Small Business
Making sustainability part of every day

White paper
November 2016

Banksia FOUNDATION

Advancing the United Nations' Sustainable Development Goals

We all have a crucial role to play in building a sustainable future through responsible business practices, including businesses both large and small.

In January 2016, the United Nations' Sustainable Development Goals (SDGs) came into effect, which provide a common set of goals to put the world on a sustainable path to 2030.

The UN Global Compact – the UN's corporate sustainability initiative to which Australia Post is a signatory – ask businesses to contribute to the SDGs first by doing business responsibly, and then finding opportunities to solve the challenges represented by the goals through innovation and collaboration.

Australia Post and the SDGs
Australia Post is committed to advancing the SDGs and, in particular, we're focusing our efforts on the goals we can influence the most. We're purposefully advancing our performance against these particular goals through our investments, our business practices and our products, services and solutions.

Small business and the SDGs
Small business can also look to the SDGs for inspiration and start by aligning their particular business to the goals. For example, a food producing company has a strategic opportunity to contribute to Goal 2: to end hunger, achieve food security and improved nutrition, and promote sustainable agriculture. While a technology business can help advance Goal 9: to build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

The SDGs provide a framework for small businesses to measure and report how their operations and strategies contribute to global sustainability, and can also help them to identify negative impacts and ways to minimise or mitigate these.

For further information about the SDGs, see **https://sustainabledevelopment.un.org/sdgs**

For further information about business and the SDGs, see **https://www.unglobalcompact.org/sdgs**

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1 Foreword

In this era of online, mobile and borderless commerce, there is a whole world of opportunity opening up for Australian small business. For this reason, one of our most important strategic goals at Australia Post is to help Australian small businesses to go online, grow and export to the world.

While we are enthusiastic about the opportunities presented by the global marketplace, we are also conscious that our enthusiasm must be accompanied by a genuine sense of social and environmental responsibility. This is fundamentally important because if we do not conduct business responsibly then, longer term, our customers and the community will not allow us to be in business – sustainably.

At Australia Post, we've committed to advancing the United Nations' Sustainable Development Goals, which provide a common set of goals to put the world on a sustainable path to 2030. While all 17 goals are important, some of the goals are more directly relevant to our business than others. So, naturally, we've prioritised our action around the goals where we know we can have the greatest impact. We are purposefully advancing our performance against these goals – including combating climate change, promoting sustainable industrialisation and fostering innovation – through our investments, our business practices, and our products, services and solutions.

We have partnered with the Banksia Foundation to research and co-author this white paper into the sustainability practices of Australian small businesses, because we also want to promote the cause of sustainable development amongst our business customers and the wider community.

This white paper highlights that there are varying levels of maturity when it comes to integrating sustainability into the operations of Australian small businesses. That's not at all surprising, given that most small businesses are fully occupied by the daily challenge of winning customers.

But, encouragingly, the research also highlights a desire amongst most small businesses to learn more about sustainability – and incorporate that knowledge into their business practices. We hope this white paper gives those small businesses some inspiration to make some small changes that are mutually beneficial – both for their business, their customers and our world.

Ahmed Fahour
Managing Director & Group CEO
Australia Post

Small businesses are the backbone of the Australian economy. As such, they influence the way our society tackles big issues like workplace safety, gender equality and sustainable business practices. But rarely do these issues occupy small business thinking. The reality for small business is more about managing cash flow, retaining staff, dealing with suppliers, chasing customers and staying ahead of loan repayments.

With all this to think about, why should any small business owner make time for something as 'big picture' as becoming more sustainable? Because sustainability has the potential to make their business more successful. Becoming more sustainable can help attract and retain good staff, build stronger relationships with customers and suppliers, tap lucrative new markets and boost reputations.

This white paper sets out some of the practical benefits sustainability can bring to small businesses, from the viewpoint of small businesses that already enjoy them. Each business involved comes from very different industries but is recognised as a recent award winner or finalist at the Banksia Sustainability Awards.

This is the second of Banksia's series of Innovation white papers – working towards a more sustainable 2020. The series is proving a worthwhile way to share the initiative and innovation of our award winners with the broader business community – in this case, Australia's small business community.

The white paper would not have been possible without our association with Australia Post – the iconic Australian business that has reinvented itself as a leading example of sustainable business practices.

Australia Post's own sustainability agenda demonstrates what can be achieved by clear internal policies and initiatives, strong partnerships and innovative use of new technology. Australia Post leads in sustainability innovation too by recognising sustainability issues and transforming them into opportunities, such as offering mail-backs of Nespresso pods for a nominal cost. This mindset was key to Banksia awarding Australia Post its Large Business Sustainability Leadership Award in 2015. And it is key to our ongoing partnership through initiatives like this white paper.

We would like to thank Australia Post for making this important project possible, particularly for its detailed survey and analysis on the sustainability perspectives of its small business clients. Australia Post has enabled Banksia to realise the extensive knowledge and experience of our small business finalists, whom we also thank for the enormous contribution they have made in time, effort and insight.

Banksia is proud to collaborate with Australia Post and our finalists on a project we hope will help small businesses realise the benefits sustainability can bring to their every day operations.

Graz van Egmond
CEO
Banksia Foundation

2 Executive Summary

This white paper, produced in partnership by Australia Post and the Banksia Foundation, uncovers the reasons why small businesses sometimes hold back from integrating sustainability into their every day business. It highlights the barriers and drivers to sustainability, along with the key characteristics of those small businesses who are leaders in sustainability and the lessons they've learned. It also provides business and government sound insights into the opportunities to help small business make the transition to a sustainable future.

After surveying over 1,000 Australian small businesses on the issue of sustainability, we know that most are eager to learn about sustainability but it's not always seen as their top priority. And, while most acknowledge that it makes commercial sense to introduce more sustainable practices, the challenges often outweigh the perceived benefits of change.

From understanding what they need to do, to knowing where to find the information and making the time to implement the necessary changes, small businesses are not getting the support they require to become the sustainable 21st century businesses they want to be.

There's great opportunity for corporates, government and industry bodies to harness the goodwill and interest of Australian small business in sustainability, and co-create programs that further engage and educate those at the beginning of their sustainability journey as well as the more advanced.

Key Insights

Small businesses are eager to learn more about sustainability, but it is not always a top priority

Key sustainability areas of interest for small businesses include reducing their carbon footprint and water usage, upholding health and safety standards, and eliminating child labour

The main barriers for advancing sustainability are related to lack of time and lack of understanding

Unlocking financial benefits, alignment with business goals and values, and stronger relationships with stakeholders are key drivers to encourage small businesses to take up social and environmental sustainability practices

Small businesses integrate sustainability most often in their every day operations. They rarely address sustainability in their communications, and few invest in sustainability measurement and evaluation

3 Methodology

This white paper uses the term 'sustainability' throughout which in the context of the research undertaken, is intended to encompass both environmental sustainability and social sustainability. **Environmental sustainability** refers to topics such as reducing electricity, gas, waste or carbon emissions in operations. **Social sustainability** refers to areas such as supporting diversity in the workplace, respecting human rights or supporting local communities.

3.1 Methodology

This white paper brings together insights from a two-phased research project, conducted in April 2016:

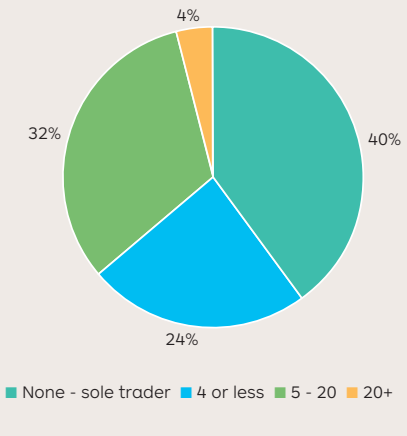
- an online survey with more than 1,000 Australian small businesses to examine trends, drivers and barriers for addressing sustainability; and
- Nine in-depth interviews with recent Banksia Sustainability Award finalists and winners* to explore examples of sustainable best practices and insights into how they've successfully integrated sustainability within their small businesses.

**Small to Medium Business Sustainability Leadership and the Sustainability in Design, Build Award categories.*

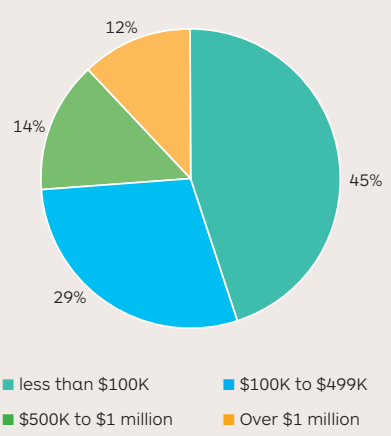
3.2 Respondents

Survey respondents included Australian small businesses presenting the following characteristics:

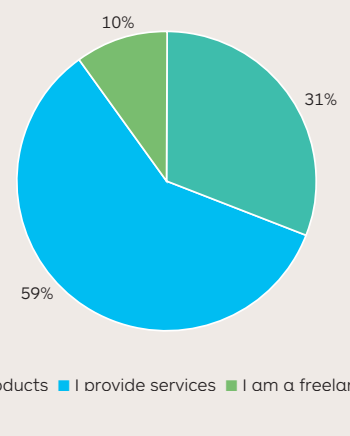
Staff employed



Revenue



Business type



4 Understanding sustainability

Most Australian small businesses are eager to learn more about sustainability. However, sustainability is still not their top priority. Varying degrees of understanding explain differences in levels of integration.

We asked survey respondents to assess the level of importance of sustainability in their businesses. Based on their answers, we identified three key types of small businesses, each with distinctive features that reflect the different stages of sustainability integration:

- **Newcomers:** Those who are at the very early stages of their journey, do not have a formalised approach to sustainability and do not take any sustainability considerations in their work (34.7%).
- **Bystanders:** Those who are making steady progress in advancing sustainability and moderately consider sustainability issues when conducting their services and/or providing their products (33.5%).
- **Leaders:** Those who are most advanced in their journey, regard sustainability among their top considerations in the running of their business and have a formal approach to manage it (31.8%).

According to survey respondents, only one in three small businesses regard themselves as leaders in sustainability.

So what drives Australian small businesses to become leaders in sustainability? How can other small businesses be inspired to understand the benefits, along with the risks of inaction?

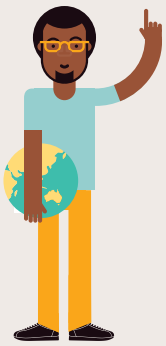
Kalleske Wines

"Ultimately this is based on our ethics. But we also see how it makes good financial sense. Sustainability is not mutually exclusive to financial gain but in fact can make a business more profitable"

Barossa Valley winery and family business Kalleske Wines – 2015 Banksia Small to Medium Business Sustainability Leadership and Banksia Gold Award Winners.

Newcomers
34.7%

Bystanders
33.5%



Leaders
31.8%

4.1 What sustainability means to small business

Sustainability often means different things to different people. We asked respondents to indicate what sustainability means to them.

Most respondents typically associated sustainability with issues related to environmental conservation and to a lesser extent, also with social and community aspects.

Overall, small business in the early stages of development tend to focus more on environmental issues, while Leaders recognise and integrate both social and environmental aspects into strategy and operations to create new value for both their customers and the business.

Figure 1: The meaning of sustainability for small businesses

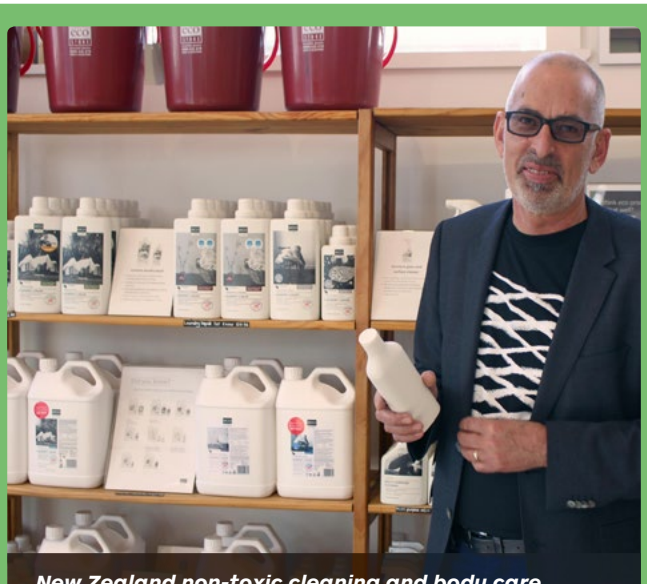
larger size = more mentions

n = 1,010

Ecostore

"Ecostore's sustainability is motivated environmentally, socially and financially, but product sales for their own sake aren't the ultimate driver. Sales are only worth something if they can contribute to projects that will help make a difference in the world.

We couldn't have achieved brand recognition and regional expansion without a huge focus on people. Community involvement is a big way for us to support organisations that promote sustainable causes and events. We do this either by offering our time, mentorship, products or partnerships to form new ideas."



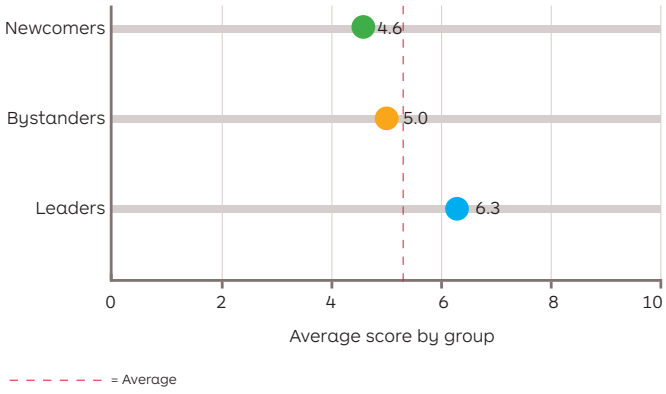
New Zealand non-toxic cleaning and body care manufacturer Ecostore was started by husband and wife team, Malcolm and Melanie Rands in 1993 – 2015 Banksia Innovator of the Year Award Finalist.

4.2 Knowledge and interest in sustainability

In exploring the key opportunities to advance sustainability among small business, we asked respondents two questions: first, to assess how much they know about sustainability and second, to rate their appetite to learn more about it.

Figure 2 shows Leaders have a high level of knowledge of sustainability. While Newcomers scored the lowest (4.6 out of 10) they do have some knowledge of sustainability and are not too far behind Bystanders.

Figure 2: Level of knowledge of sustainability among small businesses



Unsurprisingly, Leaders also have the highest interest in learning more about sustainability. While Newcomers and Bystanders know less about it - and are at earlier stages of their sustainability journey - encouragingly, they show strong interest in learning more about it.

We also asked about the level of interest in sustainability among small businesses, see Figure 3 (page 11). These insights tell us that a higher interest in sustainability leads to increased understanding of sustainability. Secondly, even small businesses that have limited knowledge about sustainability are eager to learn more about it.

There's opportunity to continue to broaden the knowledge of Leaders and to develop programs to further engage and educate Newcomers and Bystanders – those who are not as far advanced on their sustainability journey.

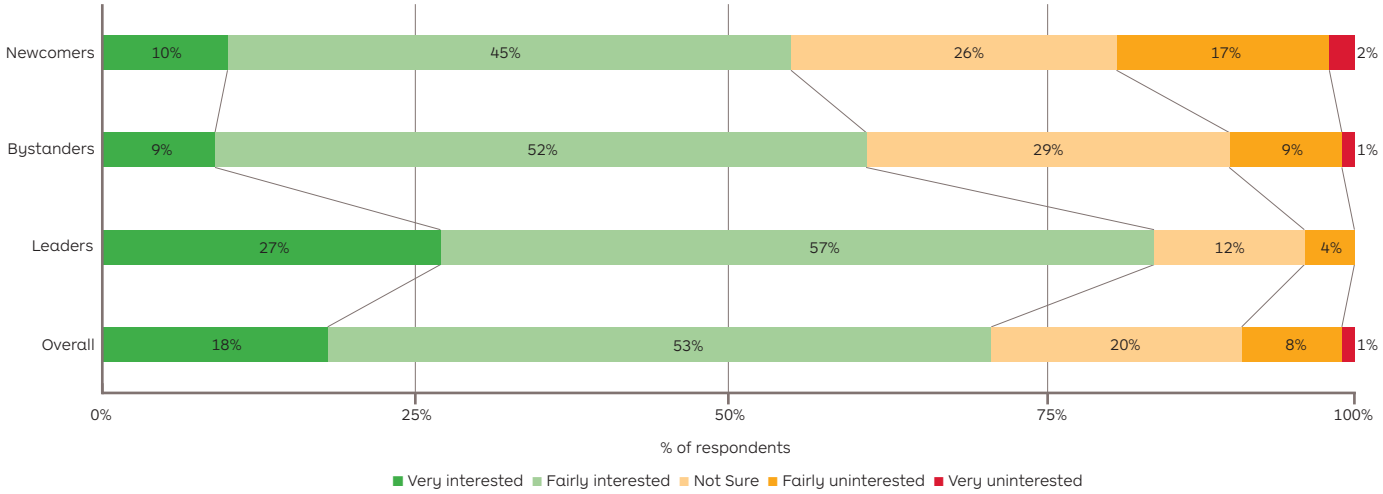
Saffrron

"We saw first-hand that restaurants needed to catch up with the environmental awareness and commitment to sustainability initiatives that Australian consumers and industry already had.

Our personal values around sustainability meant it was impossible to ignore the waste, the energy and water consumption, the lack of recycling systems in place and the wasted potential for positive impact at the restaurants we worked at."

Darwin based Saffrron restaurant is owned and operated by environmentally conscious husband and wife team, Jo and Selvam Kandasamy – 2014 Banksia Small to Medium Business Sustainability Leadership Award Finalist.

Figure 3: Level of interest in sustainability among small businesses



NOWarchitecture

"When we started our business 30 years ago, sustainability wasn't a common issue so it took some time to build a reputation. Clients had to be educated on sustainability, but now most come to us because of our reputation for sustainable design."

Specialists in environmental sustainable design, NOWarchitecture is a multi-award winning architectural practice with over 30 years' experience – 2015 Banksia Sustainability in Design, Build Award: Buildings, Landscapes and Infrastructure Projects Finalist

Future Focus

Take action:

- Small businesses have a crucial role to play in building a sustainable future.
- Corporates and industry bodies can support their transition through the creation of knowledge building tools and easily accessible education programs.
- This is particularly important as new policies regulations and other requirements are introduced to help address the global sustainability challenge.

5 Benefits of sustainability

There are clear benefits encouraging small businesses to take up sustainable practices.

Leaders display a higher interest in sustainability and a great understanding of it – so what triggers that interest? To dig deeper, we asked leading small businesses to indicate the main benefits they see from integrating sustainability in their business.

From their perspective, prioritising sustainability can unlock financial benefits and help foster stronger relationships with stakeholders. It is also a way to align business practices with business values, stakeholder expectations and, to a lesser extent, regulatory requirements.

There are also subtle differences between addressing environmental and social issues. Regarding environmental issues, leading small businesses say that the greatest benefit is that it helps the business save money (for example, increasing efficiencies by reducing their energy or water costs). The greatest benefit for addressing social issues is to align practices with stakeholder expectations and business goals, mission or values.

Other benefits for Leaders include better risk management, making sustainability a point of difference over competitors and increased profit margins from more ethical products or services.

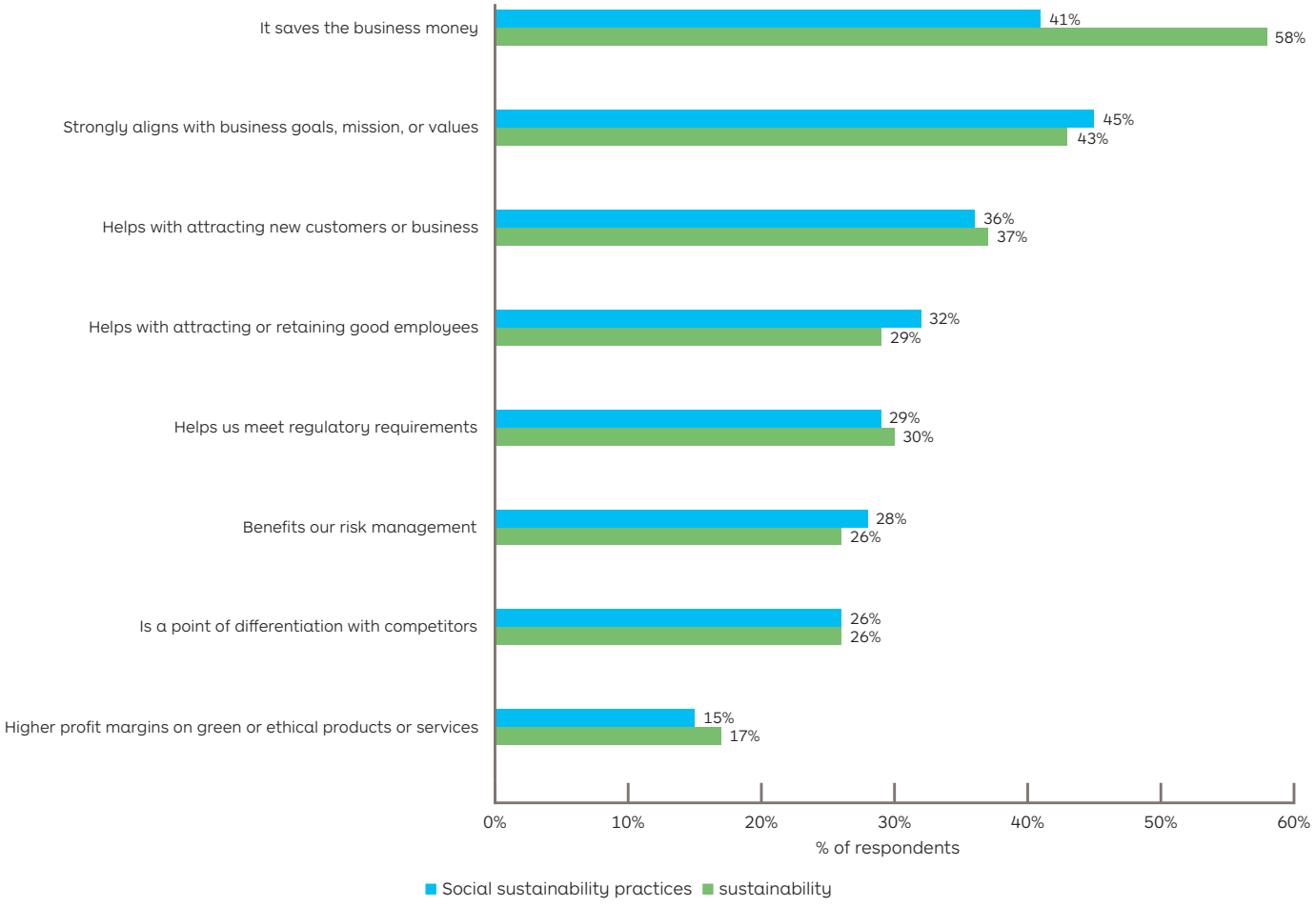
These results provide important insights into the kind of benefits that Leaders recognise in addressing sustainability. Increasing awareness of these benefits and their long term positive impacts is an opportunity to trigger a greater interest and uptake of sustainable practices.

Psaros

"Four years into their sustainability investments, Psaros can now accurately measure the financial and environmental savings of their initiatives. We are excited about the results. The benefits were always considered to be greater than the risks. In fact, not trying was a greater risk, and the point of difference and early adopter position has positively affected customer decision-making towards our product and enhanced our brand position"

Perth based property developers, Psaros, is one of the few property development firms in Australia to measure, minimise and offset their carbon footprint annually – 2014 Banksia Small to Medium Business Sustainability Leadership Award Winner.

Figure 4: Benefits of addressing sustainability for small businesses



Future Focus

Incentivise:

- Calling out and celebrating small businesses who are advancing their sustainability agendas will encourage others to also take action.
- Corporates, government and industry bodies need to better leverage their networks and resources to share stories about the small businesses they're working with who are realising the financial, social and environmental benefits achievable through sustainability.

6 Integrating sustainability into business practices

Small businesses integrate sustainability most often in their every day operations. However, they rarely address sustainability in their communications, and few invest in measurement and evaluation.

To better understand what sustainability looks like in practice, we asked respondents how they organise and integrate sustainability in their businesses.

Small businesses at any stage of development indicate that they most often integrate sustainability into their every day operations. The second most common areas of integration are related to internal and core management elements such as culture, budgeting or planning. They are less likely to focus on more external aspects such as marketing, supply chain management or measurement and evaluation.

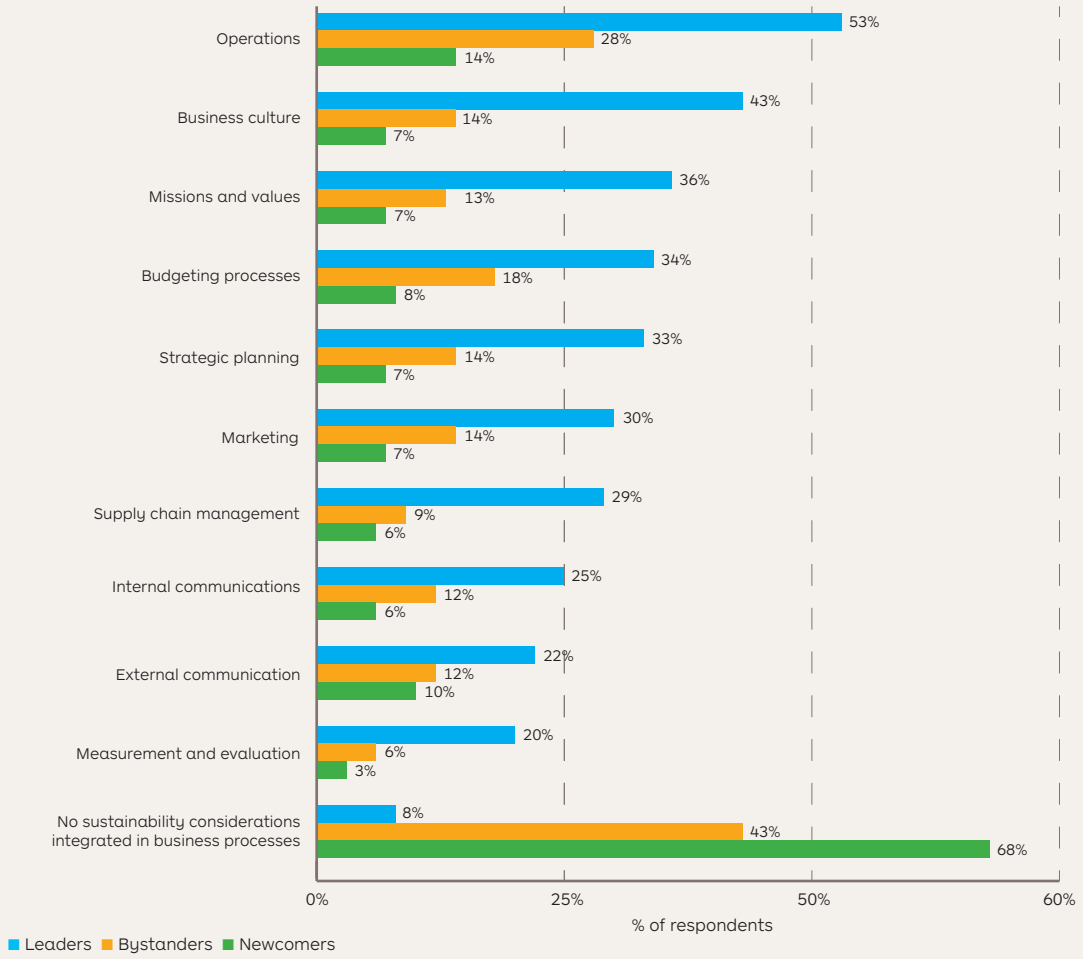
These results provide an overview of the areas where small business are more likely to integrate sustainability practices – but also where they might require greater support to successfully drive the integration. A clearer understanding of how to address sustainability in each instance might help boost the uptake of sustainability practices. For example, embedding sustainability into a company's mission and values can create a level of internal and public accountability on sustainability and help ensure it is considered as part of operations, business culture, budgeting and planning.

Sydney Theatre Company

"Initiated by Co-Artistic Directors, Cate Blanchett and Andrew Upton, Sydney Theatre Company (STC) began focusing on sustainability to affect socially responsible environmental outcomes in the arts. It was also seen as a real world proof that companies can embrace environmental sustainability effectively and efficiently. The project has also led to financial savings through reductions in resource use. STC's staff are key to our ongoing commitment to greening"

STC has committed to an ambitious, long-term and multifaceted environmental and social sustainability program – 2011 Banksia Small to Medium Business Sustainability Leadership Award Winner.

Figure 5: Areas where small businesses integrate sustainability



Future Focus

Measuring and reporting:

- Transparent measurement and reporting of sustainability, performance and progress towards business goals can help small businesses build their profile and increase competitive advantage.
- Corporates can support small business by including them in training and development programs and initiatives focused on sustainability management and reporting systems.
- They can also create opportunities to mentor and guide small business on how to take bite-sized approaches that prioritise actions on a year-by-year basis and set achievable targets.
- Small businesses need to harness these opportunities and seek out resources and advice so they can confidently advance their sustainability agendas.

7 Key sustainability issues

Reducing carbon footprint and water usage along with upholding health and safety standards and eliminating child labour ranked highly as issues that respondents perceive as important.

To explore the level of sustainability integration in more detail, we asked respondents to rate the level of investment they dedicate to key sustainability issues as well as the degree of importance they place on those issues.

7.1 Environmental issues

Reducing water use and introducing options that allow customers to offset carbon footprints are key priorities for small businesses but require more investment than other issues.

Recycling, reducing waste and decreasing electricity consumption are potential easy wins for small businesses, rating these as both important and less resource dependent. Businesses that act on these issues can also take advantage of direct savings through greater operational efficiencies.

In contrast, small businesses believe setting targets and developing sustainable products are costly and less important to them.

7.2 Social and community issues

Upholding Occupational Health & Safety (OH&S) standards and eliminating child labour are the most important and resourced social sustainability issues for small businesses. By comparison, small businesses perceive supporting local communities as costly and place a lower importance on this.

It is worth noting that there is a very positive correlation between the importance given to social sustainability issues and the level of resources allocated to those.

Kooweerup Regional Health Service

"Australians face serious and increasing climate change health related risks, including heat related illnesses and deaths, outbreaks of infectious diseases, impacts from food and water insecurity, mental illness and stress associated with environmental damage and increased respiratory and cardiovascular diseases. Our stance on these matters has led us to partner with other organisations interested in sustainability, including the Climate Authority, Doctors Without Harm and the Climate and Health Alliance. We hope our work will inspire other health organisations to put environmental sustainability on their agenda."

Since 1921 Kooweerup Regional Health Service has played a key role in improving the overall health and wellbeing of local residents, continually improving the services they provide to the local community – 2015 Banksia Small to Medium Business Sustainability Leadership Award Finalist.

*Figure 6: Resources and importance allocated to **environmental sustainability** issues*

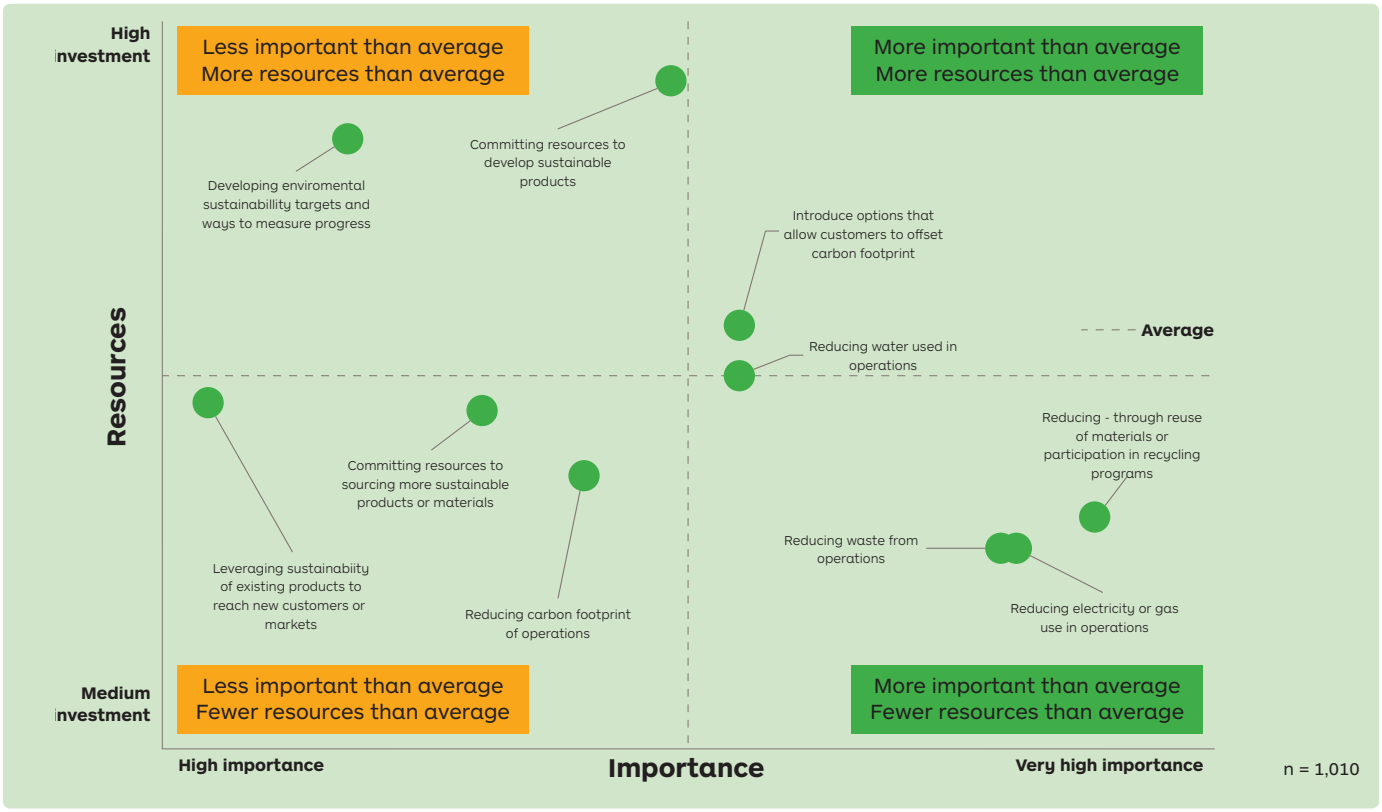
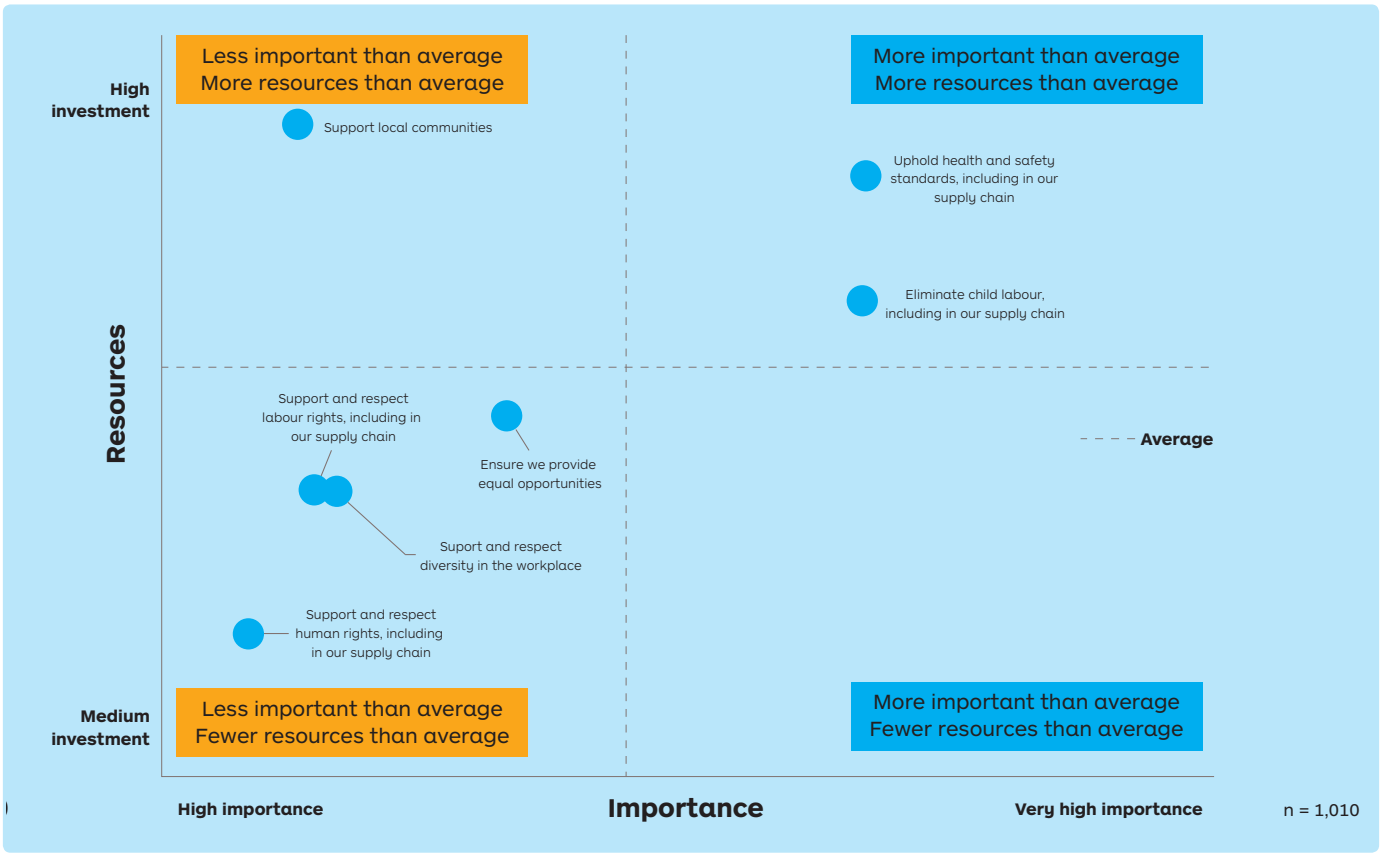


*Figure 7: Resources and importance allocated to **social sustainability** issues*



FieldTech Solutions

"As a manufacturer of products we are mindful of our pricing. Even if our product costs more to make than a conventional non sustainable product, we still try to do it knowing it has to be sold at a lower margin than our competitors to be price competitive for the end user. One of the fundamental problems with the way contracts are awarded at the moment is that they are awarded on lowest cost with often no regard to other factors. If they could be awarded on cost and some environmental scale, then organisations may make different supplier decisions."

Founded by a group of eco-conscious individuals, FieldTech Solutions has been supplying environmental equipment for the last 20 years to a wide range of industries and companies around the world - 2015 Banksia Sustainability in Design, Build Award: Products Winner.

Future Focus

The bigger picture:

- Individually small businesses have relatively small environmental and social impacts however as a group their impacts are much larger.
- All businesses have a responsibility to address global sustainability challenges and need to stay up-to-date on how to best address issues like climate change, water scarcity, urbanisation, food insecurity and social inequality.
- Small businesses can look to frameworks like the Sustainable Development Goals to help them align their strategies and operations against the issues that are most relevant to their future success.

8 Barriers to sustainability

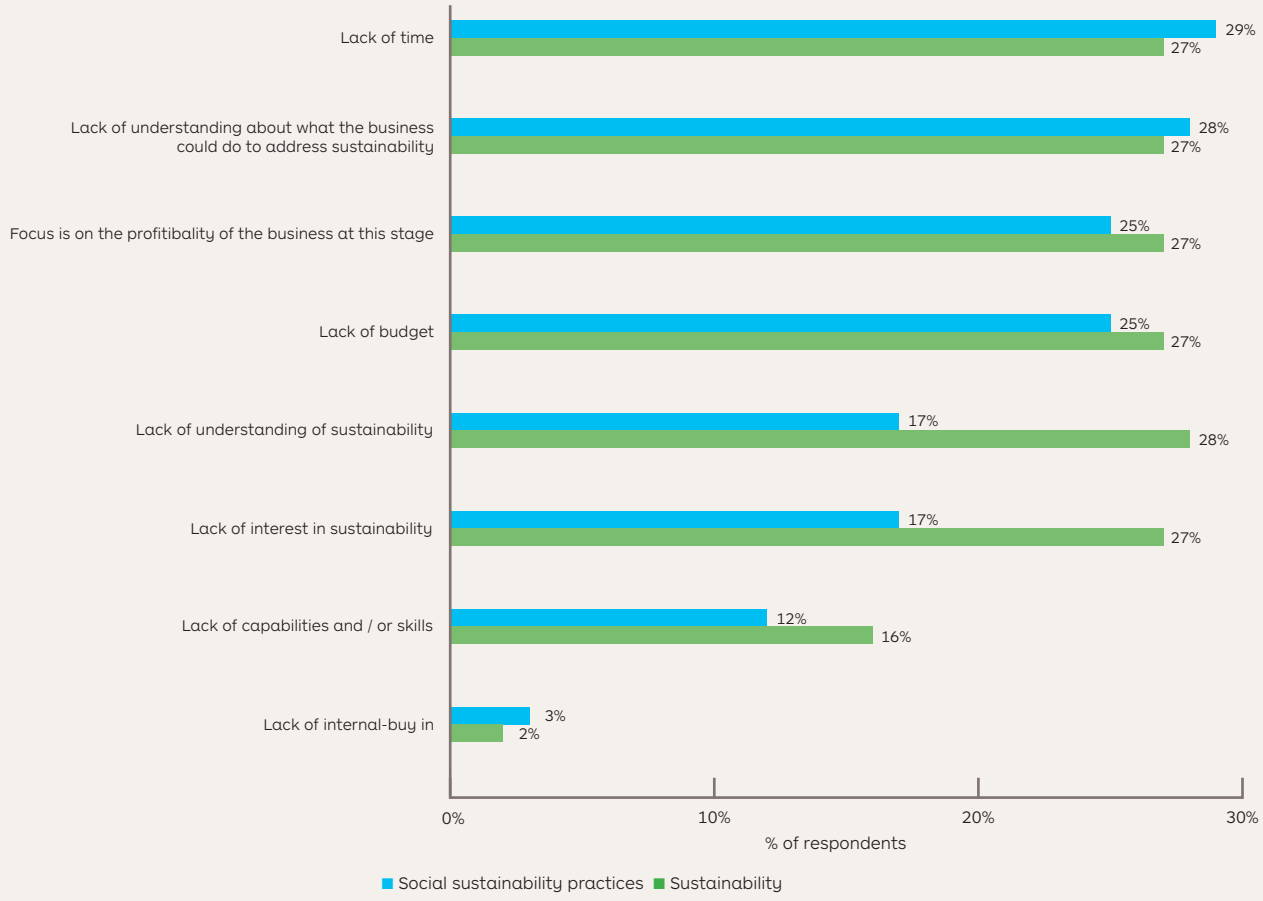
The main barriers for advancing sustainability are related to lack of time and lack of understanding.

Similar to our review of benefits, we explored the main barriers for small businesses to address social and environmental sustainability issues. We specifically looked at the barriers identified by those who have not yet integrated sustainability practices in their businesses.

The most frequent barriers for Newcomers are lack of time, lack of understanding about what their business could do, competing focus on profitability of the business, and lack of budget. These barriers are similar for social and environmental issues.

Other barriers to Newcomers that are specifically important for environmental issues include lack of understanding and interest, as well as lack of capabilities or skills, which are not as challenging in the case of social sustainability.

Figure 8: Barriers to addressing sustainability issues



Serendipity Ice Cream

"Serendipity Ice Cream started out like most other businesses interested in investing in sustainability. We sourced low material use office supplies (staple-less staplers, refillable white board markets) and turned the lights off when the premises closed at night. We then moved up the scale. Now we source locally produced ingredients and other supplies, use only recyclable packaging (some of it with a recycled content), use 100 per cent green energy and reuse materials where possible – for example carton liners are used in place of garbage bags, office paper is re-used for internal documents, pre-loved newspaper is collected and used instead of plastic bags in our retail shop.

Today sustainability is a formal part of our business model, with metrics in place so we can keep improving. We collect data on our activities from waste and recycling volumes to fuel, electricity and waste usage. The data is entered into a customised carbon emissions calculator developed for the business so we can offset the emissions from activities that still produce carbon, such as delivery vehicles and CO2 emissions from waste."

New South Wales based, Serendipity Ice Cream, is an Australian family business that's produced super premium natural ice cream and sorbet for hotels, caterers and restaurants since 1966 – 2015 Small to Medium Business Sustainability Leadership Award Finalist.

Future Focus

Removing barriers:

- There's significant opportunity for corporates, government and industry bodies to provide practical guidance on how to adopt sustainable business practices and the associated business benefits.
- From educational toolkits and mentoring to involving small businesses in sustainability-focused training and development opportunities, information needs to be pitched in way that resonates with small business and can be easily interpreted and incorporated into every day business operations.
- It's only through removing perceived barriers that small businesses will feel empowered and motivated to integrate sustainability thinking into their organisation.

9 Making sustainability part of every day

This white paper demonstrates there's a strong willingness among the small business community to learn and do more to drive sustainable outcomes. Most small businesses recognise that there are clear benefits in addressing sustainability, especially in terms of operational efficiencies and financial gains. Alignment to business values and stakeholder expectations are also key in driving their commitment to sustainability.

We know that small businesses are traditionally time poor and constantly looking for ways to save time and money so they can focus on growing their business and serving their customers. However, running a sustainable business is achievable, cost effective and beneficial. It's about making smart choices that improve efficiency and deliver long-term gains – for both the business, the environment and for the community.

Corporates, industry bodies and government have a role to play in helping small businesses make sustainability part of the every day. Equally, small businesses must be accountable for their environmental and social impacts.

Here are four ways to take action and make sustainability count:

1. Start small – it doesn't need to happen all at once! Small businesses can start by identifying the goals they want to achieve in relation to where their businesses have the biggest negative impact. Focus on those in the first instance. This doesn't need to be a detailed academic exercise and most businesses should be able to quickly identify the top two or three areas that relate to their strategies and operations.

2. Prioritise actions and set one-year targets – small businesses should take a bite-sized approach that reviews and adapts targets on a year-by-year basis, allowing them to be focused and responsive to changes in their business. Corporates, industry bodies and government can offer mentoring and guidance on how to put together a plan and action it.

3. Measure the changes – measuring and reporting is just as important as planning. Small businesses can seek out resources and advice on understanding sustainable development, how to collect data and how to present their performance against indicators that prioritise reducing negative impacts and increasing positive impacts.

4. Tell someone, and then someone else – communication is critical to building reputation and trust. Small businesses can increase and promote their sustainability credentials by leveraging corporate networks and stakeholder engagement opportunities. Governments and corporates want to work with sustainable small businesses, and attracting new capital and building competitive advantage is only possible if brand awareness is growing.

The findings of this paper demonstrate there's a high interest in sustainability among small businesses. The opportunity now is to address the knowledge gap that exists by providing key engagement points for small businesses starting out, as well as those well on their way to advancing their sustainability goals.

As the case studies throughout this white paper show, it's possible to make sustainability part of every day and, in doing so, capture new business value.

This white paper is just another way
we're delivering a better future
for everyone, everywhere, everyday.

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