
SUSTAINABLE APPROACH OF CORPORATE EMBEDDEDNESS: GOOD PRACTICES OF SMALL AND MEDIUM-SIZED FAMILY COMPANIES

Zsuzsanna PÁLFFY¹
Lívía ABLONCZY-MIHÁLYKA²

DOI: <https://doi.org/10.35782/JCPP.2024.2.06>

Abstract: *Academic literature explores the term sustainability embeddedness as the highest degree of integration of sustainability into corporate strategies, however, its interpretation lacks the conceptual meaning applied in regional economics. While the focus of sustainability practices is often local, companies embed in the local space, conversely, increasing local embeddedness and commitment are leading companies to move from compliance-based sustainability practices towards sustainability embeddedness. The results based on interviews with small- and medium sized family businesses in Győr-Moson-Sopron County, Hungary illustrate that sustainable embedding as suggested as a new approach of the study are applied by this group of companies, the study concludes with a collection of good practices*

Keywords: *sustainability embeddedness; sustainable embedding; family companies; good practices*

1. Introduction

The concept of embeddedness, which originated in sociology and later developed within economic geography and regional science with a clear spatial focus, has undergone substantial conceptual transformation in

¹ Assistant Lecturer, Department of International Studies and Communication, Széchenyi István University, Hungary; PhD student, Doctoral School of Regional- and Business Administration Sciences, Széchenyi István University, Hungary; ORCID: 0000-0002-7042-5923; e-mail: palfy.zsuzsanna@sze.hu

² Professor, Department of International Studies and Communication, Széchenyi István University Hungary; Course Head of International Relations BA programme; ORCID: 0000-0002-9403-1478; e-mail: ablnc@szc.hu

recent decades (Hess, 2004). Parallel, as the notion of sustainability has gained prominence, its analysis has become increasingly important from economic, social, and environmental perspectives (Negut, 2014). This research examines from different angles of academic discourse and introduces a new perspective by integrating sustainability into the conceptualization of the phenomenon. This study contends that sustainability embeddedness, limited to strategic integration in existing literature (Dunphy et al., 2007; Valente, 2012; Benn et al., 2014; Perrott, 2014; Le Roux–Pretorius, 2016a; Le Roux–Pretorius, 2016b; Sharafizad et al., 2022; Ramírez-Pasillas et al., 2023), must be an integral part of the embeddedness literature.

With the local roots of companies, their interaction with the environment goes beyond economic aspects and encompasses politics, science, society and the environment (Tobolska, 2010). This commitment to local space requires consideration of social, cultural and environmental impacts and requires the inclusion of corporate social responsibility and sustainability in the embedding concept. The study argues that the literature on embeddedness and sustainability has many similarities, and their common interpretation contributes to a deeper understanding of companies' local engagement. In the international literature, the connection between corporate embedding and sustainability as well as responsibility is a completely new recognition, thus creating the concept of sustainable embedding, the spectrum of meanings of which goes beyond the traditional interpretation of sustainability and corporate responsibility, and the interpretation of sustainable embedding has not yet appeared in the Hungarian literature.

The research explores the relationship between corporate embeddedness and corporate sustainability and responsibility. The aim of the research is to identify sustainable good practices of corporate embedding along the quintuple helix model of embedding (Józsa, 2016) with the purpose of pointing out how sustainability practices strengthen mutually beneficial relationships between businesses and actors in the local space. In order to collect sustainability practices related to corporate embedding extensively, family small and medium-sized enterprises are surveyed by in-depth interviews, as these types of enterprises show strong local commitment, thus assuming clearly identifiable good practices. The analysis of small and medium-sized enterprises is also relevant because their proportion

influences the embedded sustainable values of a given local space. The interview guide contains targeted questions for each dimension of the quintuple helix model that is the economy, politics, academia, society and environment. The study argues that sustainable practices promoting embeddedness can be identified in all dimensions, despite the fact that small and medium-sized enterprises have limited opportunities compared to large enterprises. While the focus of sustainability practices is often local (Hillier, 2009; Morse et al., 2009; Wojtowicz – Baczyńska, 2023), as it can be measured primarily on an administrative basis (city, county, region), companies embed in local space, conversely, increasing local embeddedness and commitment are leading companies to move from compliance-based sustainability practices towards sustainability embeddedness.

The practical benefit is formulated and disseminated along the theoretical model of the study: it serves as an incentive for small and medium-sized businesses, helping to deepen the degree of their embeddedness, thereby generating additional local benefits for the local space and themselves. The significant weight and numerical ratio of small and medium-sized enterprises makes it important that, despite the disadvantages arising from lack of resources and size, the process of embedding helps their sustainable role in the local space.

The study is organized as follows: firstly, the literature background of the newly proposed term, i.e. the concept of corporate embeddedness and embedding is presented. Through the close connection of the term with the phenomenon of corporate sustainability and responsibility, the study examines the previous interpretation of sustainability embeddedness, and then the newly proposed approach is introduced. To explore practices that promote sustainable embedding, the applied methodology and results are described in the article. Finally, the study concludes with a discussion of its findings and their practical implications.

2. Towards the new approach of sustainable embedding

The extension of corporate practices in sustainable quality, corporate responsibility and their focus have long been a demand and expectation of companies. Corporate social responsibility (CSR) is "an activity in which a company keeps its business interests and profit in mind while behaving ethically, paying attention to its employees and supporting local

and even national issues and communities to the best of its ability" (Reisinger, 2023: 107). The concept is now closely linked to corporate sustainability (CS), which is "based on three essential dimensions to sustainable development, namely, environmental protection, economic development and social equity. It deals with a concept that tells how business entities, along with their usual goal of profit maximisation need to focus on social and environmental improvement to enhance the sustainability of their business operations in the long term" (Das et al., 2020: 110).

The connection of companies to the dimensions of local space, i.e. their embeddedness, greatly influences their behaviour, responsibility and sustainability results (Payán-Sánchez et al., 2018; Tobolska, 2010). Thus, the next subchapter deals with the concept of corporate embeddedness, which evolved in the context of the academic heritage of sociology, economic geography and regional economics. The phenomenon's close connection with sustainability and social responsibility will be explained in the next subsection together with the newly proposed approach.

2.1. Corporate embeddedness

Numerous authors have connected Polanyi's (1944) and Granovetter's (1985) conceptually rooted idea of embeddedness, as well as their efforts to comprehend and conceptualize the contextual influence of corporate actions, to critiques of neoclassical economic theories (Barber, 1995; Oinas, 1997; Dacin et al., 1999; Beckert, 2003; James, 2007). In contrast to unlimited rationality, simplification by omitting determinants of analysis, and complete separation of the socio-cultural sphere from the economy, the authors argue with the concept of embeddedness, which "refers to the social, cultural, political, and cognitive structuration of decisions in economic contexts. It points to the indissoluble connection of the actor with his or her social surrounding." (Beckert, 2003:769).

The first mention of the concept of embeddedness appears in Polanyi's (1944) *The Great Transformation*. According to the substantive concept associated with his name, economic actions and mechanisms are tied to social relations, cultural and institutional conditions (Polanyi, 1944). Polanyi's theory was later revisited by Granovetter (1985) in the mid-1980s. Granovetter (2001) takes as a basis two sociological theorems: on

the one hand, economic action is always socially determined, and on the other hand, social institutions are not created automatically, but are socially formed, thus "economic action is embedded in structures of social relation" (Granovetter, 1985: 481). The concept has proven effective in understanding how social structure affects economic action.

The academic discourse around the topic of corporate embeddedness and embedding is renewed and intensified from time to time in the international and Hungarian literature. The continuous prominence of the phenomenon results in the constant reinterpretation of the term and its analysis from different points of view and in different contexts, so the literature on embeddedness can best be illustrated on the basis of its different periods, different types and method of analysis. Over the course of different periods, contributions from different disciplines were incorporated into the construct and gradually expanded in terms of type, actors, methodology, spatial and temporal aspects.

Embeddedness as concept offers opportunities for interdisciplinary collaboration in various disciplines (Dequech, 2003), and the large number of studies in the fields of business and organizational sciences, sociology, economics, politics, regional and other geographical sciences is no coincidence, since the concepts of embeddedness and embedding developed somewhere at the intersection of these disciplines. Attempts at the cultural and social definition of economic activities and the analysis of the spatial dimension have led to a series of studies in economic sociology and socioeconomics, network analysis, cultural sociology, regional innovation sciences, cultural studies and economic geography (Martin, 1994; Oinas, 1997; Dacin et al., 1999; Castree, 2004; Jones, 2008; Clifton et al., 2011).

Uzzi (1997) made a significant contribution to theory by his definition and differentiation of arm's length ties and embedded relationships, supported by empirical evidence. He suggests that in arm's length ties, market participants are linked by loose connections where actions are primarily driven by self-interest. In such arrangements, frequent changes in cooperation partners (both buyers and sellers) are common to avoid becoming reliant on a single partner, resulting in a lack of establishment of long-term, trusting relationships, and maintaining a cool and atomistic atmosphere among the actors. Conversely, embedded relationships, as observed in the Japanese automotive industry and Italian industrial

districts, emphasize the significance of trust and personal connections. According to him, embedded bonds are characterized by personal and trusting relationships with partners, as well as the importance of reciprocity and favour, joint problem solving, and sharing large amounts of information. Although these types of relationships are less common, they are of greater importance for corporate success than normal market relationships (Uzzi, 1997).

Geographers have reviewed the concept from a territorial perspective, recognizing that social relations and economic activities are inherently spatial. Given that entrepreneurial activities are deeply influenced by their operating environment, the concept of embeddedness naturally intersects with spatial considerations (Martin, 1994; Korsgaard et al., 2015). An interesting discovery arises from Józsa's (2016) suggestion that in the Central and Eastern European nations, the term "embedding" as process-oriented approach is more fitting. This is due to the ongoing process of embedding foreign direct investments that began in the 1990s. Conversely, in Western European countries the result-oriented term "embeddedness" can be used.

Overall, Fletcher and Barrett's (2001) definition is appropriate to describe the phenomenon, according to which "business transactions are embedded in networks of relationships that cross national borders. These relationships, in turn, are embedded in different national business environments as well as in the global business environment. Each of these national or international business environments includes social networks, technological networks, regional networks, infrastructural networks, institutional networks, and market networks" (Fletcher – Barrett 2001: 562).

2.2. The embeddedness of small and medium-sized enterprises

Micro, small and medium-sized enterprises are the engine of the economy in every country. This range of enterprises stimulates job creation, strengthens economic growth, contributes to ensuring social stability, stimulates entrepreneurship and innovation, and plays a crucial role in employment (European Commission, 2014). However, a clear weakness in terms of value creation can be observed in the SME sector in the Visegrad countries (Republic of Poland, Czech Republic, Slovak Republic and Hungary), negative factors are reflected in the perception of

opportunities, networking, financing and in management against weaknesses, competition and willingness to take risks. From a cultural perspective, an important aspect is that Hungary's highly risk-averse culture hinders the strong development of the SME sector (Gál – Lux, 2022). Nevertheless, there is considerable evidence that support for SMEs is the main pillar of regional competitiveness.

According to Gál and Lux (2022), Foreign Direct Investment (FDI) integration is more feasible with smaller-scale projects. They argue that small and medium-sized, adaptable, locally integrated investments with a modest number of employees bring significant benefits and should thus become the main "building blocks" of foreign capital in the CEE region in the future.

The emphasis on prioritizing the SME sector is further supported by the geographical, socio-economic, and cultural proximity of Central and Eastern European countries to Germany, Austria, and Italy. These countries have a rich history of industrial districts, SME networks, and clusters, such as the Italian industrial districts (Gál-Lux, 2022).

SMEs face different problems than large companies when it comes to innovation cooperation. The barriers to such embeddedness and commitment are mostly due to economic reasons, such as lack of financial resources, lack of suitably qualified workforce, reduced partner base, limited autonomy or lack of potential regional partners (Von Proff, 2016; Konczosné Szombathelyi, 2014). For this reason, SMEs benefit particularly from partners within the region, so location and local relationships within it, i.e. embeddedness, are important for companies (Von Proff, 2016; Tödtling – Kaufmann, 2002).

2.3. Conceptualization of the new approach

The term, now canonized as corporate embeddedness in literature, shares several similarities with the discourse on corporate responsibility and sustainability. One notable characteristic of corporate embeddedness is its emphasis on non-traded interdependencies, referring to the intangible advantages derived from cooperation and spatial concentration. Similarly, sustainability aspects extend beyond serving the sole interests of corporate economies (Oinas, 1997). Both embeddedness and corporate sustainability

practices prioritize the creation of synergistic benefits that are mutually advantageous for partners and cannot be fully realized in isolation (Day et al., 2013). All these similarities are supported by the fact that social embeddedness theory was conceived as a critique of the prevailing economics, pointing out the limited rationality of economic actors, just as theories of sustainability and corporate responsibility focus on factors that transcend economic aspects (Sharafizad et al., 2022). Both embeddedness and corporate responsibility and sustainability distinguish between a horizontal (affecting different areas such as society, environment, education) and a vertical scale (deepening, towards engagement and citizenship). For example, Landrum (2017) proposes to distinguish between weak and strong sustainability spectrum. Corporate good citizens are fully embedded in the local space, see themselves as part of the region, participate in major decisions affecting the region, support many activities that are (primarily) non-economic (Konczosné Szombathelyi, 2014). From a sustainability perspective, good citizens proactively shape their activities with a high level of consideration of sustainable policies, while in cases of poor sustainability, companies do not understand the true purpose of sustainability and their activities usually do not go beyond financial and business considerations (Ramírez-Pasillas et al., 2023).

Despite the close relationship between sustainability and embeddedness, the term sustainability embeddedness did not appear in the literature for a long time. The embeddedness of sustainability in the first mention refers to the dynamic process by which business sustainability becomes a requirement of corporate strategy (Valente, 2012; Le Roux–Pretorius, 2016a; 2016b). In this sense, "corporate sustainability embeddedness" refers to the sustainability approach that a company adopts. It denotes worldviews, interpretations, ways of thinking, types or phases. Therefore, the embeddedness of sustainability in the company indicates the level of awareness, understanding and operationalization of ecological and social sustainability" (Ramírez-Pasillas et al., 2023: 9). To embed sustainability, an organization must integrate sustainability into organizational goals, core leadership processes, and functions and responsibilities (Le Roux–Pretorius, 2016a).

Adding to this a longitudinal scale, Perrott (2014) and Arvidsson (2023) see sustainability embeddedness as a result of a process, in which companies internalize sustainability into the way of thinking, strategies and

decision-making processes. The longitudinal approach was first introduced into the sustainability embeddedness literature by Perrott (2014), who distinguishes six stages of companies' commitment to sustainability practices ranging from rejection to a sustaining corporation. The second level of sustainability in a corporation is the so called non-responsiveness, which stems from a lack of awareness among companies as a limiting factor. The third level is compliance, where CEOs are already striving to be honest employers, but the motivation behind this is solely external expectations, social compliance and legal requirements. Beyond this level is efficiency, where there is a growing awareness among managers of the adoption of proactive sustainable practices, although the implementation of these policies is mostly driven by economic interests. The author's concept of strategic proactivity aligns with the depth of sustainability integration within corporate strategy, as evidenced by the term "sustainability embeddedness." At the highest level of corporate commitment, sustaining corporations, both managers and most organization members are internally motivated to behave in a resourceful and sustainable manner. In these companies, a culture of sustainability is formed, in which organizational members share common assumptions and beliefs about the importance of balancing economic efficiency, social fairness, and environmental accountability (Bertels, 2010).

The current study's interpretation aligns closely with Sharafizad et al.'s (2022) approach, which draws upon Granovetter's concept of embeddedness, however, they stay largely consistent with existing literature on sustainability embeddedness, only integrating a local dimension into their analysis by differentiating locally embedded sustainability values, spatially driven and locally adapted sustainability. The embeddedness of sustainability in their study [...] means that "when the owner of a small firm embeds sustainability into their values, practices, decision-making, strategies, and policies ...their roles and responsibilities and those of the organisation are inseparable from the interests of the wider community of stakeholders. This definition highlights that sustainability embeddedness is also a sub-type of social embeddedness and local embeddedness" (Sharafizad et al., 2022: 61).

Table 1. The most significant contributions to the sustainability embeddedness literature

Author	Novelty
Valente, 2012	Embedding sustainability considerations into corporate strategy
Le Roux–Pretorius, 2016a; 2016b	
Payán-Sánchez et al., 2018	The impact of embedded connections on sustainability
Sharafizad et al., 2022	Local dimension
Ramírez-Pasillas et al., 2023	Examination of family businesses
Perrott, 2014	Longitudinal approach
Arvidsson, 2023	

Source: The authors' own elaboration based on the references indicated in the table

In contrast, the present study focuses on the role of local space. Based on these contexts, the study provides its own interpretation of the relationship between embedding and sustainability, which can be provided by expanding the oft-quoted wording of the Brundtland Commission's report *Our Common Future* (1987): The sustainable embedding of companies at local level is the ability to be embedded in the local environment and local space in such a way that it consciously and responsibly uses local resources, taking into account local characteristics, without exhausting them or prolonging their capacity for renewal and without compromising the access of future generations of local society to these resources. (Pálffy – Ablonczy-Mihályka – Kecskés, 2023). The focus of the definition is on the local level, in which integration (emphasizing the process approach) the company has the ability to carry out its operational activities taking into account the needs of the place, using environmental, cultural, built environmental, intellectual and human resources in a broad sense, responsibly, contributing to long-term survival and development.

3. Aim and method of research

The primary objective of the study is to investigate opportunities for enhancing the embedding of companies while simultaneously promoting sustainability and responsibility. Research questions were formulated regarding the sustainable practices of the examined companies. When companies are embedded in a sustainable way, the question arises, what

lessons and good practices can be derived from the experiences of small- and medium-sized family businesses in Győr-Moson-Sopron County, Hungary regarding sustainable embedding, as well as how do these practices contribute to local economic development and environmental, social sustainability?

To answer those questions, a qualitative research method was used. This research is conducted through interviews with companies actively engaged in local communities, using the newly outlined theoretical framework. The focus on SMEs on the issue of embeddedness in the literature is welcome, as informal relations, trust and reciprocity are key to SME competitiveness. However, the importance of the territorial scale is differentiated according to company size, i.e. small and medium-sized enterprises are determined more by the intraregional network of contacts, whereas large companies are determined by local formal and informal cooperation (Málovics, 2009) and local ownership consequently leads to a strong embeddedness of SMEs. One of the primary advantages of embeddedness for small and medium-sized enterprises is their access to local collective goods, innovation and knowledge capital through the establishment of long-term relationships of trust (Spence et al., 2003).

Other factors make it interesting to examine the local embeddedness of family businesses. Research shows that family businesses have different sustainability practices (Ramírez-Pasillas et al., 2023). Ahmad et al.'s (2020) study emphasizes that CSR is a path to sustainable survival of family businesses, and therefore socially responsible behaviour is a strategically important factor for these business groups, while the results of Ramírez-Pasillas et al. (2023) show that family businesses are more likely to adopt strategies involving ethical behaviour and thus CSR activities, mostly through family commitment to sustainability. It can also be observed that the owner of a family business is most likely to set up a business where he lives or has ties, so there is a high chance that his commitment to the given municipality is also higher.

In contrast to multinational corporations, which primarily consider production factors and tangible location selection criteria when operating in a particular area, family businesses are often motivated by the sense of place. For them, the family's history and connection to the locality play crucial roles. Consequently, supporting the local community, generating employment opportunities, and delivering high-quality products and

services hold greater significance for local society compared to companies with weaker ties to the region (Reisinger, 2021).

During the compilation of the interview questions, the research methods and results found in the national and international literature have been taken into account, which were synthesized in the theoretical review. In addition to demographic issues, the interview explored the possibilities of family businesses, the degree of their embeddedness and their sustainability aspects in relation to the local government, companies, scientific and educational institutions, local society, and the built and natural environment along the quintuple-helix model outlined in the theoretical part. The interview ended with a sustainability question block.

The results of the study are not representative, but the initial study of a larger research is the research goal, and the conclusions provide useful data both for the companies studied and for subsequent research. Accordingly, the respondents were selected by convenience sampling (Babbie, 2013), the main criteria was that their site should be located in Győr-Moson-Sopron County, in North-Western Hungary. The responses were recorded from October to December 2023. More than half of the respondent family businesses (8 companies) were established between 1990 and 2000, 5 companies started operations between 2001 and 2010, and one company was established after 2011. In terms of company size, 5 enterprises have less than 10 employees (micro-enterprises), another 5 enterprises have between 11 and 49 employees (small enterprises), while 4 companies have between 50 and 249 employees (medium-sized enterprises). Based on the classification by industry, the main activities of the companies were manufacturing (4 companies), electricity, gas, steam, air conditioning (2 companies), trade and repair of motor vehicles (2 companies), construction, catering, information and communication and other sectors.

4. Results of the empirical research

The interview with family businesses started with the definition of local embeddedness and embeddedness. The fact that only three interviewees could not or did not want to define embeddedness suggests that the meaning of the terms is also clear for small and medium-sized enterprises and that they use them correctly. The interviewees described the phenomenon as follows:

- "Establishing, maintaining and developing mutually beneficial relations with local enterprises (industrial, economic, commercial, financial etc.), cooperation for good causes and the establishment of mutually beneficial positions. Within this framework, identifying and managing common agglomeration benefits. Building relationships with educational, cultural, artistic, social, etc. institutions, mutually beneficial cooperation, supporting and sponsoring their activities." (small business)
- "In the life of a city, the participation of companies operating there is an extremely important and obligatory role. Therefore, everything must be done by both the company and the city to ensure a strong connection between the two." (small business)
- "Together and with the city!" (medium-sized enterprise)
- "Integration into the local complex system." (micro-enterprise)
- "To participate in local economic public life, to have an active relationship with the local government." (medium-sized enterprise)
- "From local to local." (micro-enterprise)
- "Most of our customers are local companies." (micro-enterprise)
- "Local businesses provide jobs for many people and pay significant taxes to help them develop." (medium-sized enterprise)
- "The relationship of the enterprise with its environment and its participation in the development of the region. A family business has international connections, but I think typically in the long run the current location will remain the centre of business." (small business)

It is clear from the formulations that small and medium-sized family enterprises are aware that local embeddedness means a complex system of relationships, their mutual and trust-based nature, which generate positive returns for both the company and the host environment. Sustainability aspects are also included in the definitions, such as prioritising local workforce and corporate engagement in a broad sense. Overall, the companies examined feel that their businesses are moderately embedded, most strongly in the economy (3.2 on a scale of 1 to 5) and the relationship with local government (2.8) and society (2.8), while less embedded in the environment (2.5) and the educational and academic sphere (2.2).

The collaboration between the interviewed companies and municipalities (self-governments) remains largely consistent, with only one company noting an improvement. However, it emerges from the interviews that, in contrast to large corporations, SMEs feel that they have limited influence over decisions concerning local economic development. The problem is exacerbated by the fact that the small and medium-sized enterprises interviewed being largely unaware of both the local development strategy of the municipality in which they operate and its current objectives. Only five companies felt they knew the municipality's goals, but all respondents felt it was important to become familiar with these goals. It can be clearly stated that the companies mostly interact with municipalities in legal interactions: "In the case of developing our own premises, we have found that the process of obtaining building and other permits is a lengthy, multi-stage process, during which economic conditions and circumstances can change significantly."

However, the companies' relationships with local businesses are exceptional, and they perceive a demand for cooperation. Most companies consider skilled local workforce as the most crucial aspect of the local economy, while the presence of local suppliers and a local market for their products are equally significant. The companies' relations with educational institutions and research centres remain mostly minimal, but all companies examined see an improving trend. This minimal cooperation mostly consists of hosting trainees, offering dual training opportunities and actively participating in research to help meet the information needs of the academic world. The low connection is also due to the fact that most of the small and medium-sized family businesses examined do not carry out any research and development activities. A significant link between enterprises and society can be found, with the majority of enterprises feeling that they have an impact on the life of the local community, mostly through improving living conditions, looking after employees, creating a healthy workplace, maintaining a work-life balance.

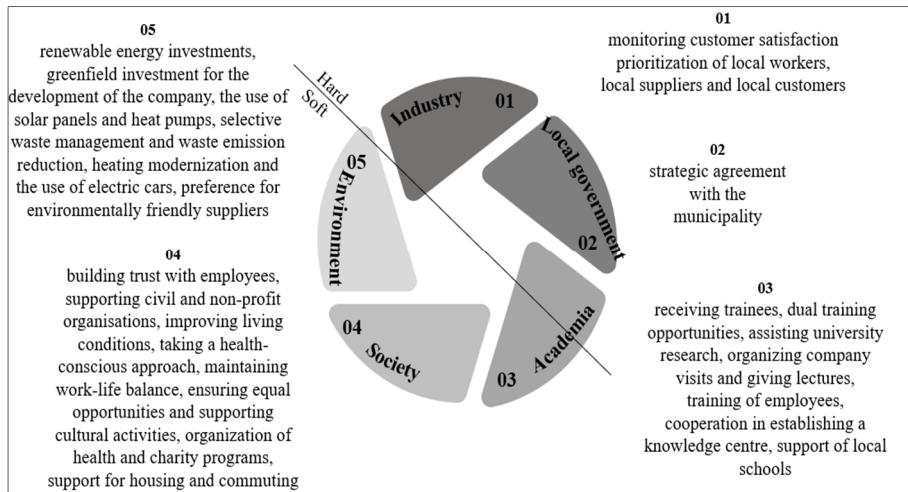
However, the most positive feedback from companies is related to their relationship with the built and natural environment, with companies being appropriately and prominently involved in greenfield investments, solar panel investments, the use of renewable energy sources and the installation of heat pumps.

The local embeddedness and integration of the companies examined has a significant impact on the municipality where the company operates. Their embedding leads to positive changes, particularly in terms of increased employment of local workers, but respondents also see positive impacts in terms of improved workforce health, increased income and employment, stronger local suppliers and improved education. Nevertheless, they assume that they can have a smaller but still significant impact on the diversification of the economic structure, the improvement of the urban social fabric (growing middle class), the development of the cultural, natural and built environment, the promotion of job opportunities for young professionals entering the workforce, the maintenance of local culture and the reduction of environmental pollution. However, their influence on research, development, and innovation is minimal, and they do not contribute to the improvement of infrastructure and road transportation.

In terms of sustainability aspects, companies mostly considered it important to integrate sustainability into their corporate strategy, yet just over a third of respondents have a formal sustainability plan. On the positive side, more than a third of respondents said they planned to develop a sustainability plan. However, a particularly high proportion of the examined companies (71%) consider local (regional, county, municipal) goals and needs when planning their sustainability and responsibility actions, which would strengthen their local commitment.

Companies predominantly attribute the limited impact of their local context to factors such as insufficient financial and human resources, the nature of their activities, and a lack of knowledge capital. The two companies also see the evolution of local political directions and the rapid change of decisions as obstacles to long-term development and building relationships.

Concerning the sustainable integration of companies, over 80% of respondents have outlined plans for environmental or renewable energy investments. These encompass various initiatives such as greenfield investments to advance company development, the adoption of solar panels and heat pumps, implementation of selective waste management to reduce emissions, modernization of heating systems, and transitioning to the use of electric vehicles.

Figure 1. Sustainable embedding practices based on interviews

Source: The authors' own elaboration based on Pálffy – Ablonczy-Mihályka – Kecskés (2023) and authors' research

In our previous study, based on the literature, we synthesized practices that contribute to the sustainability embeddedness of companies (Pálffy – Ablonczy-Mihályka – Kecskés, 2023). Based on the interviews it can be stated that despite the size and the lack of resources of the SMEs, the connection with industry, the local government, the academic sphere, the society and the environment can be detected through various practices. The sustainability activities of the surveyed companies clearly go beyond environmental aspects. Development of supplier networks, training of employees, monitoring customer satisfaction, organization of health and charity programs, prioritization of local workers, local suppliers and local customers, support of local schools, preference for environmentally friendly suppliers, activities preserving tradition and culture, strategic agreement with the municipality, cooperation in establishing a knowledge centre, support for housing and commuting are practices mentioned by all companies interviewed (Figure 1).

5. Conclusions

In recent decades, sustainability has become the subject of research in all scientific areas, mostly with an ecological focus, but the other two newly

defined economic and social pillars of the concept are also receiving increasing attention. The influence of an organization, a company or an institution on the local economy or the development of a municipality has long been part of the scientific discourse in the field of social sciences (economics, sociology, regional science). There are a number of approaches in the literature for assessing local economic impacts. However, there are hardly any cases in which these impacts are not accompanied by cultural, social, demographic, political, educational, infrastructural, tourism, environmental and other impacts that go beyond the economic effects.

One of the main topics of the literature on the impact of companies is corporate social responsibility (CSR) and corporate sustainability (CS), while interaction studies also show a close correlation with the topic of corporate embeddedness. Nevertheless, there are only a few examples in the literature of the joint analysis of the two thematic areas, i.e. local involvement of companies and embeddedness, which may result from the different interpretation and application of the terms. The concept of sustainability embeddedness has been introduced into the literature in recent years, but the term embeddedness is interpreted exclusively as a synonym for integration and describes the adaptation of sustainability aspects into corporate strategy. Thus, the concept does not use the term that goes back to the original foundations of Polanyi and Granovetter, which refers to the context of economic events.

The main objective of the study was to contribute to the literature on sustainability embeddedness by creating its own definition, which adapts the term corporate embeddedness and embedding rooted in regional science and economic geography. Based on empirical research, the study presents the sustainability practices of small and medium-sized family businesses participating in the interview, which contributes to the embedding of companies.

A further result of the study is a list of sustainable practical recommendations based on empirical research conducted based on interviews with small and medium-sized family businesses in Győr-Moson-Sopron County, Hungary. Along the quintuple helix model the results showed that family businesses understand the concept of embeddedness and, through their local commitment, are able to implement sustainability practices taking local interests into account

despite limited resources. The limitations of the study are clear, but the small number of companies interviewed suggests the introduction of a new, empirically based interpretation, along which further professional discourses are possible. From a practical point of view, the concept of sustainable embedding is recommended for companies to form part of the corporate strategy and reports, because along the quintuple helix model, it is possible to monitor the extent to which the company embeds itself into the local fabric through the implementation of sustainability and responsibility practices.

Authorship

Both authors have read and agreed to the published version of the manuscript.

Acknowledgements

N/A

Funding

The authors received no financial support for the research, authorship, and/or publication of this article.

Declaration of conflicting interests

The authors declare no conflicting interests.

References

- Ahmad, S., Siddiqui, K. A., Aboalsamh, H M., (2020). Family Smes' Survival: The Role of Owner Family and Corporate Social Responsibility. *Journal of Small Business and Enterprise Development*, 27(2), 281–297.
- Arvidsson, S. (2023). CEO Talk of Sustainability in CEO Letters: Towards the Inclusion of a Sustainability Embeddedness and Value-Creation Perspective. *Sustainability Accounting, Management and Policy Journal*, 14(7), 26–61.
- Babbie, E. (2013). *The Practice of Social Research*. Wadsworth Publishing
- Barber, B. (1995). All Economies are “Embedded”: The Career of a Concept, And Beyond. *Social Research*, 62(2), 387–413.
- Beckert, J. (2003). Economic Sociology and Embeddedness: How Shall We Conceptualize Economic Action? *Journal of Economic Issues*, 37(3), 769–787.

- Benn, S., Dunphy, D., Griffiths, A. (2014). *Organizational Change for Corporate Sustainability*. Routledge, New York, NY.
- Bertels, S. (2010). *Embedding Sustainability in Organizational Culture*. Network for Business Sustainability, Ontario.
- Castree, N. (2004). Economy and Culture are Dead! Long Live Economy and Culture! *Progress. Human Geography*, 28(2), 204–226.
- Clifton, N., Gärtner, S., Dieter, R. (2011). Companies, Culturs, and the Region: Interactions and Outcomes. *European Planning Studies*, 19(11), 1857–1864.
- Dacin, M. T., Beal, B. D., Ventresca, M. J. (1999). The Embeddedness of Organizations: Dialogue & Directions. *Journal of Management*, 25(3), 317–356.
- Das, M., Rangarajan, K., Dutta, G. (2020). Corporate Sustainability in SMEs: an Asian Perspective. *Journal of Asia Business Studies*, 14(1), 109–138.
- Day, M., Fawcett, S. E., Fawcett, A. M., Magnan, G. M. (2013). Trust and Relational Embeddedness: Exploring a Paradox of Trust Pattern Development in Key Supplier Relationships. *Industrial Marketing Management*, 42(2), 152–165.
- Dequech, D. (2003). Cognitive and Cultural Embeddedness: Combining Institutional Economics and Economic Sociology. *Journal of Economic Issues*, 37(2), 461–470.
- Dunphy, D., Griffiths, A., Benn, S. (2007). *Organizational Change for Corporate Sustainability: A Guide for Leaders and Change Agents of the Future*. 2nd ed., Routledge, London and New York, NY.
- European Commission (2014). *Supporting the Internationalisation of SMEs*, Belgium.
- Fletcher, R., Barrett, N. (2001). Embeddedness and the Evolution of Global Networks an Australian Case Study. *Industrial Marketing Management*, 30(7), 561–573.
- Gál, Z., Lux, G. (2022). FDI-Based Regional Development in Central and Eastern Europe: A Review and an Agenda. *Tér és Társadalom*, 36(3), 68–98.
- Granovetter, M. (1985). Economic Action and Social Structure: The Problem of Embeddedness. *American Journal of Sociology*, 91(3), 481–510.
- Hess, M. (2004). 'Spatial' Relationships? Towards a Reconceptualization of Embeddedness. *Progress. Human Geography*, 28(2), 165–186.
- Hillier, B. (2009). Spatial Sustainability in Cities: Organic Patterns and Sustainable Forms. In: Koch, D., Marcus, L., Steen, J. (eds.). *Proceedings of the 7th International Space Syntax Symposium*. (pp. p. 1). Royal Institute of Technology (KTH), Stockholm, Sweden.
- James, A. (2007). *Everyday Effects, Practices and Causal Mechanisms of*

- ‘Cultural Embeddedness’: Learning from Utah’s High Tech Regional Economy. *Geoforum*, 38(2), 393–413.
- Jones, A. (2008). Beyond Embeddedness: Economic Practices and the Invisible Dimensions of Transnational Business Activity. *Progress in Human Geography*, 32(1), 71–88.
- Józsa V. (2016). Corporate Embeddedness from a New Perspective. *Contemporary Research on Organization Management and Administration*, 4(1), 1–15.
- Konczosné Szombathelyi M. (2014). A regionális és a vállalati kultúra kölcsönhatásának vizsgálata. *Tér és Társadalom*, 28(1), 84–98.
- Korsgaard, S., Ferguson, R., Gaddefors, J. (2015). The Best of Both Worlds: How Rural Entrepreneurs Use Placial Embeddedness and Strategic Networks to Create Opportunities. *Entrepreneurship & Regional Development: An International Journal*, 27(9-10), 574–598.
- Landrum, N. E. (2017). Stages of Corporate Sustainability: Integrating the Strong Sustainability Worldview. *Organization and Environment*, 31(4), 287–313.
- Le Roux, C., Pretorius, M. (2016a). Navigating Sustainability Embeddedness in Management Decision-Making. *Sustainability*, 8(5), 1–23.
- Le Roux, C., Pretorius, M. (2016b). Conceptualizing the Limiting Issues Inhibiting Sustainability Embeddedness. *Sustainability*, 8(4), 1–22.
- Málovics Gy. (2009). A vállalati fenntarthatóság érintettközpontú vizsgálata. Doktori értekezés, Pécsi Tudományegyetem, Pécs.
- Martin, R. (1994). Economic Theory and Human Geography. In Gregory, D., Martin, R., Smith, G. (eds.). *Human Geography*, London, 21–53.
- Morse, S., Vogiatzakis, I., Griffiths, G. (2009). Space and Sustainability. Potential for Landscape as a Spatial Unit for Assessing Sustainability. *Sustainable Development*, 19(1), 30–48.
- Negut, A. (2014): Introductory aspects on the sustainability of social enterprises. *Journal of Community Positive Practices*, 14(4), 21–33.
- Oinas, P. (1997). On the Socio-Spatial Embeddedness of Business Firms. *Erdkunde*, 51(1), 23–31.
- Pálffy, Zs., Ablonczy-Mihályka, L., Kecskés, P. (2023). A Sustainable Model of Corporate Embeddedness Based on Good Practices of Small- and Medium Sized Family Firms. *Chemical Engineering Transactions*, 107, 163–168.
- Payán-Sánchez, B., Plaza-Úbeda, J. A., Pérez-Valls, M., Carmona-Moreno, E. (2018). Social Embeddedness for Sustainability in the Aviation Sector, *Corporate Social Responsibility and Environmental Management*, 25(4), 537–553.
- Perrott, B. (2014). The Sustainable Organization: Blueprint for an Integrated Model. *Journal of Business Strategy*, 35(3), 26–37.

- Polányi K. (1944). *The Great Transformation – The Political and Economic Origins of our Time*, New York.
- Ramírez-Pasillas, M., Saari, U. A., Lundberg, H. (2023). Business Groups Owned by Family and Sustainability Embeddedness: Understanding the Family Sustainability Spectrum. In Rautiainen, M., Parada, M. J., Pihkala, T., Akhter, N., Discua Cruz, A., Mukherjee, K. (eds.). *The Palgrave Handbook of Managing Family Business Groups*, Palgrave Macmillan, Cham, 429–457.
- Reisinger A. (2023). A CSR és versenyképesség kapcsolatának elemzési kihívásai a szakirodalom alapján. *Hitelintézeti Szemle*, 22(1), 105–126.
- Reisinger A. (2021). A tér szerepe a vállalatok működésében. *Tér Gazdaság Ember*, 9(2), 37–49.
- Sharafizad, J., Redmond, J., Parker, C. (2022). The Influence of Local Embeddedness on the Economic, Social, and Environmental Sustainability Practices of Regional Small Firms. *Entrepreneurship & Regional Development*, 34(1), 57–81.
- Spence, L. J., Schmidpeter, R., Habisch, A. (2003). Assessing Social Capital: Small and Medium Sized Enterprises in Germany and the U.K. *Journal of Business Ethics*, 47(1), 17–29.
- Tobolska, A. (2010). Zróżnicowanie postaw społeczności lokalnych wobec inwestorów zagranicznych. *Studia Regionalne i Lokalne*, 39(1): 69–88.
- Tödting, F., Kaufmann, A. (2002). SMEs in Regional Innovation Systems and The Role of Innovation Support - The Case of Upper Austria. *The Journal of Technology Transfer*, 27, 15–26.
- Valente, M. (2012). Business Sustainability Embeddedness as a Strategic Imperative. *Business & Society*, 54(1), 126–142.
- Von Proff, S. (2016). The Predominance of Social Proximity for Innovation Collaboration of SME. Working Papers on Innovation and Space, Philipps, Universität Marburg.
- Wojtowicz, D., Baczyńska, A. (2023). The Spatial Patterns of Sustainable Development at the Local Level. *Studia Regionalne i Lokalne*, 94(4): 20–37.
- World Commission on Environment and Development (1987): *Our Common Future*, Oxford.