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5 Reasons Why Small Businesses Should Care about Sustainability

1:00am EDT

These days leaders of small businesses have their hands full just trying to survive. So why would they add a sustainability strategy to their already overloaded priorities?

Because sustainability strategies are all about business survival. Like it or not, sustainability offers both threats and opportunities for small businesses. And the potential impact on companies' long-term success is too great to ignore.

There are many reasons why small businesses should care about sustainability, but based on and here are the top five:

1. Because sooner or later every business will have to pay attention to sustainability in order to stay in business.

The pressure on companies to disclose how they are addressing environmental issues continues to escalate. The demands are coming from governments, consumers, employees and customers. Large businesses have felt the heat already.

Kevin Myette, Director of Product Integrity at Recreational Equipment, Inc. (REI), a retailer selling outside sporting gear and apparel, claims that 'sustainability is the next quality' movement. In a recent panel discussion sponsored by SAP, he claimed that "Transparency is no longer optional."

All companies must be accountable publicly for their policies and practices. John Gagel, Manager of Sustainability for Lexmark, a provider of printing and imaging products, software, solutions and services headquartered in Lexington Kentucky, says that their business case for sustainability is clear. Almost every customer requires Lexmark to report on their sustainable practices as part of the procurement process. Even though Lexmark is a medium-sized business, John predicts that small businesses will feel the pressure soon if they haven't already.

Recently the trend has included not only corporate reporting of environmental and social practices but also tracking and reporting by product. This trend means that every organization in a supply chain that contributes inputs to an end product will be pressed to disclose sustainability-related information. John stated that they are already pushing down to the third tier in their supply chain and that soon they will push through all tiers.

2. Because your company can obtain more business through commitments to sustainability.

Walmart's Sustainability Index has received widespread publicity and many others have followed. To become eligible to get on or stay on a suppliers list, the vendor companies must submit data concerning their sustainability policies and practices.

Kaiser Permanente, an integrated managed care consortium headquartered in Oakland California, is the first in the health care industry to issue a Sustainability Scorecard. Robert Gotto, the Executive Director of Environmentally Preferable Purchasing for Kaiser Permanente, stated that sustainability-related practices definitely make a difference in their choice of suppliers.

In addition, they require prospective vendors to provide product-specific information such as data about the chemicals included in the product and the percentage of recycled content that goes into the packaging. Kaiser is pushing for industry-wide standards.

And if you remain unconvinced of the impact that these supply chain initiatives will have on small businesses, consider IBM's procurement rules: They are requiring their suppliers to deploy a corporate responsibility and environmental management system. They expect their suppliers to establish voluntary goals, measure performance and publicly disclose their results.

The significance of these requirements to small businesses is that IBM expects suppliers to cascade this set of requirements to the supplier's suppliers. According to Lou Ferretti, Project Executive for the Center of Excellence for Product Environmental Compliance & Supply Chain Social Responsibility (COE), any company that performs work that is material to the products, parts and/or services being supplied to IBM will be affected.

3. Because you can save on your bottom line.

Most experts forecast that energy prices will continue to rise annually. And increasing energy prices have been the greatest source adding to the cost increases in small and mid-sized businesses over the past few years. The Environmental Protection Agency's (EPA) Energy Star for Small Business says that companies can increase their energy efficiencies by 10 to 30 percent [PDF] through facility operation, maintenance and use of cost-effective technologies.

Some small companies partner with their larger customers on sustainability-related projects. Tom Lyon, the Director of the Erb Institute at the University of Michigan, offers examples from the Green Supply Chain Program in Mexico, sponsored by the Commission for Environmental Cooperation (CEC), an international organization created by Canada, Mexico and the United States.

Large "anchor" companies such as Bristol Myers-Squibb, Nestlé, and Bombardier worked with small companies in their supply chains to improve their eco-efficiency. During the first phase of the program, the average small business project generated a net present value of \$150,000, saved 1,900 cubic meters of water each year, saved 42,000 kilowatt-hours a year of electricity, reduced carbon dioxide emissions by 61 tons per year, and cut waste disposal by 1455 tons.

4. Because you can add to your top line through innovation.

In a recent panel discussion sponsored by SAP, a leading provider of business software, Peter Graf, SAP's Chief Sustainability Officer asserted that sustainability is driving innovation worldwide. Graf contends that it takes companies working together to achieve the greatest successes in this sustainability space.

John Gagel reinforced Graf's remarks by declaring that he is amazed at the innovations that occur when people collaborate with each other across organizational boundaries. And he adds that innovation is where small businesses can shine.

He says that small businesses are often more creative and flexible than larger companies. They are more willing to experiment and in a better position to change course quickly when the challenges require it. Gagel says that Lexmark's best partners are those who are willing to work with them side by side to creatively address sustainability. Often those partners are the small businesses because they are adept at building close relationships with their customers.

5. Attract, retain and engage talent.

Small business leaders who are concerned about attracting and retaining talent should take a look at what younger workers are looking for in the workplace. More than two-thirds of Generation Y workers (those born after 1989) say that they want their employers to be environmentally friendly. And, in fact, a third of all U.S. workers said that they would be willing to sacrifice salary to work an environmentally friendly firm.

So even though the larger companies are in the sustainability limelight currently, small businesses have much to gain by developing their own sustainability strategies. And let's face it: No company will be able to hide from the issues for long. The good news is that relatively new IT platforms and other technologies are making it easier for small businesses to join in the global discussion. Smart leaders will act now to develop a strategy that makes sense for their small businesses.

Kathleen Miller Perkins is the CEO of Miller Consultants, Inc., a consulting firm that assists companies with the development of sustainability strategies. Their focus is on organizational culture, leadership development and executive coaching in addition to their work with sustainability.

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