



How to Drive Innovation

A 4-Part Guide for Small Business Leaders

Based on two decades of the world's best academic and industry research, this guide answers the question: How can companies innovate to become financially, environmentally and socially sustainable?

What is Innovation?

Some organizations define innovation as new technologies and processes that don't exist anywhere else. This research, however, asserts that innovation can show up in almost any of your company's operations, including how you design, package and promote products, how you hire and train employees, and even the type of business you run. Innovation can be free and simple or expensive and complex.¹

Why Innovate?

Finding ways to work that benefit people and the planet leads to:

- Lower energy and raw material costs.
- Improved employee health and safety.
- Increased revenue from new customers and more loyal current customers.
- A stronger reputation.
- An easier time finding and keeping talented workers.
- Better responses to changes in your community or industry.

In 2007, Canadian jacket manufacturer Quartz Nature moved production from China back to Canada. They partnered with a local sewing co-operative of 25 seamstresses, saving the group from going out of business. Having a pool of skilled workers nearby gave the company control over the quality and timing of production. They reduced their unsellable products from 8% of coats made in China to 0.0015% of coats made in Quebec. Not only that. Quartz Nature's "Made in Canada" label is a powerful selling feature that appeals to customers and sets the company apart from competitors.

4 Rules for Innovating

Follow these four rules to unlock your company's innovation potential:

1. Change Where You're Headed
2. Change What You Know
3. Change How You Work
4. Change Who You Work With



RULE 1: CHANGE WHERE YOU'RE HEADED



Set Big, Audacious Goals

To really push innovation, set goals that are a stretch. The Rocky Mountain Flatbread company, based in Canmore, Alberta, worked with Canadian nonprofit The Natural Step to create their vision of a sustainable restaurant. That vision included deriving 100% of their energy from renewable sources, having zero waste and zero carbon impact, and encouraging people to live more sustainably.ⁱⁱ Today, Rocky Mountain's three restaurants are carbon neutral, use local produce for their zero-waste menu, and purchase green electricity — efforts that earned the company a big helping of green business awards.ⁱⁱⁱ



Use “Back-Casting,” Not Forecasting

For radical improvements, start with a vision of the future and work backwards to today. This type of goal-setting is called “back-casting” and is the opposite of forecasting. Forecasting examines what happened in the past to plan for the future, and it delivers only minor, incremental improvements.



Ensure Everyone Owns Your Goals

To promote a culture of innovation, make employees at all levels responsible for them. Put someone in charge of your environmental or community goals. Have your purchaser or supply chain manager vet potential vendors not just for price but for sustainability. In 2011, Delta Hotels and Resorts created a Sustainable Purchasing Policy as part of its Delta Greens program. Under the policy, hotels must ask questions about suppliers' environmental and social performance as well as the traditional criteria for awarding business.^{iv}



QUESTIONS TO ASK YOURSELF:

What would our company or product(s) look like in a sustainable society? Starting from a vision of 20 years from now, what should we do differently today? How can we share our vision with our employees and suppliers?



RULE 2: CHANGE WHAT YOU KNOW



Ask Employees for Ideas

Your employees see opportunities every day for saving money or doing things better. Ask for their ideas. At the U.S. Postal Service, 850 employee-led “Green Teams” helped save \$52 million related to water, energy, fuel and waste and generated \$24 million in new revenue through recycling.^v



Scan Unfamiliar Places for Inspiration

Read books and magazines, and watch videos and presentations on topics you wouldn’t normally. Attend conferences in seemingly unrelated fields. Pay attention to products or company ideas coming from other countries.

“You cannot solve problems with the same kind of thinking used to create them.”

ALBERT EINSTEIN



Get Inspired by Nature

Think about how nature would solve your design or process problem. Tree limbs and human skeletons inspire the engineers designing automobile frames. The bumps on whale fins, which reduce drag, spawned a wave of more efficient airplane wings, turbines and propellers.^{vi} And understanding how fireflies glow has helped scientists make LED lights 55% more energy efficient.^{vii}



“Unlearn” Outdated Knowledge

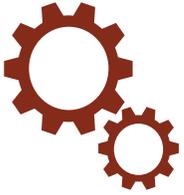
Challenge the way you’ve always done things. Maybe you could get materials from sustainable sources or buy wind- or solar-powered electricity. If it used to be too expensive to use hybrid vehicles in your delivery fleet, maybe that’s no longer the case.

For decades, lubricant and motor oil manufacturer Wakefield Canada delivered its products using two types of trucks: ones that carried bulk product (liquids) and ones that carried packaged products. Working with their fleet manufacturer, Wakefield designed trucks that hold both kinds of product at the same time, eliminating the need to send two trucks to the same customer. By questioning the way they’d always done things, the company reduced their delivery costs, shrunk their environmental footprint and streamlined the receiving process for their customers.



QUESTIONS TO ASK YOURSELF:

How can we get employees to suggest ideas for saving money or doing things better? What could we learn from companies doing the same thing as us in India, China or elsewhere? What could we learn from Canadian companies in different industries than ours? How would nature solve our biggest business problem? What assumptions do we make about our products or services?



RULE 3: CHANGE HOW YOU WORK



Rethink Your Business Model

Could your company – or part of it – serve a social purpose? Quebec-based company Insertech reconditions and refurbishes old computers and electronics. Companies donate the used electronics, which Insertech refurbishes and sells at reasonable prices to local non-profit and community organizations. Because the company also hires and trains young workers struggling to enter the job market, they receive funding as part of the Quebec Social Inclusion Enterprises Collective.

Curiosities, a niche retail shop in London, Ontario, decided to sell only products made by independent, Canadian vendors. Targeting a customer group that values unique clothes, jewelry, baby products and stationary, the company promises customers a shopping experience they can't find anywhere else.



Replace Products with Services

Challenge your assumptions about what your business does. You may be able to increase revenue and decrease your environmental impact by focusing less on selling products and more on providing services.

Tire producer Michelin created a program called Michelin Fleet Solutions to serve large fleets of trucks and buses. Instead of buying tires, customers pay a fee for tire use and maintenance, and Michelin bills them based on distance traveled. The customers get a reliable product maintained by experts, and Michelin gets ongoing revenue from maintenance fees. By maximizing each tire's useful life, the company saves money and reduces environmental impact.



Turn Garbage into Gold

Other companies might be able to use your waste. Montreal company Leigh Fibres would pick up fabric scraps from jacket manufacturer Quartz Nature to use in carpet manufacturing. Leigh Fibres got material for free, and Quartz Nature reduced its environmental footprint and eliminated waste removal costs.



QUESTIONS TO ASK YOURSELF:

Could we offer a product or service that's good for the environment and people? If we sell a product, could we also sell a maintenance plan or lease the product entirely? Could another company use something we currently throw away? Would they pay for it?



RULE 4: CHANGE WHO YOU WORK WITH



Broaden Your Networks

Build contacts beyond the usual suspects. In addition to employees, suppliers, investors and customers, broaden your network to include community action groups, lobbyists and social entrepreneurs, non-governmental organizations (NGOs), industry associations and economic development groups. Work with, rather than against, your most vocal critics to diffuse situations before they hurt your reputation. Building bridges into unrelated fields and industries sparks fresh ideas and opens up new markets.



Embrace “Co-Opetition”

It’s hard to imagining joining forces with your competitor, but that’s exactly what a group of 30 competing furniture manufacturers in Ontario did. Faced with the industry-wide threat of low-cost producers in China, the Ontario business owners formed the Bluewater Wood Alliance to become more competitive, together. Among their solutions: Group purchasing and greening their businesses to curb waste and reduce production costs.^{viii}

Similarly, competing members of the Chemistry Industry Association of Canada worked together to phase mercury cells out of manufacturing, reducing the industry’s mercury emissions by 99%.^{ix}



Go Back to School

Find academic centres with expertise that will help your company.

- Contact the Research Services department at your local university to discuss contract research options and find potential researchers.
- Check out funding opportunities from MITACS, a federal organization that funds academic projects done for Canadian companies.
- Contact an organization like NBS, which provides free academic resources on innovative business practice.

Ontario farmer Don Nott worked with scientists, chemists and engineers at the University of Guelph to turn a crop called Switchgrass into household storage containers. Switchgrass is easy to grow. It needs little energy and no pesticides, and it thrives on land where other crops fail. The “bio-bins” Nott and the researchers produced are plant-based and recyclable, reducing the toxins and waste of plastic (petroleum-based) containers. Growing Switchgrass for bio-bins not only generates revenue for farmers and reduces waste: the plants also remove greenhouse gases from the air while they grow.^x



QUESTIONS TO ASK YOURSELF:

Could we save money or pool resources by working with our competitors? How could we lead change in our industry?

About the Research

This guide for small business is based on the research study *Innovating for Sustainability: A Guide for Executives* published by the Network for Business Sustainability (NBS). NBS is a Canadian non-profit that produces authoritative resources on important sustainability issues. For more information and resources, please visit: www.nbs.net.

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For more information on the case studies and research potential in this guide, please email info@nbs.net.

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ⁱⁱ The Natural Step to a Sustainable Canmore. Case Study 2: The Rocky Mountain Flatbread Company – From Green to Great. Accessed on May 24, 2013 at: http://www.rockymountainflatbread.ca/pdfs/NaturalStep_CaseStudyRMF.pdf.

ⁱⁱⁱ Rocky Mountain Flatbread Company. (2013). *Going Green: Our Journey*. Accessed on May 25, 2013 at: <http://www.rockymountainflatbread.ca/goinggreen/index.html>

^{iv} Delta Hotels. (2011) *Delta Greens: Sustainable Purchasing Policy*. Accessed on May 25, 2013 at: <https://www.deltahotels.com/content/download/12950/167983/file/SustainablePurchasingPolicy-en.pdf>

^v United States Postal Service. (Jan. 31, 2013). *Green teams help U.S. Postal Service save millions*. Accessed Feb. 18th, 2013 at: http://about.usps.com/news/national-releases/2013/pr13_015.htm

^{vi} Grant, Tavia. *The Globe and Mail*, March 31, 2012. Accessed May 25, 2013 at: <http://www.theglobeandmail.com/report-on-business/economy/canadas-wood-firms-cluster-for-survival---and-growth/article4097308/>

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^{viii} *Environment 360*. (Jan. 8, 2013). *Using fireflies as a model, scientists boost efficiency of LED Lights*. Accessed on Feb. 17, 2013 at: http://e360.yale.edu/digest/using_fireflies_as_a_model__scientists_boost_efficiency_of_led_lights/3734/

^{ix} Chemistry Industry Association of Canada (2012). *20 Years: Reducing Emissions Report 1992-2012*. Accessed on May 24, 2013 at: http://www.canadianchemistry.ca/NERM_20/english/RE20_English.html

^x Vowles, Andrew, University of Guelph. (May 5, 2011). Accessed on May 25, 2013 at: <http://atguelph.uoguelph.ca/2011/05/bio-bins-are-u-of-g-innovation/>