






Investigating the Effect of Mimetic Isomorphism in Implementing Sustainable Development

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Abstract

If companies seek survival and the achievement of their objectives, they must adapt to their normative environments. This study suggests that in the context of isomorphism, when companies interact, they tend to influence each other's behaviors and actions within their social bounds. In this regard, companies initially joined sustainable development as a response to external pressures and criticisms from governmental institutions and civil society organizations, which blame businesses for environmental degradation. The process of isomorphism explains why companies eventually change in line with uncertainties in behaviors and actions due to collective entanglement. In response to social changes in society, social networks consistently play a prominent role in defining, forecasting, responding to, and adapting to global, social, and environmental changes. Therefore, sustainable development is an example of such a global change. Consequently, this research examines the effect of mimetic isomorphism in the implementation of sustainable development, and the results of structural equation modeling indicate that all three measured dimensions of sustainable development—environmental, social, and corporate governance—are significantly influenced by mimetic isomorphism. Additionally, the findings of these studies suggest strong evidence of the operationalization of sustainable development due to mimetic isomorphism.

Keywords: *Mimetic isomorphism, sustainable development, small and medium enterprises, environmental reporting, social reporting, corporate governance reporting.*

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1. Introduction

Sustainable development has emerged as a global agenda in the 21st century. Since the United Nations Conference on the Human Environment in 1972, calculated reduction activities (e.g., recycling, waste management, eco-friendly innovations or green innovations, and energy efficiency) have been increasing, as it is believed that failure to engage in these activities equates to making the Earth uninhabitable [1-3]. Rooted in the Brundtland Commission's 1987 report titled *Our Common Future*, sustainable development implies that current development should not jeopardize the ability of future generations to meet their needs [4, 5]. The unprecedented global urgency and inevitability of sustainable development are reiterated in the new 2030

Agenda. On January 1, 2016, following the expiration of the Millennium Development Goals, the 2030 Agenda for Sustainable Development was officially implemented after its announcement during the United Nations Summit [6, 7].

Studies suggest that society and stakeholders are increasingly attracted to companies that adopt an active approach to sustainable development principles (Gómez et al., 2015). This is achieved through new measures such as reducing the company's carbon footprint or water consumption, improving educational commitments, and engaging in community participation. Consequently, companies must focus on altering their activities across the organization and find new tools to generate value for both the company and its surrounding communities [8].



Regarding the concept and phenomenon of sustainable development, there are extensive insights and examinations across various aspects of life in the existing literature. However, the operationalization of sustainable development is critically needed, and businesses are called to move beyond insights and goals by considering actions and behaviors that alter their interactions with the external world. The fundamental challenge lies in implementing sustainable development, particularly focusing on its three dimensions—economic, social, and ecological [9, 10].

In general, researchers call for further inquiries into the foundational factors related to the phenomenon of sustainable development. In this study, isomorphism is considered a sense of interaction with the environment. Moreover, the interactions of small enterprises with other companies within an organizational environment bring about the isomorphism of sustainable development. Isomorphism is a concept that illustrates how business organizations achieve legitimacy by adopting social values and norms [11, 12]. The concept of isomorphism focuses on the company-environment interface and acknowledges that companies rarely exist in isolation. Isomorphism cohesively describes the complex interactions between environmental selection and a company's readiness to adapt. Thus, isomorphism explains the configurations that emerge among companies operating within similar environmental structures [13, 14].

Furthermore, if companies aim to survive and achieve their objectives, they must adapt to their normative environments. This study suggests that in the context of isomorphism, when companies interact, they tend to influence each other's behaviors and actions within their social bounds. In this regard, companies initially joined sustainable development as a response to external pressures and criticisms from governmental institutions and organizational civil societies, which blame businesses for environmental degradation [9, 15]. The process of isomorphism explains why companies eventually change their behaviors and actions due to collective entanglement [12, 16, 17]. In response to social changes within society, social networks consistently play a significant role in defining, forecasting, responding to, and adapting to global, social, and environmental changes. For this reason, sustainable development represents an example of such a global change (Tilt, 2008).

When addressing the concept and phenomenon of sustainable development, extensive insights and inquiries from various life dimensions are embedded in its context.

Nonetheless, the operationalization of sustainable development is critically needed, and businesses are called to move beyond insights and goals by considering actions and behaviors that change how companies interact with the external world. The greatest challenge lies in implementing sustainable development, particularly with a focus on its economic, social, and ecological dimensions [18-21].

Numerous problematic issues related to the implementation of sustainable development are identified in the current literature and ongoing research on sustainable development. Previous studies have initially adopted a segmented approach to the threefold dimensions of sustainable development—economic, social, and environmental. This alone creates a significant gap, considering that sustainable development inherently offers an integrated approach to addressing economic, environmental, and social development issues. Moreover, fundamental research on any institution must adopt an integrated approach within the context of sustainable development, particularly when it comes to implementation and evaluation. To this end, only a limited number of studies have fully examined all dimensions of sustainable development practices. A review of the literature identified several studies that have adopted a holistic approach to the concept of economic development [9-19].

Conversely, this study addresses how companies engage in sustainable development, which has not been explicitly articulated in prior studies, particularly concerning SMEs. Most studies have considered the accounting perspective—so-called sustainability reporting. Sustainability reporting focuses on the end product of a company's sustainability efforts rather than the processes and practices involved. In other words, the primary distinction lies in the fact that studies on sustainability reporting investigate whether companies report on sustainability issues. In contrast, this study aims to determine whether companies implement sustainability and to uncover the embedded factors influencing sustainability practices, particularly with reference to SMEs. These two concepts form the two variables examined in this research. The following hypotheses are proposed based on the above discussions:

Hypothesis 1: There is a significant positive relationship between mimetic isomorphism and environmental sustainability practices.

Hypothesis 2: There is a significant positive relationship between mimetic isomorphism and social sustainability practices.

Hypothesis 3: There is a significant positive relationship between mimetic isomorphism and economic sustainability (corporate governance) practices.

2. Methodology

This study is quantitative in nature and employs a cross-sectional research design, as longitudinal studies require significant time, effort, and cost, making them impractical for this research. Data were collected using self-administered questionnaires distributed both personally and electronically (via email). The questionnaires consisted of questions on a 5-point Likert scale, operationalized based on past measures. Mimetic isomorphism (5 items) was measured using scales adapted from previous studies (Liang et al., 2007; Liu et al., 2010). Similarly, sustainable development (20 items) was measured through scales adapted and developed from prior studies (Gualandris et al., 2014; Adbanjo et al., 2016). The psychometric properties of these scales were deemed satisfactory as they exceeded the threshold of 0.6.

Considering the possibility of incorrectly completed or unreturned questionnaires, 450 questionnaires were distributed, of which 385 were usable, yielding a response rate of 85.56% (100 × 385/450). Data analysis was conducted through a twofold approach: descriptive and inferential analysis. Descriptive analysis for the entire sample was performed using SPSS version 24. For hypothesis testing through inferential analysis, structural equation modeling (SEM) was employed. SEM, a multivariate technique, is considered superior to multiple regression analysis as it can simultaneously test a series of dependency relationships among variables. Given that the scales used in the study are predominantly consistent, confirmatory factor analysis (CFA) was conducted using the Analysis of Moment Structures (AMOS) software.

3. Findings

In this study, researchers used Cronbach's alpha (α) values greater than 0.7, composite reliability (CR) values exceeding 0.7 (preferably 0.8), and average variance extracted (AVE) values above 0.5 to establish the study's reliability. For validity, both convergent and discriminant validity were examined. Convergent validity was assessed using factor loadings and AVE values, while discriminant validity was evaluated using AVE values compared to shared variance and the inter-construct matrix.

As shown in Table 1, the Cronbach's alpha coefficients ranged from 0.903 to 0.946, indicating significant reliability, and all CR and AVE values exceeded the cutoff thresholds, confirming internal consistency. Convergent validity was assessed through factor loadings of 0.5 and above, with a preference for values exceeding 0.70. Consequently, all standardized factor loadings exceeded the 0.50 threshold, demonstrating excellent convergent validity. Discriminant validity was assessed using inter-construct correlation coefficients and the square root of AVE values.

As indicated in Table 1, all inter-construct correlation coefficients were below the established threshold of 0.8. Discriminant validity was confirmed by the lack of high correlations among distinct theoretical constructs. Furthermore, the square roots of AVE values for each construct, presented along the diagonal, were higher than their corresponding correlation coefficients, indicating satisfactory internal consistency.

Preliminary assessments included screening for missing data and outliers and evaluating the normality of the data distribution through skewness and kurtosis measures. The results confirmed data validity, as no significant anomalies were identified.

Table 1. Factor Loadings, Cronbach's Alpha, AVE, CR, and Coefficients of Determination

Factor	Items	Factor Loadings	Cronbach's Alpha	AVE	CR	Coefficient of Determination
Mimetic Isomorphism	MIM1-MIM5	0.907, 0.923, 0.894, 0.760, 0.758	0.930	0.727	0.929	-
Economic Sustainability	ECO1-ECO6	0.683, 0.814, 0.877, 0.936, 0.763, 0.627	0.912	0.622	0.907	0.40
Environmental Sustainability	ENV1-ENV8	0.867, 0.890, 0.869, 0.854, 0.808, 0.735, 0.744	0.946	0.873	0.937	0.42
Social Sustainability	SOC1-SOC7	0.758, 0.842, 0.837, 0.645, 0.839, 0.723, 0.618	0.903	0.573	0.903	0.32

The results of the structural model are presented in Table 2 and Figure 1. Using standardized regression weights for

path analysis, the findings indicate that the hypothesized relationships concerning the four latent variables in the

structural model were positive and significant. Consequently, all types of sustainability practices were positively and significantly associated with mimetic isomorphism.

Thus, Hypothesis 1, concerning mimetic isomorphism and environmental sustainability ($\beta = 0.65$, $p < 0.001$),

Hypothesis 2, concerning mimetic isomorphism and economic sustainability ($\beta = 0.63$, $p < 0.001$), and Hypothesis 3, concerning mimetic isomorphism and social sustainability ($\beta = 0.57$, $p < 0.001$), were supported.

Table 2. Hypothesis Testing Results Using Standardized Estimates

Relationship	β	S.E.	C.R.	p-value	Hypothesis
Mimetic_Environmental	0.646	0.082	8.282	<0.001	Supported
Mimetic_Economic	0.633	0.061	7.270	<0.001	Supported
Mimetic_Social	0.566	0.059	6.595	<0.001	Supported

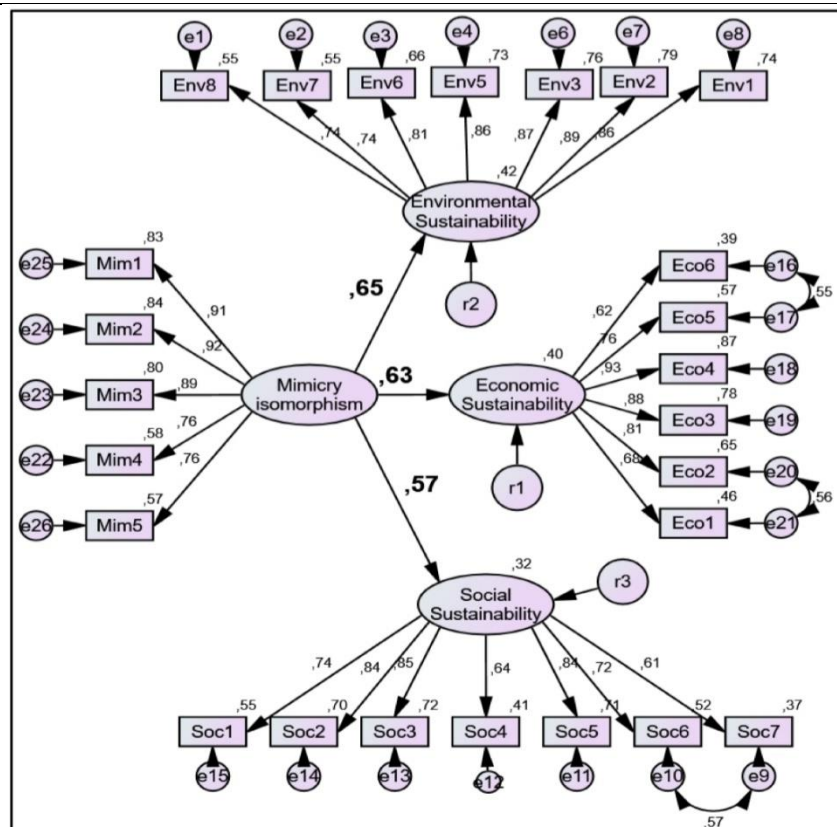


Figure 1. Structural Model Diagram with Standardized Regression Weights

4. Discussion and Conclusion

Regarding mimetic institutional isomorphism and sustainable development practices, the relationship between mimetic isomorphism and sustainable development was confirmed in this study. All dimensions of sustainable development (environmental, economic, and social) were significantly associated with mimetic isomorphism. Specifically, the path indicated by the first hypothesis, which links mimetic isomorphism to environmental sustainability, demonstrated the strongest relationship. These findings support the hypotheses suggesting a significant positive

relationship between perceived mimetic pressures and the sustainability practices of SMEs. This implies that null hypotheses indicating no relationship were rejected.

Subsequently, the relationship between mimetic isomorphism and economic sustainability was confirmed, with $\beta = 0.65$ and $p < 0.001$. Thus, the second hypothesis, testing the significant relationship between mimetic isomorphism and economic sustainability, was supported, while null hypotheses were rejected. Lastly, mimetic isomorphism and social sustainability had the weakest relationship ($\beta = 0.57$, $p < 0.001$); however, it was still positive and significant. This means that the third

hypothesis, proposing a significant positive relationship between perceived mimetic pressures and social sustainability, was also supported, and null hypotheses were not accepted.

The results of this study contradict previous empirical evidence suggesting that mimetic isomorphism has no effect, particularly on environmental sustainability practices [10, 20, 21]. However, they align with studies identifying a statistically significant relationship between mimetic isomorphism and sustainable development practices [20]. That said, there is no specific body of literature directly linking mimetic isomorphism and sustainable development in relation to SMEs.

This study provides strong evidence that most sustainability practices—environmental, economic, and social—among SMEs result from imitation of their peers within the same industry. Therefore, the adoption of sustainable development practices by SMEs in their business activities largely depends on mimetic pressures. Small businesses are likely to imitate larger and more successful peers regarding development issues. Avoiding isolation and ensuring legitimacy are compelling mimetic forces. Consequently, SMEs that do not imitate successful peers and larger companies may face legitimacy challenges. However, there is a need for further research to explore whether the strength of isomorphism varies across different categories of SMEs and between SMEs and larger firms.

The significant positive relationships found for the three hypotheses in this study have several implications. Broadly, the findings assist governments and other development actors in formulating policies to incentivize SMEs toward sustainability practices. Policies encouraging sustainability practices have become an increasingly prominent topic of discussion. Insights into the impact of imitation on sustainable development practices can inform the creation of strategies and measures that indirectly promote sustainability adoption. For instance, governments worldwide could implement reward programs for companies adopting sustainability. As shown by this study's findings, SMEs are likely to emulate such companies due to strong mimetic isomorphism forces. Thus, raising awareness about the benefits and positive outcomes for SMEs engaged in sustainability practices is essential. This, in turn, fosters the spread of sustainability practices due to the underlying mimetic isomorphism forces.

Additionally, the results indicate that the greater the mimetic pressure, the more likely SMEs are to engage in sustainability practices. As such, it is expected that the

structures, practices, strategies, and policies of SMEs will align with the stringent outcomes imposed on non-compliers. For example, the increasing intensity of sustainability demands in the business world, along with evolving regulations and policies, highlights the utility of mimetic isomorphism and the sustainable development model introduced in this study as tools for competitive advantage and analytical insights. Hence, SME owners and managers must proactively consider each key variable examined in this study and avoid passive approaches to sustainability. For SME owners and managers, the findings of this study serve as an important wake-up call.

As calls for sustainability grow across various stakeholder domains, this study reveals a strong potential and inclination among SMEs toward sustainability. Thus, individual companies must monitor the diffusion of sustainability practices and avoid rash decision-making. This study establishes that two types of companies exist within the domain of mimetic isomorphism and sustainability: those imitated and those that set the pace. Companies failing to occupy either of these positions will face difficulties, as sustainability is redefining the rules of business.

Ultimately, by understanding the relationship between mimetic isomorphism and sustainable development, governments, policymakers, and other environmental actors can facilitate policies and strategies that promote the spread of sustainable development among SMEs. The instrumental role of SMEs, coupled with the sustainability renaissance, especially in developing countries, makes SME knowledge critical for economic growth. Therefore, the management and success of SMEs cannot be left to chance. This study significantly contributes to the theory and knowledge of SMEs and sustainability practices, which are urgently needed.

Management theory faces a new context requiring scrutiny and revision of approaches and strategies for business survival and growth. Previously, the economic objective of businesses was profit maximization; however, emerging studies suggest a transformation within the business world. Thus, this study advances the theory by emphasizing that the strategies and actions of firms must align with sustainable practices for SMEs to survive and thrive in the contemporary business environment.

Nonetheless, there remain research gaps that warrant further investigation. Future studies are recommended to explore the subsequent performance impact on SMEs due to the positive and significant relationship between mimetic

isomorphism and sustainability practices. Furthermore, as this study focuses on the Tehran Stock Exchange, the target region should be expanded to reinforce findings in this area. Finally, other areas of research depend on the different forms of mimetic isomorphism identified in this study, including frequency-based, trait-based, and outcome-based imitation. Future research should determine how these different forms of mimetic isomorphism influence various aspects of sustainability.

Authors' Contributions

Authors equally contributed to this article.

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Declaration of Interest

The authors report no conflict of interest.

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Ethical Considerations

All procedures performed in this study were under the ethical standards.

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