



SME sustainability challenges 2012



Network for
Business Sustainability

Business. Thinking. Ahead.

Inspiring new
research and innovating
new solutions

SME

Sustainability Challenges 2012

This report is a first for the Network for Business Sustainability (NBS). To date, NBS – like much of the research and business communities – has focused its efforts on the issues facing large enterprises. But with this inaugural report, I am pleased to present NBS's first annual compilation of the sustainability challenges facing small- and medium-sized enterprises (SMEs).

The challenges were developed by a council of 13 private-sector, non-profit and government representatives from across Quebec. Each of them has a strong track record in adopting sustainable practices and is committed to elevating their business practices even further.

I hope this report inspires the owners and managers of other small- and medium-sized businesses to consider their own environmental and social impacts. I hope it provides insight into SME needs for the industry associations, consultancies and NGOs that work for and with small organizations. For decision-

makers working in government organizations, I hope this report illuminates SMEs' unique challenges and capabilities. And I hope this report encourages academic researchers to investigate the issues and research questions that matter most to SMEs.

I wish to sincerely thank the SME Council members who invested time and energy in developing the 2012 SME Sustainability Challenges. This report is evidence that the people who lead small- and medium-sized enterprises in Canada are actively thinking about their companies' social and environmental impacts



Marie-France Turcotte
Director, French Office
Network for Business Sustainability
Professor, School of Management Science, UQAM

Cover image courtesy of Artopex, a member of NBS's SME Council

introduction

Researchers, policy-makers and the business community in general cannot afford to ignore SMEs.

Small- and medium-sized enterprises (SMEs) are important players in Canada's economy. They represent 98 per cent of all Canadian companies and contribute more than 80 per cent of the new jobs created every year.¹ Unfortunately, their impact on the economy is also paralleled by their impact on the environment and the communities in which they operate. SMEs are estimated to be responsible for 80 per cent of industry's negative environmental impacts and more than 60 per cent of commercial waste.³

Clearly, conversations about sustainable business must include SMEs. However, to date, discussion around social and environmental responsibility has focused mostly on large enterprises. This report represents an attempt to bring SMEs into the conversation.

The Network for Business Sustainability (NBS)'s French Office, located in Montreal, is the driving force behind this SME focus. With a strong base of small- and medium-sized companies in the Montreal region and close ties between the academic and business communities, management professor Marie-France Turcotte saw an opportunity to bring SMEs into the sustainability conversation. Under her leadership,

NBS's Montreal office established the SME Council, convened the meeting to identify these seven challenges, and wrote this report.

The report outlines the top sustainability challenges facing SMEs in 2012. The challenges were defined by a council of 13 leaders from small- and medium-sized enterprises as well as non-profit and government organizations. Each organization represents a specific sector and is recognized for its leadership in environmental and social responsibility.

The SME Council was modeled after NBS's Leadership Council – a group of large Canadian enterprises which every year identifies the top sustainability challenges for large companies. As with the Leadership Council, NBS will convene the SME Council annually to update their business challenges.

This inaugural set of SME challenges shows SMEs are interested in developing in-house expertise in sustainability. They want to introduce sustainability into their organizational culture and identify and implement sustainability initiatives that are both responsible and profitable. The council articulated a desire to build consensus with both internal and external stakeholders on sustainability issues and to integrate sustainability into their long-term business strategies.

¹ Fillion L.-J. 2007. Introduction. In L.-J. Fillion (Ed.), *Management des PME: de la création à la croissance, QC, Canada : Édition du renouveau pédagogique*: 1-16.

² Williamson, D, Lynch-Wood, G & Ramsay, J. 2006. Drivers of environmental behaviour in manufacturing SMEs and the implications for CSR. *Journal of Business Ethics*, 67: 317-330.

³ Hitchens, D, Thankappan, S, Trainor, M, Clausen, J & De Marchi, B. 2005. Environmental performance, competitiveness and management of small businesses in Europe. *Tijdschrift voor Economische en Sociale Geografie*, 96(5): 541-557.

How to Use this Report

SME Owners and Managers: Consider what your organization is doing to address the environmental and social impacts of its operations. Where are there opportunities for growth or improvement? Which of the issues listed in the report is something your company should be thinking about in the coming years? For resources to help you make your organization more sustainable, visit www.nbs.net.

Policy-makers, Certification Bodies, Consultants and NGO's: Consider these challenges as you develop resources, policies, funding sources and services for small- and medium-sized organizations.

Researchers: Consider researching the issues identified by these SME sustainability leaders. NBS's mission is to engage the scientific community in producing rigorous, relevant resources that inform practitioners' decision-making and help them become sustainable. The challenges identified here are research questions of interest to SMEs.

What is Business Sustainability?

Business sustainability is the inclusion of financial, environmental and social concerns into business decisions. Sustainable companies:

- Create long-term financial value.
- Know how their actions affect the environment and actively work to reduce their impacts.
- Care about their employees, customers and communities and work to make positive social change.
- Understand these three elements are intimately connected to each other.

Compared to companies that focus on short-term profits and that make decisions based solely on the bottom line, sustainable companies think long-term. They forge strong relationships with employees and members of the community. They find ways to reduce the amount of natural resources they consume and the amount of waste and pollution they produce. As a result, sustainable companies endure, surviving major shocks like global recessions, worker strikes, executive scandals and boycotts by environmental activists.

Funding Research: How You Can Help SMEs Become Sustainable

The Network for Business Sustainability (NBS) produces valuable resources that help senior leaders and sustainability managers make informed business decisions. Every year, NBS funds research projects called “systematic reviews” for two of the sustainability challenges identified by our Leadership Council. These research projects synthesize the best knowledge in the world and provide a solid foundation of knowledge upon which managers and researchers can build. The final reports are available for free on nbs.net: <http://nbs.net/publications/executive-reports/>.

This report marks our commitment to start developing knowledge specific to SMEs. Our goal is to provide SME managers with objective, reliable resources that help them adopt sustainable practices. While we will start developing preliminary resources on the topics outlined below, we lack the funding to conduct comprehensive systematic reviews. If you are interested in undertaking or supporting research in one of the SME challenges, please contact us at info@nbs.net.

“We need forums to exchange ideas. No matter what business or sector of industry we come from, we seem to have the same concerns and desire to find solutions.”

LUC BÉLAIR
Production and Environment Coordinator
INSERTECH ANGUS

SME Sustainability Challenges 2012

The following seven questions, in order of importance, define the greatest sustainability challenges facing SMEs in 2012:

1

How can we develop in-house expertise in sustainability?

2

How can we articulate the business case for sustainability? How can we position it as a competitive advantage?

3

What information will make consumers more receptive to environmentally and socially responsible products and services?

4

How can we engage internal and external stakeholders so they support the organization on its journey toward sustainability?

5

How can we build sustainability into our corporate culture?

6

How do we combat “sustainability fatigue” and keep employees engaged?

7

How can we integrate sustainability into the company's long-term strategy?

How can we develop in-house expertise in sustainability?

Limited time, finances and human resources, combined with a lack of expertise in sustainability, make it hard for SME leaders to choose the right corporate social responsibility (CSR) initiatives and tools for their organizations.

Government organizations, competitors, NGOs, Chambers of Commerce, industry associations and certification bodies all have different methods for tackling sustainability issues. But the leaders and managers of SMEs are often overwhelmed by the sheer number and varying credibility of individual tools.

SMEs want to develop expertise internally or get access to third-party expertise that enables them to intelligently manage the risks and opportunities associated with implementing new business practices.

“Overnight, our sector was inundated with initiatives and certifications aimed at facilitating the adoption of sustainable practices. Making an informed choice about the best solution for our company was a laborious process.”

JEAN BARBEAU
Sustainable Development
Coordinator
ARTOPEX

How can we articulate the business case for sustainability?
How can we position it as a competitive advantage?

The economic benefits of sustainability initiatives can be tangible, such as reducing waste management costs, and intangible, such as improving your corporate image or strengthening your reputation with clients and suppliers. Translating those intangible benefits into monetary value remains a real challenge for SMEs.

Leaders and managers of SMEs need help assuring their stakeholders that their sustainability initiatives are credible and have value. For many companies, “going green” is not merely a nice-to-do but a strategic focus grounded in core business activities. But how can they convey this value? How can SMEs capture and communicate the returns on their sustainability investments?

“Even though sustainability is the foundation of our company, putting it at the forefront may mean jeopardizing our competitive advantage. Too many businesses have twisted the concept of sustainability to “greenwash” their image. However, we believe that it is important to communicate what we are doing and we ask ourselves how to convince our clientele of the value of sustainability.”

LUC BÉLAIR
Production and
Environment Coordinator
INSERTECH ANGUS

What information will make consumers more receptive to environmentally and socially responsible products and services?

While major corporations have the financial resources to run large-scale advertising campaigns, the same is generally not true for SMEs. The latter must carefully assess what information they can afford to disseminate and which products or services they can afford to promote. This often requires finding creative ways to inform customers of their sustainability initiatives.

Transparent communication provides a way for SMEs to secure a return on investment in sustainability – consumers cannot appreciate a company's sustainability initiatives if they don't know about them. Companies must also prove the information they provide is credible. However, consumers are not always ready to consume more responsibly.

In order to better guide their advertising campaigns, SME leaders and managers want to know what information will increase their customers' awareness of sustainability issues. What information will encourage consumers to choose sustainable products and services over others – sometimes at a higher price?

How can we engage internal and external stakeholders so they support the organization on its journey toward sustainability?

Stakeholder engagement can be defined as a series of activities initiated by an organization to establish a relationship with them. The organization typically has many stakeholders and is itself a “stakeholder within the community.”⁴

The engagement of both internal and external stakeholders is essential to companies’ sustainability successes. Research shows companies that cultivate a relationship of trust with their stakeholders benefit from greater acceptance of their products.⁵ This trust, however, is the result of a longer process of cooperation in which businesses and stakeholders build the necessary capacity to pursue common objectives.

SMEs want to know how to work with stakeholders to find common solutions. This objective is arguably even more important for SMEs than large enterprises because they often have close relationships with the communities in which they operate.

“After years of awareness-raising, dialogue and training, our suppliers now participate in reaching our environmental objectives. Establishing a close relationship required leadership, openness and compromise to surmount the obstacles standing in the way of reaching common objectives.”

RÉMY PARÉ
Director, Game Operations
MONTRÉAL ALOUETTES

⁴ King, D. and Turcotte, M.-F. 2010. Primer on stakeholder engagement. *Network for Business Sustainability*. Retrieved from <http://nbs.net/knowledge/stakeholder/stakeholder-engagement/primer/>

⁵ Heugens, P., Van den Bosch, F., & Van Riel, C. 2002. Stakeholder integration: Building mutually enforcing relationships. *Business & Society*, 41(1): 36-60.

How can we build sustainability into our corporate culture?

Launching sustainability initiatives requires internal change and employee involvement. However, employees and suppliers often see the introduction of new sustainability initiatives as impositions. Managers and leaders of SMEs encounter resistance from employees who perceive sustainability projects as complicated, abstract or unwelcome additions to their already-full workloads. In order to drive internal change and root sustainable practices into their corporate culture, SMEs must ensure their sustainability initiatives are logical extensions of the company's mission.

How do you drive positive change and rally employees to the cause of sustainable development? SMEs want to know how to engage their employees so that sustainability is firmly rooted in their companies' day-to-day operations and organizational culture.

“When we were developing our project, communication with employees was sometimes difficult and incomplete. We had to constantly ask ourselves what had been done in the past in order to improve what we did with this project. It required coordinating our communications to make information accessible to everyone, as well as being open to everyone's expectations.”

MAUDE GENEST-DENIS
Environment Coordinator
IGA COOKSHIRE

How do we combat “sustainability fatigue” and keep employees engaged?

The challenge facing SME leaders and managers is maintaining employees’ ongoing interest in sustainability issues and practices. Ongoing communications with employees about CSR initiatives are essential for reaching company objectives. However, too much information can also dilute interest in sustainability and lead to “sustainability fatigue.” Finding a balance is key to success.

Integrating sustainable practices into the business environment requires effective and efficient internal communication. It also requires training employees so they understand how sustainability fits into the company’s operations and activities. However, once employees have been informed and trained, maintaining their commitment to sustainability can be challenging.

In-house sustainability tools and practices are constantly in flux because of shifting regulatory frameworks and new standards and certifications. Similarly, integrating sustainable practices into a business often requires new, untested, management methods.

“Providing information about sustainability as an objective directly aligned with those of the enterprise creates an atmosphere of openness on the part of employees. However, it is often difficult to sustain their interest and commitment and there is a tendency to look at sustainability as a succession of projects when it should be an expression of the overall culture of the enterprise. How can we reverse this phenomenon?”

YVON LÉVEILLÉ
President
JAS FILTRATION INC.

How can we integrate sustainability into the company's long-term strategy?

A long-term sustainability strategy often emerges through a series of disparate projects, each with various connections to sustainable development. The more those projects: show results; are concrete, ambitious and realistic; and progress step by step, the more likely they are to receive buy-in from employees and senior managers. They are also more likely to succeed.

However, the term “project” denotes an activity conducted over a finite amount of time. SMEs want to know how a succession of projects can lead to long-term integration of sustainable practices into their companies’ overall strategies.

“At Victor Innovatex, sustainability means working from a perspective of continuous improvement. We are proud of our accomplishments and, going forward, we intend to make sustainability the driving force behind every business decision. Currently, our challenge is to articulate a long-term vision that will help guide different initiatives under the same objective.”

MARTIN BOURQUE
Research and Development Director
VICTOR INNOVATEX

about this report

This report captures the insights of NBS's SME Council: 13 small- and medium-sized organizations recognized for their leadership in sustainability. The 2012 SME Council includes representatives from each of the following organizations: Artopex, IGA Cookshire, Insertech Angus, Jas Filtration Inc., JS David Consultant Inc., Ministry of Finance and Economy, Montréal Allouettes, Quartz Nature, Savons Prolav Inc. (Bio-vert), SODER, St. Jean Collision Centre, Victor Innovatex and World Wildlife Fund.

Each SME Council member was invited to join based on their performance in the following areas: sustainable development initiatives; vision, mission and values linked to sustainability; a sustainability-oriented business model; and proactive approaches to sustainability. NBS invited companies from diverse sectors – but invited only one organization from each sector – to develop a list of sustainability challenges that was as representative as possible.

Coming from industry, government and the non-profit sector, this council of SMEs met for the first time in March 2012 at a one-day roundtable in Montreal, Quebec. The roundtable was facilitated by Marie-France Turcotte, a management researcher at the Université du Québec à Montréal and Director of the Network for Business Sustainability's French Office. The SME Council's goal was to define the greatest sustainability challenges facing SMEs in 2012.

This report presents the perspectives of SMEs operating in an industrialized economy and defining priorities of international concern that have the broadest possible relevance. In defining the challenges, the SME Council representatives engaged in a three-stage process:

1. Identifying their own individual issues.
2. Aggregating and refining the issues into meaningful categories.
3. Ranking the refined challenges by importance.

This process yielded a series of issues that is representative, prioritized and agreed-upon.

about NBS

A Canadian non-profit organization, 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 Richard Ivey School of Business at Western University, the Université du Québec à Montréal and our Leadership Council.

For additional resources visit nbs.net/knowledge.

NBS 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 on which

their organizations need authoritative answers and reliable insights. Their sustainability challenges inform NBS's research projects.



This project was funded in part by the Ministry of Finance and Economy and by the Social Sciences and Humanities Research Council of Canada.



Social Sciences and Humanities
Research Council of Canada

Conseil de recherches en
sciences humaines du Canada



Network for
Business Sustainability

Business. Thinking. Ahead.

Network for Business Sustainability
c/o Richard Ivey School of Business
Western University
1151 Richmond Street
London, Ontario, Canada N6A 3K7
519-661-2111, x88980

nbs.net



Réseau entreprise et
développement durable

Penser l'entreprise en visionnaire

Réseau entreprise et développement durable
École des Sciences de la gestion,
Université du Québec à Montréal
1290, rue Saint-Denis, 6e étage, AB-6250
Montréal, Québec, Canada H2X 3J7
514-987-3000 x7898

nbs.net/fr