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SME Sustainability Challenges 2014



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Business Sustainability

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# “Nothing Is Lost... Everything Is Transformed”

Enerkem, a Montreal-based company and third-year member of NBS's SME council, creates biofuels and green chemicals from waste. “Fuels, chemicals and other everyday products can be made from waste rather than oil,” explains Enerkem. These products include paints, adhesives and textile coatings.

This photo was taken on June 4, 2014, during the opening of Enerkem Alberta Biofuels, the first full-scale facility for the transformation of domestic waste in renewable biofuels and chemicals. The Enerkem Alberta Biofuels facility is in fact the first commercial biorefineries of its kind in the world. It is expected to have a capacity of 38 million litres per year thus helping the City of Edmonton to increase its residential waste diversion rate from 60% to 90%.

This opening marks the culmination of 13 years of effort by this SME that led to one of the most important developments in the waste, biorefineries and chemicals sectors ... and it's just the beginning!

Cover photo used with permission of Enerkem, a member of NBS's SME Council

# SME Sustainability Challenges in 2014

It is with great pleasure that I present the third report on the sustainability challenges facing SMEs, produced by NBS. As in previous years, this report is the result of the expertise of our members on the SME Council, who allow us to share their vision of sustainability, specific to the SME context.

With respect to the challenges for 2014, consultation with the SME Council members enabled us to highlight several topics deemed priorities by the members. Among them are quantification of benefits and internal management of sustainability processes. Members also expressed concerns about the genuine needs and desires of consumers for responsible products and services.

While this report presents new challenges, we hope it will be a starting point for innovative solutions to these challenges.

I would also like to use this opportunity to thank the Council members for their participation. This report would not have been possible without their cooperation. I believe that their contribution within NBS will help other SMEs in their efforts to implement sustainability measures within their companies.

Good reading!



Marie-France Turcotte  
Director, Montréal Office, Network for Business Sustainability  
Professor, Department of Strategy, Social and Environmental Responsibility, School of Management Sciences, UQAM

# about this report

For the third consecutive year, NBS's Montréal office met with the SME Council to discuss their sustainability priorities. NBS was pleased to welcome several new members to the 2014 Council, which includes SME managers and representatives of public and governmental organizations. Under the direction of Marie-France Turcotte, management professor at Université du Québec à Montréal and director of NBS's Montréal office, the meeting with the Council once again provided the opportunity to strengthen ties between the academic and entrepreneurial communities.



During the meeting, the members took part in the following three-step exercise:

1. Identifying the challenges within their own organizations.
2. Aggregating and refining the challenges into meaningful categories.
3. Ranking the challenges by importance.



“Sustainability is not a fashion, but a trend, and a very significant one.”

**Jean Rochette**  
**CEO**  
**PRODUITS NEPTUNE INC.**



The exercise enabled us to pinpoint eight priority challenges, which are the subject of this report. It accurately reflects the sustainability challenges that SME currently face, and helped the university community understand the most pressing needs in terms of research into sustainable development.



The report marks NBS's commitment to develop knowledge specific to SMEs. Its goal is to provide SME managers with objective and reliable resources that will help them adopt sustainable practices. If you are interested in working with NBS to undertake or support research in one of the challenge areas defined by the SME Council, please contact us at [info@nbs.net](mailto:info@nbs.net).



# 2014 sme sustainability challenges

Eight questions, in order of importance, define the sustainability challenges for SMEs in 2014

1

How can the benefits of sustainability activities be quantified for businesses?

2

How can SMEs more effectively manage requests from foreign markets regarding responsible procurement?

3

Where can SMEs find the required expertise when starting a sustainability process?

4

How should SMEs focus their communication strategies to target consumers who may be interested in responsible products and services?

5

How can SMEs navigate amidst the proliferation of sustainability certifications?

6

How can SMEs influence consumers during the responsible purchasing process?

7

How can the sustainability activities of growing SMEs be prioritized?

8

What is the price elasticity of demand for a certified responsible product or service?

## 1 CHALLENGES

How can the benefits of sustainability activities be quantified for businesses?

This first challenge – the one that is given the greatest weight by SMEs – addresses measurement. In part, the problem is due to the difficulty in quantifying actions that are not taken into account by the market, and are thus considered economic externalities. Pollution and disregard for workers' health when manufacturing a good or offering a service are typical examples of negative externalities.

In a context in which operational efficiency is especially important, SME managers are looking for clues to help them make informed decisions about which sustainability measures they should adopt. Having more quantifiable measures will help them more easily convince decision-makers to invest in and implement sustainability processes.

Quantifying returns on investment makes it possible to plan better and ultimately helps a business undertake the process and reach the sustainability objectives it has set. Some SMEs say they have seen their sustainability goals compromised because of the lack of clear economic arguments that would illustrate their value proposition. In such a context, how does an organization know whether the efforts invested (in time and in money) in sustainability measures will benefit the company?

“The first step in raising SMEs' interest in sustainability is through numbers, especially if those numbers are associated with action.”

**MURYEL PAQUIN**  
Director General  
S.É.R.I.C.

## 2 CHALLENGES

How can SMEs more effectively manage requests from foreign markets regarding responsible procurement?

Exporting SMEs must comply with the environmental regulations in the regions they want to export to and must meet the rising demands of their clients who use responsible procurement policies. Having to deal with multiple suppliers themselves, SMEs sometimes feel helpless, given the complexity and the high costs of operations. As Pierre Marquis, Director of Quality and Continuous Improvement at GGI International, remarks, “We must prove to our European clients that the gold that we use in our products is not trafficked from the Congo—a huge challenge for an SME.”

To ensure that the raw material used does not come from conflict zones, such as in the above-mentioned example, one must be able to assess the quality of the information received from suppliers. However, for SMEs, as for their suppliers, certifications or third-party assistance to support the process do not appear to resolve the issue.

How then can they meet the demand for responsible procurement in the context of export? Is it better for SMEs to group together to establish standards in their comparative sectors? Can those making the orders work together to organize their requests? Who could coordinate it all?

“The new free-trade agreement between Canada and the European Union will have a significant impact, because SMEs will have to rapidly adapt in order to respond to responsible procurement demands from European companies.”

**HAYKEL NAJLAOUI**  
Manager, Sustainability and the GRI  
Certified Training Program  
NEUVACTION



### 3 CHALLENGES

Where can SMEs find the required expertise when starting a sustainability process?

Sustainability sometimes entails major changes within the companies that choose to subscribe to it. They must not only review their operational procedures but also their business strategies to redefine their role in society and toward the sustainability of natural resources. It is a decision that cannot be taken lightly, and one that requires the right tools as well as the best advice possible to guide the activities involved.

Sometimes, finding the sources of information that will provide the impetus and discipline required to get off on the right foot is a challenge for SMEs. Disoriented by the proliferation of tools and guides, SMEs feel that this information doesn't always get to them at the right time and often does not take their own situation into account.

With respect to coaching, they also find it difficult to identify whom to address to start the process. Should they call a consultant? Are there government resources to support them? Could their employees be best placed to point them in the right direction? How do SMEs position themselves when initiating sustainability approaches in order to better plan their efforts and increase their impact?

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## 4 CHALLENGES

How should SMEs focus their communication strategies to target consumers who may be interested in responsible products and services?

SMEs generally have more limited resources for communication activities than large corporations. After having invested heavily in developing responsible products and services, they want to focus their communication strategy to increase impact.

Traditionally, it was enough to simply place a certification logo on a product to attract responsible consumers. While they seek to gain customer loyalty, SMEs also want to grow and that is the real issue. How can they increase the impact of their communication strategy while maintaining the key message about the socially and environmentally responsible properties of their products and services? What types of message will resonate with the greatest number of consumers? Or is it better to have different messages for diverse target markets? What networks and media should be used?

Which communication methods can be suggested to SMEs that want to reach the greatest number of consumers with their responsible products and services?

How can they increase the impact of their communication strategy while maintaining the key message about the socially and environmentally responsible properties of their products and services?

## 5 CHALLENGES

How can SMEs navigate amidst the proliferation of sustainability certifications?

The level of confusion about certification among SMEs mounts as the number of certifications multiplies. While they are sometimes needed to respond to market and consumer demands, they do not always correspond to the capacity of the companies undergoing the process. To prove that a product can be considered responsible or that a business operates under good environmental management, often requires several certifications. This increases the costs and complexity of the process for an SME. SMEs also fear that the number of certifications obtained does not constitute a sufficient sales argument, and instead causes consumers to question the credibility of their initiatives.

SMEs feel that this leads to ambiguity. Whether through regulation or public policy, they would like government to be more proactive in “standardizing” what is meant by sustainability. In that context, would it be utopic to expect harmonization of certification processes? Does public power possess the needed authority to perform that? Could governments coordinate certification initiatives to support SMEs in implementing sustainability measures? Governments are able to limit the margin of manoeuvre by regulation in some areas, such as through standards governing products and services.

SMEs want to improve their positioning regarding the proliferation of certifications. What actions can lead them there?

“While it may be utopic, ideally there should be a single certification recognized by everyone.”

**JEAN ROCHETTE**  
CEO  
PRODUITS NEPTUNE INC.

## 6 CHALLENGES

How can SMEs influence consumers during the responsible purchasing process?

Responsible consumption is a process that implies that the consumer is conscious of the social and environmental risks associated with the manufacture or delivery of the products and services that they purchase. By making conscious and informed decisions, consumers have the power to both reward and punish businesses by purchasing their products or boycotting them. This should result in more responsible purchasing.

In practice, SMEs note that while their clientele may express more concerns about sustainable development, they do not always act accordingly. How can this gap between attitude and purchasing behaviour be explained? How can we close the loop and influence purchasing behaviour with respect to responsible products and services? Is it a problem of confidence? Of access to these products and services? What conclusions can we draw? At the very least, the bottlenecks in the process must be identified to make it easier for consumers to act.

“The day that consumers integrate care for the environment and society into their entire purchasing process, we will have won the game.”

**JEAN ROCHETTE**  
CEO  
PRODUITS NEPTUNE INC.

## 7 CHALLENGES

How can the sustainability activities of growing SMEs be prioritized?

A period of growth and innovation within an enterprise can be a good time to begin or to develop a sustainability process. In fact, a changing working environment may be more receptive to the type of new management process required when undertaking sustainability measures. It is a time in which business support or coaching in sustainability assumes singular importance. Being more informed, their progress toward sustainability has greater chances of success and could be used as an example for other SMEs.

This growth, however, implies that decisions be taken more rapidly and not necessarily with all the information at hand. SMEs believe that it would be useful to develop tools in order to easily and more quickly prioritize sustainability actions for growing SMEs.

This growth, however, implies that decisions be taken more rapidly and not necessarily with all the information at hand.

## 8 CHALLENGES

What is the price elasticity of demand for a certified responsible product or service?

SMEs are concerned about the value of sustainability certifications and by how much attention consumers pay to them. Certified products or services are seen by some as being more expensive, but also providing a tangible guarantee of responsibility. Given this perception, under what conditions does confidence trump price with regard to responsible products and services? What price are consumers willing to pay for a certified product or service?

SMEs question the value-added perceived by consumers with respect to certifications. Is it better to make the responsible nature of these products or services official through certification? Are consumers ready to spend a bit more for the assurance that the product is responsible? SMEs would like to better understand consumer behaviour with respect to certification to help them better evaluate the benefits of such a process.

“The underlying question is, does the logo influence the consumer?”

**MARIE-HÉLÈNE LABRIE**  
Senior Vice-president, Government  
Affairs and Communications  
ENERKEM



## About the SME Council

The SME Council is a group of sustainability leaders from diverse sectors. At an annual meeting, these leaders identify their business sustainability challenges – the issues that their organizations need authoritative answers and reliable insights.

Their sustainability challenges inform NBS's research projects.

For the year 2014, the SME Council included: CÉRSÉ, Enerkem, GGI International, Hôtel Château Laurier, Insertech, Mines Virginia, Ministère des Finances du Québec, Neuvaction, Produits Neptune, restaurant Robin des bois, S.E.R.I.C, SODER as well as the World Wide Fund for Nature (WWF).



## About NBS

A non-profit organization based at Western University and UQAM in Canada, the Network for Business Sustainability produces authoritative resources on important sustainability issues with the goal of changing management practice. We unite thousands of researchers and professionals worldwide who believe passionately in research-based practice and practice-based research.

NBS is funded by the Social Sciences and Humanities Research Council of Canada, the Ivey Business School at Western University, the Université du Québec à Montréal and our Leadership Council.

For additional resources visit [nbs.net/knowledge](http://nbs.net/knowledge).



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