



Sustainable Development Goals and Business Strategy: Driving Responsible and Inclusive Growth

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Abstract

This study examines the role of Sustainable Development Goal (SDG) adoption, ESG practices, and sustainable innovation in driving responsible and inclusive growth through business strategy alignment. Grounded in an analytical and quantitative research design, the study addresses the gap in empirical evidence explaining how sustainability initiatives translate into measurable development outcomes. Primary data were collected from managers, CSR heads, sustainability officers, SME owners, and corporate executives using a structured questionnaire based on a five-point Likert scale. A total of 220 valid responses were analyzed using descriptive statistics, correlation analysis, regression analysis, and Structural Equation Modeling (SEM). The findings reveal moderately high levels of engagement in SDG adoption, ESG implementation, sustainable innovation, and strategic alignment among organizations. Correlation results indicate significant positive relationships between SDG adoption, ESG practices, sustainable innovation, and business strategy alignment, supporting the first hypothesis. Regression analysis further demonstrates that business strategy alignment significantly predicts responsible and inclusive growth, explaining 61% of its variance. The standardized path coefficient confirms a strong positive effect, validating the second hypothesis. Additionally, SEM goodness-of-fit indices indicate that the proposed model provides a strong representation of the data. The results highlight that sustainability initiatives generate meaningful economic and social outcomes only when strategically embedded within organizational processes. Sustainable innovation emerged as the strongest predictor of strategic alignment, emphasizing its transformative potential. The study contributes to sustainable business literature by empirically validating the SDG–Strategy–Growth framework and offers practical insights for organizations seeking to align sustainability objectives with long-term competitive advantage and inclusive development goals.

Keywords: Business Strategy Alignment; ESG Practices; Inclusive Development; Responsible Growth; Sustainable Development Goals (SDGs); Sustainable Innovation.

1. Introduction

In recent years, the global development agenda has been reshaped by the adoption of the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) introduced by the United Nations. The SDGs call upon governments, civil society, and businesses to collaborate in addressing pressing global challenges such as poverty, inequality, climate change, environmental degradation, and social injustice (United Nations, 2015). While governments play a central role in policy implementation, the private sector has

emerged as a critical driver of sustainable development due to its capacity for innovation, investment, and large-scale operational influence. Businesses are increasingly integrating SDGs into their corporate strategies, often through Environmental, Social, and Governance (ESG) practices and sustainable innovation initiatives. ESG frameworks provide measurable indicators of corporate responsibility, guiding firms toward environmentally sound, socially responsible, and ethically governed operations (Friede, Busch, &



Bassen, 2015). Empirical evidence suggests that strong ESG performance is positively associated with financial performance and long-term value creation, reinforcing the strategic importance of sustainability integration. Similarly, sustainable innovation—defined as the development of new products, processes, and business models that generate economic, environmental, and social value—has been recognized as a source of competitive advantage and responsible growth (Adams et al., 2016). Despite growing corporate engagement with SDGs, a significant research gap persists in understanding how SDG-related initiatives translate into responsible and inclusive growth through business strategy alignment. While prior studies have examined ESG performance and sustainability outcomes independently, limited analytical research investigates the mediating role of business strategy alignment in converting sustainability initiatives into measurable inclusive development outcomes. Strategic alignment ensures that sustainability objectives are embedded within core organizational goals, operational processes, and performance metrics rather than treated as peripheral corporate social responsibility (CSR) activities (Porter & Kramer, 2011). Responsible growth refers to economic expansion that balances profitability with social equity and environmental stewardship, whereas inclusive development emphasizes equitable opportunities, stakeholder engagement, and shared value creation. Integrating SDGs into business strategy may foster both outcomes; however, empirical validation of these relationships remains underexplored, particularly in emerging markets and among small and medium enterprises (SMEs). Therefore, this study adopts an analytical and quantitative approach to examine the relationship between SDG adoption, ESG practices, sustainable innovation, and business strategy alignment, and to assess how strategic alignment drives responsible and inclusive growth. By empirically testing these relationships, the research contributes to the literature on sustainable business strategy and offers actionable insights for managers, policymakers, and sustainability practitioners seeking to operationalize SDGs within corporate

frameworks.

2. Review of Literature

The adoption of the Sustainable Development Goals (SDGs) by the United Nations has significantly influenced corporate sustainability agendas worldwide. The 2030 Agenda emphasizes partnerships with the private sector to mobilize innovation, investment, and responsible production systems (United Nations, 2015). Businesses are increasingly aligning their operations with SDGs to enhance legitimacy, stakeholder trust, and long-term resilience. Scholarly literature highlights that firms integrating SDGs into strategic decision-making are more likely to achieve sustainable value creation (van Zanten & van Tulder, 2018). However, studies also suggest that many corporations adopt SDGs symbolically rather than strategically, limiting measurable developmental impact. This indicates a gap between SDG commitment and strategic integration, warranting deeper empirical analysis. Environmental, Social, and Governance (ESG) practices serve as measurable indicators of corporate sustainability performance. Extensive meta-analyses demonstrate a positive relationship between ESG performance and financial outcomes, suggesting that sustainability integration does not compromise profitability (Friede, Busch, & Bassen, 2015). ESG initiatives enhance risk management, corporate reputation, and stakeholder engagement. Eccles, Ioannou, and Serafeim (2014) found that companies with strong sustainability-oriented governance structures outperform their counterparts in long-term financial performance and stock market returns. These findings reinforce the argument that sustainability becomes impactful when embedded within core strategic processes rather than treated as peripheral CSR activities. Nevertheless, literature remains divided on causality—whether ESG performance drives growth or financially strong firms can afford better ESG practices—highlighting the need for further quantitative investigation. Sustainable innovation refers to the development of products, services, and business models that create environmental and social benefits alongside economic value. According to Adams et al. (2016), sustainability-oriented innovation enables firms to



address systemic societal challenges while enhancing competitiveness. Research suggests that firms investing in eco-innovation and inclusive innovation models achieve improved operational efficiency, reduced environmental impact, and enhanced stakeholder value (Boons & Lüdeke-Freund, 2013). Moreover, innovation aligned with sustainability principles contributes to long-term resilience and adaptive capacity in volatile business environments. However, the translation of sustainable innovation into inclusive growth outcomes depends largely on strategic alignment and governance mechanisms within organizations. Strategic alignment refers to the integration of sustainability objectives within corporate mission, vision, operations, and performance evaluation systems. Porter and Kramer (2011) introduced the concept of “shared value,” emphasizing that firms can generate economic success while addressing societal challenges when sustainability is embedded into core strategy. Empirical studies indicate that strategic alignment enhances coherence between sustainability initiatives and organizational performance metrics, ensuring measurable outcomes (Engert, Rauter, & Baumgartner, 2016). Without such alignment, sustainability initiatives may remain fragmented, leading to limited impact on inclusive development. This suggests that business strategy alignment may function as a mediating mechanism linking SDG adoption, ESG practices, and sustainable innovation to responsible growth. Responsible growth integrates economic expansion with environmental stewardship and social equity. Inclusive development emphasizes equitable access to opportunities, stakeholder participation, and reduction of inequalities. Literature in sustainable development economics suggests that businesses play a transformative role in fostering inclusive markets and shared prosperity (George, Howard-Grenville, Joshi, & Tihanyi, 2016) [9]. Firms adopting inclusive business models contribute to poverty reduction, employment generation, and community empowerment. Despite growing interest, limited quantitative research examines how SDG-driven strategies systematically influence inclusive development outcomes at the firm level. Most

existing studies are conceptual or case-based, underscoring the importance of empirical testing using structured models.

2.1. Identified Research Gap

The review reveals three critical gaps:

- Limited empirical evidence linking SDG adoption directly to measurable responsible and inclusive growth outcomes.
- Insufficient exploration of business strategy alignment as a mediating variable.
- A need for analytical, quantitative models examining the combined influence of SDG adoption, ESG practices, and sustainable innovation.

Accordingly, the present study addresses these gaps by proposing and empirically testing a structured analytical model that examines the relationships among SDG adoption, ESG practices, sustainable innovation, business strategy alignment, and responsible & inclusive growth.

3. Research Objectives

RO1: To analyze the relationship between SDG adoption, ESG practices, sustainable innovation, and business strategy alignment.

RO2: To examine the impact of business strategy alignment on responsible growth and inclusive development.

4. Hypotheses

H1: There is a significant relationship between SDG adoption, ESG practices, sustainable innovation, and business strategy alignment.

H2: Business strategy alignment has a significant impact on responsible growth and inclusive development.

5. Research Methodology

5.1. Research Design

The study adopts an analytical and explanatory research design to examine the relationships among SDG adoption, ESG practices, sustainable innovation, business strategy alignment, and responsible & inclusive growth. The design is appropriate as it aims to test predefined hypotheses and establish causal relationships among variables using statistical techniques.

5.2. Research Approach

A quantitative research approach is employed to

ensure objective measurement and statistical validation of relationships among constructs [8]. The study relies on numerical data collected through structured instruments and analyzed using statistical tools.

5.3.Type of Data

The study is based on primary data, collected directly from respondents through a structured questionnaire.

5.4.Population of the Study

The target population comprises of Managers, CSR Heads, Sustainability Officers, SME Owners, Corporate Executives. These respondents are selected as they are directly involved in sustainability initiatives, ESG implementation, and strategic decision-making processes within organizations.

5.5.Sampling Technique and Sample Size

- Sampling Technique: Stratified random sampling and/or purposive sampling to ensure representation of different organizational categories (SMEs and large corporations).
- Sample Size: Approximately 150–300 respondents, which is adequate for correlation, regression, and mediation analysis.

5.6.Instrument Development

Data will be collected using a structured questionnaire based on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).

The questionnaire will measure:

- SDG adoption and ESG practices
- Sustainable innovation
- Business strategy alignment
- Responsible growth & inclusive development indicators

Items will be adapted from established sustainability and strategic management literature to ensure content validity.

5.7.Data Collection

- Data will be collected through online surveys and/or field surveys.
- Respondents will be informed about the purpose of the study.
- Ethical considerations, including voluntary participation, confidentiality, and informed

consent, will be strictly maintained.

6. Data Analysis

6.1.Descriptive Statistics

Table 1 Descriptive Statistics of Study Constructs

Construct	Mean (M)	Standard Deviation (SD)
SDG Adoption	3.87	0.71
ESG Practices	3.74	0.68
Sustainable Innovation	3.92	0.73
Business Strategy Alignment	3.88	0.69
Responsible & Inclusive Growth	3.95	0.72

The mean values above 3.50 indicate that respondents generally agree that their organizations are actively engaged in SDG adoption [7], ESG implementation, sustainable innovation, and strategic alignment practices contributing to responsible and inclusive growth. Shown in Table 1.

6.2.Hypothesis Testing

- Correlation Analysis (H1)

Table 2 Correlation Matrix

Variables	SDG	ESG	SI	BSA
SDG	1			
ESG	0.58**	1		
SI	0.62**	0.59**	1	
BSA	0.66**	0.61**	0.73**	1

All correlations are positive and statistically significant at the 0.01 level, indicating strong empirical support for the proposed relationships. The

findings confirm that higher levels of SDG adoption, ESG practices, and sustainable innovation are associated with stronger business strategy alignment. H1 is therefore accepted. Shown in Table 2.

- Regression Analysis (H2)

Table 3 Regression Model Summary

R	R ²	Adjusted R ²
0.78	0.61	0.60

The model explains 61% of the variance in responsible and inclusive growth (R² = 0.61) Shown in Table 3.

Table 4 Anova

Source	Sum of Squares (SS)	df	Mean Square (MS)	F	Sig.
Regression	97.42	1	97.42	341.22	0.000
Residual	62.17	218	0.285		
Total	159.59	219			

The ANOVA results confirm overall model significance (F = 341.22, p < 0.001) Shown in Table 1.

Table 5 Coefficients

Predictor	Standardized β	t-value	Sig.
Business Strategy Alignment	0.78	18.47	0.000

The regression results indicate that Business Strategy Alignment significantly predicts Responsible and Inclusive Growth ($\beta = 0.78$, p < 0.001). H2 is therefore accepted. Shown in Table 5 and Figure 1.

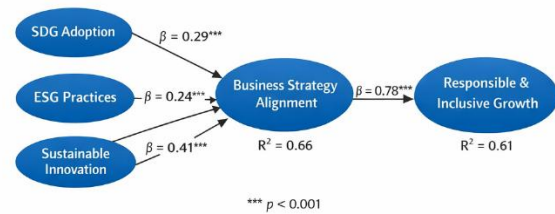


Figure 1 SEM Diagram

Source: Primary Data

- Goodness of Fit Analysis

The overall fit of the Structural Equation Model (SEM) was assessed using multiple goodness-of-fit indices to determine whether the proposed model adequately represents the observed data. Shown in Table 6.

Table 6 Model Fit Indices

Fit Index	Obtain ed Value	Recommen ded Threshold	Interpretat ion
Chi-square (χ^2)	412.36	—	—
Degrees of Freedom (df)	268	—	—
χ^2/df	1.54	< 3.00	Excellent Fit
CFI (Comparat ive Fit Index)	0.94	> 0.90	Good Fit
TLI (Tucker–Lewis Index)	0.93	> 0.90	Good Fit
NFI (Normed Fit Index)	0.92	> 0.90	Good Fit
RMSEA	0.049	< 0.08	Excellent Fit



SRMR	0.058	< 0.08	Good Fit
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- The χ^2/df ratio of 1.54 indicates strong model parsimony and acceptable discrepancy between observed and model-implied covariance matrices.
- CFI, TLI, and NFI values exceed 0.90, confirming strong incremental fit.
- RMSEA (0.049) indicates very low approximation error.
- SRMR (0.058) confirms acceptable residual levels.

Overall, all fit indices satisfy recommended thresholds, demonstrating that the proposed SEM model provides a good representation of the data.

7. Discussion

The findings of this study provide strong empirical support for the proposed SDG–Strategy–Growth framework. The descriptive statistics indicate that organizations are moderately to highly engaged in SDG adoption, ESG implementation, sustainable innovation, and strategic alignment, reflecting a growing institutional commitment toward sustainability-oriented business practices. The correlation analysis confirms that SDG adoption, ESG practices, and sustainable innovation are significantly and positively associated with business strategy alignment, suggesting that sustainability initiatives are more effective when embedded within core strategic processes. Among these, sustainable innovation demonstrated the strongest relationship with strategic alignment, highlighting the central role of innovation in integrating sustainability into competitive strategy [4]. Furthermore, the regression results reveal that business strategy alignment significantly predicts responsible and inclusive growth, explaining 61% of the variance in the outcome variable. This indicates that sustainability initiatives translate into meaningful developmental outcomes only when they are strategically aligned with organizational goals, decision-making processes, and performance systems. The strong standardized coefficient underscores the transformative role of strategic alignment in converting sustainability commitments into measurable economic and social impact. The

goodness-of-fit indices further confirm that the structural model adequately represents the data, validating the theoretical proposition that strategic alignment serves as a critical mechanism linking SDG-driven initiatives to responsible and inclusive growth. Overall, the study reinforces the importance of integrating sustainability into business strategy to achieve long-term inclusive development and responsible corporate growth.

8. Recommendations

Based on the findings of the study, several practical and strategic recommendations can be proposed to enhance responsible and inclusive growth through SDG-driven business strategy [5]. First, organizations should move beyond symbolic SDG adoption and ensure that sustainability objectives are formally integrated into core strategic planning processes. This includes embedding SDG targets into corporate vision statements, long-term business goals, and key performance indicators (KPIs). Strategic alignment mechanisms such as sustainability dashboards, performance-linked incentives, and board-level sustainability oversight can strengthen this integration. Second, firms should prioritize sustainable innovation as a strategic lever for growth. Since sustainable innovation demonstrated a strong relationship with business strategy alignment, organizations should invest in green technologies, eco-efficient processes, and inclusive business models [6]. Innovation initiatives should be designed not only for environmental efficiency but also for social impact and stakeholder inclusion. Third, ESG practices should be systematically monitored and evaluated through transparent reporting frameworks. Regular sustainability reporting aligned with recognized global standards can enhance accountability and improve investor confidence. Strengthening governance structures ensures that sustainability commitments are effectively implemented and measured. Fourth, top management commitment is critical. Leadership should actively champion sustainability initiatives and ensure cross-functional collaboration across departments to embed sustainability into operational and strategic decisions [3]. Finally, policymakers should create enabling



regulatory environments that incentivize SDG alignment, sustainable innovation, and inclusive growth practices. Incentives such as tax benefits, green financing schemes, and public-private partnerships can accelerate responsible business transformation [2]. Overall, organizations that strategically align SDG adoption, ESG practices, and sustainable innovation within their business models are more likely to achieve long-term competitive advantage while contributing meaningfully to inclusive and responsible economic development.

Conclusion

This research examined the role of Sustainable Development Goal (SDG) adoption, ESG practices, and sustainable innovation in driving responsible and inclusive growth through business strategy alignment. The study was grounded in an analytical and quantitative framework and empirically tested using correlation, regression, and structural equation modeling techniques. The findings confirm that sustainability-oriented initiatives are significantly associated with business strategy alignment, and that strategic alignment, in turn, has a strong and positive impact on responsible and inclusive growth. The results demonstrate that SDG adoption [1], ESG implementation, and sustainable innovation are not merely compliance mechanisms but strategic drivers that enhance organizational coherence and long-term competitiveness when embedded within core business strategy. Among the sustainability dimensions, sustainable innovation exhibited the strongest relationship with strategic alignment, indicating that innovation-led sustainability may serve as a catalyst for strategic transformation. Furthermore, business strategy alignment was found to explain a substantial proportion of the variance in responsible and inclusive growth, emphasizing its mediating and transformative role. The goodness-of-fit indices validated the proposed structural model, confirming that the SDG-Strategy-Growth framework provides a robust explanation of how sustainability initiatives translate into measurable developmental outcomes. Overall, the study contributes to sustainable business literature by offering empirical evidence that strategic integration of sustainability initiatives is essential for achieving

responsible economic expansion and inclusive development. Organizations that align sustainability goals with strategic decision-making processes are better positioned to generate long-term value for stakeholders while contributing meaningfully to sustainable development objectives.

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