

Small & Medium Size Enterprises & Sustainable Development: Large company engagement

CPPR, Ottawa

April 27, 2004



World Business Council for
Sustainable Development

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Overview



- **Business case for SMEs and SD**
- **Existing Initiatives**
 - **Public / government**
 - **Business**
 - **WBCSD**
- **Conclusions**





What do Hartmann (WBCSD member company), rural Brazilian eucalyptus farmers, and the ice cream shop down the street all have in common?

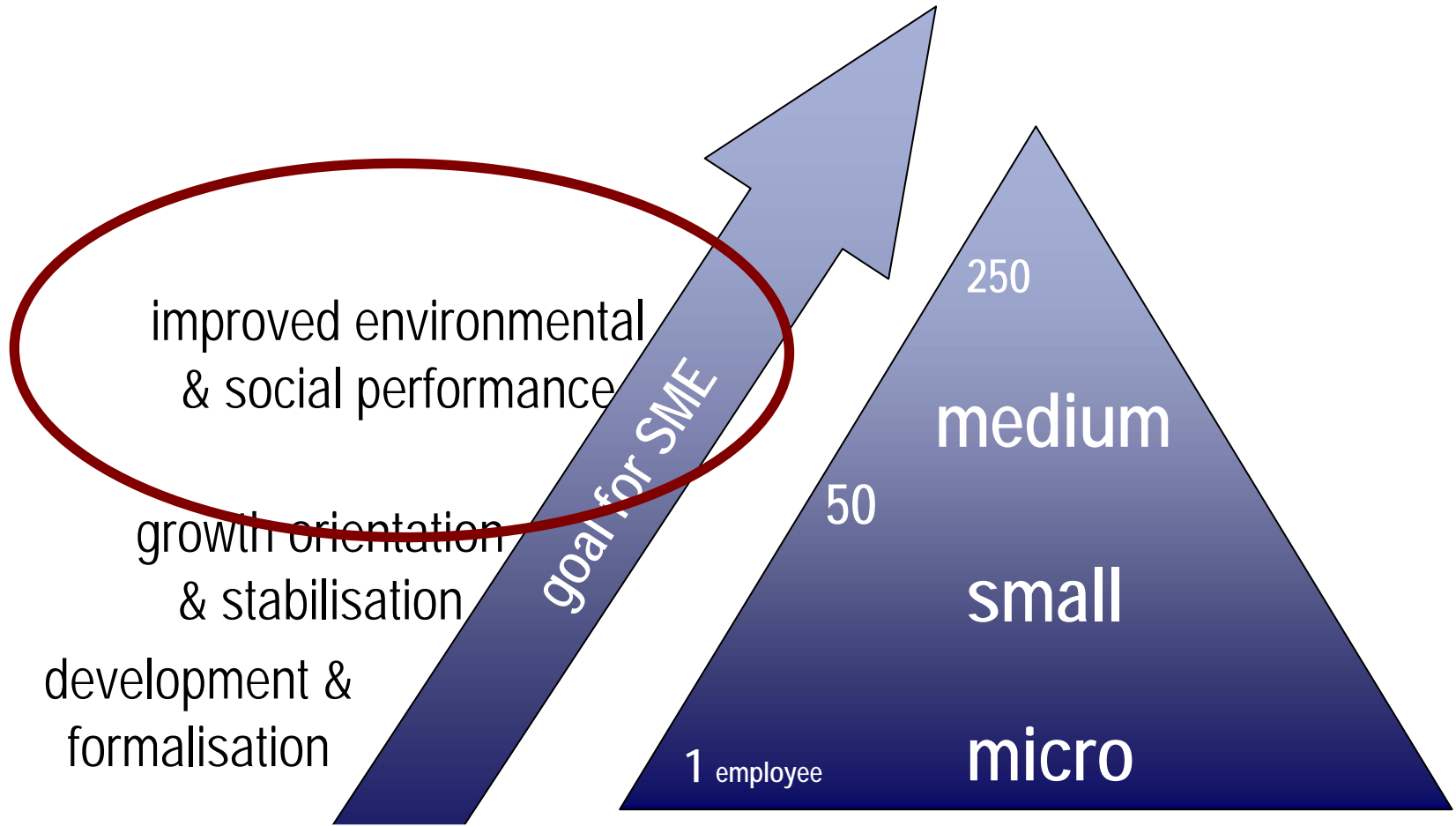
They are all considered SMEs.

Definitions vary widely:

- ❖ "micro-enterprise ": 1 to 10 employees
- ❖ "small enterprise": lower 5-10, upper 50-100
- ❖ "medium enterprise": 100-500 employees

Others classify by assets: IFC up to \$15 M assets and total annual sales up to \$15 M







On average what percentage of the private sector is constituted by SMEs?

About 99%.

United Kingdom:

- ❖ 99% of companies have 250 or less employees
- ❖ 43% nations wealth

Bangladesh:

- ❖ 99% less than 100 employees
- ❖ 58% employment

Ecuador:

- ❖ 99% less than 50 employees
- ❖ 55% employment

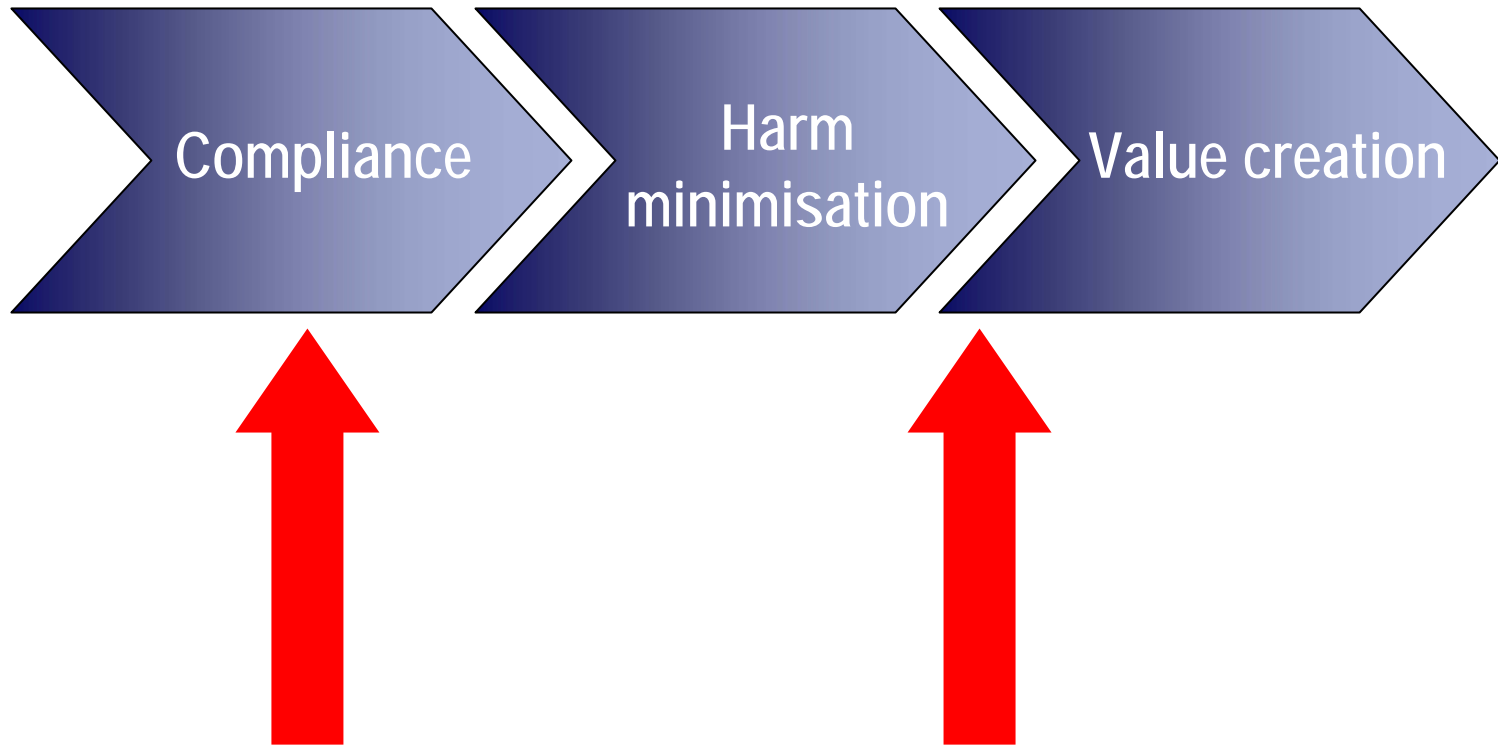


From an environmental and social perspective

- ❖ SMEs contribute significantly to pollution and industrial accidents (60% and 80% respectively in UK) but self-awareness of impact is low
- ❖ SMEs may display "*Silent Social Responsibility*" : less mobile therefore longer-term view in local community - more links to local civil, cultural and/or religious environments
 - Study estimates UK SMEs contribute £3 B/yr socially, ten-fold that of large corporations



Environmental drivers



CSR business case

- ❖ Better alignment with current and emerging consumer concerns and access to new markets
- ❖ Partnership opportunities
- ❖ Operational cost savings
- ❖ Improvements in productivity and quality
- ❖ Enhanced relationships / positive 'brand' or image
- ❖ Learning and innovation



Barriers

Internal limitations

- ❖ Ex. lack of information, training, resources, networks, etc.

Economic limitations

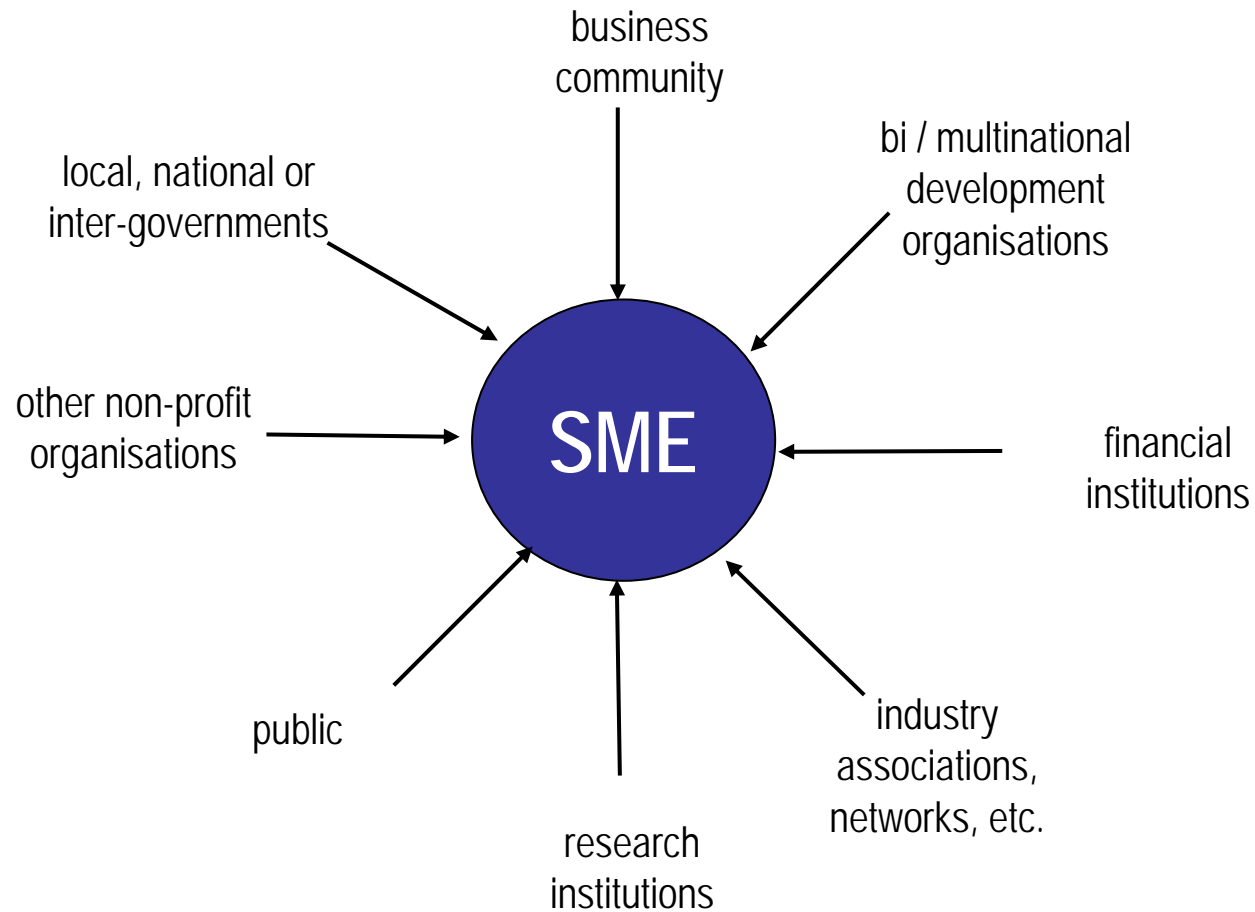
- ❖ Ex. economic short-termism, no economies-of-scale, entry barriers, cost of capital, access to financing

Institutional biases

- ❖ Complex regulatory and legal requirements, lack of IP and land rights, distorting tax structures and levies



Various SME Initiatives



The success of the majority of SME initiatives has been **less than satisfactory**: too general and supply-driven, poor quality, insufficient awareness of cost control, and low coverage (typically 5-10% of target SME population).

→ Call for less direct or subsidized provision of SME services through public institutions:

- ❖ Public institutions to provide enabling frameworks
- ❖ Private sector to deliver support systems



EU study on EMS in SMEs

Due to significant variation in the up-take of EMS among SMEs in member states, EU DG Enterprise undertook a study to determine positive framework and policy conditions:

1. **Embedment of EMS** in environmental policy strategies at national, regional, local and/sectoral level (ex. within Agenda 21)
2. **Organisational arrangement:** effective operation of different institutions involved in accreditation, verification, promotion, etc. - involving business early on is key!

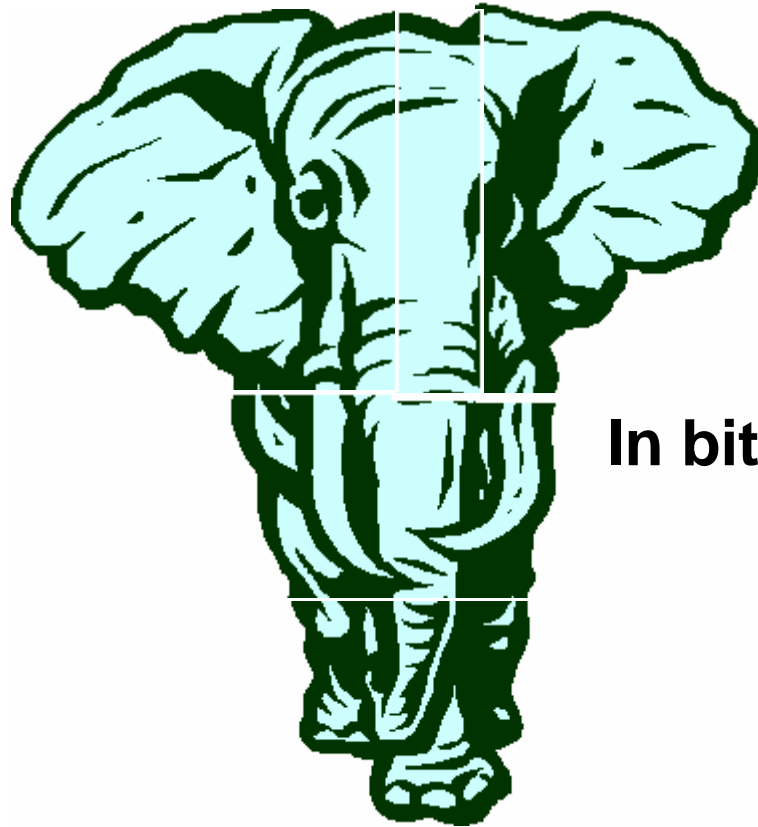


EU study on EMS in SMEs

3. **Providing 'push' factor to SMEs:** subsidies, information-provision, networks, etc.
4. **Providing 'pull' factors:** raising public awareness, creating recognition / value in certification
5. **Promoting less formal approaches to environmental management**



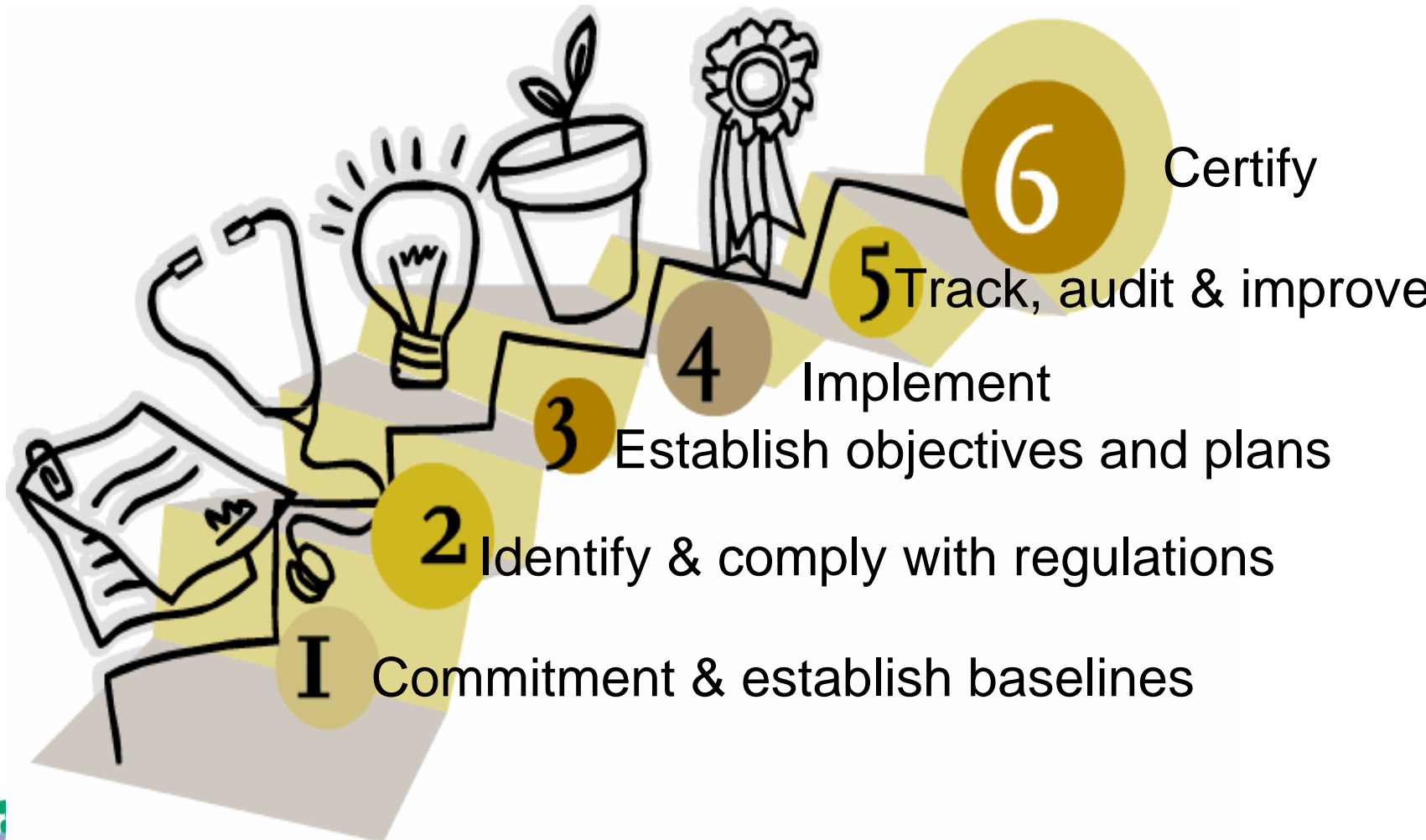
How do you eat an elephant???



In bite sized chunks

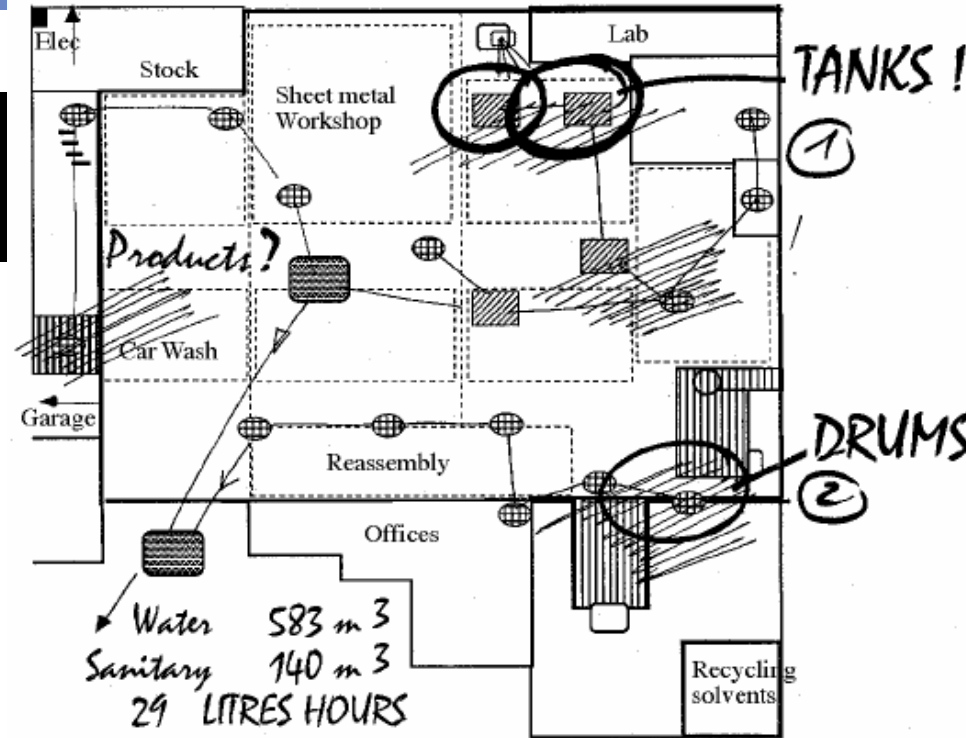


Staged approach – BS 8555



Eco-mapping

Easy, accessible, systematic, and visual tool for evaluating physical impact of a company.



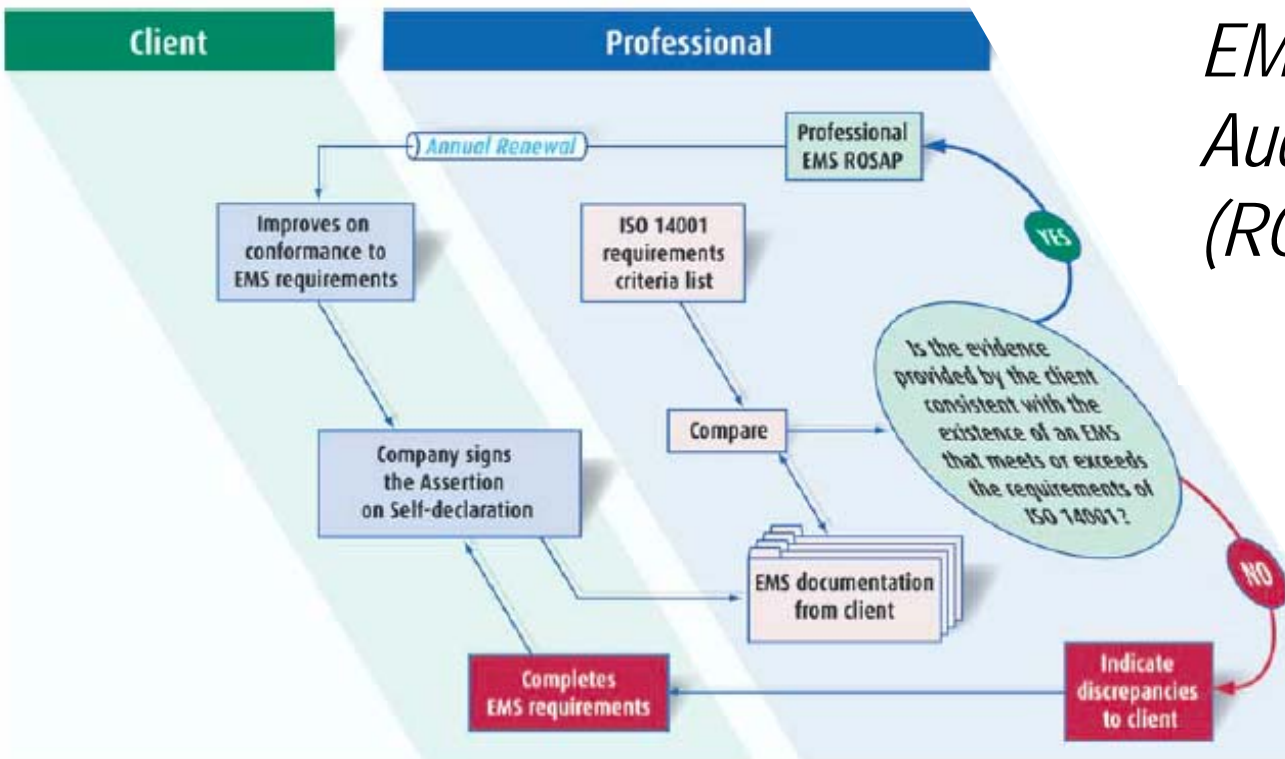
TO DO:

1. Pierre A.: Empty septic tank
Weld sedimentation tank ---> 6.96
2. Enrico M.: Close drums
Move hydraulic oil immediately!!

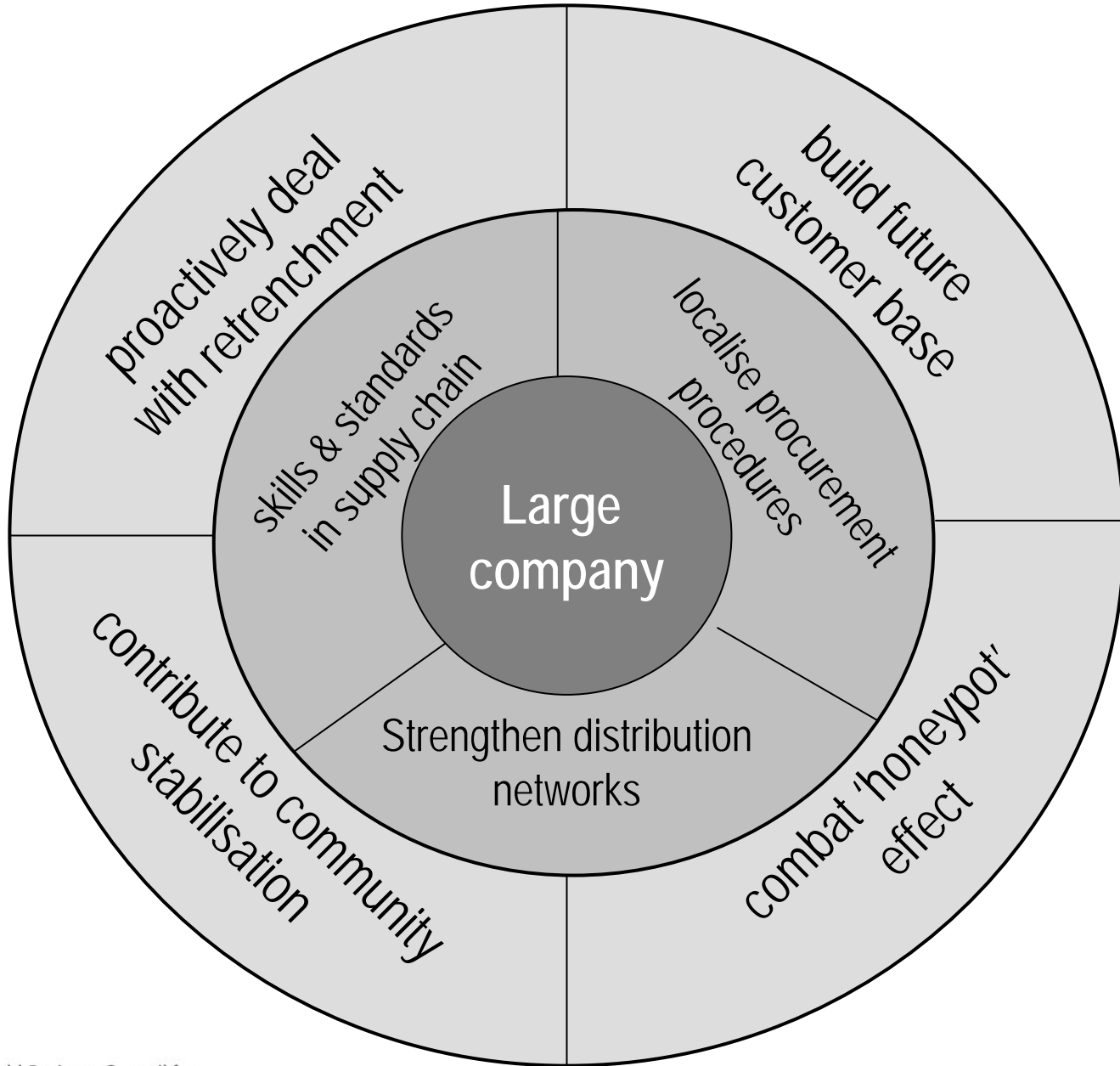
"One little picture says more than a long speech."

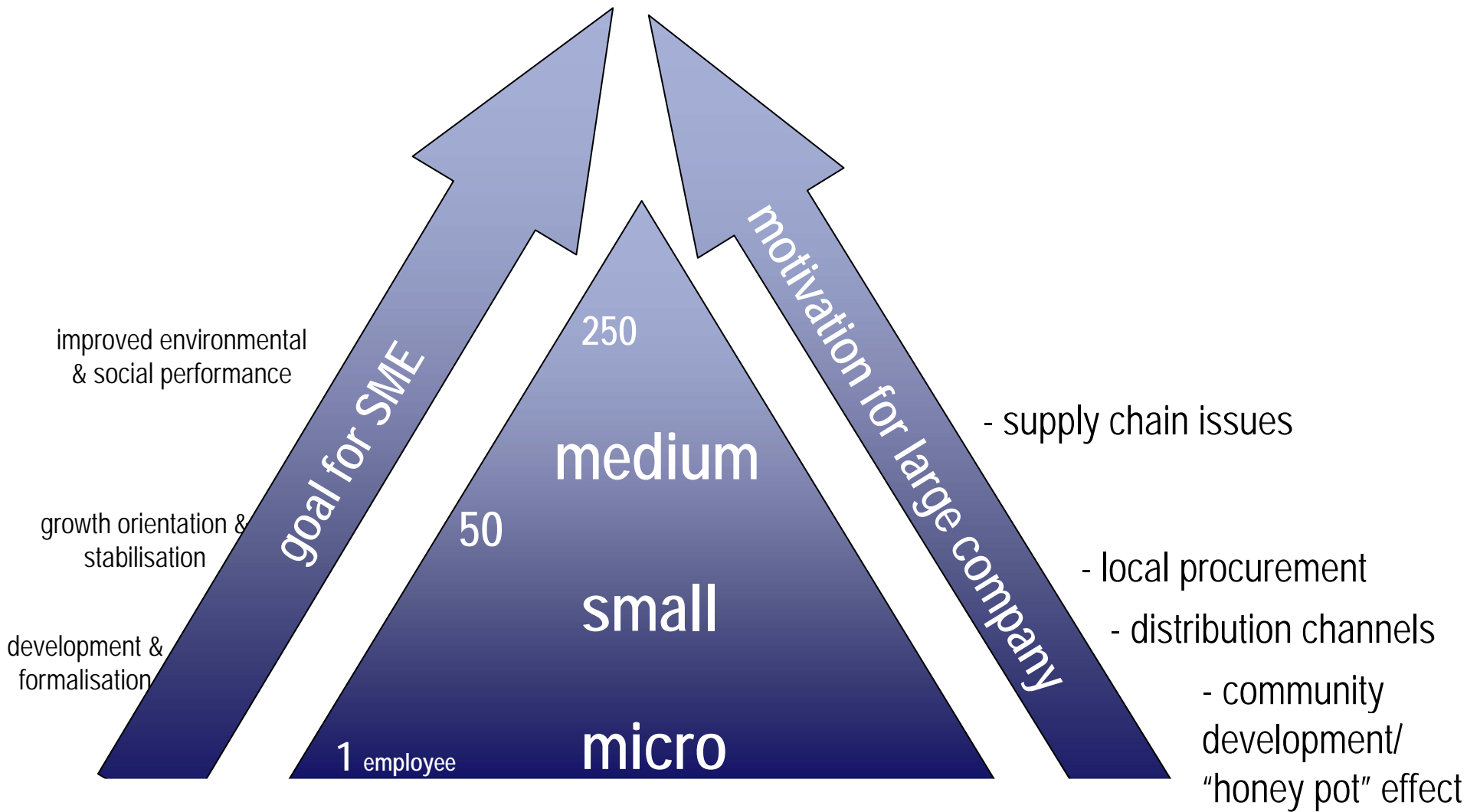
EnviroReady Reporting

EMS Report on Specified Auditing Procedures (ROSAP) process



- Statement of existence of an EMS, meeting ISO 140001 requirements
- Based on the organization's self-declaration and evidence
- Professional Accountant uses commonly accepted auditing standards





SME Programs in Regional Network



Conclusions

- ❖ Many SMEs face **numerous** barriers to engaging in sustainability, but involving SMEs is essential for global sustainability
- ❖ There is a significant number of initiatives, but effectiveness has been questionable – accessibility and coverage are the biggest issues.
- ❖ While policy and framework conditions are vital, the private sector – specifically large companies – need to become more engaged.
- ❖ Overall, significantly more action is still needed...
- ❖ Keeping in mind, there is no one answer – no one programme – that is going to serve as a panacea for all.



dedicated to making a difference



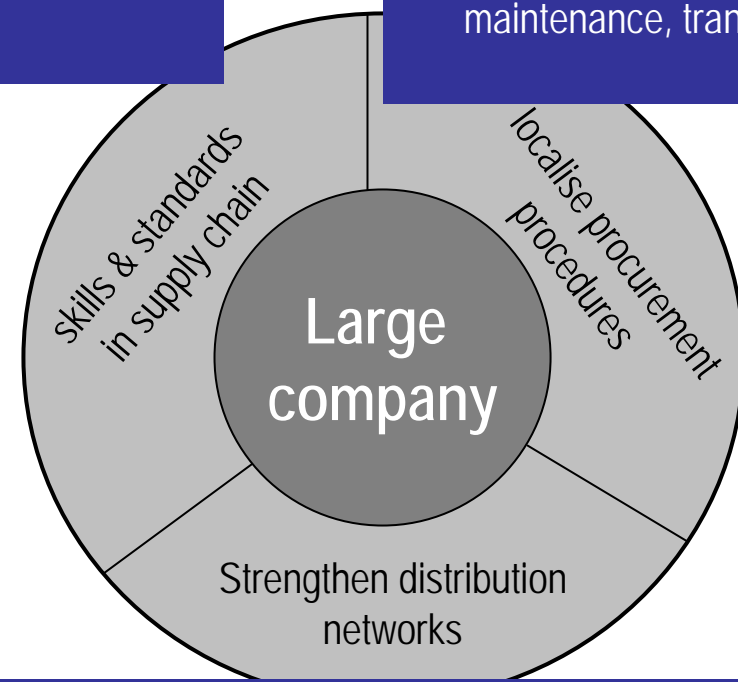
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SCM Advantages

- ❖ Reduced costs
- ❖ Improved risk management
- ❖ Enhanced quality and brand image
- ❖ Increased innovation

Anglo-American SA: ZIMELE

- ❖ entity to support local enterprise in SA, particularly among black communities
- ❖ many enterprises based on outsourcing opportunities at the mining operations such as fuel supplies, railway maintenance, transport, laundry services, catering, etc.



CEMEX – Construrama program

- ❖ Invests in small constructions stores throughout Mexico, providing capital for new storefronts, computers, inventory-tracking software, and also provides various management skills
- ❖ Have built strong brand loyalty (75% of sales in Mexico are by bag from such stores)



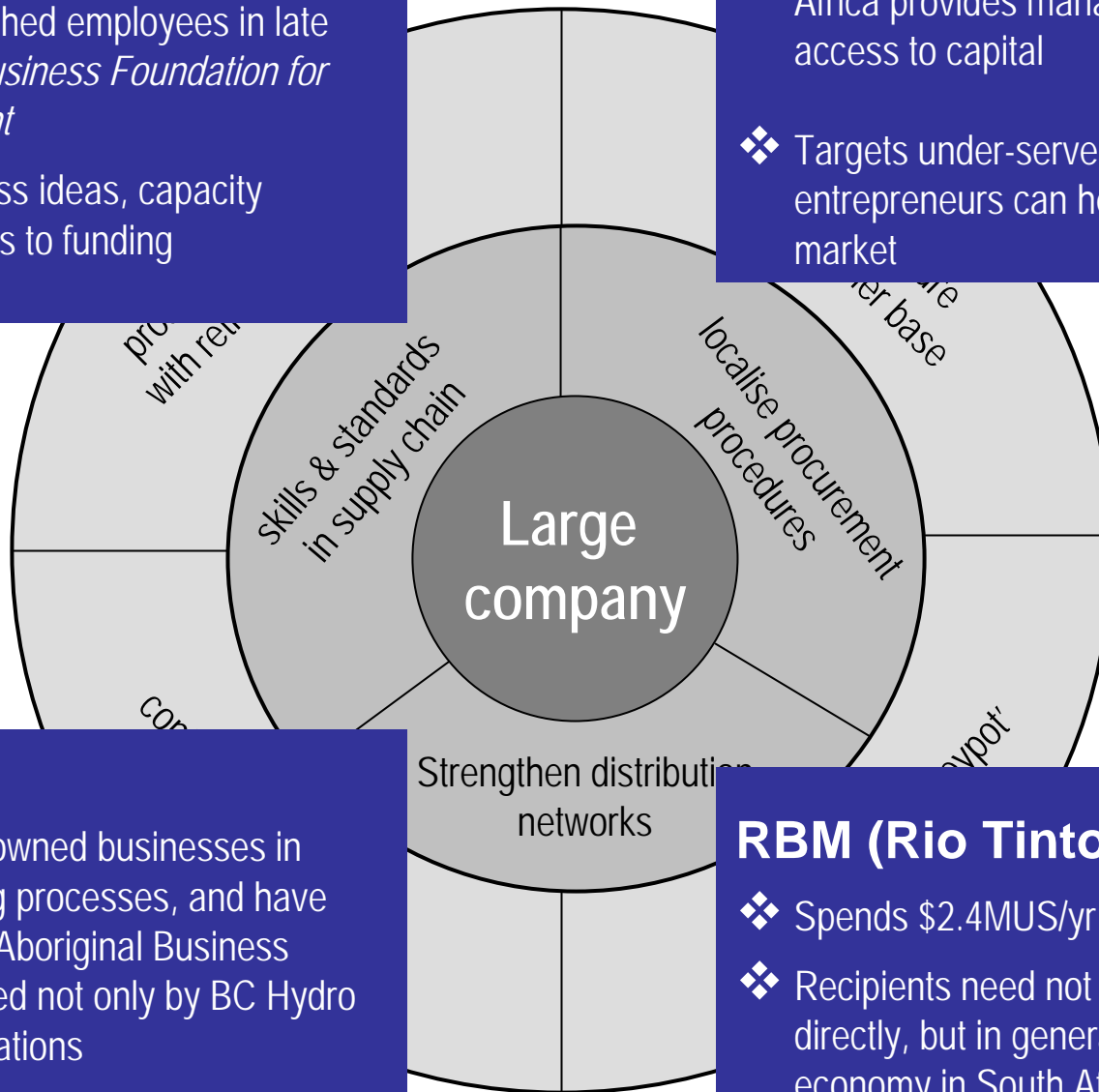
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GrupoNueva (Ecuador)

- ❖ Supported *Program for Small Business Creation* for retrenched employees in late '90s through the *Business Foundation for Social Development*
- ❖ Helped with business ideas, capacity building, and access to funding

Coca-Cola

- ❖ Entrepreneur development program in South Africa provides management training and access to capital
- ❖ Targets under-served markets so that the entrepreneurs can help Coca-Cola enter the market



BC Hydro

- ❖ Assists Aboriginal-owned businesses in improving tendering processes, and have also developed an Aboriginal Business Directory that is used not only by BC Hydro but by other corporations
- ❖ Is strengthening license-to-operate in a region with uncertainty over property rights and ownership of lands

RBM (Rio Tinto)

- ❖ Spends \$2.4MUS/yr on SME development
- ❖ Recipients need not necessarily supply RBM directly, but in general contribute to the economy in South African community