

100 JAAR YEARS IMPACT  
1913 2013

**SMEs and sustainability**

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### The twentieth century....



Source picture: <http://oneinabilityonblog.com/economics-2/economy/example-economy-over-consumption/>

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### Current insights...

...tend to be based on research on large corporate firms, with a focus on the business case of responsible behavior



**Objections:**

1. **Relevance of SMEs:** 60% to 70% of total pollution is being produced by SMEs!
2. Call from policy makers on SMEs to lower their impact on the environment (European Commission, 2010)
3. **Uniqueness of SMEs:** Motivation not identical for large and small firms
4. **Interplay** between SME's and large corporates not addressed
5. **Are we asking the right question?** From why to what

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## Relevance of focus on SME's

### Why address environmental issues?

- Governmental regulations and control
- Stakeholder action / activism
- Ethical motivation
- Competitive advantage

Source: York and Venkateshraman, (2010)

### Uniqueness of SME's

- Size and visibility
- Management and ownership combined
- Motivation of owner
- Strategy more flexible

Source: Storey and Greene (2010)




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## Relevance of focus on SME's Interplay between SME's and large corporates

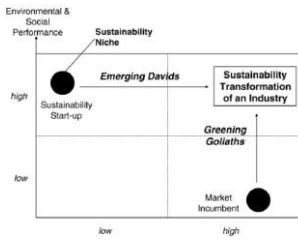


Fig. 2. Co-evolution of sustainability start-ups and market incumbents towards the sustainability transformation of an industry.

Source: Hockert and Wuestenhagen (2010)

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## Are we asking the right questions?

From a focus on the business case of responsible behavior to environmental practices (with a focus on SME's)




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## SMEs and environmental practices

### Environmental practices

"Activities undertaken by firms aimed at reducing the impact of their operations and their products and services on the environment". (Gadenna et al, 2009)



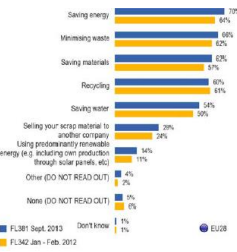
SMEs possess characteristics that foster engagement

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## SMEs and environmental practices

### What do we know from policy reports?

#### Actions SMEs undertake:



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Source: European Commission (2014)

## SMEs and environmental practices

### What do we know from policy reports?

#### Actions SMEs undertake:

	Saving energy	Minimising waste	Saving materials	Saving water	Recycling or reusing material or waste within the company	Selling your scrap material to another company	Using predominantly renewable energy (e.g. including own production through solar panels, etc.)	At least one	Many actions
EU28	61%	61%	59%	51%	51%	26%	16%	62%	35%
UK	74%	64%	71%	61%	63%	42%	16%	100%	55%
IE	62%	71%	48%	41%	61%	30%	24%	69%	37%
HR	64%	64%	44%	30%	32%	26%	7%	60%	10%
ES	68%	65%	68%	70%	70%	34%	12%	66%	64%
BE	66%	78%	61%	59%	43%	32%	21%	67%	36%
CZ	75%	78%	66%	56%	46%	36%	10%	66%	36%
PT	66%	73%	65%	71%	76%	32%	0%	66%	60%
DE	74%	68%	61%	53%	57%	46%	56%	65%	42%
AT	68%	75%	63%	56%	60%	24%	34%	65%	45%
LU	69%	78%	61%	46%	52%	24%	0%	64%	32%
HU	74%	48%	63%	62%	20%	24%	7%	64%	17%
NL	67%	66%	65%	27%	55%	28%	36%	63%	32%

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Source: European Commission (2014)

## SMEs and environmental practices

What do we know from policy reports?  
Do SMEs offer green products and services?




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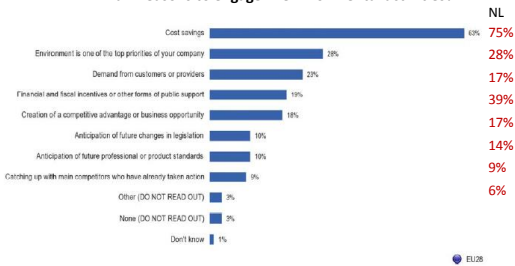
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## SMEs and environmental practices

What do we know from policy reports?  
Main reasons to engage in environmental activities?




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## What drives environmental practices of SME's?

- Are small firms indeed reluctant to invest in environmental practices?
- Do these drivers differ across types of environmental practices?

### Types of environmental practices

Greening processes:  
extent to which SMEs invest in resources efficient activities (% of annual turnover)

Greening product and service offerings:  
extent to which green products and services are represented in SME's annual turnover

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**What drives environmental practices of SME's?**

- **Are small firms indeed reluctant to invest in environmental practices?**
- **Do these drivers differ across types of environmental practices?**

**Research set-up:**

- Multi-country, multi-sector
- Large scale harmonized data (8.000 SMEs, 12 sectors, 36 countries)
- Data from 2012 (Flash Eurobarometer survey on "SMEs resource efficiency and green markets" no. 342)
- Factors taken into account: firm size, tangibility of firm's business sector, markets served, external support, stringency of environmental legislation

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**What drives environmental practices of SME's?**

- **Are small firms indeed reluctant to invest in environmental practices?**
- **Do these drivers differ across types of environmental practices?**

Driver	Process		Products and services	
	Hyp	Finding	Hyp	Finding
Firm size	+	+	.	n.s. / +
Sector tangibility	+	+	+	+
Market served (B2B – B2C)	+	n.s.	-	-
Receiving external support:				
• Financial support	+	+	+	+
• Non-financial support	+	n.s.	+	n.s
Environmental legislation	+	n.s.	.	+

Control variables: firm age, EMS in place, compliance

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**What drives environmental practices of SME's?**

- **Are small firms indeed reluctant to invest in environmental practices?**
- **Do these drivers differ across types of environmental practices?**

Different conditions drive SMEs engagement in types of environmental engagement. In particular for:

- firm size
- the markets being served
- the stringency of environmental legislation

The influences of external support and sector tangibility do not differ across both types of environmental practices.

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*\*Take home message*

Little attention is being paid in academic literature to environmental practices of SMEs, this is remarkable.

The majority of SMEs (91 %) are involved in greening processes to some extent, whereas nearly one-third of SMEs (29 %) offer green products and services.

The dominant idea that small firms are reluctant to invest in environmental practices because they perceive this as an additional burden is more nuanced.

Different conditions exist under which SMEs engage in both types of environmental practices most evidently for firm size, the market being served, and the stringency of environmental legislation.

The influences of external support and sector tangibility do not differ across both types of environmental practices.

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