

# Chapter 61

## Sustainability for SMEs

**Kaushik V. Pandya**

*Sheffield Business School, Sheffield Hallam University, UK*

### ABSTRACT

*In the past decade, or so, sustainability has become important for businesses. It is not just the preserve of the private sector anymore. Sustainability has been followed by organizations in all industrial sectors. This is not because it is a buzzword, but because it offers genuine competitive advantage to private organizations and green credentials to other. This is true especially to SMEs where, in the current economic climate, their survival relies on any advantage they get, no matter how small. In this chapter on sustainability, various definitions are offered. A discussion is undertaken on the consequences of not considering sustainability as part of strategy and/or operations in an SME. These are not just green, but extended to economic as well. It is proposed that sustainability be part of SME's strategy, with details of potential benefits. A discussion on the performance indicators for the implementation is shown. It is considered that an agent would be most appropriate to lead the implementation as s/he would be ideal in considering the stake holders requirements. In the chapter, regular questions enable the readers to link the issues in the paper to their organization of work or an organization they are familiar with.*

### 1 INTRODUCTION

This chapter was developed with the view to offer the following outcomes:

- An introduction, to set the scene of sustainability
- To appreciate what is sustainability - to understand sustainability
- An understanding of the need for sustainability in the SMEs
- Benefits of sustainability to an SME
- An appreciation of how to implement sustainability

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Imagine the scenario – being a guest at a reputable hotel. The management inform the guests: ‘if you don’t want your towels to be washed then leave them on the rail, otherwise leave them in the bath or on the floor’. Often this is accompanied by: ‘we are doing our bit for the environment’. Another one in a public lavatory in a restaurant reads: “Switch the lights off when you leave, it does cost the earth”. These are just some of the posters that one may see in the hotel or place of work. There are also some personal examples of this. In certain towns in the UK the local governments switch off the unessential street lights to save electricity and thereby monies. There is a notice which says “Street Lights not in use”. All of these notices show that the management/owners care about the environment; or do they care for economic reality or both? The answer is that it can be both. In the first case the hotel usually washes many towels a day. Fewer towels to wash means: less water is used, less chemicals used (which could be harmful ones) and less electricity used in drying. All these means less money wasted. Similarly, in the second scenario, if there is nobody in the lavatory and lights are on, electricity is wasted, costing the owners of the restaurant in monetary terms. In both the cases there is economic benefit to the owners of working towards environmental sustainability.

It is not just private or government organizations that are adapting to sustainability ethos but charity organizations and NGOs are also doing so. When the BAPS Neasden Mandir was built in London in 1995, two types of wood were used in the carved pillars. The first type is Burmese teak. It would not have been appropriate to use resources that could not be replenished. This wood was gotten from a controlled and sustainable forest. In this case trees were planted for each tree felled for the pillars. The other type of wood used was English oak. There were 226 trees of this type used but the organization felt it important to preserve the environment. For consideration to the environment over 2,000 English oak saplings

were planted as replacements [<http://www.mandir.org/haveli/index.html>, accessed 31<sup>st</sup> March 2012]. All this was done in the 1990s, well before the necessity of sustainability was widely accepted.

What the above example shows is that sustainability is NOT pursued by private sector alone, but also by public, NGOs, voluntary and other sectors. These organizations are well aware of the benefits of going ‘green’. Increasingly organizations, NGOs, government planners, researchers, suppliers, buyers and various stakeholders are seeking innovative means to integrate their pursuit of survival and/or competitive edge with the safe future of the environment, and quality of life for future generations.

However what is not clear is how the potential threats of not going the sustainable way will impact an organization. Among these threats are: the prices of fuel, prices of grains and some commodities, depletion of natural resources, etc. The increase in price of fuel, for example, would mean higher transport charges, higher energy (electricity/gas) charges, etc. This would mean increased cost of products and services – which the utilities companies, manufacturers, haulage and transport companies, and service providers will pass on to the customers and then to the end user. Rise in commodities would mean higher prices of raw materials, leading to higher costs of finished products. These are drastic threats. However, it is anticipated that among organizations there will efficient managers and planners who would be able to deal with these. This could be through a combination of; efficient supply chain, optimization of operations, using JIT and Kaizen strategies, well organized CRM, utilizing trained HR, etc. But in addition to these there are numerous issues that the managers can simply not ignore. These are issues related to sustainability. These include:

- **Responsibilities for the Pollutants:** An organization’s liability does NOT end at the gates of the factory or the front desk

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