you don’t have to compete. Sure, we do.”* Another company explained the role of sustainability in clear business terms: *“Sustainability is not an end in our country, but a means to maintain long-term competitiveness.”* These statements suggest that for some SMEs, sustainability is integrated into business planning not for ethical positioning, but as part of their survival and differentiation logic.

### **Collaborations, industry networks, coopetition**

In the V4 region, smaller fashion brands often lack the individual market power needed to independently access sustainable raw materials or advanced technologies. To overcome these limitations, they increasingly engage in collaborative arrangements—particularly through supplier consortia and industry alliances. *“Most of our suppliers do not have sustainable technological solutions, so we had to initiate joint development projects, and we even introduced some of our partners to EU support schemes to modernise their production processes.”* (Company C)

Coopetition between businesses in the V4 countries is becoming an increasingly dominant factor in the sustainable fashion industry, going beyond the logic of traditional market competition. The interviews suggest that in order to achieve sustainability goals, these brands are developing a kind of shared industry ecosystem, in which innovation knowledge, access to raw materials and optimisation of supply chains are combined. As one interviewee put it, they do not have the classic form of business competition: *„We don't see each other as competitors in the traditional sense. If one of us figures out a better way to reduce waste or source sustainable fabrics, we share it. It's about lifting the whole industry, not just individual brands”* (Company H). A Czech company owner added: *“It's not that we are competitors. We are building a system together where all sustainable brands participate and kind of win.”* (Company Z). The following areas of companies' coopetition attitudes were highlighted in the interviews:

- Collaboration in supplier networks enhances access to bio textiles and recycled materials, addressing the limited availability of sustainable alternatives in the V4 region.
- Knowledge-sharing events and workshops support the development of low-impact dyeing and upcycling techniques, accelerating industry adaptation to sustainability standards.
- Joint marketing and education efforts strengthen sustainable consumer attitudes through coordinated campaigns and media outreach, while brands collaborate on ethical sourcing and redistribute surplus materials, reinforcing the circular economy model.
- Shared R&D initiatives, such as degradable packaging solutions, improve access to new technologies, while capacity-sharing among custom manufacturers ensures order fulfilment and strengthens the sustainable business ecosystem.

### 4.2.3. Internal barrier

#### **Lack of resources**

The introduction of sustainability practices in fashion SMEs often has a direct impact on the daily workload of workers. The interviews highlighted that in a resource-constrained environment, these measures can lead to additional tasks and organisational difficulties. Several interviewees highlighted that sustainability measures, although value-driven, are frequently perceived as additional tasks. As Company H noted, *"Sustainability measures often require more time and energy, and if employees are overburdened, they can easily feel that it is an extra burden."* Similarly, Company N reflected on their own operational difficulties: *"When we began using upcycled blazers, the process of separating high-quality materials from the waste fabric was more labour-intensive than we initially expected."* These examples indicate that without aligning sustainability efforts with operational capacities, the initiatives may unintentionally reduce employee motivation and innovation potential.

Scaling sustainable solutions—particularly technological innovations—emerges as another significant hurdle. In sectors like fashion, where production processes can be capital-intensive, the transition from small-scale experimentation to industrial implementation is rarely straightforward. Company S observed, *"The biggest challenge is scaling up innovations. Although we have developed sustainable recycling*

*technologies, their application on an industrial scale still requires significant investment.*" This comment underscores how resource limitations intersect with the broader issue of technological scalability.

Financial constraints also form a consistent thread across the interviews. Even when businesses express clear intentions to reduce environmental impact, these aspirations are often constrained by limited financial capacity. As Company X stated, *"We have plenty of ideas for using sustainable materials and reducing waste, but without financial support, it's just not feasible. EU funding sounds great on paper, but in reality, it's hard to access for small businesses like ours."* The current funding landscape appears insufficiently adapted to the needs of small-scale actors. Additionally, several businesses mentioned that existing logistics networks favour mass production, making small-batch, sustainable sourcing logistically and economically burdensome. This is in line with the experience of interviewees, who argue that sustainability goals often take a back seat to ensuring day-to-day operations and survival. Responses suggest that financial constraints are often an obstacle to longer-term sustainable development.

This mismatch between sustainability ambitions and financial or structural realities often leads to difficult trade-offs. As one respondent summarised: *"It is very difficult to spend money on sustainability innovations when it is also a challenge to maintain the basic operation."* (Company C) Another added: *"It's no use trying to pay fair wages if sustainable materials and technologies are already taking away profits."* (Company AA)

#### **4.2.4. External barriers**

##### **Customer price sensitivity and market education gap**

Interviews reveal that while many SMEs position sustainability as a market differentiator, consumer response often remains inconsistent due to persistent price sensitivity and limited sustainability awareness. As Company C stated, *"Embracing sustainability and CSR gave us a unique identity and helped us attract an audience that values thoughtful, ethical products."* However, this segment is not representative of the broader market. According to several interviewees, sustainability-oriented purchasing decisions are frequently overridden by cost considerations. *"It is useless to produce sustainable products if consumers still decide on price and do not see the long-term value,"* Company H summarised.

Although consumer education efforts are widespread ranging from workshops to transparency initiatives, these measures are not always effective. Company G reflected: *“We run workshops and try to be as transparent as possible, but changing habits takes time. People need to see the value beyond just the price tag.”* *“People have a completely different view of sustainability when they work on a piece themselves. They understand why a recycled material is more expensive or why ethical production takes longer.”* (Company D). This supports (Pereira, Karpouzoglou, Frantzeskaki, & Olsson, 2018) who found that active engagement strengthens consumer-brand connections. These initiatives also function as premium positioning tools, fostering emotional attachment to sustainable products. Passive forms of education, such as QR code-based tracking systems, have yielded limited results. As Company X noted, *“The QR code system appeals to some shoppers, but most look more at design and price. Sustainability is still secondary.”*

The unpredictability of demand for sustainable products was also highlighted. Company J described a case in which an initially successful launch was followed by a sharp drop in demand: *“When we launched the new collection, we sold out within weeks. The following season, we produced similar quantities, but demand dropped significantly.”* Such fluctuations suggest that interest in sustainability does not consistently translate into purchasing behaviour, especially in the absence of strong price incentives or trend alignment.

This price sensitivity is particularly pronounced in rural and traditionally price-conscious markets. Company C explained: *“Sustainability is growing, but it's still seen as something for those who can afford it. We often hear people say they'd like to buy sustainable, but they just can't justify the price.”* Similarly, Company T recounted: *“A customer once came into our shop, saw an upcycled leather jacket and asked why it was more expensive than a new leather jacket in a department store.”* These anecdotes reflect a prevailing perception that sustainable products represent a luxury rather than a default choice.

SMEs report that even when consumers express interest in sustainability, purchasing decisions remain anchored in conventional pricing logic. As one owner put it: *“If it's sustainable but expensive, they won't buy it.”* (Company B) These experiences underline a significant barrier: without broader market education and a shift in consumer value perception, sustainability efforts risk being undervalued or ignored.

### **Lack of suppliers' commitment and capability**

While SMEs in the V4 region express strong sustainability commitments, their ability to enforce these values across the supply chain remains limited. Several businesses report that supplier misalignment undermines their sustainability goals. As Company A observed, *“Not all suppliers fully understand why sustainability is important or how it should be implemented effectively.”* Similarly, Company Q explained, *“Some suppliers focus on volume, not sustainability, making it difficult to align our values.”* Even when suppliers are motivated to improve, credibility remains an issue: *“Many suppliers are sincerely trying to be sustainable, but they simply do not have the right documentation, so we cannot credibly certify that their products are really up to standard.”* (Company A) Companies face difficult trade-offs when misalignment persists. *“Sometimes difficult decisions have to be made – for example, I have terminated a supplier relationship because it did not meet our principles, even if it led to a project delay.”* (Company I) Economic limitations further restrict options. Company J remarked, *“We would like to use local and sustainable materials, but they are either not available or too expensive to remain competitive.”* Even technological solutions are only partially effective. As Company P noted, *“Technology allows us to ensure that our suppliers meet sustainability criteria, but it's still a challenge to verify every step of the process.”*

### **Regulatory and policy differences and obstacles**

Several interviewees highlighted significant regulatory and institutional barriers in sustainability. In Slovakia, for example, there is a delayed enforcement of textile waste sorting legislation: *“Textile waste sorting legislation in Slovakia won't be effective until 2025, leaving a regulatory gap.”* (Company Q) Meanwhile, inconsistencies between domestic and international regulations further complicate sustainability transitions. As Company E noted, *“We comply with sustainability standards at home, but when we enter foreign markets, we face completely different requirements, which makes it impossible to grow.”* This fragmentation impedes internationalisation, especially for small businesses that lack the administrative and legal capacity. Certification requirements (e.g., GOTS, OEKO-TEX, Fair Trade) were described as financially and logistically prohibitive. *“Obtaining certificates is a nightmare—they are expensive, and it is difficult for a small business to justify the return on investment.”* (Company E). While many SMEs acknowledge the importance of certification for accessing procurement networks and foreign markets, high costs and unclear benefits frequently deter adoption. The situation

is further complicated for SMEs working with innovative or unconventional materials, as illustrated by a Polish entrepreneur: *“We had to fight to get import licences for our experimental hemp-silk hybrids.”* (Company M). These administrative burdens slow down innovation, also limit participation in sustainability-led supply chains dominated by larger multinational actors. Access to sustainable technologies also remains uneven. Company Z emphasised, *“Technological developments are very slow to reach smaller companies because there are no adequate tendering opportunities and funding.”* This reveals how structural financing gaps in the innovation ecosystem make it particularly difficult for SMEs to adopt sustainable solutions, even when they have the intention to do so. Several interviewees stressed that the success of sustainability efforts depends to a large extent on the clarity of regulation and the availability of practical support. According to some respondents, existing legislation does not take into account the capacity constraints imposed by the size of SMEs, and is often perceived as a compliance constraint rather than an opportunity for development. In contrast, sustainability expectations from foreign partners were more concrete and business-incentive according to respondents.

### **Lack of industry collaboration and innovation platforms**

The absence of structured collaboration within the regional fashion industry emerged as a significant barrier to sustainable development. Interviewees repeatedly stressed that isolation among brands, suppliers, and innovators slows collective progress. As Company G emphasised, *“If we don't share new suppliers or material innovations, we will all be in a more difficult situation. The whole industry needs to get stronger to stay competitive.”* Without open channels for knowledge exchange and joint problem-solving, SMEs are left to navigate complex sustainability challenges in isolation, often duplicating efforts or lacking access to critical innovations. Company I strengthened this concern, noting, *“There are not enough platforms where brands, suppliers, and innovators can come together to find solutions to problems such as textile recycling or low impact dyeing processes. This isolation is holding everyone back.”* In the absence of collaboration mechanisms, industry-wide progress becomes fragmented and inefficient, limiting the diffusion of sustainable practices and technologies across the region.

### **Technological and infrastructure limitations**

The interviews underscore that insufficient infrastructure remains a critical bottleneck in the advancement of sustainable fashion production in the V4 region. Multiple SMEs reported that local access to sustainable raw materials is extremely limited due to the lack of regional supply networks and manufacturing capacities. As Company B stated, *“Sourcing the right materials locally is almost impossible. Organic textiles are hard to come by, and when we do find them, they are often unaffordable for us.”* Company K confirmed similar limitations in Poland, where *“the sustainable textile industry is still developing, so sometimes we are forced to import.”* In Slovakia, the situation appears similarly constrained: *“The Slovak textile industry does not yet have the infrastructure to support sustainable production as I see, so we are forced to source materials from other countries.”* (Company T) Company X further highlighted the systemic nature of the problem: *“We have plenty of ideas for using sustainable materials and reducing waste, but without financial support, it's just not feasible. EU funding sounds great on paper, but in reality, it's hard to access for small businesses like ours. Plus, the logistics networks are built for mass production, not small-scale sustainable sourcing. It's frustrating because we want to innovate, but the system isn't designed to support us.”* Infrastructure challenges are not limited to material access or logistics but include broader systemic limitations relating to sustainable innovation. These limitations in infrastructure restrict material access and undermine local value chains, reduce flexibility, and increase dependency on international suppliers.

The analysis of the interviews revealed distinct regional patterns in CSR and sustainability, as illustrated in Figure 18. The heatmap represents the frequency of codes identified during the interviews. After scaling the data and grouping it into five categories, the darkest colour indicates the most frequently mentioned area per country. Important to note that the most characteristic aspects for each country have been highlighted, which does not mean that the given aspect is absent in other V4 countries.

INTERNAL DRIVERS	Owner-managers' personal value	Dark Blue	Dark Blue	Dark Blue	Dark Blue
	Product and technological innovation	Light Blue	Dark Blue	Light Blue	Dark Blue
	Motivated employees	Light Blue	Light Blue	Light Blue	Dark Blue
EXTERNAL DRIVERS	Customer driver market shift	Dark Blue	Light Blue	Light Blue	Dark Blue
	Strategic differentiation and competitive positioning	Dark Blue	Light Blue	Dark Blue	Dark Blue
	Collaboration, industry networks, and cooperation	Dark Blue	Dark Blue	Light Blue	Dark Blue
INTERNAL BARRIER	Lack of resources	Light Blue	Dark Blue	Light Blue	Dark Blue
EXTERNAL BARRIERS	Customer price sensitivity and market education gaps	Dark Blue	Dark Blue	Dark Blue	Dark Blue
	Lack of suppliers' commitment and capability	Dark Blue	Light Blue	Light Blue	Light Blue
	Regulatory and policy gaps	Dark Blue	Dark Blue	Light Blue	Light Blue
	Lack of industry collaboration and innovation platforms	Dark Blue	Dark Blue	Light Blue	Light Blue
	Technological and infrastructure limitations	Light Blue	Dark Blue	Light Blue	Light Blue
		Hungary	Poland	Slovakia	Czech Republic

Figure 18. Owner-managers' perceptions of CSR and sustainability drivers and barriers in V4 sustainable fashion SMEs (source: Körtevési & Szegedi, 2025)

### 4.3. Sustainability and SDG in V4 sustainable fashion SMEs

To provide a structured approach to the analysis, the SDGs are examined along the UN SDGs wedding cake: economic, environmental and social environmental aspects and Goal 17 that emphasise global partnerships (Figure 5). Figure 19 illustrates the perceived presence of SDGs in the business practices of sustainable fashion SME owner-managers, offering a country-specific comparison within the V4 region, showing the variation in SDG relevance across Hungary, Poland, Slovakia, and the Czech Republic.

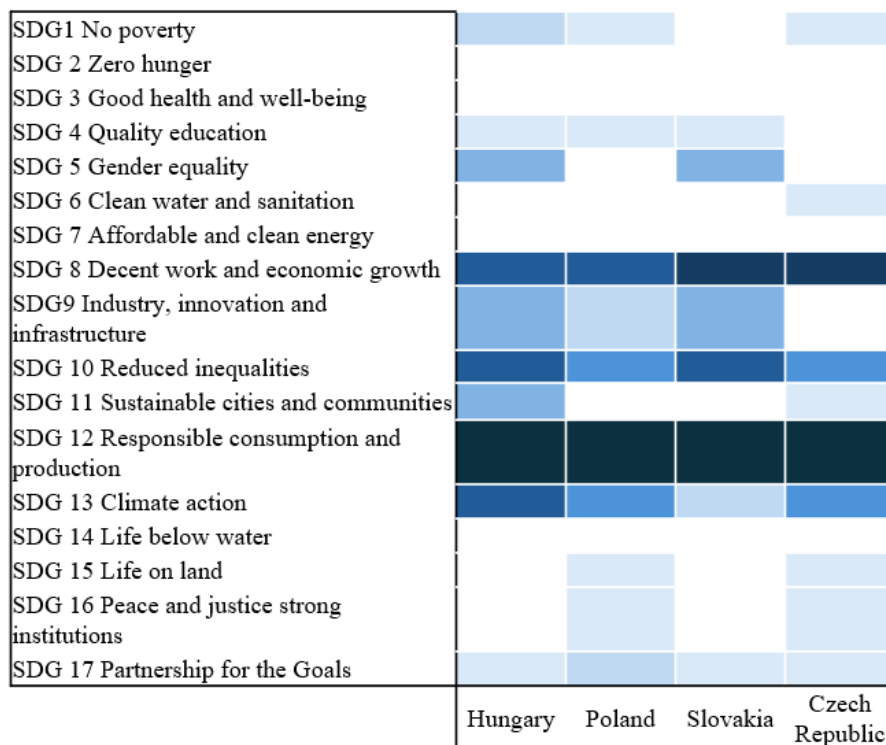


Figure 19. Distribution of SDG-related practices in V4 sustainable fashion SMEs according to owners-managers (source: Körtevési & Szegedi, 2025)

#### Economic SDGs

Out of the four economic SDGs, SDG 12 (Responsible consumption and production) stands out as the clear dominant goal, while SDG 8 (Decent work and economic growth) is a priority in almost all countries. SDG 9 (Industry, innovation and infrastructure) and SDG 10 (Reduced inequalities) appear in a more context-specific way, but they also illustrate the different interpretative fields of economic sustainability in the region.

The SDG 12's prominence is rooted in the fact that the most immediate and tangible dimension of sustainability for the V4 sustainable fashion SMEs is the rethinking of production and consumption patterns. As a response to the structural overproduction of

the fashion industry, these SMEs are building their business models around the rejection of waste, the longevity of products and the radical reduction of production volumes. SDG 12 is "*the most natural starting point*" (Company B), without which sustainable fashion would be meaningless. In practice, this translates into concrete, context-dependent solutions: redesigning reclaimed clothes "*We're building a system where the customer can bring back a tired piece and we'll redesign it, but give it a new story, say this* (Company E)", children's clothes that can be worn for several years as an educational tool "*Our clothes can be worn for many years and parents use them to talk to their children about sustainability*" (Company P), low-volume handicraft production for quality "*...we produce in small series, with great care. We don't want to be part of the oversupply - we prefer to offer less but more value*" (Company N) or offering durable basics out of season "*We design durable, season-independent pieces so that fewer products are enough for a well-functioning wardrobe*" (Company CC). These strategies differ, but they all aim to radically change both the nature of consumption and how consumers perceive it.

SDG 8, Decent work and economic growth, has been prioritised in Slovakia and the Czech Republic, as sustainability and ethical business practices contribute directly to economic development. Most respondents stressed the quality of growth rather than growth per se. The interviews showed that supporting local artisans and suppliers and creating ethical jobs is essential. For example, the Czech respondent said, "*SDG 8 is significant because we're deeply invested in the growth of local Czech artisans and suppliers.*" (Company Z) This approach shows that sustainable economic growth and decent work contribute to the development of local communities. In Slovakia, supporting local economies has been given a similarly important role. According to respondents, providing an ethical working environment and helping local producers contributes directly to economic stability. Hungarian respondents also stressed the importance of local communities and small businesses. As one respondent said, "*We prioritise partnerships with local businesses and artisans who might otherwise be overlooked in the global fashion industry.*" (Company F) These initiatives promote economic growth and social responsibility.

Regarding SDG 10 (Reduced inequalities), the research shows that in the case of Hungarian and Slovak fashion SMEs, the reduction of social inequalities is achieved through concrete measures to integrate the local workforce and ensure economic equality.

Hungarian companies often mention the support of local artisans and craftsmen, for example with the approach of "*creating economic equity by giving local artisans a platform*" (Company D), suggesting that sustainability practices are environmentally and socially beneficial. These types of business models have the potential to reduce economic disparities by directly contributing to strengthening local economies and uplifting lower-income communities. In Slovakia, support for local communities is along similar lines, but here too businesses are mostly working to promote social equality by involving local producers and artisans. The interviews suggest that Slovak firms are working more on developing local economies through cooperation and community projects, while in Hungary direct labour market integration and job creation are more prominent.

SDG 9 (Industry, innovation and infrastructure) is particularly strong in Hungary and Slovakia. The objective here is not just a technological innovation, but a missing supply infrastructure. Respondents stressed the close link between sustainability and innovation, while the development of industrial infrastructure is also essential. In Hungary and Slovakia, there is an increasing focus on the development of local infrastructure to support sustainable production systems to promote sustainable production processes and industrial innovation. In Slovakia, for example, the development of local supply chains and the use of new technologies to create infrastructure that supports sustainability has become a priority. Slovak respondents highlighted that innovative production methods such as upcycling also contribute to strengthening industrial infrastructure. "*Of course we can put upcycling into context, even SDG related context. It pushes innovation and helps rebuild textile infrastructure in Slovakia.*" (Company U) Technological innovations that support sustainability enable the industrial sector to adapt more flexibly to global market demands and to make better use of local resources. In Hungary, respondents pointed out that the development of industrial infrastructure is essential for sustainable business models to be sustainable in the long term. "*Without proper infrastructure, even the good sustainable ideas can't survive.*" (Company D) Respondents linked infrastructure development to the integration of local production systems, highlighting that innovation matters both for technology and for supporting local economies. "*It's not just about new machines or tech stuff—we need things that help the local economy grow too.*" This approach provides an opportunity for sustainable economic growth and industrial innovation to go hand in hand, supporting the modernisation of the industrial sector and reducing environmental impacts. Infrastructure

development in Hungary and Slovakia shows that industrial innovation helps optimise production processes, supports the creation of sustainable business models, improves resource efficiency, and strengthens business stability.

### **Environmental SDGs**

Regarding the environmental aspect, SDG 13 (Climate action) stands out most in the environmental dimension. In addition, the presence of SDG 15 (Life on land) was modest. The emergence of these two targets highlights that the environmental responsibility of small fashion enterprises is understood as a strongly operational level, rather than an ecosystem level approach. SDG 13, which calls for immediate and systemic action to tackle climate change, has been most consistently expressed in Hungary. Respondents made strong references to reducing the carbon footprint, favouring local production and rationalising energy and water use. This approach is not manifested as an abstract environmental principle, but as a series of operational level decisions. For example, one interviewee highlighted: "*SDG 13 for us means taking into account how much water, transport and energy is needed - and minimising it - at the planning stage.*" (Company D) In Poland and the Czech Republic, the presence of SDG 13 can be seen through the use of materials and the choice of suppliers. Respondents highlighted the use of natural inputs (e.g. bamboo, recycled yarns), which were not aimed at technological carbon neutrality but at introducing inputs that are less polluting to the natural environment. This practice fits well with the SDG 13 aspect of building on preventive practices that reduce environmental impacts but does not reach the level of a systemic climate strategy. In Slovakia, respondents acknowledge the problem of climate change, but business responses are mostly presented as implicit solutions embedded in other objectives (e.g. localism, material use) rather than as targeted mitigation or adaptation strategies. SDG 15, which aims to protect and restore terrestrial ecosystems, has been less frequently and less consciously addressed in business discourse. It mainly takes the form of an ethical stance on raw materials, for example through the exclusion of animal raw materials, especially fur: "*Also Life on Land, because no fur, right?*" (Company M). In some Polish and Czech companies, there is a reference to the protection of ecosystems at the level of mention, but this is not matched by concrete, measurable or long-term corporate objectives. The weakness of SDG 15 illustrates that while direct emission reductions (SDG 13) can be integrated into the business logic, biodiversity and habitat protection is presented rather as a symbolic, non-operationalised narrative in this industry.

SDG 6 (Clean water and sanitation) and SDG 14 (Life below water) have been absent from the business discourse. SDG 6 covers access to water, water quality and sustainable water management - areas that, although indirectly linked to textiles, are not explicitly addressed by businesses. The reason for this is partly structural: most of the SMEs responding do not operate their own dyeing plants, water-intensive production capacity or industrial wastewater treatment. Production processes are outsourced, often on an artisanal or small-scale basis, so that the consequences of water use are far from the immediate consciousness of the enterprise. Water as an environmental resource is also not integrated into the consumer discourse, unlike, for example, carbon footprints or waste, which can be well communicated, measured and visualised.

### **Social SDGs**

Among the targets under the social pillar of the SDGs, SMEs in the V4 are active in SDG 4 (Quality education), SDG 5 (Gender equality) and, to a lesser extent, SDG 11 (Sustainable cities and communities), with conscious action at the company level. In contrast, other goals such as SDG 1 (No poverty) or SDG 16 (Peace, justice and strong institutions) have been marginally present.

SDG 4, with its focus on education, is present in three countries (Hungary, Slovakia, Poland), where the transfer of sustainability knowledge is mainly in the form of workshops and education through products. Company P defined this as "wearable learning", suggesting that learning through garments is an informal but lasting intervention to shape consumer awareness. Several respondents reported that education for sustainability is not taught in a formal educational setting, but through the use of materials and co-creation in everyday work.

Gender equality (SDG 5) emerged as a values-based approach to entrepreneurship among Hungarian and Slovak respondents. The approach is not exclusively focused on the protection of women workers, but also on their economic empowerment and participation in decision-making. As one Hungarian interviewee put it: "*SDG 5 for us means that as women we not only participate in the fashion industry but also reposition power in it.*" (Company A) In Slovak practices, this is achieved through the inclusion of marginalised women, such as rural seamstresses, by creating jobs and providing economic autonomy. "*For us, gender equality means creating real jobs for women who were invisible in the system before.*" (Company P) "*These women were skilled, but no one gave them a chance. Now they have stable income and don't have to leave their villages.*" (Company

R) Gender equality is understood as a social empowerment. SDG 5 was absent from the interviews in Poland and the Czech Republic. One reason for this is that a significant proportion of sustainable fashion businesses are women-owned, small and horizontal, hence gender equality is a natural part of the operation. As a result, gender equality remains invisible in the external communication of the business. Actors do not feel the need to emphasise female participation as it is a self-evident operational reality. *“We’re a team of women, led by women. It’s not something we highlight—it’s just how the business works.”* (Company CC) *“We’re women, and those who I know are women... running similar businesses. It’s not something we discuss.”* (Company O)

Among Hungarian respondents, SDG 11 is present as an operation embedded in a local economic and cultural network. The preference for local production, suppliers, and links to urban communities - such as local events, workshops, community recycling - all represent an entrepreneurial understanding of urban sustainability. According to one respondent: *“SDG 11 for us is about being present in Budapest while giving value back to the community - not just goods.”* (Company B) Here, business is an active component of the local ecosystem. The goal of eradicating poverty (SDG 1) has been scattered, mainly in Hungary through the involvement of local artisans and small businesses as a means of reducing economic vulnerability.

SDG 2, which aims to end global hunger and improve food security, was not mentioned. Responding businesses are typically not involved in food-related donation, agriculture or nutrition-related programmes, and there is no direct link to SDG 2 targets in the apparel sector value chain. Behind this gap is a lack of relevance: the fight against hunger in the fashion industry is not currently understood as a corporate objective by the interviewees. *“SDGs out of reach? Well, we focus on sustainability, but food or hunger is simply not part of our field”* (Company H) *“Honestly, SDG 2 feels unrelated to our work.”* (Company Z)

SDG 3 aims to promote health and well-being, could be linked to sustainable fashion - particularly in the areas of physical comfort, mental well-being and body image. Yet SDG 3 did not appear. The explanation lies in the fact that well-being and self-care are implicitly embedded in the discourse of sustainable fashion - for example, through tailored garments, season-independent collections, capsule clothing ranges - but they are not placed in a health context. *“We do care about comfort and how clothes make people*

*feel, but I wouldn't say it's connected to health—it's more about style and longevity.”* (Company X) *“We design for everyday life and long-term wear, so there's an element of well-being, but we never framed it as part of a health goal.”* (Company F) *“We try to make clothes that feel good on real bodies. People say they feel better, but I don't think about it like health issue”* (Company S)

Although SDG 7 (Affordable and clean energy) was not mentioned explicitly during discussions about sustainability priorities, its underlying themes emerged in later parts of the interviews. For example, Company T did not identify clean energy as a core goal yet reported actively measuring energy consumption and implementing reduction strategies (see Chapter 4.3.2.).

SDG 16 aims to strengthen fair institutions, transparency and the rule of law, appeared marginally but as a clear value base in some Polish and Czech responses. Here SDG 16 is mainly interpreted in terms of transparent supplier relations: *“We publish all our supplier contracts - because SDG 16 is about accountability, and we believe fashion needs more of it.”* (Company V) This interpretation positions entrepreneurial autonomy as a moral counterpoint to institutional functioning, where justice is not a legal but a moral commitment.

SDG 17, which aims to strengthen partnerships for the effective implementation of the SDGs, is present in the entrepreneurial mindset of all V4 countries surveyed, but in a weakly articulated form. The approach to the goal is typically not institutional or systemic, but limited to informal, personal relationships and trust-based cooperation. The notion of partnership does not function as a transformative framework, but as a loose willingness to cooperate, which is not currently becoming a strategic or long-term structure. As one entrepreneur put it: *„We can't do it alone, right? The big corporations pretend they care, but we, the small ones, we're the real changemakers.”*(Company T) The term "partnership" is often used to refer to local suppliers, artisanal communities, or joint events, and is less understood at the institutional, cross-sectoral or international level. As one respondent put it: *“We built relationships with local distributors, engaged with international organisations, and formed strategic alliances”* (Company H) but this practice is the exception rather than the general trend. In most cases, partnership does not appear as a targeted corporate practice, but as a spontaneously developing set of relationships. In the case of Slovakia, a more active interpretation of SDG 17 can be

observed, particularly through local cooperation around civil society, sustainability initiatives and craft networks. For example, as one Slovak entrepreneur put it: *“Together, we organise initiatives like community repair cafés and upcycling workshops”* (Company R). These partnerships, although not institutionalised, are an important component of community identity and rural social embeddedness. In contrast, in other countries, partnership remains a values-based gesture that rarely goes beyond production or marketing. Furthermore, a significant proportion of businesses do not see sustainability goals as mutual cooperation, but as an independent achievement. Sustainable operation is often embedded in the logic of autonomous brand strategy, individual responsibility and localism, where cooperation is not seen as a necessary condition. *“It wasn't just about selling our products; it was about working together to bring sustainable fashion to places that truly appreciate and demand it”* (Company O), noted one entrepreneur, suggesting that the idea of partnership is not alien, but it is not an embedded operating principle. *“Cooperation is great when it works, but it is not a condition for a successful business. Sometimes it's more effective to do our own thing.”* (Company P)

#### **4.3.1. Sustainability measuring practices**

The issue of measurability also emerged as a specific theme in the interviews, as corporate integration of the SDGs is becoming more widespread, but there are still significant differences in quantifying and tracking results. Objective measurement of the impact of the SDGs would be key for transparency and credibility, but measurement practices in the V4 SMEs interviewed vary widely.

Some companies measure their sustainability performance systematically, with audited data and formal systems to ensure traceability of results. For example, for SDG 13 (Climate action), 10 SMEs formally track carbon footprint reduction. A Slovakian company has achieved a 75% reduction in emissions over the last five years by using a circular production model and renewable energy: *“The introduction of circular production has helped us reduce our emissions by 75%.”* (Company T). A Hungarian brand has achieved a similar measurable 30% reduction in operational emissions by using solar energy. For SDG 12 (Responsible consumption and production), waste reduction and recycling are the focus, but while all SMEs have stated sustainable production principles, only 13 SMEs are collecting detailed data. One Polish brand, for example, has implemented a closed-loop production system where 90% of production waste is

recycled: *"90% of production waste is recycled or reintroduced into the process."* (Company N).

The other large group includes companies that use indicators, but not in a formalised way. For SDG 8 (Decent work and economic growth), for example, job creation and ethical employment conditions are monitored, but often without regular audits and standardised questionnaires. For example, one Czech company has increased employment of local artisans by 30% but treats this as an informal indicator: *"Our local artisan network has increased by 30% and we provide them with fair wages and stable jobs, but we monitor this internally rather than in a rigid system."* (Company CC). On SDG 5 (Gender equality), 28% track the percentage of female employees and managers, while a Czech company has launched a mentoring programme for women: *"We don't just track the numbers, we also organise mentoring programmes to make a real impact."* (Company V).

Companies that use subjective or informal evaluation rely mainly on customer feedback and operational experience. For example, a Hungarian brand concludes on the lifetime of its products. This is not a rigorous measurement, but it gives an idea of durability." For SDG 17 (Partnerships for the achievement of the Goals), auditing the sustainability performance of suppliers is also becoming more common, but mainly qualitative: *"We audit our suppliers to ensure ethical and sustainable sourcing."* (Company A).

6 companies do not carry out any structured measurement at all but simply follow sustainable operating principles. As one interviewee put it, *"Sustainability cannot be reduced to mere numbers and targets. It is a continuous process that we are constantly improving."* (Company U). Reasons given for the lack of measurement included: scarcity of resources, difficulty in quantifying sustainability impacts, and questioning the relevance of SDG measurement in small business operations.

#### **4.4. Sustainable business models and practices**

Sustainable business models are central to advancing sustainability and CSR in V4 sustainable fashion SMEs. Four models are particularly relevant to sustainable operations based on the interviews: (1) circular economy, (2) subscription-based and demand-driven production, (3) modular and multifunctional design, and (4) community-driven collaboration.

##### **4.4.1. Circular economy models: upcycling, recycling and closed-loop production**

Circular economy models are widely used among V4 sustainable fashion SMEs, though implementation and effectiveness vary significantly. Interviews confirm the presence of upcycling, recycling, and closed-loop production in varying forms and intensities. Upcycling substitutes costly sustainable materials while preserving and reinterpreting local craft traditions. Businesses increasingly view upcycling as both an economic necessity and a tool for brand and consumer loyalty. The rising demand for unique garments with a story behind them is proof that consumers value products that are backed by craftsmanship and local identity. However, the labour-intensive nature of upcycling limits scalability, keeping it viable mainly in premium and niche markets. Interviews highlight upcycling as a necessity, as *"the price of new textile raw materials is often 30-40% higher, so the redesign of old clothes and industrial by-products is unavoidable"* (Company A). Businesses reduce costs and offer unique products by using vintage and leftover materials. However, the model remains labour-intensive, requiring extensive material selection, design, and transformation. Another challenge is that inconsistent material quality and availability complicate production planning, raising costs and delaying market entry. Upcycled products hold growing aesthetic and cultural value, enabling brands to enhance exclusivity through local motifs and craft techniques.

While mechanical recycling operates at an industrial scale, small businesses struggle with access. *"We would like to use more recycled material, but the minimum order quantities are too high for us"* (Company B). Consequently, SMEs often compromise, using less recycled material than desired. Interviews revealed that consumers often lack confidence in the durability and quality of chemically recycled textiles, which is a major barrier to wider uptake of the technology. *"People don't really trust the quality of recycled stuff. They think it breaks or feels weird."* (Company D)

In the Czech Republic, textile recycling centres collaborate with local brands to process industrial waste directly. Hungarian businesses reported similar initiatives. In Poland, recycled textile demand has risen, particularly in sportswear, as brands expand sustainable collections. In Slovakia, the uptake of mechanical recycling is hampered by slow growth in consumer awareness, which means that demand for sustainable products has not yet reached the critical mass needed to scale up industrial recycling.

Closed-loop production benefits companies with direct customer engagement. "*We don't stock in advance but work directly with consumers to adapt their existing clothes*" (Company D). This approach minimises overproduction and enhances customer engagement but is challenging to scale due to slow production. Yet, flexible supply chains and custom orders offer a competitive edge for sustainable brands.

Sharing economy elements, such as rental models and clothing clubs, face development challenges due to inadequate infrastructure and legal gaps. SMEs reported that high logistics and recycling costs hinder smaller businesses from implementing these models. Unclear contractual and liability frameworks further discourage businesses and consumers from adopting rental and exchange systems. In addition, the regulatory environment is not yet fully adapted to these models: there is a lack of clear contractual and liability frameworks for the operation of rental and exchange systems, which may discourage both consumers and businesses from using and developing such services. SMEs reported weak logistics infrastructure that poses a distinct barrier to sustainable models in the V4 region. Interviewees noted that managing clothing exchange and rental platforms is costly, with return and cleaning logistics posing financial difficulties for smaller businesses. Owner-managers suggest that cultural unfamiliarity with clothing rental and sharing further limits consumer adoption. "*I don't think people here are used to sharing clothes—it still feels strange for many.*" (Company BB) "*Some customers ask if someone wore it before, like it's a problem. They're not comfortable with the idea yet.*" (Company G)

#### **4.4.2. Subscription-based and demand-driven production**

Overproduction is one of the fashion industry's biggest sustainability problems, leading to stockpiling and wastage of resources. Subscription-based and demand-driven production models aim to forecast demand more accurately, thereby minimising excess inventory and production waste. According to Company Y: *"Instead of a traditional retail model with fluctuating stock, customers can subscribe to receive limited-edition, made-to-order pieces at regular intervals."*

For V4 SMEs, these models help manage demand fluctuations. Some brands use subscription schemes to maintain stable production and exclusivity, offering seasonal packages with personalised, limited-edition pieces, sustaining engagement and planned production. The made-to-order model for children's clothing ensures ethically sourced, size-appropriate pieces, accounting for growth cycles. Interviewees noted that consumer habits and online shopping propensity influence the success of such models, with many customers still preferring traditional in-store shopping and immediate availability. *"Most of our customers still like to try things on and take them home right away. Thinking now that is mine"* (Company G) *"We have a web shop, but people sometimes message us first and ask if they can come see it in person."* (Company T)

Demand-driven production reduces overproduction by manufacturing only upon actual demand, minimising waste and stockpiling. As one interviewee stated, *"We only produce what is ordered, reducing the need for overstock and minimising waste"* (Company M). These models suit brands offering unique, limited-edition items, as customers accept longer wait times. However, maintaining production-delivery balance requires flexible logistics and efficient organisation.

#### **4.4.3. Modular and multifunctional design models**

An important direction in sustainable product development is modular and multifunctional design, which extends the life cycle of garments and reduces environmental impact, as one interviewee noted: *"Our garments are designed not just as one-off pieces, but as ever-evolving products that encourage consumers to engage with their clothing in new ways."* (Company U). Modular and multifunctional design is both a sustainability solution and a market strategy for V4 fashion public transport. According to the interviews, the model allows companies to reduce raw material consumption and inventory risks while strengthening customer engagement. The benefits of local

production and artisanal traditions result in unique products with cultural value, reducing supply chain risks. While demand for versatile garments is growing, take-up is uneven. Modular design contributes to sustainability while also shaping how consumers behave. The customisability of garments encourages conscious purchasing, reducing impulse consumption and promoting longer-term product use.

A Czech brand created seasonally adaptable jackets with detachable linings and outer layers, allowing transformation for winter or summer. Extending the lifespan of products helps reduce textile waste and creates cost benefits for consumers as well as manufacturers. Another example is a Slovakian designer's modular collection allows customisation, extending garment lifespan by 50% through repurposing instead of seasonal replacement. (Company P) According to interviewees with such model, consumers value the ability to create multiple variations from a single garment, reducing impulse purchases and overproduction. Beyond sustainability, modular design enhances business stability. A Slovakian brand's garments with zips and buttons enable multiple styling options, offering creativity and long-term value. For customers, this offers a creative opportunity and provides long-term value (Company S). Some V4 sustainable fashion SMEs are already testing modular or smart textiles, such as temperature-adaptive fabrics, to increase functionality and reduce environmental impact. According to interviews, some companies are using LCA in product development to measure the true sustainability impact of these innovations. However, the uptake of a modular approach is hampered by the rigidity of supply chains and the higher cost of individual manufacturing processes.

#### **4.4.4. Community-based and collaborative models**

Community-based models redefine sustainable fashion by transforming consumers from passive buyers into active participants. Interviews confirm that consumer involvement strengthens sustainability efforts and influences consumer attitudes. One interviewee stated, "*Instead of making products in advance and hoping they sell, we work directly with customers to redesign or upcycle their existing clothes.*" (Company L). Consumer engagement enhances supply chain transparency and product valuation. Workshops and interactive design expose consumers to the labour-intensive nature of garment production. Interviews indicate this experience fosters a preference for durable, high-

quality items while reducing impulse purchases. Fast fashion consumers, often unaware of production costs, experience a shift in perception.

V4 sustainable fashion SMEs owner-managers suggest that scalability is a challenge due to the limits of custom manufacturing and interactive design. Interviewees highlighted that the lack of flexibility in supplier networks and the underdeveloped infrastructure further hinder the wider uptake of community-based manufacturing. Digital tools, including customisable ordering systems and interactive platforms, enable remote consumer participation, reducing these barriers. In the long term, social models can help to transform the patterns of fashion consumption by increasing consumer involvement and awareness. Interviews show a greater willingness to invest in sustainable fashion and reduce overall consumption. While these models currently operate mainly in the premium segment, digitalisation and education strategies could in the long term make them accessible to a wider audience, fostering sustainable fashion adoption in the V4 region.

#### **4.4.5. V4 sustainable fashion SMEs' circular features**

The dissertation examines the strategic implementation of circular fashion, structured around the typology established by (Dissanayake & Weerasinghe, 2022) in their systematic literature review.

##### **Sourcing raw material**

The transformation of raw materials plays a crucial role in the sustainability strategies of fashion SMEs in the V4 region. Many Hungarian businesses incorporate recycled materials into their collections, leveraging mechanical and chemical recycling techniques to integrate sustainability into their production processes. While mechanical recycling is widely utilised due to its cost-effectiveness, some brands apply chemical recycling to obtain higher-quality fibres. Local fibre cultivation has also emerged as a sourcing strategy, with Hungarian and Slovak companies increasingly working with flax and hemp. As one Slovak brand manager noted, "*Flax and hemp offer a viable alternative to conventional cotton, with the added benefit of reducing transport-related emissions.*" (Company R) Czech and Polish brands, in turn, engage in material innovation, incorporating fungal-based leather substitutes and cellulose-based fibres. These developments reflect a shift towards alternative materials with reduced environmental impact. The selection of sustainable textiles is also linked to brand positioning and consumer expectations. As a Hungarian company representative explained, "*Using*

*sustainable materials aligns with customer expectations and reinforces the authenticity of our designs.*" (Company E). Czech producers emphasise the significance of establishing stable sourcing networks to secure consistent material quality and support regional textile production. *"We prioritise regional partnerships to ensure material consistency and support the local textile industry,"* shared a Czech owner (Company V). Empirical evidence from V4 sustainable fashion SMEs indicates that raw material sourcing is approached through a combination of recycling technologies, local fibre cultivation, and the integration of alternative materials. These strategies are shaped by economic considerations, technological advancements, and evolving consumer preferences.

### **Production process**

Fashion SMEs in the V4 region are striving for sustainable production, but limited availability of resources and technological solutions is a barrier to scaling up. Local sourcing and small-scale production reduce environmental pressures, while hindering access to larger markets. 60-70% of businesses use upcycled or recycled materials, but these are often of poorer quality, leading to shorter life cycles. Some companies follow a zero-waste model, using manufacturing scraps for smaller accessories, but this increases operational burdens and material logistics challenges. Larger companies optimise production through artificial intelligence and automation, while the majority of SMEs rely on manual methods. A Polish company executive says: *"Digital design could help reduce material waste, but the cost of software and machines is out of our reach."* (Company N). This limits capacity expansion and sustainable scaling. Cooperation between decentralised workshops gives flexibility but increases coordination costs. The example of a Slovak company shows: *"A local production network helps to react quickly, but it is difficult to ensure consistent quality."* (Company R). SMEs are thus often confronted with the difficulty of reconciling sustainability and economic viability.

### **Design development**

Design is not static aesthetics but adapts to available sustainable materials and consumer expectations. According to brand managers, decisions made during the design phase largely shape the fashion industry's overall environmental footprint, with significant implications for both sustainability outcomes and competitive positioning. In the V4 region, material-driven design presents both opportunities and constraints. *"Design does not start on paper, it starts in the materials warehouse"* (Company Q). This strategy

reduces waste and promotes upcycling, but it also limits design freedom. Many respondents apply modular and multi-functional design, which extends product life and reduces the need for new garments. As one Hungarian owner put it, "*A garment can be worn in several ways, so consumers buy less but use more*" (Company G). While this strategy can reshape consumer habits over time, it may also slow down seasonal collection turnover. Digital prototyping and 3D modelling effectively minimise textile waste, but adoption faces financial and creative challenges. According to a Czech entrepreneur: "*3D design reduces material waste but can make creative processes too rigid*" (Company X). Digital design enhances precision in manufacturing but may limit the organic, intuitive creativity essential for artisanal and sustainable fashion. As a result, V4 SMEs often adopt hybrid models that integrate both digital and manual design processes. The concept of clothing designed for longevity is closely linked to this issue. Enhancing a garment's durability goes beyond material selection and involves maintaining functionality and emotional value. High-quality materials, durable stitching, and wear-resistant dyes are essential for garment longevity. Additionally, customisable and flexible designs—such as adjustable sizes or interchangeable elements—allow longer wear, reducing the need for frequent replacement.

### **Garment manufacturing**

Garment manufacturing in the V4 region relies on local circular production, integrating waste minimisation, energy-efficient solutions, and direct links between producers, suppliers, and consumers. Waste reduction is a central goal in V4 SMEs' manufacturing strategies, achieved through zero-waste sampling, precision tailoring, and recycling solutions. A Polish company, for example, optimises patterns using digital design software to minimise textile waste: "*All cutting processes are modelled in advance to minimise unnecessary textile waste, and the scraps are transformed into complementary products*" (Company K). Hungarian workshops repurpose scraps for limited edition pieces or small accessories, reducing waste and diversifying their product range. "*We use every fabric scrap. If it's too small for clothes, we make accessories or special pieces to reduce waste. We like it. Our clients like it...*" (Company B), "*We don't like waste, so we turn leftover fabric into new items like hairbands, bag details, or unique clothes*" (Company A). Several V4 SMEs implement energy-efficient technologies, particularly in dyeing and treatment processes. A Polish leather company, for example, has introduced a closed water treatment system that enables 80% water reuse "*With our system, we*

*reduced our water consumption by 80%, great number I think, by filtering and reusing wastewater in the tanning process”* (Company M).

Local production also strengthens regional economies. According to a Slovak company, *"Local production is more sustainable because we stay in direct contact with our suppliers and employees"* (Company P) This ecosystem ensures supply chain transparency and reduces transport emissions but also narrows market opportunities, making international expansion more challenging. For many companies, however, international market access is not just an economic goal but also an image-building strategy. Being present in export markets is a prestige factor, especially for sustainable brands. To succeed internationally, some V4 companies establish joint regional partnerships to share supply chain resources and increase export capacity.

Although circular economy models theoretically aim for full material recycling, V4 SMEs face limitations in achieving this at an industrial scale. As one Czech entrepreneur pointed out, *"Local production helps us to operate sustainably, but we don't have the infrastructure to recycle all materials"* (Company AA). Local circular models struggle with full material recycling due to mixed material compositions that complicate the process.

The use of renewable and sustainable raw materials is key in the V4 region, and their production and sourcing remain a major challenge. The choice of sustainable fibres is a key determinant of the environmental footprint of a product, but local alternatives are limited in the V4 countries. For example, pilot development programmes exist for textile fibres made from food by-products such as beer barley or sugar beet, and some companies have already joined the pilot phase in the framework of a research partner, but their industrial processing is rudimentary. Compared to traditional textile fibres, these innovations offer significant environmental benefits but are not yet capable of ensuring a stable raw material supply.

### **Retail, operation and services**

Sustainable retail and business models in the V4 region go further than focusing on the products—they also involve how brands interact with consumers, run their shops, and connect with local communities. V4 sustainable fashion SMEs emphasis production and distribution, integrating sustainability into customer relationships, local business models, and circular service solutions. Their use of local supply chains, in-store circular practices,

and flexible logistics shows how their approach differs from typical global sustainability models.

One of the key features of V4 sustainable fashion SMEs is how closely they tie their retail activities and services to the surrounding communities. In contrast to traditional retail, several Polish and Czech brands have turned their shops into interactive places where customers can experience the production process firsthand. Empirical evidence suggests this approach enhances brand transparency and fosters consumer awareness of sustainable fashion. *“Our shop is more of a workshop than a traditional shop. Customers can see how the clothes are made and learn about the whole process.”* (Company L). By involving customers this way, brands influence how people shop—helping them make more conscious choices and avoid waste, which aligns with circular economy goals. Another critical element in V4 sustainable retail is their focus on local sourcing and infrastructure, which helps cut down on the environmental cost of logistics. Instead of using large, centralised global distribution systems, many fashion SMEs in the region prefer decentralised logistics solutions. They often use local systems for collecting and reusing packaging, which helps reduce transport distances and lower emissions. Interviews indicate widespread use of degradable or recycled packaging, with some engaging consumers in reuse strategies. As one company representative stated, *“Our packaging isn’t just about waste reduction; it encourages customers to return and reuse materials for a more sustainable cycle.”* (Company D).

Some Polish brands have gone a step further by using returnable packaging, which not only cuts waste but also involves customers directly in circular consumption and builds loyalty. Similarly, Hungarian and Slovak businesses adopt low-emission transport methods like bicycle couriers and localised pick-up points. These solutions help meet sustainability goals and give customers more flexible delivery options. A Hungarian company emphasised this shift: *“By shifting to bike couriers and local pickup points, we cut transport emissions while giving customers greater flexibility to receive what they placed as an order.”* (Company G).

In addition to physical infrastructure, digital tools are improving the sustainability of logistics in the region. Using digital platforms to manage orders and returns helps cut unnecessary transport and makes the supply chain more efficient. By combining local logistics, reusable packaging, and digital solutions, V4 fashion SMEs are developing their

own sustainability practices instead of just following global models. Altogether, these strategies signal a shift in sustainable fashion retail—from conventional supply chain thinking toward more integrated, community-based models that support both the environment and business stability.

### **End life product, repurposing and disposal**

Companies in the V4 region are implementing local end-of-life product solutions. Take-back schemes, enabling customers to return worn-out garments for repair, reuse, or recycling, are used by 20 out of 28 of the interviewed SMEs. It is common among Hungarian businesses to offer schemes that allow customers to return old clothes for free or at a discount: *"We don't want customers to throw their clothes away."* (Company A). Among the Polish brands interviewed, take-back programmes are primarily used for garment repair and redesign: *"If you no longer wear a piece, we refurbish it, recycle it, and give it a second life."* (Company M). A Slovak brand's model reinforces circularity in children's clothing by creatively transforming outgrown or worn-out items. This programme uniquely applies algorithms to match reclaimed clothes with current demand, minimising excess stock and maximising product life cycles in the local market.

V4 SMEs also incorporate recycled or upcycled fabrics into their collections, sourcing materials from post-consumer textiles, production waste, or industrial surplus. This practice reduces both environmental impact and raw material costs. In Slovakia, several brands integrate industrial waste into the recycling process: *"Last year we recycled more than 3 tonnes of textile waste, not only protecting the environment but also generating €8,000 in extra revenue."* (Company T).

Approximately half of V4 enterprises interviewed reported applying remanufacturing techniques to repurpose old garments into new products. *"If the material is still strong, it is used to make patchwork clothes; if not, it is repurposed as industrial insulation."* (Company O). However, the management of textile waste and large-scale recycling remains a challenge due to inadequate infrastructure. 12 companies have reported to have the necessary logistical background or partnerships to facilitate large-scale recycling. In Poland, companies struggle with limited industrial capacity: *"It is very difficult to find the right partners who can actually recycle the materials."* (Company J). Meanwhile, in the Czech Republic, some networks have successfully integrated automated textile collection and recycling, transforming discarded textiles into reusable raw materials

through chemical processes: *"We recover fibres from old clothes and transform them into new fabrics."* (Company BB).

V4 sustainable fashion SMEs implement end-of-life circularity practices with the following key features

- Take-back programmes: customers can return clothes for repair, resale, or recycling.
- Dominance of reuse and upcycling: new products are created from secondary materials, lowering raw material costs
- Remanufacturing and creative reuse: businesses repurpose worn-out garments into new products through remanufacturing
- Lack of recycling infrastructure: limited industrial capacity restricts efficient textile recycling.

Companies without formal take-back or recycling programmes cite infrastructure and logistical barriers as key challenges. In Poland and Hungary, the lack of adequate recycling facilities hinders sustainable textile management strategies. As a result, many businesses extend product lifespan or dispose of clothing through donations, often without a regulated framework. Without recycling facilities, textile waste frequently enters municipal waste systems. The V4 characteristics of the interdependent levels of the circular economy are summarised in Figure 20.

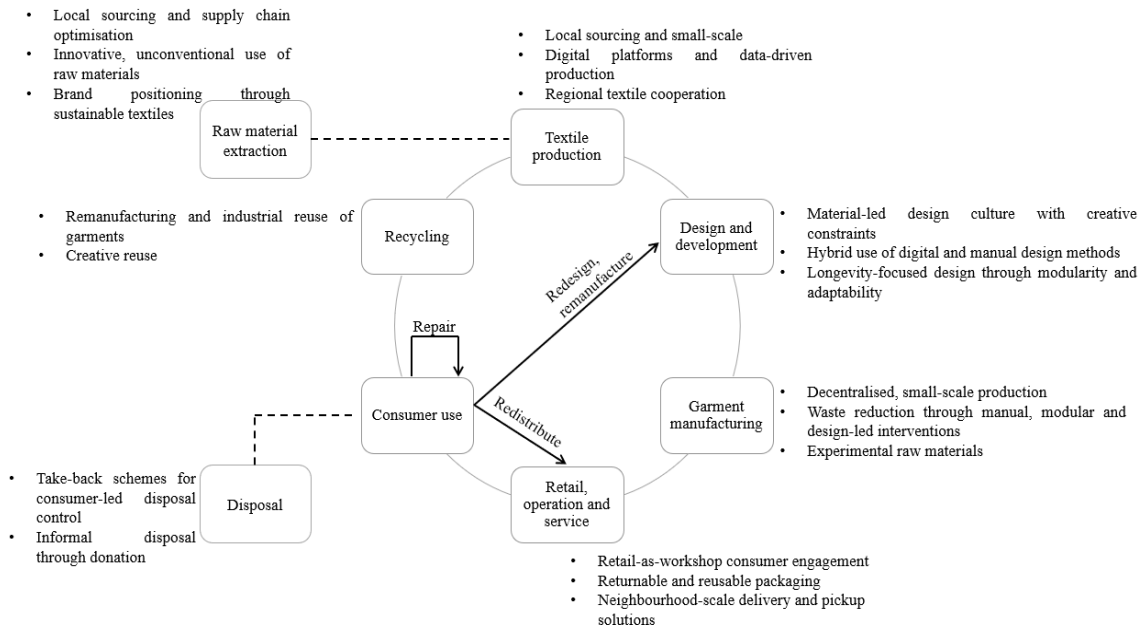


Figure 20. Circular model's specificities in V4 sustainable fashion SMEs (source: own compilation based on Dissanayake & Weerashinge 2022 framework)

#### 4.5. Future trends in CSR and sustainability

The research identified six trends that could play a key role in the future of sustainable fashion. These trends will make a major contribution to the simultaneous pursuit of sustainability goals and industry competitiveness. The detailed presentation of each trend highlights how these might shape corporate initiatives in the coming years.

One of the future trends identified by V4 sustainable fashion SMEs is the rise of circular economy, which focuses on the environmentally friendly use of materials, recycling and extending the life cycle of products. Companies are predicted to prioritise the use of recycled materials, transparent supply chains and consumer education. The interviewees' responses strongly support these trends. Most companies emphasised a commitment to the circular economy, with a focus on upcycling, product return programmes and repairable garments. At the same time, digitalisation is taking the use and scalability of circular practices to a new level. *“Digital tools will help us grow our circular practices faster and make the whole process more efficient,”* (Company Q). Although traditionally associated with operational efficiency, digital tools such as AI-based demand forecasting or digital product journey planning systems are expected to accelerate the shift to circularity. The interviews suggest that if companies could deploy real-time material tracking, virtual prototyping and automated resale or repair platforms, it would make it more efficient to extend product lifecycles. Digitalisation is not seen as a separate technological trend, but as the infrastructure that enables the circular economy to work, transforming materials management, consumer interactions and sustainability performance measurement. *“I think digital tools will be essential in the future — they’ll help us track materials, connect better with customers, and actually prove we’re doing things sustainably,”* (Company N).

According to the interviewees, one of the most important future trends in sustainability is local production and short supply chains with rethinking design processes. The patterns that are increasingly emerging show that the circular economy will be driven by supply chain transformation and digitalisation will become a central element. The short supply chain is increasingly a resilience strategy to global market disruptions. *“In the future, staying local and using digital systems will be the key to keeping our business stable and truly circular,”* (Company R) Several companies mentioned that they are developing regional manufacturing networks that reduce dependence on remote suppliers while

providing sustainable sourcing of raw materials. In the future, the ability to adapt to local, transparent supply chains could become a defining feature of circular business models.

Respondents are increasingly turning to digital tools and real-time data tracking as a key element of future sustainability transparency. Although the use of data-driven systems is still in its early stages, positive expectations of the technology are strongly present in the responses. As one interviewee put it, "If we don't show what is behind our clothes, customers maybe go somewhere else." Another said, "*I think in 3 or 4 years, if we not use such tools, we will be behind.*" (Company G) The owners interviewed therefore see technology as an administrative tool now, but more as a tool for competitiveness and consumer confidence in the future.

According to V4 sustainable fashion SMEs owner-managers' experience, in the future, customisation and personalised experiences will be a basic consumer expectation in sustainable fashion. Systems such as colour-type based advice will facilitate informed purchasing and strengthen the personal connection that shoppers are increasingly looking for. The rise of multi-functional garments, such as multi-wearable models, offer both practicality and sustainability and could become an alternative to over-consumption. "*In future, people not only want good product, but also want to feel it was made for them, with care and meaning.*" (Company BB) suggesting that customisation and functional design will become a competitive factor. Overall, sustainable fashion in the future will mean ethical production, personal, values-based relationships between products and consumers.

Regular and new forms of collaborations are highlighted by several companies. Based on the interviews, the preferred forms of future cooperation were explored.

- Open sustainability platforms can be digital infrastructures that enable sustainable fashion market actors, including SMEs, research institutes and consumer organisations, to share resources, supply chains and circular economy solutions in a transparent way. These platforms can stimulate collaborations on material development, such as research and application of recycled or biodegradable textiles that can be economically scaled across the industry. The results show that several fashion SMEs have adopted an open innovation approach, particularly in the joint development of recycled raw materials and the transparent sharing of

supplier data. These inter-organisational collaborations have helped to streamline resource allocation and increase operational transparency.

- The interviews showed that several V4 sustainable fashion SMEs have sought to develop more flexible supplier relationships, particularly as sustainability considerations have become more important. According to respondents, there is an increasing emphasis on supplier transparency and on collaborations that allow for a more efficient alignment of production and sourcing capacities according to needs.
- According to the interviews, several V4 sustainable fashion SMEs see an increasing role for adaptive, multi-stakeholder collaborations in the future, especially in the form of consortia that allow for testing circular solutions and adapting faster to the changing regulatory and market environment. Respondents stated that these partnerships support risk sharing and facilitate access to advanced technologies and expertise. As one participant put it, "For us, being part of a sustainability consortium means we're better prepared for what's coming - new laws, material shortages, or shifts in customer expectations."

Diversity is one of the key future trends in the fashion industry, reflected in the increasing diversity of consumer demands and the creative freedom of designers. It is predicted that companies will increasingly need to respond to changing consumer preferences with customised, unique products, while designers will be given greater creative freedom to innovate. Respondents mentioned the importance of customised garments, capsule wardrobes and multifunctional design in several cases, but these were not mentioned in terms of aesthetic or creative diversity, but rather in terms of promoting sustainable consumption and conscious shopping. As one Hungarian respondent put it, "*People increasingly want clothes that look good and last a long time, so we support them with personalised colour advice and designs tailored to their body shape.*" (Company E). Another business is responding to changing consumer needs by offering reversible and multifunctional garments that are both practical and sustainable. This reflects that, although the literature often links diversity to creativity and personal style, for SMEs it serves as a tool to encourage sustainable consumption through functional clothing, personalised guidance, and timeless designs.

#### 4.5.1. Typologies of future-oriented sustainability approaches in V4 sustainable fashion SMEs

The research revealed patterns among V4 sustainable fashion SMEs based on how companies approach sustainability and future challenges. Companies with similar sustainability mindsets had similar practices and tended to identify and prepare for the same trends in similar ways. The goal was to understand the diversity of sustainability approaches, not to define strict company types:

- **Pathfinders:** Companies that are on the path to sustainability but are still looking for direction. They are characterised by a lack of knowledge and information and uncertainty about the market. They are eager for mentoring and community learning but are currently observing rather than shaping.
- **Constructors:** These businesses are already building sustainable operations. They aim to transform their supply chains, introduce resource efficiency and launch long-term innovations. Sustainability is not an issue for them, but its implementation is fraught with obstacles.
- **Tightrope walkers:** They are forward-looking but cautious - planning for the long term, forced to constantly rebalance by economic unpredictability and the fragility of sustainability trends. They are looking to the future but adapting to the present.
- **Community Champions:** These companies offer a product and represent a community cause. Sustainability is a values-based commitment, closely linked to transparency, social participation and cultural presence. Their biggest challenge is to remain credible while setting ever higher standards.

The first category includes companies that are mainly confronted with the problem of balancing sustainability efforts with short or medium-term competitive advantages. The challenge lies in the fact that growing consumer expectations and awareness of sustainability trends do not yet align with the ability to easily and cost-effectively implement the necessary solutions. "*We hear a lot about sustainability trends, but there is little practical guidance on how we can integrate this step by step into our daily operations.*" (Company R). The lack of sustainability knowledge is compounded by the difficulty in accessing information directly. "*We know that there are innovative sustainable solutions, but we don't have reliable, easily... resources to help us navigate through them....*" (Company R.). This lack of knowledge often results in businesses being

cautious and relying on familiar, traditional methods, which hinders progress towards higher levels of sustainability. As a potential solution, companies would prefer to establish direct industry mentoring programmes or regional knowledge sharing platforms. In addition, participation in regional partnerships could facilitate the sharing of resources and experience, facilitating the expansion of sustainability practices. Another key need is to increase market awareness: businesses say there is a need for more accurate mapping of consumer needs and for materials and resources that show what sustainable products are in real demand. *"If we knew our market better, we could more easily adapt to demand and put our sustainability strategy on a more solid ...ground"* (Company R). These findings show that companies in the pathfinders category consider access to materials, information, networks, and market insights essential for meeting sustainability demands and taking a more strategic approach.

The second category covers companies that integrated sustainability practices into their operational decision-making but still face numerous challenges in achieving sustainability goals. One of the biggest barriers is the uncertainty of long-term outcomes: as sustainability investments often deliver returns only over extended time periods, the emphasis on short-term business outcomes can be disorienting for management. As one interviewee put it, *"Although we know that sustainability innovations can deliver significant like... cost savings and reputational benefits in the long term, it is difficult to maintain my commitment, like management commitment if financial returns are delayed."* (Company H). Another challenge is embedding sustainability throughout the value chain. These businesses often have well-developed sustainability policies, but their implementation by all actors in the value chain is not always seamless. According to a Slovak company manager, *"Many of our suppliers do not have the necessary certifications or sustainable alternatives... it is such a barrier... which hinders a universal implementation of our sustainability efforts."* (Company U). This problem is closely linked to the availability of sustainable raw materials and innovative technologies on the market, which is also a major constraint at management level. Companies have formulated different strategies to overcome these challenges. One way forward is to transform the supplier network, including consistent measurement of sustainability performance and closer partnerships with suppliers who can meet the new sustainability standards. In addition, the adaptation of resource efficiency projects and circular business models has also emerged as a realistic option: *" By adopting circular solutions, we reduce*

*waste and build a strong base for future competitiveness in the market,"* (Company E). Another approach is accelerating innovation, especially in the research and development of sustainable technologies and materials. Based on the interviews, managers also suggested that cooperation with technology start-ups or joint pilot projects with universities could help to test and introduce new sustainable materials faster. Overall, strategies for companies in this category are to promote sustainability range from reforming supplier relationships to introducing circular models and developing innovation partnerships.

Firms in the third category are characterised by showing strategic approach to the future and challenges but the long-term economic sustainability of sustainability trends is a major challenge. While demand for sustainable products is growing today, companies are uncertain how stable this trend will be. *"We don't know how long the enthusiasm for sustainability will last. We had some up and downs earlier... If the economic situation gets weak, consumers may turn again to cheaper, less sustainable alternatives."* (Company I). This uncertainty makes it difficult to develop long-term strategies and plan investments in innovation. Another important problem is the ability to react quickly to market changes. As strategic-level companies treat sustainability as an integrated business model, they are particularly vulnerable to the effects of supply chain sustainability, volatility in commodity prices and tightening regulatory requirements. One Czech company, for example, pointed out: *"We are working on circular models and new technologies, but if our suppliers cannot keep up, the whole process can fail."* (Company BB). Among potential solutions, they stress the importance of strengthening long-term planning and developing internal capacities. Potential future developments may involve the expansion of strategic collaborations, particularly with universities and research institutions, which can play a pivotal role in facilitating the adoption of innovation. Furthermore, firms are likely to place greater emphasis on consumer education, aiming to promote more informed and responsible purchasing behaviour. Simultaneously, the digitalisation of internal operations—alongside the integration of predictive analytics—will be essential in enhancing organisational agility and enabling timely responses to evolving market dynamics.

In the fourth category are SMEs base their operation and sustainably attempts on charity. These companies strive to maintain the long-term relevance and credibility of their sustainability goals and social mission, while adapting to an increasingly complex

economic environment. Their activities rely heavily on community participation and the social dimension of value creation, which puts them under constant pressure to innovate. One Slovak company, for example, commented: "*From time to time we have to come up with new initiatives to keep the community interested and active.*" (Company S) This phenomenon highlights that the competitive advantage of sustainability is shaped by dynamically changing social and environmental expectations. Another major challenge is the growing need to maintain transparency, which paradoxically places a particular burden on those SMEs that have declared values of openness and community participation. Companies are often faced with the difficulty of ensuring transparency at all levels of the value chain, especially while meeting the real-time insight needs of stakeholders, including consumers, partners and financiers. This situation is leading to the emergence of a new approach to "continuous auditing", which requires continuous monitoring of sustainability performance and public reporting of data, increasing the resource requirements for data management and reputational risks. Responses to these challenges include the use of complex narrative strategies to support transparency, going beyond traditional reporting mechanisms based on quantitative indicators. Systematically integrating stakeholder stories and experiences into corporate communication contributes to a multi-stakeholder, interactive discourse that enhances corporate social embeddedness and community value creation. Digital transformation also plays a key role in this process, with online platforms, interactive learning materials and virtual communities enabling scalability and expanding global reach. Community financing models and pre-order campaigns offer alternative ways to raise capital while also strengthening consumer loyalty and supporting value-driven brand building. In these organisations, sustainability challenges and responses are shaped by the dynamic relationship between transparency, innovation, and social responsibility.

## 5. New and novel findings

The dissertation's new and novel findings are presented in the form of theses. These include both original results not previously discussed in the literature and novel insights that expand existing knowledge. The theses are listed below in Table 9.

Table 9. Research theses (source: own compilation)

Research question	Research result
<b>RQ1: How do sustainable fashion SMEs interpret the concepts of CSR and sustainability in V4 countries?</b>	<b>Thesis 1:</b> Sustainable fashion SMEs in V4 countries perceive CSR as a values-based operation, commitment to sustainability, ethical business conduct and community engagement. Sustainability is a more practice-oriented approach based on materials and circularity as well as design and small-scale production as the main environmental pillars. Its social pillar covers cultural heritage and craftsmanship and consumer education to promote sustainable consumption. Its economic pillar is based on local production and resource optimisation.
<b>RQ2: What are the drivers and barriers affecting the adaption of CSR and sustainability practices in V4 sustainable fashion SMEs?</b>	<b>Thesis 2:</b> The V4 sustainable fashion SMEs' CSR and sustainability practices are driven by internal drivers such as owner-managers' personal value, product and technology innovation and motivated employees. External drivers cover strategic differentiation and competitive brand positioning, also collaboration, industry network and cooptation. As internal barriers, the lack of resources, such as financial, human, and scalability are identified. External barriers such as customers' price sensitivity and knowledge gap, lack of suppliers' commitment, regulatory and policy differences, lack of joint platform and technological and infrastructural deficiency constrain CSR and sustainability practices.
<b>RQ3: Which SDGs are addressed by V4 sustainable fashion SMEs and how?</b>	<b>Thesis 3:</b> SDGs with economic dimensions receive particular emphasis among V4 sustainable fashion SMEs. SDG 12 (Sustainable consumption and production) addresses overproduction in fashion, promoting waste rejection, product longevity, and drastically reduced volumes. SDG 8 (Decent work and economic growth) emphasises quality growth through local economies and fair employment; SDG 9 (Industry, innovation and infrastructure) appears in industrial modernisation and environmental impact reduction; SDG 10 (Reduced inequalities) is reflected in local workforce integration and measures promoting economic equality. Environmental-related SDGs are led by SDG 13 (Climate action), reflected in carbon footprint reduction, local production, and rationalised energy and water use. Social SDGs include SDG 4 (Quality education) and SDG 5 (Gender equality), seen in sustainability education through workshops and products, as well as protecting women workers and supporting their economic empowerment and decision-making participation. SDG 2 (No poverty), SDG 3 (Good health and wellbeing), SDG 7 (Affordable and clean energy), and SDG 14 (Life below water) are not priority SDGs for this group of entrepreneurs.

<p><b>RQ4: How do V4 sustainable fashion SMEs apply sustainable business models</b></p>	<p><b>Thesis 4:</b> V4 sustainable fashion SMEs integrate circular economy models, demand-driven production, modular design, and community-based models to advance sustainability. Circular practices, including upcycling, recycling, and closed-loop manufacturing, improve raw material efficiency. Community-based and collaborative models deepen consumer involvement, enhance transparency, reduce overproduction, and foster long-term behavioural change toward more conscious and sustainable consumption. Some V4 sustainable fashion SMEs apply subscription-based model to demand-driven production and to forecast demand more accurately, minimising excess inventory and production waste. Modular design models extend product lifespan, reduce raw material use and inventory risks, strengthen customer engagement, and enhance both sustainability and business stability.</p>
<p><b>RQ5: What are the future sustainability trends for V4 sustainable fashion SMEs and how are they being addressed?</b></p>	<p><b>Thesis 5:</b> V4 sustainable fashion SMEs see rising circularity, increased transparency, the strengthening of local supply chains, cross-sectoral collaborations for resource and knowledge sharing, AI- and digitally driven transformations, ethical sourcing practices, and the growing use of diversity as a tool for customisation as future industrial trends. The research revealed varying perceptions and responses to sustainability trends among V4 sustainable fashion SMEs. Companies that see sustainability as emerging but unclear respond cautiously, seeking guidance, peer learning, and market insight. SMEs seeing sustainability as essential and pursue it through supply chain transformation, efficiency, and innovation, face implementation challenges. Future-oriented SMEs balance long-term planning with short-term adaptation due to economic uncertainty and the instability of sustainability trends. SMEs that combine product offerings with a community mission, treat sustainability as a values-driven commitment tied to transparency, struggle to maintain credibility amid rising expectations.</p>

## 6. Discussion

CSR among V4 sustainable fashion SMEs is interpreted in four dimensions: values-based operation, ethical business conduct, sustainability commitment and community engagement. These dimensions are partly aligned with the CSR areas defined by ISO 26000, in particular the aspects of ethical behaviour, local communities, human rights and environmental responsibility. The commitment of SME owner-managers to CSR is clearly evident. As Morsing & Perrini (2009) pointed out, the personal beliefs and values of owner-managers are essential for integrating CSR into the business (which is especially true in the case of small, founder-led companies, where decision-making is centralised and personal convictions strongly shape business practices). SMEs are not systematically defining or documenting CSR initiatives, and instead of adhering to structured CSR policies, they are integrating them into their daily activities and corporate culture. This indicates a practical, experience-based CSR logic, where social responsibility becomes part of "how things are done" rather than being governed by formal frameworks.

The results show that in the case of V4 sustainable fashion SMEs, CSR is largely implicit, while community and philanthropic initiatives are explicit (Matten & Moon, 2008; Kobrossy et al., 2022), highlighting how socially responsible behaviour is embedded in everyday business conduct. Hence, CSR for them is values-driven transformations and not checkbox-style CSR initiatives (Baden & Harwood, 2013). This distinction is particularly important, as it challenges the often metrics-focused or compliance-driven understanding of CSR in larger corporations (Matten & Crane, 2005; Baumann-Pauly et al., 2013). V4 sustainable fashion SMEs prioritise authenticity, internal values, and personal responsibility.

V4 sustainable fashion SMEs demonstrate ethical sensitivity by explicitly referencing key stakeholder groups. Companies are expected to consider the interests of shareholders alongside those of employees, consumers, and the surrounding community (Freeman, 1994). In practice, this means that decisions around sourcing, employment, communication, and product development often reflect a conscious effort to balance different stakeholder expectations, even without formal stakeholder engagement strategies. However, the reputational and operational benefits of ethical commitments reinforce CSR as an organic but not systematic process (Schwartz & Carroll, 2003;

Thorisdottir & Johannsdottir, 2020). In this context, CSR emerges as a side-effect of ‘doing the right thing’, rather than being a goal in itself.

Community engagement and charitable practices are also an important expression of V4 sustainable fashion SMEs’ CSR efforts. These companies integrate it into tangible, community-facing initiatives that reflect their values and reinforce local and global connections (Jenkins, 2006; Kobrossy, et al., 2022). These initiatives range from donating unsold items to supporting local schools, organising repair workshops, or collaborating with marginalised communities in the production process—each tailored to the SME’s specific context and resources. Some SMEs build long-term community relationships, while others engage in seasonal initiatives. This variability reflects the flexibility and responsiveness of SMEs, where community engagement is not a fixed template but a living practice shaped by opportunities, needs, and personal motivations (Rumasukun & Noch, 2023).

Regarding sustainability interpretation by V4 sustainable fashion SMEs, interpret sustainability as a multidimensional concept deeply rooted in local contexts while reflecting global environmental, social, and economic goals. Their interpretations align with the classical three-pillar sustainability framework: environmental, social, and economic (Elkington, 1994; Jabareen, 2008; Sachs, 2015).

A sustainable approach to material use aligns with circular economy theory, which promotes raw material recycling and closed-loop systems (Bocken, Short, Rana, & Evans, 2014). Among V4 sustainable fashion SMEs, recycling, upcycling, and biodegradable materials are increasingly used to reduce resource consumption and ensure long-term sustainability. These initiatives reduce waste but also align with CER, which extends beyond legal compliance (Lyon & Maxwell, 2008). Results show that digitalization supports sustainable sourcing decisions and reduces environmental impact in (Sindhi & Kumar, 2012). Resource efficiency is both an economic and environmental priority, consistent with research highlighting the role of strategic planning in sustainability efforts (Reike et al., 2022). The emphasis on durability and timelessness aligns with the slow fashion movement, which promotes reduced consumption and product longevity (Gradin, 2020). From an owner-manager standpoint, this strategy contributes to increased customer loyalty and satisfaction, while simultaneously reducing the environmental footprint associated with production and consumption processes (Dabija et al., 2020).

Interviewees emphasised that small-scale, off-seasonal production offers economic benefits, particularly in terms of flexibility, innovation, and market adaptability. Several interviewees noted that small-scale production provides a competitive advantage by ensuring higher quality and more unique products, distinguishing them from mass production. Studies confirm that small-scale production enhances competitiveness and supports long-term economic resilience through circular material use (Norris, 2017; Kim, 2024).

Regarding cultural textile heritage and craftsmanship, results support that social sustainability is rooted in the preservation of a community's economic and cultural resources communities (Murphy, 2012; Boström, 2017). Research further supports that localised production structures enhance both social and economic resilience (ADEC ESG, 2023).

Empirical findings on consumer education aligns with research showing that green consumer knowledge directly influences sustainable purchasing habits (Borah et al., 2024). This interpretation highlights that businesses provide both products and knowledge to help consumers make sustainable choices. The concept of transformative consumer behaviour aims to empower individuals to make informed, sustainable choices. Sustainability-based marketing highlights the importance of providing both products and relevant information to support responsible consumption (Ritch, 2015; Pereira et al., 2018). However, the effectiveness of educational efforts depends on consumer receptivity, which varies across demographic and cultural contexts. Consumer loyalty in relation to sustainability is shaped by both the company's environmental actions and the way consumers interpret their significance. Social and environmental responsibility alone does not always increase consumer satisfaction but can enhance long-term brand loyalty (Dabija et al., 2020). Although sustainable fashion brands often prioritise ecological aspects, consumers continue to value quality, durability, and affordability (Park & Kim, 2016).

Economic pillar is emphasised by Kim's research (2024) indicating that local production and short supply chains contribute to sustainable economic growth. Local production means and small-scale production enhances economic efficiency and regional growth. Additionally, the resource-based view theory supports the idea that sustainability capabilities create a competitive advantage, particularly when they are difficult to replicate (Fifka & Drabble, 2012; Kim, 2024).

Interviews and literature indicate that CSR and sustainability are often regarded as synonymous by V4 sustainable fashion SMEs. CSR functions as a sustainability approach embedded in a normative framework and corporate strategies (Salas-Zapata & Ortiz-Muñoz, 2019; Dunbar et al., 2021). CSR and sustainability as drivers of long-term economic growth through social and environmental responsibility (Juscus & Jonikas, 2014; Gholami, 2024). While corporate sustainability requires balancing economic, social, and environmental dimensions, studies suggest that social sustainability is often overlooked (Ebner & Baumgartner, 2006). The interviews indicate that sustainability and CSR are naturally integrated into business operations, with owner-managers rarely distinguishing them as separate concepts. Sustainability principles are embedded in corporate culture through business decisions and values rather than formal strategies. Most companies view sustainability as a response to market demands and consumer expectations rather than a deliberate competitive strategy. Integrating CSR and sustainability fosters innovation and competitive advantage, though interviews suggest this often results from market adaptation rather than a structured approach (Doukas & Zhang, 2021). Findings also support the view that CSR enhances long-term business stability by strengthening market positioning and consumer trust (Samet et al., 2022). At the same time, in some cases CSR was treated as the social dimension of sustainable development (Morimoto et al., 2015). Some owner-manager shares Szennay's argument (2020) that CSR and sustainability overlap but are not necessarily synonymous, with CSR representing voluntary corporate responsibility and sustainability embodying a broader global concept balancing ecological, economic, and social concerns.

Moving on to an understanding of the factors influencing sustainability practices, the main drivers and barriers identified by V4 sustainable fashion SMEs are presented below. Regarding the owner-manager role in shaping CSR and sustainability practices, Oldham's (2024) classification contoured how rational value sharing, affective value sharing, and value-aligned relationships determine the owner-manager influence on CSR and sustainability practices. Results also suggest that while affective leadership model can build strong brand loyalty and credibility with consumers, Saveanu et al. (2021) argue that there is also a risk of opportunistic CSR strategies where sustainability goals are not formalised and the personal presence of the owner-manager over-determines business decision-making.

The dissertation finds that aligning employee values with sustainability goals fosters commitment, enhances innovation, and improves efficiency, suggesting SMEs should leverage CSR practices in their employer branding to attract and retain quality employees (Szegegi et al., 2023). Most interviewees highlighted that their team aligns with sustainability, but management intervention and structured mechanisms are crucial for maintaining long-term commitment. Employee motivation is higher when CSR is integrated into internal governance, such as promoting well-being and development, than when it is limited to external CSR campaigns (Ferreira & Real, 2014).

In companies where employees receive regular feedback on their contributions to CSR and sustainability, the workplace becomes more attractive, as it offers opportunities for value-driven work and professional development (Watson & Li, 2024). Ferreira & Real (2014) suggest that employee motivation is mainly influenced by internal CSR (well-being, training, and development opportunities), while external CSR (company's social and environmental impact) plays a less direct role. In the context of ethical and eco-fatigue, interviews revealed that commitment to sustainability often does not wane due to excessive workload; rather, employees lose motivation when they cannot perceive their own role in implementing sustainability strategies.

Research has shown that innovation in sustainability-oriented SMEs is often closely linked to the values and long-term mindset of the firm, rather than to short-term profit-making (Bos-Brouwers, 2010). In addition, the intrinsic motivation for eco-innovation typically stems from ethical commitment and brand identity rather than from compliance pressures (Horbach et al., 2012). This suggests that product innovation in such contexts is not an external obligation but an expression of an internal vision and problem-solving adaptability. Theoretical frameworks suggest that regions with strong craft traditions integrate sustainability through heritage preservation (Chembessi, Bourdin, & Torre, 2024).

The string cooperation dynamics can be understood by Peredo & McLean' (2006) collective enterprise model, according to which firms do not operate as mere competitive entities, but as part of a sectoral community, facilitating the diffusion of innovation in the industry. Among sustainable fashion brands in the V4 region, this collectivisation results in individual firms moving forward along a common development path rather than in isolation. This kind of knowledge sharing accelerates the diffusion of sustainable technologies but also increases the adaptability of the industry

The implementation of sustainability practices in fashion SMEs often places considerable strain on already limited resources. One of the most cited challenges is the added workload for employees. While sustainability efforts may foster job satisfaction under supportive conditions, they can have the opposite effect in environments where creative autonomy and adequate support are lacking. As Ahmad et al. (2024) argue, CSR initiatives can improve employee engagement only when embedded in a framework that nurtures creative self-efficacy. SMEs often operate with limited financial reserves, making it difficult to prioritise sustainability over short-term survival (Revell et al., 2010).

Market-driven sustainability shifts require consumer attitude transformation (Heras-Saizarbitoria et al., 2021). This finding corresponds with Evens & Peirson-Smith (2018), who argue that overly complex or abstract sustainability messaging may overwhelm consumers and reduce their engagement.

Also, the findings reflect broader concerns in the literature about the fragility and asymmetry of sustainable supply chain relationships. Talay et al. (2020) emphasise that small suppliers often face pressure from buyers to simultaneously reduce costs and adopt sustainable practices, resulting in uneven partnerships. Medcalfe & Miro (2022) further argue that sustainable supply chain integration positively correlates with financial stability, suggesting that long-term investment in supplier alignment can produce measurable business benefits. However, as Di Vaio et al. (2024) point out, ethical misalignments and cultural gaps between companies and their suppliers may hinder effective implementation, particularly when local values are not reflected in corporate sustainability demands.

Literature emphasises the central role of government action and regulatory clarity in enabling sustainability adoption. Li et al. (2020) identified government support and policy initiatives as the most influential drivers of CSR implementation in the textile industry, ahead of market-based factors such as customer demand. Similarly, Wahga et al. (2018) argue that in contexts where domestic enforcement is weak, SMEs often respond more to international buyer pressure than to national regulations. This mismatch contributes to high compliance burdens and restricts global competitiveness. Lueg et al. (2013) advocate for an industry-wide “comply-or-explain” approach, which could reduce ambiguity while maintaining flexibility for smaller actors.

Moving to technological and infrastructural limitations, Singh et al. (2023) and Afzali et al. (2024) highlight, logistical fragmentation and the absence of regionally integrated production networks represent systemic obstacles that delay the implementation of sustainability strategies in emerging economies. Olesen et al. (2022) similarly argue that underdeveloped infrastructure can distort cost structures and prolong dependence on unsustainable sourcing models. Zoumpalova et al. (2023) introduce the Czech case that further illustrates that the transition towards a circular economy in the textile sector is constrained by a combination of economic, technological, institutional, and informational barriers, which together significantly slow down the adoption of sustainable practices.

SDG-related results reflect the logic of the "wedding cake" model proposed by the Stockholm Resilience Centre (2016), where the implementation of the SDGs is not understood in isolation, but as a system of interdependent, ecologically based goals. The social, economic and environmental dimensions are not separate domains, but part of a tightly interwoven system, where the ecological foundation ensures the stability of the other two levels. The research shows that sustainability practices are not evenly implemented across all SDGs, there are significant differences in corporate practices in terms of which goals are considered relevant or achievable. This indicates that the integration of the SDGs does not happen simultaneously, nor is it equally weighted in the operations of companies. While several authors are critical of the framework, emphasising its Western, capitalist and modernist values (Kopnina, 2016; Nair et al., 2021), the results suggest that businesses operating in non-Western contexts, such as sustainable fashion SMEs in the V4 region, are also actively interpreting and applying the SDGs target framework in a way that is adapted to their own operational contexts. These examples show that practical approaches to sustainability can be embedded in ways that reflect local socio-environmental realities. The results of the research confirm that the V4 sustainable fashion SMEs' relationship with the SDGs is complex: although resource constraints, knowledge limitations and uncertainty about the future role of the goals are barriers to systemic integration (Bakhtiari, 2014; Liu et al., 2023). The SDGs are mostly presented as an inspirational and values-based framework rather than as a concrete, operational governance tool (Del-Aguila-Arcentales et al., 2022). The majority of enterprises do not explicitly use SDG references, still their practical operations include a number of specific elements - such as responsible production and consumption and resource management, transparency, promoting employee well-being and female

representation in business and decision making - that fit well with the content of the SDGs (Gherardi et al, 2021; Fiandrino et al., 2022). Certain aspects of the Goals are already implicitly embedded in corporate operations, even though they are not always implemented along a conscious SDG strategy. Some examples suggest that the gradual incorporation of the SDGs has started to take place due to long-term competitiveness, reputational and risk management benefits (Gibson et al., 2022; Saqib et al., 2023).

Recent research suggests that achieving SDG 12 requires reducing the use of environmentally harmful materials, improving consumer communication, and promoting sustainable alternatives (D'Adamo et al. 2024). Practice-based learning aligns with the findings of Wachs and Weber (2023), who argue that material-led collaboration—particularly in textile and design contexts—can support non-formal education and responsible innovation. While their study focuses on intercultural education in a more academic setting, the underlying logic of learning through co-creation and material experience resonates strongly with how some V4 sustainable fashion SMEs facilitate sustainability education in day-to-day business. Educational function emerges through the interaction between people, materials, and values. This is a strategic cooperation rather than a social assistance role, as it creates mutual value by addressing social needs through business solutions (Porter & Kramer, 2011).

Sustainable business models, such as circular economy models - in particular upcycling, mechanical recycling and closed-loop production - are widely used in V4 sustainable fashion SMEs, but the extent and effectiveness of their implementation varies considerably. The practice of upcycling is perceived by businesses as an economic necessity and an identity -enhancing tool that can also strengthen local craft traditions and brand loyalty. Results are supported by of Bucur (2023) and Uhrenholt et al. (2022) findings, that the implementation of circular models requires a technological, also supply chain and consumer attitudinal changes. In the V4 sustainable fashion SMEs, the applicability of upcycling is limited due to labour-intensity and fluctuations in the quality and quantity of raw materials, making it more viable in premium and niche markets. Mechanical upcycling is technologically available, but for small companies the industry entry threshold, such as high minimum order volumes, is a barrier (Eisenreich et al., 2022). Chemical upcycling is rejected by the majority of companies due to high costs, low demand and consumer mistrust (Uhrenholt et al., 2022). Some elements of closed loop production can be observed in brands that build direct customer relationships, but

their economies of scale are low. The proliferation of sharing economy solutions such as rentals or clothing clubs is hampered by legal constraints, high logistical costs and cultural resistance (Ruiz-Navarro et al., 2025).

Among alternative business models, the subscription-based models enhance revenue predictability and customer loyalty, supported by (Brydges, 2021). Order tracking and data analytics improve demand-driven production efficiency (Wulff, 2023), while blockchain enhances supply chain transparency and tracks sustainable materials (Kouhizadeh, Saberi, & Sarkis, 2021). Some companies implement digital pre-ordering to gather real-time demand data, reducing redundant production. Interviews indicate that adoption is hindered by high costs and insufficient infrastructure. These models support sustainable fashion but depend on consumer habits, digital advancements, and supply chain flexibility.

Regarding modular and multifunctional design: LCA helps companies reduce environmental impact and optimise resource use through product design modifications (Niero & Rivera, 2018). According to the European Environment Agency (2023), companies increasingly use LCA to inform product development. These models lower waste, energy use, and inventory risks. Despite benefits, modular design adoption in V4 faces barriers. The rigidity of supply chains and the higher costs of custom manufacturing processes can make modular products more expensive than mass-produced alternatives. LCA data helps businesses demonstrate sustainability benefits to consumers, easing adoption barriers (Costa et al., 2019). AI-driven personalised design and blockchain tracking support modular fashion success (Butteddi & Butteddi, 2024). Some V4 sustainable fashion SMEs test smart textiles that adapt to temperature, improving functionality. LCA helps assess if such innovations genuinely lower environmental impact (Haupt & Zschokke, 2017).

Community-based service models, such as clothing services based on shared use, promote cooperation and shared value creation between actors, thus going beyond traditional service frameworks. Wu et al. (2023) argue that this type of networked collaboration helps reduce the pressure on individual resources while enabling the effective connection and growth of local reuse and upcycling practices.

The anticipated future trends are summarised in Table 10 based on the interview findings.

Table 10. Future sustainable fashion trends aligned with the research findings in the V4 sustainable fashion SME sector (source: own compilation)

Trends	Research findings	Interview samples	Discussion
<b>Sustainable business models</b>	Circular economy is gaining traction, particularly in upcycling and textile recycling initiatives. Transparency is increasingly a priority, with companies investing in material traceability and supplier audits.	<p><i>“Transparency is not optional anymore; consumers expect to know where materials come...”</i> (Company V)</p> <p><i>“I believe in transparency... in a way that audits will become common, and consumers demand accountability at every step...”</i> (Company Z)</p> <p><i>“The future of fashion lies in circularity—soon, upcycling and textile recycling will be industry standards, not a hidden practice”</i> (Company H)</p>	Todeschini et al. (2017) argue that sustainability-driven innovation reshapes business models.
<b>Focus on local production and short supply chains and rethinking design processes</b>	Local supply chains are growing in importance due to economic and sustainability concerns. SMEs collaborate more frequently to share resources and expertise, while digital transformation stays limited in the V4 sustainable fashion SMEs.	<p><i>“The closer our production, the stronger our control over quality, ethics, and yes I guess sustainability as well, right?”</i> (Company P)</p> <p><i>“Shortening supply chains is like, it’s a necessity for cost control and production.”</i> (Company H)</p> <p><i>“Especially SMEs will rely on digital collaboration platforms to share expertise and pool resources for more sustainable production...”</i> (Company C)</p> <p><i>“Advanced digital tools will revolutionise supply chain management...it will commence a new era...”</i> (Company S)</p>	Marino & Remondino (2021) suggest, digital tools can enhance transparency and collaboration across supply chains. The literature has already observed a proliferation of open innovation models for sustainability initiatives (Phonthanakitithaworn, et al., 2023), which may also be relevant for the fashion industry in increasing transparency and allocating resources more efficiently.
<b>Technological advances and data-driven forecasting</b>	Transparency is a competitive advantage. AI and digital tools help track	<i>“I would be thrilled to have sustainability tracking tools but their adoption in the industry</i>	Speight & Karpova (2022) emphasise that digital innovation is reshaping professional

	<p>sustainability in real time, making supply chains and impacts more visible. While data use is still limited, consumer trust grows with clear, traceable information.</p>	<p><i>remains slow.</i>" (Company A)  <i>"Consumer trust will increasingly depend on a brand's ability to provide data about sustainability"</i> (Company U)  <i>"Within the next few years, real-time supply chain transparency will be expected by consumers"</i> (Company BB)</p>	<p>roles and consumer expectations.</p>
<p><b>Sustainability and ethical practices paired with consumer experience and customisation</b></p>	<p>Ethical sourcing is a growing priority, but sustainability education remains inconsistent among consumers. Brands use storytelling and engagement to make sustainability part of their core message.</p>	<p><i>If we don't educate consumers, they won't understand why sustainability matters, and they won't change their habits."</i> (Company A)  <i>"Consumer education will move beyond marketing and that is where investing in it will happen"</i> (Company R)  <i>"In the future...sustainability will shift from being a selling point to an industry standard and those who do not want to be different will lag behind"</i> (Company P)</p>	<p>Samuels (2024) highlights the strategic role of consumer education in embedding sustainability.</p>
<p><b>Strategic collaboration</b></p>	<p>Consortia of fashion companies, academia, and NGOs develop technologies and business models for longer product life cycles and closed-loop manufacturing through joint pilot projects. Interviews indicate that V4 sustainable fashion SMEs increasingly aim to enhance supplier transparency and adopt flexible production processes.</p>	<p><i>"Working in a group or joint forces helps us share ideas, I think it also helps lower risks, and try out new sustainable solutions faster."</i> (Company H)  <i>"In the future, small brands like us will have to work together more if we want to stay transparent and reduce waste in production."</i> (Company J)  <i>"Well...talking about the future, working together will be the key — if the system supports it, collaboration will help us really move towards circular ways of</i></p>	<p>In dynamic supplier alliances, firms optimise purchasing and production through central databases or intelligent algorithms, reducing waste and increasing efficiency (Dubey et al., 2024). However, fostering such consortia requires political and regulatory support, as the circular economy transition demands institutional-level coordination (Geissdoerfer et al., 2017).</p>

		<i>doing things.”</i> (Company S)	
<b>Diversity</b>	Diversity as a concept is increasingly part of sustainability and customisation.	<i>“Sustainability will be about more than the environment—it includes social responsibility from our part and inclusive design of course.”</i> (Company J) <i>“I hope in the coming years, inclusivity and ethical production will be as important as aesthetics in defining a brand’s success”</i> (Company K) <i>“I hope that future means the end of focusing only on materials and it will be like ethical labour, diversity, and accessibility as core principles”</i> (Company F)	He (2024) argues that diversity and inclusion are integral to the evolving definition of sustainability in fashion.

The typology developed in this research offers a practice-oriented approach to understanding how V4 sustainable fashion SMEs relate to sustainability at different levels and with different capabilities. While Pathfinders and Constructors correspond to Carroll's (2025) accommodative types, Tightrope Walkers and Community Champions increasingly show traits of proactive actors who anticipate sustainability risks and incorporate them into their operations. These groups are also loosely linked to Zadek's (2005) levels of compliance, management, strategy and civic engagement, but the results show that corporate development paths are often non-linear in reality and often take on a hybrid character. It is possible for a company to have transparency at the compliance level while at the same time experimenting with community engagement at the civic level. Notably, companies studied do not fall into either Carroll's (2025) or Zadek's (2005) categories, as sustainability is an internal belief for them. The levels at which companies fall into the categories of ‘doing less than required’ or ‘admit responsibility but fight it’ are not interpretable in the context of this research. The typologies go beyond maturity levels to help make sense of ways of managing business uncertainty (Carroll, 2025), (Zadek, 2005).

## **7. Conclusion, implications, limitations and future research directions**

Since the beginning of my research, I have examined how fashion SMEs in the V4 countries engage with sustainability, focusing on their key drivers, barriers, and future directions. The fashion industry's complexity—marked by aesthetics, fast-changing trends, global supply chains, and regulatory challenges—made this inquiry both demanding and thought-provoking. Integrating sustainability into a sector driven by rapid change and consumption involves clear trade-offs but also opens new opportunities. I was especially interested in how small fashion businesses adapt in such a volatile context. Capturing the diversity of four countries in one coherent framework proved challenging, particularly in linking theory with the realities shared by entrepreneurs. This was the main reason why I considered to use the PRISMA model as a key contribution. It helped build a conceptual base from fragmented sources and guided a structured analysis of the field data. Although many theoretical frameworks and concepts in the literature exist for studying sustainable business models, these often focus on larger companies or different industries. V4 sustainable fashion SMEs operate in a specific economic, social, cultural and regulatory environment, which fundamentally shapes their strategies and growth opportunities. Given the complexity of the sector, it was essential to develop an analytical framework that would allow for an in-depth, multi-faceted analysis of CSR and sustainability efforts.

The analysis is based on 28 qualitative interviews, which provide in-depth, context-rich insights into the attitudes of fashion SMEs towards CSR and sustainability in the V4 countries. However, the research also has several limitations. The study explores sustainability interpretation, best practices and consumer expectations solely from SME owner-managers' perspectives, offering indirect market insights. Without direct consumer data, analysis of attitudes and purchasing behaviour relies on entrepreneurs' perceptions. This poses a methodological limitation, as owners' interpretations may diverge from actual consumer behaviour. This qualitative research approach based on interviews does not allow for statistical generalisation of the results for the entire SME population. The interviews were conducted in English, which is neither the native language of the interviewer nor of the interviewees. As a result, it is possible that some cultural or linguistic nuances may have been distorted. Furthermore, the research did not carry out a comprehensive comparative analysis of macro-environmental factors (economic, legal, cultural) in the V4 countries. Although these elements were frequently

brought up during the interviews, they were not systematically processed. Therefore, it cannot be excluded that different regulatory environments, economic situations or cultural specificities may have influenced the responses across countries and may have distorted the consistency of the patterns. The research is based on data recorded at a specific point in time. Due to sustainability trends and the fast-changing nature of the fashion industry, the findings may lose some of their relevance over time. A key dilemma was how deeply to explore national contexts without losing focus on the sector-level dynamics. Striking a balance between cross-country comparability and local specificity remained a constant tension throughout the research process.

The findings of this study carry implications for both theoretical and practical points. The main theoretical contribution of the research is the result from the PRISMA model, which provides a comprehensive view of the concept of sustainable fashion. The model highlights that the notion of sustainable fashion is a multi-layered umbrella-like concept that encompasses different interpretations, narratives and approaches. Although a lack of consensus persists, the literature review results reveal dominant and alternative interpretations in a structured way, contributing to a more nuanced understanding. In addition, the research has provided a thorough identification of the internal and external drivers and barriers that facilitate or hinder fashion companies' CSR and sustainability efforts. The systemic mapping of these factors provides an opportunity for deeper theoretical reflection and practical conclusions for the promotion of sustainable business operations. From practical point of view, given the research's emphasis on exemplary sustainability-related practices, fashion SMEs may draw valuable lessons from the approaches employed by the analysed enterprises. These companies may adapt and integrate the sustainability-oriented models identified in this study into their own modes of operation. In particular, SMEs can learn to adopt demand-driven and modular production to minimise waste, strengthen collaboration with suppliers to secure sustainable materials, invest in consumer education to promote responsible fashion choices, leverage digital tools and AI for more accurate forecasting and reduced overproduction, highlight cultural heritage and craftsmanship as differentiating values, and explore community-based business models to deepen consumer trust and engagement. The results offer relevant insights for actors within the fashion sector and may contribute to the wider implementation of sustainability-focused approaches—especially in strengthening supplier collaboration and fostering consumer awareness

regarding sustainability. Moreover, the research can contribute to the work of policy makers in identifying effective tools and areas of intervention to promote sustainability in the fashion industry. Research shows that many small businesses do not have access to the financial incentives, knowledge-sharing platforms and collaborative R&D opportunities that are essential for a sustainable transition. Their inclusion in the theoretical and empirical analysis provides an opportunity to identify transferable models, to stimulate innovation and to consciously manage transitions at industry level. For decision-makers, the findings suggest the need to: develop accessible financial incentives tailored to small enterprises, establish shared knowledge and training platforms across the V4 region, provide support for cross-sectoral collaborations and R&D, harmonise sustainability-related regulations to reduce policy fragmentation, ensure affordable access to digital and technological infrastructure for SMEs, and design awareness-raising campaigns that link sustainable consumption with regional economic development, formulate clearer sector-specific guidelines and expectations in the field of sustainability and corporate responsibility, specifically adapted to the realities of SMEs.

The research establishes a solid basis for further academic inquiry, particularly with regard to the regulatory context, patterns of consumer behaviour, and the potential of digital technologies to facilitate sustainable transitions (Su, 2023). Further direction future research lies in the comparative analysis of sustainability practices among SMEs in the V4 countries and those operating in differing regional or institutional contexts. Although the present study focused primarily on enterprise-level practices, further exploration of the consumer perspective would constitute a meaningful extension of this research. The advancement of sustainable fashion is inextricably linked to consumer mindsets, purchasing behaviours, and the increasing demand for transparency throughout the value chain (Lundblad & Davies, 2015).

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## **Annex 1. United Nations Sustainable Development Goals**

- **SDG1 No Poverty:** The goal is to end extreme poverty entirely by 2030. In 2015, the United Nations Development Programme met its goal of halving extreme poverty, which was set out in the year 2000.
- **SDG 2. Zero hunger:** Ending hunger and achieving food security can be achieved by stimulating sustainable agriculture and endorsing small farmers.
- **SDG 3. Good health and wellbeing:** Ensuring that everyone has easy access to quality medicine that is effective. This goal is important because healthy people are productive people.
- **SDG 4. Quality education:** This goal aims to ensure that everyone gets access to quality primary, secondary, and tertiary education regardless of background.
- **SDG 5. Gender Equality:** Achieving gender equality by ensuring equal pay as male counterparts and the same access to education for girls.
- **SDG 6. Clean Water and Sanitation:** Accessibility to sustainable clean and safe water for everyone and tackling water shortages.
- **SDG 7. Affordable and Clean Energy:** Thriving to invest and utilise sustainable energy to meet the demand for energy without compromising to the environment.
- **SDG 8. Decent Work and Economic Growth:** Eliminating slavery and forced labour by ensuring decent work through the promotion of entrepreneurship.
- **SDG 9. Industry, Innovation, and Infrastructure:** This goal can be achieved by developing infrastructure that will allow people to get connected (Electricity and Internet) and share the knowledge that will create sustainable industries.
- **SDG 10. Reduced Inequalities:** This goal aims to reduce the gap between the rich and the poor by providing opportunities for everyone regardless of the background.
- **SDG 11. Sustainable Cities and Communities:** Creating cities that do not result in dilapidated infrastructure as more people move to these cities. This can be accomplished by providing green affordable housing and reliable public transport.
- **SDG 12. Sustainable Consumption and Production:** This ensures that people consume natural resources in a responsible manner that will allow future generations to enjoy them. This involves the reduction of use, recycling, and responsibly disposing of toxic waste.

- SDG 13. Climate Action: Combating the effects of climate change by using technology and legislation to limit the increasing global temperature.
- SDG 14. Life Below Water: Protecting the world's oceans by eliminating pollution, litter, and overexploitation of fish.
- SDG 15. Life on Land: Protecting life on land and its habitats by combating climate change and promoting conservation.
- SDG 16. Peace, Justice, and Strong Institutions: to reduce all forms of violence and propose that governments and communities find lasting solutions to conflict and insecurity. That means strengthening the rule of law, reducing the flow of illicit arms.
- SDG 17. Partnerships for the Goals: The partnering of 193 countries to help achieve all the goals listed above. This provides direction for the countries to work together to achieve these goals. (United Nations, 2015)

## Annex 2. Research results in own publication

Research	Method	Type	Topics	Related thesis
<b>Körtvési, 2021</b>	In-depth interviews	Exploratory research	Sustainability understanding, fashion SMEs SWOT analysis, future development	RR1, RR2, RR5
<b>Szabó &amp; Körtvési, 2022</b>	In-depth interviews	Exploratory research	Fashion industry sustainability rating systems, future trends	RR5
<b>Szigeti et al., 2022</b>	In-depth interviews	Exploratory research	Circularity in Hungarian fashion industry	RR4
<b>Körtvési, 2023</b>	In-depth interviews	Exploratory research	SDGs among Hungarian fashion SMEs	RR3
<b>Szegedi et al., 2023</b>	In-depth interviews	Exploratory research	CSR and sustainability among European fashion SMEs, role of employer branding in effective CSR	RR1, RR2
<b>Körtvési &amp; Szegedi, 2025</b>	In-depth interviews	Exploratory research	Practices of sustainable fashion SMEs in the Visegrad 4 countries	RR1, RR2, RR3, RR4, RR5

**Annex 3. Research objectives, research questions and interview questions in context**

Research objective	Research question	Interview question
<p><b>RO1: Explore CSR and sustainability concept/approach in V4 sustainable fashion SMEs</b></p>	<p>RQ1: How do sustainable fashion SMEs interpret the concepts of CSR and sustainability in V4 countries?</p>	<p>How would you define corporate social responsibility (CSR) in the context of your business?</p> <p>How would you define sustainability in the context of your business?</p> <p>What specific CSR and sustainability goals does your company aim to achieve?</p> <p>Do you perceive CSR and sustainability differently compared to other fashion businesses in your country? If so, how?</p> <p>In your view, how important are CSR and sustainability for the short-term success</p> <p>In your view, how important are CSR and sustainability for the long-term success</p> <p>How do you balance economic objectives with CSR and sustainability goals in you</p> <p>What steps has your business taken to integrate CSR and sustainability into its op</p> <p>How do you communicate your CSR and sustainability initiatives to your customers, suppliers, and other stakeholders?</p>
<p><b>RO2: Identify key drivers and barriers influencing the adoption of CSR and sustainability practices in V4 sustainable fashion SMEs</b></p>	<p>RQ2: What are the drivers and barriers affecting the adaption of CSR and sustainability practices in V4 sustainable fashion SMEs?</p>	<p>What motivated your company to adopt CSR and sustainability practices?</p> <p>What barriers have you encountered in implementing CSR and sustainability initiatives?</p> <p>How does the owner-manager role appear in CSR and sustainability activities?</p> <p>How do you perceive your employees' alignment with the company's CSR and sustainability goals? What factors do you think motivate or hinder their participation in these activities?</p> <p>How important is it for your suppliers to meet sustainability expectations? What barriers do you think they encounter in fulfilling your CSR and sustainability standards?</p> <p>Are there specific regulatory, financial, or cultural factors in your country that</p>

		<p>impact your CSR and sustainability efforts?</p> <p>What roles do external partnerships (e.g., suppliers, NGOs) play in overcoming barriers to sustainability?</p>
<p><b>RO3: Assess the presence of UN SDGs-related practices of V4 sustainable fashion SMEs</b></p>	<p>RQ3: Which SDGs are addressed by V4 sustainable fashion SMEs and how?</p>	<p>Which Sustainable Development Goals (SDGs) do you feel are most relevant to your business, and why?</p>
		<p>How do your CSR and sustainability practices align with specific SDGs? Can you provide examples?</p>
		<p>How do you measure or evaluate your contribution to these SDGs?</p>
		<p>What challenges or limitations have you faced in aligning your practices with the SDGs?</p>
		<p>Are there any SDGs that align with your values but currently feel out of reach for your company? What support or resources would help you address these goals?</p>
		<p>Are there regional or industry-specific challenges in the V4 countries that impact your ability to contribute to certain SDGs?</p>
<p><b>RO4: Map sustainable business models in V4 sustainable fashion SMEs</b></p>	<p>RQ4: How do V4 sustainable fashion SMEs apply sustainable business models?</p>	<p>What sustainable business models have you implemented to support CSR and sustainability in your company?</p>
		<p>Can you provide specific examples of innovative practices you've adopted to promote CSR and sustainability within your company?</p>
		<p>What are your company's main criteria for sourcing raw materials? How do you ensure these align with your sustainability standards?</p>
		<p>Could you describe your production processes and how they reflect your commitment to sustainability?</p>
		<p>What key steps are involved in your design and development process, and how do you integrate sustainable practices at this stage?</p>
		<p>How is your garment manufacturing process structured to support CSR and sustainability goals? Are there specific practices or technologies that minimise environmental impact?</p>
		<p>In managing retail, operations, and services, what measures have you implemented to promote sustainability and social responsibility?</p>
		<p>How does circularity, such as recycling and upcycling, factor into your</p>

		<p>sustainability strategy? Are there particular programmes or initiatives that have had a positive impact?</p> <p>Do you have a system for end-of-life product disposal or repurposing? If so, could you elaborate on how this process works and its outcomes?</p> <p>How do you engage with suppliers, customers, and other stakeholders to advance and support your innovative business models for CSR and sustainability? Are there collaborative efforts that have been especially impactful?</p>
<p><b>RO5: Identify future trends in CSR and sustainability in V4 sustainable fashion SMEs</b></p>	<p>RQ5: What are the future sustainability trends for V4 sustainable fashion SMEs and how are they being addressed?</p>	<p>What emerging trends in CSR and sustainability do you see as most relevant to the future of your business?</p> <p>How is your company preparing to address future trends, such as increased demand for transparency, sustainable materials, or circular fashion?</p> <p>Are there specific technologies or innovations that you believe will be essential for achieving future CSR and sustainability goals in the fashion industry?</p> <p>How do you anticipate evolving consumer expectations around sustainability will impact your business, and how are you planning to respond?</p> <p>What role do you think regulation and policy changes in the V4 countries will play in shaping the future of CSR and sustainability practices for SMEs in fashion?</p> <p>Do you see collaboration with other businesses or organisations as a key to meeting future CSR and sustainability challenges? If so, how do you plan to pursue these partnerships?</p> <p>How do you foresee the role of sustainable innovation evolving within your business, and what resources or support would be beneficial to achieve these advancements?</p> <p>Looking ahead, are there potential barriers that could hinder your ability to adapt to future sustainability trends, and how do you plan to address them?</p>

Source: Körtvési & Szegedi, 2025

#### Annex 4. CSR definitions of V4 sustainable fashion SMEs

SME	Country	CSR definition	Values-based operation	Ethical business conduct	Sustainability commitment	Community engagement
A	HUN	<i>"We view CSR as a way to operate responsibly within the context of both local and global challenges, while ensuring that our work contributes positively to society."</i>			✓	
		<i>"CSR is about creating meaningful value that respects our community and the environment,"</i>	✓		✓	✓
		<i>"We enjoy sharing our processes transparently, hosting workshops, and opening our studio for people to see firsthand how we create."</i>		✓		
B	HUN	<i>"CSR is this huge, formal idea, and what we do is... smaller, more hands-on..." What I think it is rather shared responsibility..."</i>		✓		
		<i>"For us, it's not about ticking boxes or making a statement; it's just part of how we work"</i>	✓			
C	HUN	<i>"CSR is about making decisions that positively impact not just our immediate business but also the broader community and environment."</i>		✓		✓
		<i>"CSR is not a side project; it's the foundation of how we operate and communicate our values."</i>				
D	HUN	<i>"CSR is woven into the very fabric of our brand..."</i>	✓			
		<i>"CSR is about preserving the embroidery tradition because that is what we do."</i>	✓			
E	HUN	<i>"CSR is rooted in our commitment to a more sustainable fashion model."</i>			✓	
		<i>"We focus on community projects primarily during holiday seasons to boost visibility."</i>				✓
F	HUN	<i>"Defines not just what we do but who we are as a brand."</i>	✓			
		<i>"Our annual charity fairs raise funds for various NGOs, which advocates for women's rights"</i>		✓		✓

		<i>"CSR is rooted in creating long-lasting change, whether that's through empowering women, supporting sustainable business practices, or standing with vulnerable communities in their time of need."</i>		✓	✓	✓
<b>G</b>	HUN	<i>"Practicality and multifunctionality were always key for me... It's about encouraging people to buy fewer, smarter items that truly serve them."</i>		✓	✓	
<b>H</b>	HUN	<i>"We don't just make clothes; we create a whole ecosystem where every step respect people and the planet."</i>		✓	✓	
		<i>"We take pride in showcasing the art of our region, ensuring these skills are not lost to modern fashion."</i>	✓			
<b>I</b>	PL	<i>"CSR, for us, it's—how do you say—natural part of what we do."</i>	✓			
		<i>"We explain to our customers why our prices might be higher than fast fashion—it's because we pay fair wages, use high-quality sustainable fabrics, and avoid wasteful production"</i>		✓		
<b>J</b>	PL	<i>"It's about...being honest with what we do and, like, making things better, not worse. We focus on transparency."</i>		✓		
<b>K</b>	PL	<i>"We believe that being "well dressed" isn't just about following the latest trends... CSR means creating environmentally friendly garments in a conscious, sustainable way."</i>			✓	
		<i>"Also, we aim to donate 1% of the annual turnover from sales of environmentally friendly clothing to environmental protection organisations."</i>				✓
		<i>"Building trust with our suppliers ensures both quality and ethical proof."</i>		✓		
<b>L</b>	PL	<i>"CSR is about bringing that spirit of old craftsmanship into modern fashion."</i>	✓			
		<i>"...we have this deeply rooted tradition of craftsmanship—you see it in old cobblers or tailors who would spend hours, days even, on one single piece"</i>	✓			
<b>M</b>	PL	<i>"How we do... things good for people and earth."</i>		✓	✓	
		<i>"We use fabric scraps to create accessories, ensuring nothing goes to waste,"</i>			✓	

N	PL	<i>"Is not just a term or a strategy—it's kind of a, hmm, a living philosophy. You know, we see CSR as this, um, dynamic intersection of ethical production, innovative design, and creating garments."</i>	✓	✓		
O	SK	<i>"It's embedded in our values, especially because we are deeply rooted in the local economy here in Slovakia.... designing "one size" garments is a kind of CSR because it means less waste and more inclusivity."</i>	✓			
		<i>"We have faced criticism for promoting fair trade but struggled to ensure full compliance across all our suppliers."</i>		✓		
P	SK	<i>"CSR is deeply personal—it's a promise to children and their families. For us, CSR is about designing clothing that embodies care, quality, and responsibility."</i>		✓		
Q	SK	<i>"Is about ownership—taking responsibility for the impact we have as a business."</i>			✓	
		<i>"Educating the community about sustainability ensures long-term impact beyond our business."</i>			✓	✓
R	SK	<i>"An efforts; it's the thread that holds everything together. We call it "conscious creation," deeply tied to the Slovak ethos of resourcefulness and interconnectedness."</i>	✓		✓	
		<i>"Our sewing workshops teach valuable skills but also foster a sense of community."</i>				✓
S	SK	<i>"I would rather call it moral integrity sewn into fabric. For me, it's about infusing my designs with a sense of responsibility."</i>		✓		
T	SK	<i>"CSR, to me, is a bit of a buzzword, to be honest. I think it's more of a checklist that some businesses tick off just to say they're doing something."</i>	✓			
U	SK	<i>"It's about pioneering innovative approaches to fashion that go beyond just making clothes...and collaboration for sure."</i>			✓	
V	CZ	<i>"Showing that as a company, we care about more than just making a profit. It's about giving back to the community, treating our workers well, and doing the right thing even when nobody's watching..." We have "CSR initiatives like charity donations or community projects"</i>		✓		✓
X	CZ	<i>"CSR is about changing the entire lifecycle of clothing."</i>			✓	
		<i>"CSR for us is creating a transparent system where waste becomes resources"</i>		✓	✓	

<b>Y</b>	CZ	<i>“Responsibility for people, the world, and... we care about, the workers, they must be treated good.”</i>		✓	✓	
<b>Z</b>	CZ	<i>“For us...like respecting others.”</i>		✓		
<b>AA</b>	CZ	<i>“It’s about being present in the local context, respecting Czech tradition.”</i>	✓			
		<i>“If there is cultural responsibility, that is what we do with local traditions and craftsmanship...”</i>	✓			
<b>BB</b>	CZ	<i>“...the context of our company, I believe it’s not just about doing good for the sake of marketing”</i>		✓		
<b>CC</b>	CZ	<i>“We care about people.”</i>		✓		

**Annex 5. Sustainability definitions of V4 sustainable fashion SMEs**

SME	Country	Sustainability definition	Material and circularity	Design and small-scale production	Cultural heritage	Consumer education and sustainable consumption	Local production	Optimising resources
			Environmental pillar		Social pillar		Economic pillar	
A	HUN	<i>“Creating things that last, with minimal impact on the environment, while staying true to our creative roots.”</i>			✓			
		<i>“Sustainability starts with the materials we choose - for example, recycled fabrics, organic cotton.”</i>	✓					
B	HUN	<i>“It’s really about slowing things down—like using materials that already exist, whether that’s leftover fabrics or clothes people bring in to repurpose”</i>	✓					
		<i>“By showing people how to sew, repair, or create something new, we’re helping them connect with their clothes in a more meaningful way.”</i>				✓		
C	HUN	<i>“Creating fashion that respects the planet, empowers people, and tells a story of craftsmanship...Sustainability also means embracing transparency.”</i>			✓			
		<i>“Local production allows us to respond quickly to changes in demand while avoiding excess inventory and overproduction.”</i>					✓	
D	HUN	<i>“Goes beyond just using organic cotton or recycled fabrics. It is rooted in the concept of creating lasting value—both for the environment and society. Sustainability is</i>	✓					

		<i>our way of bringing the past into the future..."</i>						
<b>E</b>	HUN	<i>"Is all about creating clothes that don't just follow fleeting trends but are designed with longevity in mind."</i>				✓		
<b>F</b>	HUN	<i>"Sustainability means creating fashion that is beautiful and functional, and conscious and ethical. It begins with the choice of materials."</i>	✓					
		<i>"We believe in promoting conscious consumption by educating our customers about the environmental cost of fashion."</i>				✓		
<b>G</b>	HUN	<i>"Sustainability is mostly about how we design and create...with versatility in mind."</i>		✓				
<b>H</b>	HUN	<i>"Creating clothes that matter—not just for one season but for years."</i>				✓		
<b>I</b>	PL	<i>"We make clothes, but they're not just clothes; they carry a story, a purpose. For me, sustainability means creating something that lasts, not just physically but also emotionally."</i>				✓		
<b>J</b>	PL	<i>"You know, it's about being careful.... We keep our collections complementary, so the pieces fit together, and we use vegan leather and focus on local production."</i>	✓	✓			✓	
<b>K</b>	PL	<i>"It's about creating capsule wardrobes that free you from relentlessly following trends."</i>		✓		✓		
<b>L</b>	PL	<i>"This is sustainability to me—thinking not just of the product, but its journey, its future."</i>	✓					
		<i>"We use digital platforms for sourcing materials to make it easier to find sustainable alternatives, such as</i>	✓					

		<i>innovative recycled textiles or materials with a smaller ecological footprint."</i>						
<b>M</b>	PL	<i>"Upcycling, zero-waste."</i>	✓					
<b>N</b>	PL	<i>"For us, it's also about circularity—turning post-consumer textile scraps into entirely new garments through a special enzymatic fibre-rebonding process. The modular design allows us to reconfigure the space with each collection, avoiding wasteful retail practices while, let's say, giving customers a sensory experience of sustainability. It's about integrating every detail!"</i>	✓	✓		✓		
<b>O</b>	SK	<i>"It's this circular approach—we even use leftover fabric scraps to make smaller items like accessories."</i>	✓					
		<i>"Optimising our material use helps us remain profitable, but without proper innovation funding, achieving full efficiency is challenging."</i>						✓
		<i>"We are deeply connected to the local economy here in Slovakia, maintaining the textile heritage of the region."</i>			✓		✓	
<b>P</b>	SK	<i>"It's about creating clothes that are timeless, such as our signature one-size-fits-multiple-years designs, which adapt as children grow."</i>		✓				
		<i>"We shorten supply chains, reduce output, and support the local economy."</i>					✓	
<b>Q</b>	SK	<i>"Sustainability means prolonging the life of what already exists."</i>	✓					
<b>R</b>	SK	<i>"Sustainability, to me, is legacy in action. It's ensuring that the work we do today</i>			✓			

		<i>isn't just a short-term fix but a foundation for future generations."</i>						
<b>S</b>	SK	<i>"That resourcefulness stayed with me and became part of how I think about design."</i>		✓				
<b>T</b>	SK	<i>"...being sensible with the resources we have.."</i>						✓
<b>U</b>	SK	<i>"Sustainability for us goes far beyond minimising environmental harm. It's about constantly pushing the boundaries of what's possible."</i>						✓
<b>V</b>	CZ	<i>"Being smart and thinking long term. It's the real backbone of our business."</i>						✓
<b>X</b>	CZ	<i>"To us, is about circularity—we design every piece of clothing to be recycled infinitely."</i>	✓	✓				
<b>Y</b>	CZ	<i>"Sustainability... yes, it's, the way we do business, no waste, no, plastic. Eco-friendly materials, like, Tencel, bamboo fabric and ECOVERO."</i>	✓					
<b>Z</b>	CZ	<i>"...taking a step back and looking at how we... create without destroying..."</i>		✓				
<b>AA</b>	CZ	<i>"Is something we live daily. It's not just about using eco-friendly materials or having a green label. No, it's about building a business model that lasts, one that isn't tied to short-term trends or wasteful production."</i>	✓	✓				
<b>BB</b>	CZ	<i>"The ability to create products that are eco-friendly and ensure that they will have a minimal environmental impact throughout their lifecycle."</i>		✓				
<b>CC</b>	CZ	<i>"Sustainability is about keeping things good for the future. Our clothes are made to last."</i>			✓			

Source: own compilation

**Annex 6. Drivers and barriers for V4 sustainable fashion SMEs**

SME	Country	DRIVERS/BARRIERS	Owner-manager personal values	Product or technological innovation	Motivated employees	Customer driven market shift	Strategic differentiation and competitive positioning	Collaborations, industry networks, cooperation
			<b>Internal driver</b>			<b>External driver</b>		
<b>A</b>	HUN	<i>"Sometimes I am so personally involved in everything that I don't have time to develop a comprehensive strategy."</i>	✓					
<b>B</b>	HUN	<i>"From the start, we wanted to do things differently, to push back against fast fashion and overproduction."</i>	✓					
<b>C</b>	HUN	<i>"Most of our suppliers do not have sustainable technological solutions, so we had to initiate joint development projects, and we even introduced some of our partners to EU support schemes to modernise their production processes."</i>						✓
<b>F</b>	HUN	<i>"We don't have the budget for big campaigns, so we position ourselves through quality and smart design. That's our way to stay competitive."</i>					✓	
<b>H</b>	HUN	<i>"I wanted to create something that wasn't just about selling, but about teaching people to value what they already have."</i>	✓					
		<i>"We don't see each other as competitors in the traditional sense. If one of us figures out a better way to reduce waste or source sustainable fabrics, we share it. It's about lifting the whole industry, not just individual brands"</i>						✓
<b>L</b>	PL	<i>"Customers are starting to want more sustainable options, so that's why we focus</i>				✓		

		<i>on capsule wardrobes. They want clothes that last longer, not fast fashion."</i>						
		<i>"Customers in Poland are asking more and more questions—about where the materials come from, how workers are treated, and what the true environmental cost is."</i>				✓		
<b>O</b>	SK	<i>"We knew we couldn't compete on price with fast fashion, so here we are competing on values"</i>					✓	
<b>P</b>	SK	<i>"Customers definitely influence me. They want items that are unique but also practical."</i>				✓		
		<i>"Sustainability wasn't something we chose because customers were asking for it—it's something we built the business around from day one."</i>	✓					
<b>R</b>	SK	<i>"People here love local crafts, but they still compare prices with mass-produced items. It's a challenge to explain the value of sustainability."</i>				✓		
<b>S</b>	SK	<i>"My decisions are not based on a pre-designed strategy, but on what feels right to me. If a material or a production method does not seem ethical, we don't use it, regardless of the financial impact."</i>	✓					
<b>T</b>	SK	<i>"We started impact updates every three months. Seeing how much waste we saved or how our carbon footprint was reduced keeps the team motivated."</i>			✓			
		<i>"Design is not just aesthetics; we have to create solutions."</i>	✓					
<b>U</b>	SK	<i>"We're interested in transforming the industry by using upcycled materials and creating something innovative."</i>	✓					
<b>V</b>	CZ	<i>"For me, sustainability is partly about values, but also about credibility—our customers pay attention to these things now, so we had to make sure our practices reflect that."</i>	✓					

		<i>"Sustainability is not an end in our country, but a means to maintain long-term competitiveness."</i>					✓	
<b>X</b>	CZ	<i>"We look for people who are already interested in sustainability because it's much easier to integrate them into our processes."</i>			✓			
<b>Y</b>	CZ	<i>"The fashion industry is one of the biggest polluters, and textile waste is a huge problem. We knew we had to do something, so we developed our circular nylon and created recycling technologies such as molecular and thermomechanical recycling."</i>	✓	✓				
		<i>"Sustainability training is part of our onboarding—we want every employee to understand why and how we operate this way."</i>			✓			
<b>Z</b>	CZ	<i>"Czech customers expect us to be transparent about our processes and materials, and they're willing to invest in durability over trend-driven fashion."</i>				✓		
		<i>"It's not that we are competitors. We are building a system together where all sustainable brands participate and kind of win."</i>						✓
<b>AA</b>	CZ	<i>"We couldn't find a zipper made from recycled material in the quantities we needed, so we worked with a local engineer and developed it together. We now use it in all our collections."</i>		✓				
<b>BB</b>	CZ	<i>"We try to work with people—whether employees or suppliers—who actually believe in what we're doing. If they don't share our values, the collaboration never works in the long run."</i>	✓					
<b>CC</b>	CZ	<i>"We don't try to copy trends. Our strength is that we're small, we're fast, and we make smart choices. That's what makes us competitive because you know people are mistaken when think that oh you are maybe unique you do not have to compete. Sure, we do."</i>					✓	

SME	Country	Quote	Lack of resources	Customer price sensitivity and market education gap	Lack of suppliers' commitment and capability	Regulatory and policy differences and obstacles	Lack of industry collaboration and innovation platforms	Technological and infrastructure limitations
			<b>Internal barrier</b>	<b>External barrier</b>				
<b>A</b>	HUN	<i>"Not all suppliers fully understand why sustainability is important or how it should be implemented effectively."</i>			✓			
		<i>"Many suppliers are sincerely trying to be sustainable, but they simply do not have the right documentation, so we cannot credibly certify that their products are really up to standard."</i>			✓			
<b>B</b>	HUN	<i>"Sourcing the right materials locally is almost impossible. Organic textiles are hard to come by, and when we do find them, they are often unaffordable for us."</i>						✓
		<i>"Organic materials and sustainable production methods are more expensive, and as a small company this is a barrier for us."</i>						✓
<b>C</b>	HUN	<i>"Embracing sustainability and CSR gave us a unique identity and helped us attract an audience that values thoughtful, ethical products."</i>		✓				
		<i>"Sustainability is growing, but it's still seen as something for those who can afford it. We often hear people say they'd like to buy sustainable, but they just can't justify the price."</i>		✓				
		<i>"It is very difficult to spend money on sustainability innovations when it is also a challenge to maintain the basic operation."</i>	✓					
		<i>"It is useless to produce sustainable products if consumers still decide on price and do not see the long-term value."</i>		✓				

<b>D</b>	HUN	<i>"Not all suppliers fully understand why sustainability is important or how it should be implemented effectively."</i>			✓			
		<i>"People have a completely different view of sustainability when they work on a piece themselves. They understand why a recycled material is more expensive or why ethical production takes longer."</i>		✓				
<b>E</b>	HUN	<i>"Obtaining certificates is a nightmare—they are expensive, and it is difficult for a small business to justify the return on investment."</i>				✓		
		<i>"We comply with sustainability standards at home, but when we enter foreign markets, we face completely different requirements, which makes it impossible to grow."</i>				✓		
<b>G</b>	HUN	<i>"We run workshops and try to be as transparent as possible, but changing habits takes time. People need to see the value beyond just the price tag."</i>		✓				
		<i>"If we don't share new suppliers or material innovations, we will all be in a more difficult situation. The whole industry needs to get stronger to stay competitive."</i>					✓	
<b>H</b>	HUN	<i>"Eco-friendly materials like organic cotton and merino wool are significantly more expensive, which increases our costs."</i>						✓
		<i>"Sustainability measures often require more time and energy, and if employees are overburdened, they can easily feel that it is an extra burden."</i>	✓					
<b>I</b>	PL	<i>"There are not enough platforms where brands, suppliers, and innovators can come together to find solutions to problems such as textile recycling or low impact dyeing processes. This isolation is holding everyone back."</i>					✓	
		<i>"Sometimes difficult decisions have to be made - for example, I have terminated a supplier relationship because it did not</i>			✓			

		<i>meet our principles, even if it led to a project delay."</i>						
<b>J</b>	PL	<i>"When we launched the new collection, we sold out within weeks. The following season, we produced similar quantities, but demand dropped significantly."</i>		✓				
		<i>"We would like to use local and sustainable materials, but they are either not available or too expensive to remain competitive."</i>			✓			
<b>K</b>	PL	<i>"In Poland the sustainable textile industry is still developing, so sometimes we are forced to import."</i>						✓
<b>M</b>	PL	<i>"We had to fight to get import licences for our experimental hemp-silk hybrids."</i>				✓		
<b>N</b>	PL	<i>"When we began using upcycled blazers, the process of separating high-quality materials from the waste fabric was more labour-intensive than we initially expected."</i>	✓					
<b>P</b>	SK	<i>"Technology allows us to ensure that our suppliers meet sustainability criteria, but it's still a challenge to verify every step of the process."</i>			✓			
<b>Q</b>	SK	<i>"Some suppliers focus on volume, not sustainability, making it difficult to align our values."</i>			✓			
		<i>"Textile waste sorting legislation in Slovakia won't be effective until 2025, leaving a regulatory gap. "</i>				✓		
<b>S</b>	SK	<i>The biggest challenge is scaling up innovations. Although we have developed sustainable recycling technologies, their application on an industrial scale still requires significant investment."</i>	✓					
<b>T</b>	SK	<i>"The Slovak textile industry does not yet have the infrastructure to support sustainable production as I see, so we are forced to source materials from other countries."</i>						✓
		<i>"A customer once came into our shop, saw an upcycled leather jacket and asked why</i>		✓				

		<i>it was more expensive than a new leather jacket in a department store."</i>						
<b>X</b>	CZ	<i>"Sustainability is growing, but it's still seen as something for those who can afford it. We often hear people say they'd like to buy sustainable, but they just can't justify the price."</i>		✓				
		<i>"We have plenty of ideas for using sustainable materials and reducing waste, but without financial support, it's just not feasible. EU funding sounds great on paper, but in reality, it's hard to access for small businesses like ours. Plus, the logistics networks are built for mass production, not small-scale sustainable sourcing. It's frustrating because we want to innovate, but the system isn't designed to support us."</i>	✓					✓
		<i>"The QR code system appeals to some shoppers, but most look more at design and price. Sustainability is still secondary."</i>		✓				
<b>Y</b>	CZ	<i>"If it's sustainable but expensive, they won't buy it."</i>		✓				
<b>Z</b>	CZ	<i>"Technological developments are very slow to reach smaller companies because there are no adequate tendering opportunities and funding."</i>				✓		
<b>AA</b>	CZ	<i>"It's no use trying to pay fair wages if sustainable materials and technologies are already taking away profits."</i>	✓					

Source: own compilation