

The impact of sustainability on SMEs and company valuation methods to measure sustainable development in SMEs

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Abstract

Sustainability is one of the central topics of the development of the economy and SMEs. Social, environmental and economic factors need to be considered in order to gain a competitive advantage in any industry. Company valuation methods are obsolete and qualitative aspects of enterprises cannot be considered and properly valued. Previous research on the subject matter has been conducted but the actual impact of sustainability on SMEs and company valuation has not been examined. Therefore, this thesis aims to explain the concepts of sustainability, company valuation and how those two topics can be combined and are influenced by each other. It will display the current understanding of sustainability and company valuation techniques that exclude qualitative data. Furthermore, it demonstrates the importance of including intangible assets in a valuation and provide a framework of how evaluators could generalize sustainable development with premiums on the company value for sustainable SMEs of any industry.

In order to gather qualitative information for the study, semi-structured interviews with 10 experts have been conducted. The interviewees were selected by their work experience and availability. The interviews have been transcribed and main themes have been detected. The majority of the respondents highlighted the importance of sustainability but also underlined the lacking awareness and inclusion of SMEs on a global scale. Moreover, company valuation is not influenced by qualitative means and therefore companies tend to focus on their profitability even if it might operate unsustainably. Including sustainable practices lead to competitive advantage and increases the company value, so the results revealed that company valuations should be revised and tools to measure sustainable development should be applied.