# Sustainability for the micro-business market

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### What is a sustainable business?

A sustainable business is a trade or profession that can be carried out indefinitely.

In 1987, The Bruntland Commission defined sustainable development as:

#### 'Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.' [1]

Sustainable business must therefore meet genuine needs (as opposed to wants) without depleting resources or creating situations which stop future generations doing the same. In practice, a sustainable business must at least break even, otherwise it will go out of business and there is nothing sustainable about that! But, as well as (at least) breaking even, a sustainable business must be able to function without causing negative impacts on the environment or society in which it operates.

Sustainable business incorporates three aspects of performance, defined in the diagram below:



These three aspects highlight the way in which sustainable businesses is measured by 'integrated' rather than purely 'economic' profit. For example, although Clive the Carpenter may only be breaking even economically, his handy work may be benefiting his local community enormously and his management of the local woodland may be encouraging biodiversity and improving the local environment. Clive's Carpentry Business would therefore be running at a positive 'integrated' profit. He would be a popular member of the local community, recognised for his creative talents and respected for his stewardship of the local environment.

Sustainable businesses is about more than just money, it's about recognising the combined value of the three aspects of business, often referred to as the 'Triple bottom line'. Basically the triple bottom line incorporates sustainability criteria when measuring business performance, adding social and environmental dimensions to the traditional monetary yardstick.

## Setting up or restructuring for sustainability

Whether you've been running for many years or are just setting up in business, structuring for sustainability is a valuable process for improving the viability of your plans and ensuring the longevity of your business. All it takes is some basic preparation.

#### **Defining your Business Objectives**

The first and most important part of structuring for sustainability is defining your objectives. Writing down your purpose and principles will help clarify what you hope to achieve and how you aim to achieve it, providing a solid framework on which to build your business. It is worth spending time on these definitions, making sure they are clear and specific, they will be useful for communicating the nature of your business to customers and suppliers.

#### Purpose, Principles and Values

Write a clear, well structured, sentence for the following:

#### Purpose: What does your business aim to achieve?

This should be more than just 'make money', or 'sell furniture', it should communicate with absolute clarity and deep conviction the ultimate aim of your business. Dee Hock, the founder of VISA, says participants will say about the purpose, "If we could achieve that, my life would have meaning" [2].

e.g. The purpose of Clive's Carpentry is to improve the quality of life of the people in Walden and the surrounding communities by utilising the resources of Walden Woods to provide high quality, hand-made furniture.

#### Principles: How will your achieve your purpose?

A sustainable business will need many principles, of highly ethical and moral content. They should express the values of the members of the business and back each other up to form a 'body of belief' against which the business can be judged.

- e.g. The principles by which Clive's Carpentry operates are:
  - All members of Clive's Carpentry must agree to the purpose and principles
  - All woodland must be managed sustainably to encourage bio-diversity
  - One new tree will be planted for each tree felled
  - Energy consumption will be minimised throughout the business
  - Waste must be reprocessed into valued bi-products or recycled
  - Furniture should be affordable by all members of the community
  - Safety must be respected in the working environment

## Market Research, Branding and Positioning

Once you have defined your purpose and principles you can start to plan your business in more detail. It is highly recommended you conduct as much market research as possible BEFORE you launch your business, most businesses that fizzle out or go bankrupt have simply failed to analyse the market. Researching the competition never seems very useful (or fun!) when you are convinced your idea will succeed, but objective and honest analysis can stop you wasting thousands of pounds, not to mention several years of your life! SWOT and PEST analysis are amongst the recognised techniques, see 'source of help', at the back of this booklet, for more information.

If you have conducted your research well, you will know where your product/service sits in comparison to the competition, which will help you 'position' your 'brand'. Every business is a brand, no matter how small or inconsequential, and although you may not be launching the next Coca-Cola, thinking of your business as a brand will help you relate to your customers and define a marketing strategy.

To clarify the issue, a brand is NOT a logo or name (although these are contributory elements), instead it is the 'perception' of your product or service, from the point-of-view of your stakeholders. Stakeholders are simply anyone who may be affected by your business; employees, customers, suppliers, the public, business owners and investors are all potential stakeholders. So, in other words, if people get a 'positive image' when they think about your business, they 'perceive' your business in a positive light and you have a valuable brand. Branding experts advise 'a strong brand has a beneficial effect on your relationships with all the major stakeholders in your business'[3], and break down businesses into four contributory 'dimensions' which from the basis of the brand:

#### Functional dimension:

The benefit of the product or service **Social dimension:** 

The ability to create identification within a group **Idealistic dimension:** 

The perception of local and/or global responsibility **Mental dimension:** 

The ability to support the individual mentally

Analysing your products and services in this way can be especially beneficial to sustainable businesses to help you differentiate from traditional business and highlight the benefits of your brand. For example, Clives' Carpentry brand has the following characteristics:

#### Functional dimension:

High quality, hand-made furniture.

#### Social dimension:

Buying Clives' products shows a preference for locally produced, bespoke goods over mass production

#### Idealistic dimension:

Buying Clives' products encourages sustainable forestry and minimises environmental impacts

#### Mental dimension:

Knowing the craftsman adds value to the goods and buying Clives' products strengthens the local community

Defining these four dimensions will help you build a strong brand image which communicates the core values your business and the benefits of your products or services. It can also provide the basis for a solid marketing strategy by identifying the strengths of your brand. A successful marketing strategy will emphasise these strengths, 'positioning' your brand accordingly to distinguish it from the competition.

## Monitoring and success indicators

Monitoring performance is essential business behaviour, but particularly so for any organisation which aims to survive indefinitely. Sustainable businesses need to monitor the three aspects of their performance (economic, social and environmental), in order to incorporate feedback and improve their performance in the future.

Defining monitoring and success indicators should be relatively simple if you have clearly defined your purpose, to make things easier you may want to split your purpose down into short-term and long-term goals. The indicators you choose should be as specific as possible and allow you to gauge your progress over a period of time. It is not sufficient to say 'make lots of money' since you could aim to do that forever and not know if you were succeeding! 'Make £50 every week' is, by comparison, a better indicator of success.

Clive might chose the following indicators of success for his Carpentry business:

#### Social:

- Number of customers/potential customers added to the database
- Feedback from customers
- Number of customer referrals

#### **Environmental:**

- Bio-diversity of species in Walden woods
- Trees planted versus trees felled
- Injuries in the work-shop

#### **Economic:**

- Number of orders/sales
- Net/Gross profit
- Investment in seasoned timber

Economic indicators are usually quantitative (measured in numbers) and can be calculated over varying time periods, for example Clive might calculate his profit from sales at the end of every month and tax year. Social and environmental indicators by comparison are often qualitative (measured in quality) and can be more difficult to measure. For example, Clive's forestry management may have only increased the quantity of species in Walden Woods marginally over a year but, if a new species of Dodo had sprung up it would be a very significant quality. Similarly, one months customer feedback with 5 people saying 'your work is ok' might not be as valuable as another month in which just one person commented 'your work has transformed my life...'.

Picking appropriate indicators of your success is extremely important, as is using them honestly if they are to be effective means of monitoring your success. They are primarily for internal use (for members of the business) but, if they are well chosen and report aspects of your business which affect your community or other stakeholders, you may want to publicise your results as part of your 'Environmental Management System' (see below). You could also use the results of your monitoring in your marketing literature, but do not overstate accomplishments and use these facts sparingly. (See communicating sustainable business at the back of this booklet for more information).

How often you chose to monitor your progress depends on your business activity but, in most businesses several different aspects should be monitored over different timescales; some weekly, some monthly some quarterly and some annually.

## Implementing your Objectives

The phrase 'actions speak louder than words' should be a mantra for sustainable business. No matter how much you claim to be doing for the environment and spend on 'green advertising' or glossy CSR (Corporate Social Responsibility) brochures stakeholders take far more notice of actions rather than words.

Sustainable businesses, with ethical values, which behave accordingly can improve their brand image, empower additional sustainable businesses and help protect the environment at the same time as increasing their own life expectancy and opportunities for success.

#### **Purchasing & investment Decisions**

Choosing who your business buys from and invests with are extremely important decisions with serious consequences of global significance. For example, a charity may be 'saving the seals' but, if it is also saving donations with a regular high street bank it may be funding experiments on animals, promoting arms firms and 'needless pollution' without even realising.

The BBC reports that the Co-op bank turned away more than £6.5m worth of business in 2003 which was considered to be 'unethical'. [4] The Co-op bank has a policy of avoiding investment with any government or business which fails to uphold basic human rights and any business whose links to an oppressive regime are a 'continuing cause for concern'. This basic moral conduct simply highlights the fact that any business which does not have an ethical investment policy is, by default, funding oppression and exploitation.

Considered in this light ethical banking seems like the obvious choice for sustainable business, since it also helps to 'close the loop' by providing funds for sustainable investment. But it also highlights the difficulty and complexity of sustainable procurement in general since, by purchasing from a supplier without an ethical investment policy, your business could still be considered to be supporting unethical practice. How far you take this and to what lengths is really up to you. But there's a definite advantage to acting out your values when it comes to procurement decisions, not least of which is the satisfaction of knowing your money is working for good causes. Writing cheques from a recognised ethical bank also proves you are putting your money where your mouth is.

Sustainable purchasing decisions apply to your entire business, from pens and note pads through to telephone and banking services aim to maximise your sustainability.

#### Key questions to ask / Criteria to consider:

- · Do we really need this product or service?
- Can the need be avoided or met in a simpler way?
- Is a suitable product available elsewhere within the organisation?
- Can the requirement be met by renting or sharing, rather than purchasing?
- Is the quantity requested essential?
- Is the specification the simplest/most appropriate for the purpose?
- Can the product serve a useful purpose after its initial use?
- Is the supplier a sustainable/ethical business?

#### Symbols to look out for – Eco-labelling

'Eco-labels' or 'seals of approval' are often used by suppliers to prove their products have been certified as meeting a particular set of environmental standards. However, whilst eco-labels are a useful tool, it is important to verify what they mean and  more importantly – what they don't. Quite often they can be misleading and a plethora of competing eco-labels have emerged over time.

Achieving standards set by eco-labels is not a cheap business. It often requires rigorous testing, external verification and ongoing tests. So, many products which meet, or even exceed, environmental standards do not have eco-labels. A number of the most relevant eco-labels are shown below. Watch out for suppliers who invent their own – they are sometimes not rigorously audited, checked or credible [6].



## Sustainable business behaviour

#### Healthy, productive environments

The environmental aspect of running a sustainable business stretch from concern for the global commons right through to office space and working conditions. A healthy working environment can significantly enhance business productivity and employee morale so it is good business practice to consider:

- Natural lighting saves energy and keep workers in touch with the cycles of the days and seasons.
- Passive ventilation (e.g. windows that open) reduces the need for air conditioning and the circulation of air borne pollution.
- Plants absorb air borne toxins (e.g. volatile organic compounds) and help 'de-ionize' the 'stale' air which computers and electronic equipment produce.
- Desk layouts which encourage participation, as opposed to isolation, are conducive to team building and cooperation.
- Natural materials (e.g. flooring and furnishings) reduce synthetic pollution.

William McDonough, who has redesigned office spaces for Herman Miller and Ford, reports that healthy working environments produce 'dramatic productivity gains' and that 'retention rates have been impressive' [5]. A sustainable business with a healthy, productive environment will waste less money paying absentees and appointing staff.

#### Stakeholder / Community involvement

Consulting your stakeholders, many of whom will undoubtedly be members of your local community, is a valuable process for monitoring your success and gauging perceptions of your brand. In some cases this can be a simple as listening to the comments of your customers however, for projects which impact the community or larger groups of stakeholder 'consultation' events can avoid negative reactions and encourage important feedback by involving the wider community in the development of your business. This can help several valuable and synergistic effects on your business.

For example, avoiding confrontation before issues turn into complaints, boosting brand image and community involvement, enhancing knowledge of your market at the same time as gaining new customers and increasing awareness in general. Stakeholder dialogue is an important, valuable and informative, component of sustainable business which is often overlooked.

## **Energy consumption**

Minimising energy consumption is an obvious strategy for reducing business running costs and environmental impacts.

#### Water

Water heating in an office often accounts for about ten percent of total energy consumed. While the energy costs alone are small, you pay for water more than once. It costs to buy the water, to heat it (for hot water), and then to get rid of it (sewage charges). Saving water can have a compounding benefit.

#### Do not overheat water:

In an office, water heaters do not need to be set higher than 48 degrees Celsius. A 10 degree reduction will save more than 6 percent in water-heating energy.

#### Downsize your boiler:

Many small offices have 50-gallon water heaters, just like homes. With no showering, laundry, or dish-washing, that may be much more capacity than you need and a smaller tank will reduce 'stand-by' losses. New tankless water heaters cut standby losses even further.

#### Low-Flow Fixtures:

Taps use more water than you think. New taps are one way to deal with this, but adding 'aerators' to your existing taps is a lower cost option. These simple devices - available in

most hardware stores - can cut water consumption in half. When you're using hot water, they're saving energy too.

#### Solar Pre-Heating:

Residential-style solar water heating systems work on office buildings too. A solar collector can cut hot water bills in half.

#### Low Flush Toilets:

Toilets and urinals account for about one-third of all water consumed in most office buildings. Older toilets use 3.5 to 7 gallons per flush whilst new low-flush toilets can consume less than 1 gallon. Retrofit 'low flush handles' and 'tank displacement' devices (like the 'toilet hippo' – available free from Thames Water) are cheap solutions.

#### DID YOU KNOW?

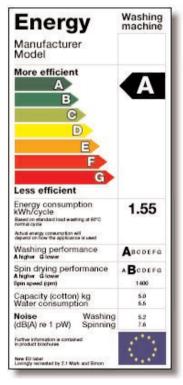
A single dripping tap can waste up to 20 gallons of water a day.

## Heating and lighting

In general you should use energy efficient light bulbs, 'A rated' office equipment and encourage staff to turn off lights and office equipment when not in use. If you are not restricted by the terms of your rental agreement you may be able to install energy efficient light fittings with reflectors, motion sensors (which automatically switch off lights in empty rooms) and change to a green energy tariff (see Sources of help and information).

#### Equipment / Consumables

Look out for the energy labels that are now displayed on many new domestic appliances to help you make an informed choice. They are labelled A to G, A being the most energy efficient.



The labels also give other useful information such as energy consumption, noise levels and water consumption. Even those appliances that don't have an energy label will have an energy rating, usually in watts.

#### Minimising waste and recycling

There are many ways in which businesses - producers and retailers alike - can become waste-wise. The basic idea to take on board is that bi-products from manufacturing and conventional 'waste' are often valuable resources which can be used as 'food' for other business processes (e.g. waste paper is a primary resource for new, recycled papers). Here are some simple first steps:

- Identify areas for waste reduction and implement a waste reduction strategy
- Support re-use, take-back and refurbishment schemes
- Identify the non-hazardous wastes produced by your company which can be recycled and set up a recycling scheme
- Encourage employees to reduce, re-use and recycle at work and at home
- Keep abreast of and be compliant with forthcoming legislation

For further information and advice on how to reduce your waste, contact envirowise, Wastebusters or the Environment Agency. (see Sources of help and information).

#### Transport

Transport consumes huge amounts of energy and is one area in which businesses can radically reduce their impacts by adopting a sustainable transport policy. This is often as simple as utilising information communication technology to avoid unnecessary travel and promoting the use of public transport to minimise carbon emissions.

In general think about providing shower facilities and bike lock-ups at the office and offering interest free loans to employees who wish to buy bicycles to cycle to and from work. If employees are travelling between sites then encourage cycling and walking rather than car use. Consider implementing a 'sustainable transport policy' or 'green travel plan' to address issues such as these in an integrated way. (see Sources of help and information).

#### Communication

Electronic communication (telephone and internet) can greatly enhance the sustainability of business by reducing the need to print and post many materials and travel to meetings. Obviously there are situations in which face-to-face meetings are beneficial but, the advance of online tools which facilitate collaboration and co-operation can often fulfil business needs for a fraction of the environmental and economic costs.

Some basic rules to follow are:

- Minimise printed material by preparing electronic versions of your catalogues or brochures which can be e-mailed, or downloaded from the internet.
- Design electronic material to minimise ink use (e.g. black text on white backgrounds, rather than the other way around).
- Only print when absolutely necessary, well-filed electronic document will still be available for reference.
- Use Open-source software to avoid restrictive license fees
- Use internet telephony to cut your telephone costs
- Consider web-conferencing tools to reduce travel costs
- Initiate an on-line group-ware solution to encourage collaboration by distributed members of your organisation (see Sources of help and information).

## Reporting

Reporting your progress honestly and openly is extremely important. By allowing other members of your business and your wider stakeholders to see where you have achieved most and where you intend to improve are key elements of 'transparency' and 'accountability' which enhance sustainable business. Acknowledging your failures, highlighting areas for improvement and signaling future intentions build trust and respect which help strengthen your brand. By comparison, a business that attempts to 'hide' its shortcomings, which are then unwittingly 'exposed', can suffer irrevocable damage to its' credibility with disastrous consequences.

## Improving performance

This final phase in the sustainable business cycle requires reflection. Consider your initial purpose, long and short term goals, in relation to your monitoring and success indicators. How well you have progressed and what you have achieved? You may find there are areas in which you have seriously under achieved and other areas in which your business has performed better than expected. Work out why and how this has happened and consider redefining your strategies to build on your strengths and minimise your weaknesses. Now is the chance to redefine your business objectives and optimise your businesses performance, this is the most important aspect of running a sustainable business. Being able to evolve and adapt to return higher 'integrated profits' is essential for any trade or profession to continue indefinitely.

#### Basic Environmental Management Schemes (EMS)

An Environmental Management System (EMS) is a tool which allows organisations to assess and manage their environmental impacts in a structured and integrated way. It is a cyclical process, in which an organisation commits to an environmental policy, establishes environmental targets and objectives and then implements a plan of action. The targets are then evaluated and modified (if necessary) and the cycle repeats leading to continuous improvement.

#### **Accreditation Schemes**

There are two main EMS accreditation schemes, both of which require that an organisation complies with a defined set of environmental standards and management procedures:

**ISO14001** (www.iso14000.com) is the standard for an environmental management system developed by the International Standards Organisation.

**EMAS** (Eco-Management and Audit Scheme) (http://europa.eu.int/comm/environment/emas/) is a voluntary environmental management scheme for organisations operating in the European Union. ISO 14001 was recently incorporated as the management system element of EMAS, although EMAS goes further than ISO 14001 in requiring, for example, that a public environmental report is published.

Although implementing an EMS through a formal accreditation process is a great thing to do, it is possible to apply many of the basic principles of these systems to your own organisation, without spending excessive amounts of time or money.

## Golden rules of Sustainable Business:

- Define your business objectives by clearly stating your purpose and principles.
- Research the market, define your brand and its' position in the market.
- Identify relevant monitoring and success indicators.
- Source local, ethical suppliers wherever possible and invest with an ethical bank.
- Respect your environment, locally and globally.
- Involve your local community and other stakeholders in business decisions.
- Minimise energy consumption and waste.
- Monitor your performance, identify areas for improvement and optimisation.
- Report your progress honestly and openly.

## Communicating Sustainable Business:

#### **Concentrate on clarity**

Provide clear, concise information, using simple messages

#### Establish credibility

Build trust, signify intelligence, demonstrate long-term thinking, project values, build coalitions

#### **Empower consumers**

Avoid guilt, be optimistic, emphasise positive conformity

#### Personalise the issues

There is a role for everyone,

people can define their own level of commitment Use real stories and examples which relate to everyday life Sustainable action leads to improve quality of life Emphasise rewards

#### Use humour

Use a new, exiting language not old 'green', break away from stereotypes Make it cool, sexy and fun

#### Do not overstate accomplishments

Give REAL facts but use them sparingly Action is more important than ideology Lead rather than follow

#### Connect with feelings and emotions

Metaphor engages feelings

## Sources of help and information

#### Planning:

SWOT analysis: http://www.businessballs.com/swotanalysisfreetemplate.htm Or simply search for 'SWOT analysis' on google. 'PEST analysis' http://www.businessballs.com/pestanalysisfreetemplate.htm Or simply search for 'PEST analysis' on google.

#### **Procurement Guidance on the Web**

The UK Government's 'Green Guide for Buyers' contains action sheets and best practice guidance for sustainable procurement. Some broken links make the site slightly frustrating but the action sheets provide valuable information and signposting to other resources.

www.sustainable-development.gov.uk/sdig/improving/partf/greenbuy/

#### Symbols to look out for - Eco-labels

See 'A shopper's guide to green labels' at: http://www.defra.gov.uk/environment/consumerprod/shopguide/

#### Heating and lighting

More information on Green energy tariffs:

http://www.uswitch.com/Energy/help/green/renewable\_green\_energy.asp?ref= http://www.foe.co.uk/campaigns/climate/press\_for\_change/choose\_green\_energy http://www.ukenergy.co.uk/pages/green.htm

or simply search google for 'green energy tariffs'

#### Waste

Waste at work information sheet:

http://www.wasteonline.org.uk/resources/InformationSheets/WasteAtWork.htm http://www.wasteonline.org.uk/

http://www.envirowise.gov.uk/

http://www.wastebusters.co.uk/

http://www.environment-agency.gov.uk/

#### Transport

DHL London DHL London operate a fleet LPG vans, as well as two electric vehicles and six quadracycles around London. Tel: 0870 110 0300 Web: www.dhl.co.uk

Zero Zero operate a fleet of delivery and freight-bearing cycles in Central London and offers a restricted intercity service. Tel: 0207 723 2409 Web: www.zeroisbest.com

Green Travel Plans The Department for Transport have developed a guide on producing a green travel plan for your organisation. Includes links to other useful resources. www.local-transport.dft.gov.uk/travelplans

London-based company providing advice and consultancy on electric vehicles. www.drivelectric.com

#### Communication: Software tools:

Linux: The Operating System rapidly replacing Windows <a href="http://www.linux.com">http://www.linux.com</a>

Firefox: The better, faster safer web browser http://www.mozilla.org

OpenOffice: The free productivity suite replacing Word http://www.openoffice.org

Wikipedia: The free encyclopedia replacing Britannica http://www.wikipedia.org

Indymedia: The independent media centre: less biased than the BBC http://www.indymedia.org

Consider using an open source Content Management System (CMS) or groupware solution such as TikiWiki (www.tikiwiki.org) to structure your web content, allowing groups to work together on shared documents online.

Investigate Sykpe (www.skype.com) and other internet telephony services.

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