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A Study on How to Vitalize the ESG Management Strategy of SMEs through ESG Management Cases

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Abstract

Purpose: The purpose of this study is to look at the current status and cases of ESG at home and abroad, and through this, seek ways to activate the ESG strategy of domestic SMEs and suggest a direction. **Research design, data and methodology:** This study examines the current status of ESG management at home and abroad and examples of companies through related literature on ESG management and performance. Through this, the strategic direction of ESG management of domestic SMEs was presented. **Results:** Compared to the government and major corporations, SMEs can be said to lack ESG management activities. ESG activities include environmental activities such as carbon neutrality, waste management, eco-friendly supply chain management, establishment of safety and health processes to improve workers' environment, expansion of governance to guarantee autonomy and profitability such as fair trade, protection of social and shareholder rights such as anti-corruption, etc. should be based on Therefore, there are difficulties in ESG activities of SMEs that lack funds and manpower. **Conclusions:** Compared to the government and major corporations, SMEs can be said to lack ESG management activities However, it will be possible to establish and implement ESG management strategies based on the strengths of SMEs and the characteristics of each company.

Keywords : Strategy, Environment, Society, Governance

JEL Classification Code: E22, E44, F39, G38

1. Introduction

The rapidly changing global business environment in the era of the 4th industry presents many problems such as climate change and environmental pollution. In particular, the COVID-19 Pandemic brought unprecedented confusion, and companies began to demand new strategies for success in the era of uncertainty.

Companies are changing from growth-oriented management to sustainable management.

ESG is an indicator that compares and measures sustainability management performance and is used to make socially responsible investments through comparison between companies. Therefore, the government and large corporations are rapidly shifting to ESG management for transparent governance, which is value creation centered on the environment, society, and people.

It is for companies to create and practice socially positive values along with profit creation (KOSME, 2021a; KOSEM, 2021b).

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ESG management has increased the demands of the times for human survival due to the climate crisis and the COVID-19 pandemic. Investors' involvement in management, such as exercising shareholder rights, is increasing, and investment target companies are demanding a high ESG management system (Kodit, 2022).

At the request of customers, consumers are spreading awareness of ESG, such as eco-friendly zero-waste and value consumption. In addition, cost regulations such as carbon tax and carbon border tax are being strengthened.

Korea is promoting the 2050 carbon-neutral business plan and mandatory ESG disclosure to achieve Korean-style ESG.

ESG is becoming a new standard in the global money market. While declaring ESG management centered on global companies in the US and EU, it is leading the spread of ESG management to all partner companies. Apple requires that the parts it supplies to its suppliers be made with renewable energy. It is also used as startup growth capital by attracting ESG investment funds. The financial sector also provides ESG management incentives to corporate customers. Therefore, it can be said that ESG management of companies is absolutely necessary (Kodit, 2022).

However, SMEs have not yet been active due to lack of awareness of ESG, cost problems, and lack of resources.

Environmental pollution, the threat of climate change, and respect for stakeholders are attracting attention. The strengthening of environmental and social regulations for companies, and the increasing demands of stakeholders will continue to be strengthened in the future (KOSME, 2021a).

Even for SMEs, ESG management is becoming an essential management issue for the sustainable growth of companies. As participation in ESG management is expanding, centered on global companies, governments, and large corporations, the ESG management stance is also spreading to partner companies that transact with large corporations. SMEs lack ESG management compared to large companies, mid-sized companies, and the financial sector (Oh, 2012).

It is judged that this is because large corporations can improve normal corporate value and supply chain efficiency through their own ESG activities, but SMEs do not. Therefore, in order to SMEs enter new markets or maintain the current supply chain, more active ESG management is required.

The more SMEs are the more difficult they are about preparation, awareness, and costs related to ESG management (KOSME, 2021a).

The Korea Credit Guarantee Fund introduced the 'ESG Management Competency Evaluation Guarantee System' to expand guarantee limits for SMEs with excellent ESG capabilities and give preferential treatment in screening

methods and decision-making rights. Green New Deal guarantees, new energy business agreement guarantees, new and renewable energy agreement guarantees, and green guarantees are being expanded (Kodit, 2022).

Various benefits are also provided, such as preferential treatment for incorporation of a securitization company guarantee, preferential treatment for consulting, and additional points when selected as a company with excellent employment quality (Kodit, 2022).

The Korea Commission for Corporate Partnership signed a business agreement with BNK Kyongnam Bank from the 3rd of this month and decided to provide preferential interest rates to SMEs with excellent ESG management (THE DIGITALTIMES, 2022.03.06). After ESG training and on-site inspection, SMEs with excellent evaluation results are issued a certificate of ESG excellent SMEs, and BNK Kyongnam Bank provides preferential interest rates of up to 1.0% points to these SMEs compared to general companies.

The Korea chamber of commerce and industry also signed a business agreement with the Industrial Bank of Korea and decided to support lower loan interest rates by up to 1% for small and medium-sized enterprises that practice ESG goals. As such, there are many benefits of ESG excellent companies, so it can be said that ESG management is absolutely necessary for SMEs (Kodit, 2022).

It will be a good opportunity for sustainable growth for SMEs that lack cost and human resources compared to large companies.

In this regard, we look at ESG management cases and, based on this, try to gain implications for the establishment of ESG management revitalization plans and response strategies for SEMs in Korea.

2. Theoretical Background

2.1 ESG Concept

As for the concept of ESG, the launch of the United Nation's Principles of Responsible Investment (UNPRI) in 2006 served as an opportunity for the spread of ESG investment worldwide (Na, 2021).

The United Nations Environment Program Finance Initiative (UNEPFI) and the United Nations Global Compact have announced the UN PRI with global institutional investors. The UN PRI presents the concept of ESG integration and defines it as including ESG factors in investment analysis and investment decisions systematically and explicitly (Na, 2021).

The recent rise in the importance of sustainability, such as the environment, and the trend of introducing global regulations for this are further promoting the use of ESG by global financial companies.

ESG was called a concept that encompasses elements of the environment, society, and governance that could affect a company's ability to implement its strategy and increase its value. ESG stated that it could be used as an indicator to manage the non-financial risks that an entity faces and could be used as an indicator to manage non-financial risks for investors (Kang & Jung, 2020).

The reason why ESG is attracting attention is that climate change and the environment, corporate sustainability management, and co-prosperity issues have emerged, and the importance of value has been applied by including complex social issues in business models. This made Creating Shared Value (CSV) (Choi, 2021).

ESG, which means the environment, society, and corporate governance, should be used as non-financial factors as well as traditionally used financial factors when evaluating corporate value (Lee & Choi, 2021). Market trust is important to maximize the effectiveness of companies' ESG activities and that financial efforts to attract foreign investment and profitability should be made (Kang & Jung, 2020).

ESG management proved that the profitability of companies with excellent ESG scores significantly increased, and the risk significantly decreased after COVID-19 (Albuquerque et al., 2020). ESG said that a sustainable competitive advantage can be realized through a balance between corporate pursuit of economic profit and social responsibility activities (Park & Han, 2011).

2.2. ESG Policy and Trends of Large Corporations

2.2.1. United States of America (USA)

USA is showing an active appearance in the environmental sector, such as rejoining the Paris Climate Change Accord in 2021 and achieving zero greenhouse gas emissions by 2050.

U.S. The Securities and Exchange Commission (SEC) has announced an enforcement task force focused on climate and ESG issues as investors focus on ESG (Kortra, 2021).

U.S. DEPARTMENT OF LABOR (DOL) said its ESG activities provided clear regulatory guidelines for employee benefit plans and proposed rules to protect members' interests in benefit plans, such as private sector retirement (Kortra, 2021).

Headquartered in the USA, ExxonMobil is a global energy company that focuses on oil/natural gas drilling and sales and is a representative carbon emission company. ExxonMobil has announced a new five-year plan for ESG environmental assessment, including plans to invest in carbon capture and storage technology and biofuel technology in 2020. In addition, we are practicing ESG management by developing technology to remove carbon

from the atmosphere with the goal of zero carbon emissions (Kortra, 2021).

Apple Inc has set an environmental goal to achieve carbon neutrality in the product manufacturing process by 2030. To this end, we worked with our partners to increase energy efficiency and carbon reduction, enabling product conversion and reducing carbon emissions by 8 million tons. It is a circular supply chain through recycled or renewable materials for all products produced by Apple Inc (Kortra, 2021).

MacBook Air is 40% recycled, and the exterior is made of 100% recycled aluminum (Kortra, 2021)..

Clorox is a leading consumer goods manufacturer with the largest market share in the USA in bleach and cleaning products. From 2019, Clorox began to present climate and environmental sustainability goals in earnest, such as reducing plastic and other waste, using renewable energy, and managing water quality. First, regarding the promotion of reducing plastic/other waste, it is decided to reduce plastic and fiber packaging materials by 50% by 2030 and replace them with 100% recycled, reused or compostable packaging by 2025. Regarding renewable energy use, Clorox announced plans to purchase 70 MW of renewable energy annually for 12 years from Enel Green Power's Roadrunner Solar Project in Texas, USA. In 2021, it plans to maintain its new and renewable energy targets through the purchase of Virtual Power Purchase Agreement (VPPA) and Renewable Energy Certificates (REC). It pursues a sustainable environment by continuously improving water quality and using only recycled or certified natural fibers for packaging related to deforestation (Kortra, 2021).

Global companies in USA are solving the issues facing companies and social and environmental problems at the same time by incorporating new technologies of the 4th industrial revolution such as artificial intelligence and block chain into their businesses (Kortra, 2021).

Seventh Generation, which sells household goods, is an Amazon vendor. We are participating in the recommended Climate Pledge campaign and aiming to achieve carbon neutrality by 2040 (Kortra, 2021). As part of the campaign, it is growing by registering and selling 55 products in Climate Pledge Friendly, a section dedicated to sustainability certified products newly established on the Amazon platform (Kortra, 2021).

2.2.2. Europe

The European Union (EU) has been leading environmental activities in the world, such as a zero plastic use policy and a carbon tax, even before ESG was actively involved. The EU responds most systematically and quickly to ESG activities and is proceeding with ESG-related legislative procedures. According to the Korea International Trade

The EU has implemented the 'Sustainability Finance Disclosure Regulation (SFDR)', which mandates disclosure of information on the sustainability of investment products by financial institutions, as a legal policy that strengthens corporate obligations on ESG. The 'Non-Financial Reporting Directive (NFRD)' that discloses social and environmental impacts in non-financial statements, Taxonomy that defines environmentally sustainable economic activities and presents criteria for judgment, and due diligence on the current status of environmental and human rights protection across the entire supply chain to companies. There is a due diligence that gives an obligation (KITA, 2021).

Allianz AG, a world-renowned insurance company headquartered in Munich, Germany, prioritizes the environment in its ESG management to mitigate climate change and solve global warming. It pledges to reduce carbon emissions by up to 29% over the next five years and achieve zero greenhouse gas emissions by 2050. In 2018, through participation in the Science-Based Targets Initiative, mid- to long-term climate crisis measures are being established and are actively working in the environmental aspect (KOTRA, 2021b).

As an activity in the social sector, we support children's education through the Corporate Citizenship Program. In the Governance sector, we are publishing the Tax Transparency Report. Consumer cooperatives in the European Union are working to promote environmental stewardship, responsible consumption and consumer empowerment (KOTRA, 2021b).

March 2018, Renault Group announced its medium-term strategic plan for the environment (2017-2022). It contains an eco-friendly production conversion plan based on three keywords: electric vehicles, new mobility, and circular economy. In particular, the plan was to reduce greenhouse gas emissions related to those areas by about 80% by advancing four areas: fuel efficiency improvement, conversion to electric furnaces as a major power source, development of 'off-cycle' technology, and production and EOL. From the annual report in 2017, the development of electric vehicles was introduced extensively as a subject of corporate innovation. emerged as a major theme (KOTRA, 2021b).

2.2.3. China

Since the early 2000s, China has promoted several policies related to ESG, but the results have been insufficient. China's State-owned Assets Supervision and Administration Commission of the State Council (SASAC) encourages state-owned, centralized, and listed companies to actively promote ESG adoption, and includes ESG in the category of social responsibility in the future and makes it a key task. It was announced that the social responsibility and

ESG work of state-owned enterprises would be comprehensively promoted (INChina Brief, 2021).

Industrial Bank was the first commercial bank in China to join the Equator Principles in 2008, introduced ESG management, and has continued to disclose ESG information for 10 consecutive years. Industrial Bank ESG Beautiful China, an ESG-related investment product, was launched to induce corporate CEOs to voluntarily participate in ESG management and induce investment in companies that fulfill their environmental and social responsibilities, resulting in long-term investment results (INChinaBrief, 2021). As of the end of June 2020, on a cumulative basis, Industrial Bank provided 23,214 companies with 2.5385 trillion yuan of green loans, including green loans, green leases, green funds, and green finance.

The supported project reduced 30.15 million tons of coal per year, reduced 84.54 million tons of carbon dioxide per year, and saved 41,026 tons of water in China. Recognized (INChina Brief, 2021).

BYD, a Chinese electric vehicle and battery manufacturer, introduced ESG management and focused on producing new energy vehicles for eco-friendliness. In the field of environment, an eco-friendly management system was established, a professional management system for production processes that could cause environmental pollution, and measures to deal with sudden pollution accidents were prepared (INChina Brief, 2021)..

Continuing to build pollution prevention facilities and remodel boilers, the boiler exhaust gas nitrogen content and solid waste generation were effectively reduced (INChina Brief, 2021).

In the social field, focusing on the rights and interests of children, youth, and women, poverty support projects such as education, health, and basic guarantees were developed, and donations were provided (INChina Brief, 2021).

In the field of corporate governance, the diligence of the company, its shareholders, and actual managers was highly valued, and related information was disclosed in important reports. Strives to implement the company's stock holding plan for employees, establish a profit-sharing mechanism between employees and the company, attract talent, and realize the sustainable and sound development of the company.

2.3. ESG Trends of Big Firm

In January 2021, Korea prepared a comprehensive improvement plan for the corporate disclosure system, which includes expanding the mandatory corporate governance report, activating the disclosure of the sustainability management report, and reviewing the revision of the stewardship code, in order to lay the

foundation for ESG responsible investment Financial Services Commission. Financial Supervisory Services. Korea Exchange RENEWED (2021.1.14). From 2020, the corporate governance report is gradually expanding the scope of disclosure.

ESG information disclosure guidance is prepared, and from 2025, ESG disclosure is mandatory for securities listed companies with total assets of KRW 2 trillion or more.

From 2030, the mandatory disclosure will be expanded to all KOSPI-listed companies Financial Services Commission, Financial Supervisory Service, Korea Exchange (2021.1.14).

2.3.1. SAMSUNG

SAMSUNG is realizing ESG by publishing A JOURNEY TOWARDS A SUSTAINABLE FUTURE (2021).

By establishing an integrated purchase system in the governance sector, we focus on evaluating technology, quality, responsiveness, delivery, cost, environmental safety, finance, and corporate ethics of partner companies every year to maintain competitiveness in the supply chain and strengthen weak areas. we are evaluating whether the working environment of partner companies has been improved in the direction of practice according to our own code of conduct.

In the environment sector, starting with the operation of the Asan Recycling Center, the first comprehensive recycling center for electronic waste in Korea, in 1998, various recycling programs are currently underway in 55 countries around the world. Through a partnership with uBreakFix, a repair shop specializing in mobile devices, more than 500 branches allow consumers to dispose of waste electronic products by themselves. Through this, the amount of waste electronic products collected from 420,000 tons in 2018 increased to 510,000 tons in 2020, and a total of 4.54 million tons of waste electronic products were recovered by 2020 (Samsung Electronics, 2021).

2.3.2. SK hynix

SK hynix has published a sustainability report every year since 2008 and has consistently been active in social activities.

In the governance sector, SK hynix has established a structure to establish strategies and make decisions from a long-term perspective, such as the establishment of the ESG Management Committee and NET ZERO, in the Sustainability Management Committee, which is the decision structure of the board of directors. A business continuity plan (BCP) in preparation for emergencies is established at all business sites to strengthen enterprise wide ESG capabilities.

In the environment sector, 'Green 2030' is declared and an eco-friendly production system is being established. We

are implementing quantitative goals through management of water resources used in the semiconductor process. The amount of water withdrawal fell to 6% in 2020 compared to 2019, and the amount of water reuse also increased. In 2020, a total of 26.93 million tons of water is being reused at domestic business sites alone. It is leading the preservation of the river ecosystem by meeting the discharge water quality standards SK Hynix (2021)

2.3.3. NAVER

NAVER publishes climate-related Tasks Force on Climate-Related Financial Disclosures (TCFD) reports and ESG reports in the Environment sector.

A dedicated environment organization was newly established to discover new and renewable energy use and eco-friendly projects. With the goal of reducing cope1+2 emissions by 60% by 2030, we are building an eco-friendly office building and promoting contracts to secure data centers and renewable energy. Through 'Carbon Negative', action plans were presented to create a company without carbon emissions.

In the social sector, activities such as SME support programs for small businesses and startups, support for COVID-19, and strengthening of digital literacy are being carried out.

In the governance sector, transparency in governance is practiced through the establishment of an ESG committee and a dedicated organization, publication of corporate governance reports, and disclosure of ESG information governance. the AI Code of Ethics, Code of Business Ethics, Compliance Organization, ISO 37001 (Anti-Corruption Management System), and shareholder return policies were established, and audit and outside director nomination committees and risk management committees were established to discuss and review proposed agendas every month. is implementing (KCGS, 2022).

2.3.4. Kakao

In the environment sector of Kakao, the environment TF within the IBS support office under the CEO is in charge of environment management practices and environment data management. Environment management system ISO 14001 was acquired in 2021, and Active Green initiative was established in 2022. Net-ZERO, which aims to achieve carbon-zero by 2040, is being pursued.

In the social sector. In 2021, Kakao Partners Sustainability Management Guide was established. It is implementing social responsibility in various fields such as digital responsibility, AI ethics, privacy, global cooperation, and social impact. Principles for the eradication of hate speech, KakaoTalk hello guide, Barrier free initiative, Digital Accessibility Officer (DAO), and Kakao Human Rights Management Declaration were established. In the

governance sector, the mid- to long-term shareholder return policy, integrated risk management of the Board of Directors and the ESG Committee, and the Corporate Alignment Center (CAC) were established (KCGS, 2022).

2.4. Domestic SMEs

Compared to the ESG activities of the government and large corporations, difficulties such as incomplete information and cost burden always exist in the ESG activities of SMEs. Looking at the degree of ESG management awareness of SMEs in Korea, the necessity of ESG activities for SMEs is recognized. However, practical preparations were found to be insufficient due to lack of information and human resources and cost burden.

Cost and lack of professional manpower were pointed out as the biggest problems for SMEs in introducing ESG management (KOSME, 2021a). Increase in work and costs (47.5%) was selected as the biggest stumbling block in promoting ESG management (FOMEK, 2021).

Among the ESG sectors, the environment sector was found to be the most difficult to prepare for as it entails cost burdens such as greenhouse gas reduction and introduction of facilities for low-carbon conversion. It was followed by Social and Governance as the most difficult sectors.

Due to the cost burden, only 25.7% of respondents said they were ready or in the process of preparing for ESG management response. The fact that they do not have a preparation plan is also 34.6%, indicating that SMEs themselves are still lacking in ESG preparation.

Regarding ESG, there is no direct regulation for SMEs. It is expected that the pressure to introduce ESG from SMEs will increase as the large companies, public companies, and overseas companies that are business partners comply with international initiatives.

The need for ESG management recognition by SMEs was recognized, but physically preparations were insufficient. However, if you look at the domestic Emissions Trading Scheme (GHG) and high-emitting industries in response to carbon neutrality, SEMs are also playing a big role.

As for the ESG status of SMEs, some companies practice ESG management with strategies that suit their circumstances.

In the environment sector, ZIKOIN COMPANY is a food tech startup that encompasses the development and distribution of plant-based meat for future alternative foods, which is sustainable development for the health of earthlings and the earth under the brand UNLIMEAT. Carbon reduction is achieved through the production of plant-based meat. In addition, through the Let's Zero campaign, we are reducing our carbon footprint by using the domestic agricultural products and 100% eco-friendly packaging materials (KOSME, 2021a).

SEYOUNG, a POSCO partner in the social sector, in charge of steelmaking support and product management, shares near misses experienced at the work site through company groupware, communicates its experience and know-how, and seeks solutions to problems with its employees. A safety and health culture were established. By opening a safety school course, site-oriented safety and health activities such as installation of crane rear cameras and high-performance loudspeakers, and resident nurses are being implemented (KOSME, 2021a).

Donggubat is a social venture company established for the purpose of helping people with developmental disabilities become self-reliant. It employs people with developmental disabilities and produces solid cosmetics and household items considering the environment and sustainability. As monthly sales increase, we are hiring additional people with developmental disabilities (KOSME, 2021a).

In the Governance sector, OTTOGI CORPORATION newly established the Shared Growth Team, an organization in charge of sustainable management, and is in charge of fair trade and sustainable management for subcontractors. As an in-house training course, we operate an ethics education program for all executives and employees. It publishes a sustainability report every two years and discloses it on its website to transparently share its sustainability management-related activities and achievements with stakeholders (KOSME, 2021a).

Korea Midland Power (KOMIPO) supervises ethical management in the Planning and Coordination Office under the Planning Department, and practices ethical management through collaboration with the Audit Office and other internal and external consultative organizations. As an integrity coordinator system, one or more integrity coordinators are selected for each department, and duties such as strengthening internal control, leading participation in integrity policies, and spreading a culture of ethical management are assigned when carrying out tasks (KOSME, 2021a).

3. Conclusions

3.1. Conclusions

The importance of ESG and the need for research are increasing as discussions on research on the sustainable growth potential of companies, such as carbon neutrality to save the environment through management of Environmental, Social, and Governance, which are the major components of ESG, have recently become active (Ahn et al. 2021).

ESG activities by the government and large corporations are actively being carried out, but small and medium-sized

enterprises (SMEs) are not yet actively introducing ESG management due to cost and lack of manpower KOSME (2021a). However, there are companies that practice ESG management with strategies according to each company's capabilities and circumstances.

Cost burden, lack of professional manpower, lack of guidelines, lack of confidence in the necessity of introduction, and complex ESG evaluation criteria for SMEs when introducing ESG management were found in KOSME (2021a). Policy funds have emerged as the most necessary government support measures to respond to ESG management. This was followed by ESG management diagnosis consulting, guideline information provision, capacity building training, and incentive provision KOSME (2021a).

More than half of SMEs are aware of the need for ESG management, but the level of preparation is somewhat insufficient, so it is necessary to actively introduce ESG awareness improvement and incentive measures. In addition, it is necessary to spread the atmosphere for practicing ESG management through continuous awareness-raising education for ESG management of SMEs.

As the cost burden is the biggest problem when introducing ESG management, it is necessary to expand financial support such as policy funds and subsidy support for ESG management conversion of SMEs. In addition, it can be said that various support such as diagnosis, consulting, and human resources training is needed.

It is necessary to provide customized support considering the characteristics of each industry and situation of SMEs.

Among the ESG sectors of SMEs, they are experiencing difficulties in environmental aspects, such as reducing greenhouse gas emissions in the environmental sector and reducing consumption of resources such as energy. Therefore, government funding, diagnosis, and consulting are needed.

It is necessary to set standards for ESG risks by type and industry of SMEs and to suggest response methods and management plans. If ESG awareness is insufficient, it is necessary to provide support to expand awareness through education or seminars.

It is necessary to present specific ESG goals that can respond to global regulations.

It is necessary to standardize and publicize the ESG-related indicators of SMEs so that they can manage themselves.

It is difficult for SMEs lacking manpower and capital to conduct high-quality ESG management on their own. In order to strengthen ESG management of SMEs, support and cooperation from the government or large corporations are essential. ESG-related training from conglomerates should be provided to SMEs to demonstrate awareness-raising and change management.

The ESG activities of SMEs are as follows.

First, promote ESG support for partners of large corporations and public corporations and support ESG supply chains of partners. This minimizes the burden and confusion of SMEs. SMEs actively participate and conduct ESG education focusing on domestic and foreign cases that can be benchmarked and educated by organization members.

Second, conduct ESG online/offline education of organizational members, reflect ESG participation status and difficulties in management strategy. Through this, the perception of the members of the organization can be changed.

Third, use public-private collaboration functions to receive and connect ESG consulting, coaching, and management improvement consulting. ESG management can be improved.

Fourth, in terms of environment, we actively participate in government-promoted support projects such as eco-friendly certification, green certification, and overseas certification as a strategy suitable for the characteristics of the company.

Fifth, seek ways to introduce ESG according to mid- to long-term strategies involving organizational members.

3.2. Implications

Demand for the introduction of ESG management is spreading in the global and domestic markets. The recent RE100 membership and ESG management centered on large corporations are rapidly spreading. Therefore, ESG management for SMEs is expected to become an essential requirement. This is showing the influence of SMEs, such as demands within the supply chain and ESG evaluations of financial institutions.

Support projects are desperately needed, centering on the government and large corporations, for small and medium-sized enterprises (SMEs) lacking in ESG awareness and response. It is necessary to reorganize the evaluation index of SMEs to suit the characteristics of SMEs.

In this study, first, companies should actively consider a new management paradigm that reflects recent social changes. In this environment, the government and large corporations are active in ESG management, SMEs are lacking. Therefore, it is necessary to set ESG management goals suitable for SME management and operate a management system. Strategies pursued by company size and industry are different. For non-financial performance, an introduction strategy that fits the size, characteristics and goals of the industry is needed.

Second, since SMEs are often the supply chain of large corporations, a collaboration environment between the government or large corporations and SMEs should be prepared so that a strategy for ESG management of SMEs should be prepared.

Third, rather than omnidirectional ESG management activities, starting with sectoral ESG management activities according to the status of SMEs, an environment and strategy in which organizational members and stakeholders of SMEs can actively participate is needed.

<https://news.samsung.com/kr/%EC%A7%80%EC%86%8D%EA%B0%80%EB%8A%A5%EA%B2%BD%EC%98%81%EB%B3%B4%EA%B3%A0%EC%84%9C> (accessed September 2, 2021).

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