



## SMEs find bottom-line benefits in environmental strategy

Limited research has examined the strategies small firms use to reduce environmental impacts. It is often assumed these firms don't have the resources to undertake voluntary, beyond-compliance initiatives. Can small firms truly go beyond the basics and form proactive environmental strategies?

Past research has suggested larger firms are more likely to undertake proactive environmental initiatives because they have more capacity, funding and other resources. (Examples of proactive strategies include voluntary eco-efficient practices for reducing energy and waste, and pollution prevention practices that require process or product innovations.)

Researchers Juan Alberto Aragón-Correa, Nuria Hurtado-Torres (both University of Granada), Sanjay Sharma (Wilfrid Laurier University) and Víctor García-Morales (University of Granada) studied SMEs in the auto repair sector in Spain and discovered small firms do, in fact, use a number of strategies, including pollution prevention and even environmental leadership.

This industry was selected because of its substantial environmental impact. The researchers administered survey questionnaires personally and their final analysis included 108 responses. Managers were asked to rate their firm from one ("we have not addressed this issue at all") to five ("we are the leaders on this practice in our sector") on a range of environmental practices.

Aragón-Correa and his colleagues found that, contrary to the belief that small firms are "too small" to take initiative on environmental issues, SMEs can leverage their unique positioning – for instance, shorter lines of communication, flexibility in working with stakeholders and an entrepreneurial mindset.

Companies who were able to take advantage of their "smallness" were those that demonstrated three things:

- Shared vision – the firm's employees buy into the same objectives and feel empowered to help shape them
- Stakeholder management – the ability to establish trust-based relationships with a range of stakeholders
- A proactive, strategic mindset – the ability to take initiative and make strategic change to shape the business environment rather than simply reacting to external events such as regulation

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Firms using proactive environmental practices (ranging from sponsoring environmental events to undertaking environmental audits to using recycled water) were also seen as performing better than other companies in their industry.

How can owners or employees of SMEs learn from this work? Recognize that while your businesses may have fewer resources than a Fortune 500 company, it also possesses several unique advantages. Leveraging shared vision, stakeholder management and proactivity can free you up to set audacious environmental goals and pursue new initiatives which may ultimately pay off through bottom-line benefits.