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ESG Practices in Sustainable Supply Chain Management: A Case Study of Sambal Om Atra Micro-Enterprise in Indonesia

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Abstract. Micro and small enterprises play an important role in Indonesia's economy, but many face challenges in incorporating sustainability into their daily operations. This study explores how Sambal Om Atra, an Indonesian food micro-enterprise, applies environmental, social, and governance (ESG) practices within its supply chain. Using a qualitative case study approach, a semi-structured interview was conducted with the owner in 2025 to examine the business's practices, challenges, and reported outcomes. The findings show that ESG practices are reflected in the management of production waste, employee welfare, business records, and relationships with customers. The owner also reported improvements in product quality and repeat purchases, although changes in costs, sales, and environmental outcomes were not measured. The study found that the firm's first priority was to keep the business running, while external support for ESG practices remained limited. These findings provide insight into how a micro-enterprise manages sustainability through its daily activities and suggest the need for practical guidance suited to its resources and operating conditions.

Keywords: Environmental, social, and governance practices; Food micro-enterprise; Indonesia; Sustainable supply chain management

1 Introduction

Business expectation for micro and small enterprise becoming more demanding, micro and small business need maintain their product quality, cost related to material and setting the price that suitable for their customers. The daily activity decision-making related to product quality also including the sustainability factors that related to the environment. Raw material usage for creating the finished product leaving waste, therefore the producer decision on what to do to their waste becoming more important, such as how they utilize and recycling the waste. The additional waste management need to be adding on their daily business activities.

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Micro, small, and medium enterprise (MSME) have a big impact on Indonesian economies, they accounted for approximately 60.51% of national gross domestic product and employed nearly 97% of the workforce [1]. yet many micro firms operate with constrained resources, uneven access to knowledge, limited managerial capability, and hinder sustainability practices [2]. Some of this, can be trace from their business record, while some others need to be understood from the business's account of what was done and the reasoning behind their decisions. To be able to understand these practices, therefore need to be looking into daily business operation as well as their relationship with workers, suppliers, and costumers.

Sustainability supply chain management (SSCM) helps MSME to address these issues in the context of environmental, social and governance (ESG) [3]. The ESG Scope started from the decision of choosing right supplier, on the production process, up until products received by the costumers. This research article will address ESG dimension to see on how micro enterprise handle their waste, organizing their works, and the business decisions.

Grewal and Serafeim [4] review how companies measure, manage, and communicate sustainability performance, including the role of investors and disclosure requirements. However, these formal processes may differ from how smaller businesses manage sustainability in their daily operations. Kot [5] identifies gaps in SSCM research from the perspective of small and medium enterprises and highlights the influence of informal relationships and owner-manager priorities. His study examines SMEs in Poland, leaving room to explore how these practices work in other business settings. n Indonesia, Dzikriansyah et al. [6] examined green supply chain practices and environmental performance among SMEs. However, further examination is needed to understand how a food micro-enterprise carries out environmental, social, and governance practices in its daily activities, particularly when resources and formal documentation are limited, and how the owner's priorities and relationships shape those practices. This study therefore asks how Sambal Om Atra implements environmental, social, and governance (ESG) practices in its supply chain and what factors shape the owner's decisions.

This research takes a study case of Sambal Om Atra, a micro enterprise that produce Sambal both as a condiment and as a base for cooking in Indonesia. Sambal is a chilli-based sauce or paste commonly served as a condiment. Its ingredients and preparation methods vary across regions in Indonesia [7]. Sambal Om Atra was selected as a case study because it is a food micro-enterprise that carries out several ESG-related practices, including the management of production waste, employee welfare, and business recordkeeping. The business also has direct relationships with suppliers and customers, providing an opportunity to examine these practices within its daily operations and supply-chain activities. This study asks (1) how Sambal Om Atra implements environmental, social, and governance (ESG) practices in its supply chain, (2) what factors influence the owner's decisions, and (3) how the owner perceives the impact of these practices on business relationships and performance.

2 Literature review

2.1 ESG and sustainable supply chain management

Carter and Rogers [8] and Seuring and Müller [3] point out that sustainability in the supply chain must integrate environmental, social, and economic objectives simultaneously, rather than using sustainability as an ad hoc practice. This means that a business needs to consider not only its economic activities, but also the environmental and social aspects related to its

supply chain. Truant et al. [9] discuss the application of environmental, social, and governance (ESG) in supply chain management. Their review highlights the importance of transparency, the role of policymakers, and the relationship between ESG practices and supply-chain performance. These aspects show that sustainability practices also involve the relationship between a business and other parties in its supply chain.

In a micro-enterprise, these practices can be related to how the owner manages production waste, treats employees, keeps business records, and communicates with suppliers and customers. This study focuses on how these practices are carried out through the daily business activities of Sambal Om Atra.

2.2 Sustainability practices in smaller businesses

Previous research on sustainability practices in micro and small businesses varies. Klewitz and Hansen [10] describe several ways small businesses pursue sustainability through innovation. Internal and external drivers can also influence the adoption of sustainable supply chain practices [11]. Trust, collaboration, and supplier engagement can also support this process [12].

At Sambal Om Atra, the owner takes the critical decision - the kind that, in large corporations, would typically be handled by specific departments. Through deep interview with the owner, this research able to ask those critical questions as well as how their fit into business operation.

In micro-enterprises, sustainability practices can be found in their daily supply-chain activities. Environmental practices can be seen in how the business uses raw materials and manages production waste. Social practices can be related to employee welfare and the business's relationship with suppliers and customers. Meanwhile, governance can be seen in how the owner makes decisions, keeps business records, and shares information with other parties. Kot [5] explains that the owner's priorities and informal relationships influence sustainability practices in smaller businesses. Truant et al. [9] also highlight the importance of transparency and ESG disclosure in supply chains. These studies provide a basis for this research to examine how ESG practices are carried out in the daily operations of Sambal Om Atra.

2.3 Analytical framework

This research draws on Truant et al. [9] ESG-SSCM farmwork as an anchor to examine three arguments. The first is transparency, how the firm tell the information about the business to the stakeholders. The second is reputation risk, which become relevant when something going wrong with the business or costumers complain. The third is performance, for this aspect will be focus on the evidence of what will happen after the sustainability practice put in place.

Information availability becoming critical factor in this research to be able to answer how much we can say about sustainability practice in micro enterprise. For example, we able to get the information from the owner why the why a price increase needs to be explained to customers, but we still need the information from the costumer itself and from the costumer purchasing record whether the explanation effect the buying decisions. While the available evidence limits what we can conclude, the framework helps us interpret the practices we can document. The framework also considers supply-chain structure, institutional support and the integration of ESG practice into daily operation in business.

3 Methodology

3.1 Research design and data collection

This study uses a exploratory qualitative single-case study design to explore how environmental, social, and governance (ESG) practices are incorporated into the daily operations and supply-chain activities of Sambal Om Atra, an Indonesian food micro-enterprise [13]. Sambal Om Atra was purposively selected as a case study because it is a food micro-enterprise that carries out several ESG-related practices, including the management of production waste, employee welfare, and business recordkeeping. The business also has direct relationships with suppliers and customers, providing an opportunity to examine these practices within its daily operations and supply-chain activities.

The interview took place in 2025 through one video call, one email exchange, and one face-to-face meeting. A semi-structured interview to ask the owner about the business, what pull and push factor to encourage ESG practice, the bottleneck, and what chances after the ESG practice were introduce. Furthermore, the question also covering about the support that firm get form external and what might help ESG integration on the future. The findings presented here are draw from the interview notes. The owner was the only participant in this study.

3.2 Data analysis

This research grouped the answers from the interview under environmental, social, and governance practices. The answers were then analyzed alongside the owner's responses related to information disclosure, reputation, business performance, and external support. These categories were used to identify the practices implemented by the business and the factors that influenced them. The findings are presented using examples and quotations translated from the Indonesian interview. Since the data were collected from the owner, the reported outcomes reflect the owner's perspective.

4 Results and discussion

4.1 Business and supply chain context

Sambal Om Atra sells different kind of sambals that can also be used as seasoning for cooking. The owner buys ingredient from local market and said that the owner check the price daily and maintaining quality standard for the ingredient. The owners explain how their initial costumers and how the business develop their costumers' base

> "As for customers, at first, they were friends around me. Now it has reached the wider public through word of mouth."

Owner wants the business to be more affordable and good in quality, while also supporting their local supplier from traditional market. Costumer direct feedback been used to improved packaging, taste and availability of the product in broader market. The competitive market of sambal in Indonesia seen as the reason why Sambal Om Atra need to offer something different that costumer would still want to buy.

4.2 Environmental practices

The owner described how their using own bio-pore pit to turn sambal residue into fertilizer:

> "I have my own bio-pore pit to turn my sambal waste into compost, which I then use as fertilizer in my own garden."

Even though this still consider as owner initiative, this finding give insight on one example of the range of sustainability practices that micro and small business can adopt [6]. Although this initiative demonstrates awareness of sustainability and resource efficiency, it remains undocumented and unreported. There are no records of waste quantities or systematic evaluations of environmental impact.

This finding aligns with previous SME research, which suggests that sustainability practices can vary depending on how businesses approach sustainability, ranging from reactive practices to more sustainability-oriented approaches [10]. Within Truant's framework, Sambal Om Atra is situated at the early stage of environmental maturity, where environmental practices exist but are not yet connected to supply chain disclosure or accountability mechanisms.

4.3 Social practices

Social practices in Sambal Om Atra more focus on the internal, when ask about fair treatment and employee welfare, and working arrangement the owner describe:

> "Equal wages as agreed, as well as free lunch meals and flexible days off."

These practices show the owner's efforts to support employee welfare. However, as the information was obtained from the owner, the employees' perspectives on these arrangements are not captured in this study. The owner also stated that the business has not yet been involved in local community activities. In this case, the social practices described by the owner focus on the needs of employees within the business.

4.4 Governance practices

Governance practice represents strong dimension on ESG practices in this case; the owner keeps the financial and operation records both using cloud storage and trough notebook (manually). Furthermore, the production process follows SOP's procedure consistently and ensuring safety. The owner also emphasizes on the honesty and accountability related to tax and how business handle the compliance:

The owner described keeping records in cloud storage and in personal notes. The interview also covered what the owner prepares before cooking and how the business handles compliance:

> "I keep all the expenses and income in a digital folder, but I also write them down in a notebook."

> "I pay my taxes and am honest with customers about increases in ingredient prices or anything else. Honesty is key."

Compare to typical micro enterprise practice that rely solely on manual bookkeeping and often avoid tax obligation, Sambal Om Atra demonstrate relatively high governance maturity. This finding shows that, even small firm able to embedded accountability and compliance in their day-to-day business

4.5 Transparency and disclosure

One example of transparency concerned the price of sambal. When chili became more expensive, the owner explained the reason for the price change to customers:

"If chili prices go up, I tell customers directly why the sambal price is higher."

Customers and suppliers were rarely told about composting or the arrangements for workers. The owner also had a reason for keeping the recipe and production process private:

"The recipe and the process I keep secret. That's my business advantage."

The price explanation concerned a decision customers could see when placing an order. Composting took place after production and was less visible to them. The case therefore shows that customers may know how the business sets a price without knowing much about its sustainability practices.

This demonstrates a tension between maintaining competitive advantage and practicing transparency. According to Soundararajan and Brammer [12] SMEs often hesitate to disclose too much information, fearing it may erode competitiveness. Transparency is essential for linking ESG practices to reputational and performance outcomes; thus, Sambal Om Atra's selective approach constrains the potential benefits of ESG communication.

4.6 Reputational risk

One shipment went missing. The owner sent another order and did not charge the customer for the replacement:

"Even though it wasn't my mistake, I sent the sambal again so the customer would not be disappointed."

The owner made that decision because of the possible effect on the relationship with the customer. The interview gives the owner's reason for sending a replacement. The case did not follow up with the customer.

4.7 Performance impact

The owner reported that the improvement was most noticeable in product quality. However, there were no estimates of changes in costs or sales. The owner described what happened after customers tried the product:

"At first, they bought one jar just to try, but then they kept coming back to order again."

These findings suggest that ESG practices may contribute to the relational capital and brand credibility of Sambal Om Atra. This relates to the discussion by Perrini et al. [14] on social responsibility practices and stakeholder relationships in SMEs. However, these findings are based on the owner's perspective. Therefore, further information from customers is needed to understand whether ESG practices influence their decisions to purchase again.

Sambal Om Atra still at an early stage of applying ESG and receiving no outside support. Thus, highlighting the need of practical guidance on how to proceed and hoped to improve revenue and quality. Bos-Brouwers [15] describes how the circumstances of smaller firms shape the sustainability activities they take on. In this case, the owner's comments point to the need for guidance that fits the work already being done.

4.8 Implications and limitations

One starting point would be to note how much residue goes into the bio-pore pit after each batch. The owner already keeps written and digital records, so this would build on a familiar routine. It would also give the business a figure it could use if it decided to tell customers about its composting. The study presents the account of one micro-enterprise based on an interview with its owner. Therefore, the findings reflect the owner's perspective. Workers, suppliers, and customers could give a fuller picture of how they experience the practices described here. Production and order records would also help assess changes in waste, quality, or sales over time.

Looking of the future, given by the economic pressure, micro enterprise often prioritizes survival and short-term goal. ESG seen as the additional factor for gaining customer trust and maintain product quality. For the long-term goal such as revenue increase and brand recognition remain secondary.

> "For now, survival is most important. If I can maintain quality, income will follow later."

This survival orientation shows the reality of many microenterprises in emerging economies, whereas sustainability practice has often been set aside for short-term business continuity. Without stronger institutional support and market incentives, ESG adoption in such contexts will likely remain informal and incremental, rather than strategic and transformative.

5 Conclusion

Taken together, the analyze shows that ESG practice in Sambal Om Atra has been implemented based on practical habits and relational strategy rather than institutional initiative. Environmental dimension is limited but showing a creativity on reducing production waste. Social dimension also limited only to social welfare for the employee but dos not extent to the community. Governance dimension shows relatively advance and showing more room for improvement. The transparency still selected, while reputation being protected by good services and responsiveness. Lastly, performance impact of ESG implementation more on the customer loyalty and trust rather than financial gain.

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