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Business Sustainability
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How to assess the benefits of sustainability actions

Sustainability challenges encountered by small and medium enterprises (SMEs)

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INTRODUCTION

Increasingly, SMEs see social and environmental actions as an important long-term investment.

This report looks at how SMEs can use sustainability to improve their social, environmental, and financial performance.

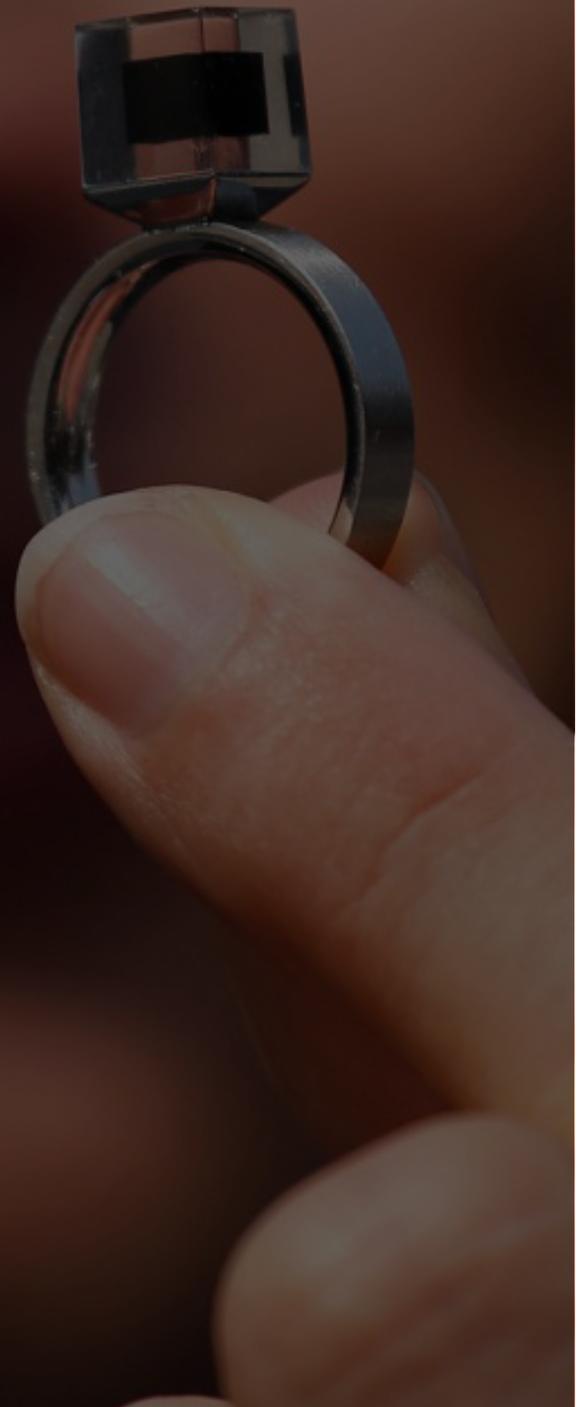


Photo credit: Studio Roosegaarde



The challenge of profitability

How can a company assess the benefits it gets from sustainability efforts?

SMEs often adopt social and environmental actions as a way to improve both society and their own financial performance. But finding economic arguments in favour of sustainability can be challenging.

Because operational efficiency is so important for SMEs, quantifying the impact of a sustainability initiative can lead to better planning and greater support. Quantifying is about measuring numbers, whether dollars saved or products sold.

At the same time, numbers aren't the only measure of success. Companies can benefit from sustainability in ways that don't show up in a cost-benefit analysis. For example, sustainability actions might improve employee retention or community relations. These benefits are sometimes called "qualitative" — it's hard to capture the value in numbers.

Potential solutions

How can SMEs assess the value of sustainability efforts?



This report sets forth three ways that SMEs can discover the value in their sustainability actions. The recommendations come from research carried out by Réseau entreprise et développement durable (REDD) and from the presentations and discussions that took place during the international symposium “*Sustainable Development: Seeking Solutions for SMEs*” (Montreal, 2015). REDD is the francophone office of the Network for Business Sustainability (NBS).

1. View sustainability as a long-term investment
2. Consider benefits that are hard to capture in numbers
3. Calculate benefits from sustainability actions when possible

Consider these solutions independently, rather than as steps in a manual. Explore which solution(s) are most relevant to your specific situation.

Approach #1. View sustainability as a long-term investment



Many SMEs hesitate to take sustainability actions because they believe the actions will be costly.

Focusing on the short term often edges out sustainable options. While an SME can expect to see some short- and medium-term benefits from a sustainability approach, strategic investments will pay off most significantly in the long term.¹

SMEs that are sustainability leaders say that their organizations evaluate sustainability as a long-term investment.

“Osisko and Virginia Mines have netted shareholders 30 per cent per year for 18 years. These two companies have created the greatest wealth in Quebec’s mining sector and have invested the most in sustainability. I believe there’s a direct correlation: the more you invest in sustainability, the more it pays off, the better your reputation gets, the easier it is to get funding and the easier it is to attract investors, all leading to great performance. It’s not an expense, it’s an investment.”

– André Gaumond, Former Senior Vice-President of Northern Development and Director of Osisko Gold Royalties

¹ Network for Business Sustainability. 2015. *Long-term thinking in a short-term world: A guide for executives*. London, ON: Network for Business Sustainability. Retrieved from: <https://nbs.net/p/the-basics-of-long-termism-in-a-short-term-world-7d789ed7-6164-4bac-b8b8-95cca7625da2>

Approach #2. Consider benefits that are hard to capture in numbers



Many studies show that companies that adopt sustainability practices generally have stronger financial performance, although it's not always clear why or when this is true.²

The connection between sustainability and financial returns can be unclear because some benefits of sustainability actions are hard to quantify.

SME leaders encourage companies not to get stuck on measurement. In other words, it's worth taking an action even if it's hard to quantify its benefits. Leaders say that sustainability actions can make a company more attractive to skilled and motivated workers, help control operational risks, and support innovation (e.g. through eco-design³)⁴.

"Quantitatively, qualitatively, it's difficult to measure. Measuring [impacts] specifically related to sustainability is nearly impossible because it's become part of the company culture [...]. We can't say that this particular thing is due to the sustainability approach, and this is the rest. Everything is interwoven, and the benefits are often intangible, but in my opinion, quite real."

– Agnès Beaulieu, General Manager, Insertech

² See the business case for sustainability on NBS's website, Make the Case for Business Sustainability, at <http://makethecase.nbs.net>.

³ Demode, M. 2014. *Six tips to help SMEs with ecodesign*. London, ON: Network for Business Sustainability. Retrieved from: <https://nbs.net/p/six-tips-to-help-smes-with-ecodesign-746908b2-85e8-44ea-a5c0-e1d1ccc7c3ba>.

Case study 1: *GGI finds that it's hard to put a number on risk management*

GGI International is a world leader in the design, engineering, and manufacturing of user interface solutions for various industries. Its customers and suppliers are around the globe, so the company must meet customers' different sustainability requirements and monitor distant suppliers' practices.

GGI has committed to environmental standards, including ISO 14001, RoHS1, and REACH2, and those governing conflict minerals. The SME sees these commitments as necessary for ensuring satisfied customers and the company's survival. But GGI can't easily quantify all the benefits.

What organizational risks would the company run if it didn't make these commitments? It might face heavy fines for environmental violations, or a scandal that could threaten its future. Risk management is difficult for any organization to measure.



"We know we're reducing our products' negative impacts by respecting [environmental standards]. However, quantifying such impacts would be difficult and costly. We'll therefore continue making sure our products meet these requirements in qualitative terms, which will reduce our risks on several levels since we will always be meeting our customers' expectations in that regard."

– William Tovar, Environment Coordinator, GGI International

Case study 2: *Reputation provides strategic advantage at Insertech*

For some businesses, reputation is their greatest selling point. Large and small companies can enhance their reputations through sustainability.

The SME Insertech attributes its strong media coverage to its sustainability efforts. Insertech's high visibility, disproportionate to its size, lets it compete with the major players in its industry.



“Our sustainability positioning has clearly given us a major competitive edge. Yes, it costs money and takes significant effort and resources, but I sincerely believe we would not have lasted long if we hadn't made this change. I think we would have gotten squeezed out of the market or bought up by a big competitor [...]. There are small players like Insertech that, thanks to sustainability, are holding their ground and even growing. I see it as a major benefit.”

– Agnès Beaulieu, General Manager, Insertech

Approach #3. Calculate benefits from sustainability actions when possible



While you can't measure all the benefits of your sustainability actions, SME leaders say it's important to measure impacts that can be captured in numbers, such as electricity savings, reduced waste, or fewer accidents.

Measuring those impacts helps companies integrate environmental and social performance into economic performance. This kind of measurement is especially important at the beginning of an initiative, to quickly show successes and build organizational support.

"Since 2007, we've had 83 per cent fewer workplace accidents in the plant. Our insurance premiums used to be \$280,000 per year, which was a lot! Now we pay less than \$15,000 per year. That's a substantial savings. We identified the causes of accidents and avenues for improvement, working with the employees. Safety is one of the business aspects that can quickly give you the best return on investment."

– Jean Rochette, President, Produits Neptune

Indicators of sustainability performance for SMEs

Indicators examined in Life Cycle Assessments (LCAs)⁵ quantify performance in multiple areas, including greenhouse gas (GHG) emissions, water footprint, ecosystem impact, and human health. These environmental indicators can be measured at every stage of a product's life cycle, from raw material extraction, through production, marketing, shipping, and end of life. A life cycle assessment can also assess social impacts, using such indicators as occupational health, employee turnover, customer satisfaction, communication quality, and contributions to a community's quality of life.

Why would a company want to measure all this?

To better understand its opportunities to reduce costs and risks, while improving its productivity and public perception.

⁵ For additional details, see Zollinger, C. 2017. *Use life cycle assessment to map your organization's future*. London, ON: Network for Business Sustainability. Retrieved from: <https://nbs.net/p/use-life-cycle-assessment-to-map-your-organization-s-fu-3cb0e7a1-21e9-4580-b6a0-4daa4e989952>.

*Case study 3:
Dairy Farmers of Canada: Using LCA to reduce costs and
increase productivity*

Dairy Farmers of Canada, an industry association, commissioned a life cycle assessment of milk production in Canada.⁶ The LCA considered carbon footprint, GHG emissions, water and energy used, land used, farmworker health, community relations, and livestock well-being.

The assessment results identified opportunities to increase productivity. For example, GHG emissions are heavily affected by many factors, including how easily cows digest their feed. Farmers can use this information for continuous improvement. Using more digestible feed will improve livestock well-being, reducing veterinary costs.

Their leading performance builds the industry's reputation, which is important in a regulated market such as dairy products. Any industry can address challenges with life cycle analysis, improving its competitive advantage.

⁶ Dairy Farmers of Canada. 2012. *The environmental and socioeconomic life cycle assessment of Canadian milk — Summary*. Retrieved from https://www.dairyresearch.ca/file.php?filename=/var/www/cdrplive/files/news/15/Quantis%20MILK%20Executive%20Summary%20EN_fin_sept2012%20copy.pdf.

Case study 4:

Captured-carbon cubes: A measurement inspiration for SMEs⁷

Dutch entrepreneur and artist Daan Roosegaarde and his team invented Smog Free Towers, which suck up carbon in the air, much like a vacuum. Placed in public spaces, the seven-metre towers use ionization technology to purify 30,000 cubic metres of air per hour.

Roosegaarde also makes Smog Free cubes out of the captured carbon particles. One cube of condensed carbon represents 1,000 cubic metres of clean air. The cubes become jewellery and other items. See page 2 for a photo of Roosegaarde holding a ring with such a cube.

Carbon can be removed from — and kept out of — the air in many ways. Businesses can reduce their carbon emissions by rethinking and improving their practices. They can also use Smog Free carbon cubes as a visual reminder.

⁷ Studio Roosegaarde, Smog free ring. Retrieved from: <https://www.studioroosegaarde.net/project/smog-free-ring>.

CONCLUSION

As we review the actions taken by SMEs in their sustainability journey, we see that the benefits are not only to be measured in terms of short-term economic impact. Focusing on human resources, for example, can reduce turnover and improve safety.

We hope that the SMEs' initiatives in these case studies will inspire you to improve the sustainability journey at your workplace. We invite you to share your insights with us at info@nbs.net.

Photo credit: Studio Roosegaarde

About this report

Réseau entreprise et développement durable (REDD), the francophone office of the Network for Business Sustainability (NBS), has long considered the main sustainability challenges facing Canadian SMEs. Working with its SME Council, REDD has identified issues and challenges for SMEs in their sustainability journey.

REDD published regular annual reports on sustainable development challenges encountered by SMEs. These reports identified three main issues:

- **Expertise:** How can SMEs develop sustainability expertise?
- **Profitability:** How can we quantify the benefits of sustainability actions for a business?
- **Marketing:** How can SMEs stand out in consumers' eyes with a responsible product?

To identify solutions to these issues, REDD conducted a broad information search and gradually narrowed its focus. This report is built on a review of the articles and reports summarized on the REDD site and an international conference, including a panel of experts.

This report was completed with the support of:



International symposium



Sustainable development: Seeking solutions for SMEs

In October 2015, Réseau entreprise et développement durable (REDD), the francophone office of the Network for Business Sustainability (NBS), organized an international symposium entitled *Sustainable Development: Seeking Solutions for SMEs*. The event was intended to support exchange between students, researchers, government representatives, and practitioners. Each day of the event addressed a different issue: expertise, profitability, and marketing. The symposium brought together more than 160 people over three days.

Each day began with a panel of experts, including both researchers and practitioners. In the morning, researchers presented their work regarding the day's challenge. Afternoons featured creative workshops during which researchers, practitioners, and the general public came together to discuss their ideas and reflect on concrete solutions.

Each workshop participant is considered a report co-author (see the following page for a list of participants).

Names of workshop participants

We wish to thank all the participants who fuelled the discussions during the workshop on October 29, 2015, entitled, “How Can the Benefits of Sustainability Be Quantified for Business?” The discussions and exchanges served as the basis for exploring the potential solutions described in this report.

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A non-profit organization founded in 2005, Réseau entreprise et développement durable (REDD) is the francophone office of the Network for Business Sustainability (NBS). NBS and REDD are a powerful and growing network of international academic experts and business leaders. We produce authoritative resources on important sustainability issues — with the goal of shaping management practice and research.

For more information on REDD and NBS and to access our reports, please visit <https://redd.nbs.net> and <https://nbs.net>



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