

# Prioritizing Sustainability Initiatives for Small Businesses



University of  
New Hampshire

Matthew A. L'Heureux, Department of Natural Resources and the Environment and Sustainability Dual Major, UNH

## Introduction

- This study explores sustainability efforts of small businesses
- In the US, there are 6 million small businesses, which account for 48% of total US employment and 46% of private sector output.
- A small business does not exceed either 500 employees or \$7.5 million in average annual receipts, and approximately 90% of all small businesses have between 1 and 20 employees
- Having fewer personnel and less financial capital make it more difficult for small businesses to implement sustainability initiatives.
- Businesses benefit from sustainability through reduced risk, lower operating cost, or increased profitability.
- A common method of measuring business sustainability is Environmental, Social, and Governance (ESG) criteria. ESG looks at how a business is a steward to the environment, improves the social well-being of all stakeholders, and manages operations in a safe and ethical way.
- Currently many small businesses are unaware of the benefits of sustainability practices. This research helps to outline the benefits and identify the areas where sustainability can provide the greatest benefit to small businesses.

## Objectives

1. Determine which ESG practices are most feasible for small businesses to implement
2. Determine which ESG practices are most beneficial to small businesses

## Methods

Our internship class interviewed 23 small businesses using a script of 28 target areas based on ESG criteria. Each target area had one or more multiple choice follow-up questions which allowed data to be quantified. The responses were summarized for each small business and then analyzed for common themes. The open-ended questions allowed me to understand the business operations and assess which ESG practices were conducted most often and were most beneficial to the business.

I reviewed a collection of case studies and aggregated analyses of business indexes that identified the business benefits of implementing ESG practices to identify. I specifically looked for data that quantified business benefits such as cost savings, an increase in business value, and employee retention. This information was used to evaluate the business benefits of different ESG practices.

## Results

Objective 1: ESG-based interview results:

### Environmental

Top Value-adding Areas

- Monitor and reduce business energy usage.
- Conserve and reduce business water use.
- Reduce, reuse, and recycle.

### Social

Top Value-adding Areas

- Benefits offered to employees.
- Evaluation and providing feedback to employees.
- Incorporation of employee creativity, innovation, and collaboration.

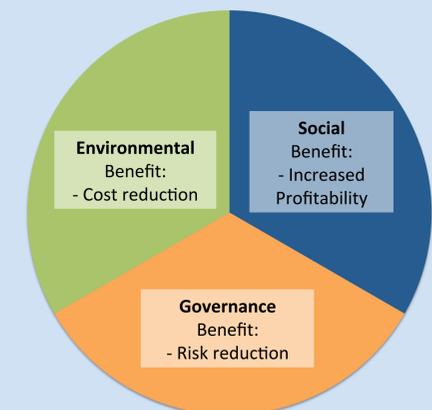
### Governance

Top Value-adding Areas

- Considering financial metrics in decision making processes (i.e. Return on Investment, Net present value)
- Reviewing of major business decisions by governing bodies
- Separation of financial duties

Objective 2: Benefits of ESG practices

Each ESG category primarily provides one of the three business benefits: reduced risk, lower operating cost, or increased profitability. In the environmental category, this primarily means lowering operating cost through more efficient resource and materials usage. Within the social category, profitability increases through better employee retention and increased productivity. The governance category adds value primarily by reducing risk through separation of decision making authority and separation of financial duties.



## Conclusions

Based on feedback from detailed interviews with 23 small businesses indicates that:

- Environmental practices provide short-term benefits and require mostly financial capital.
- Social practices provide long-term benefits and require a mix of financial and human capital
- Governance practice provide short to long-term benefits and require human capital.

The results show that there is no one size fits all solution for improving sustainability in small businesses. Needs and current practices must be assessed to determine where best to allocate human and financial capital.

## Key Resources

Gaskin, Russ, Lauren Frederic, and Tammy Halevy. *The Big Green Opportunity for Small Businesses in the U.S.* Rep. N.p., 2013. Web.

*Profits with Purpose: How Organizing for Sustainability Can Benefit the Bottom Line.* Rep. McKinsey, July 2014. Web.

Rochlin, Steve, Richard Bliss, Stephan Jordan, and Cheryl Yaffe Kiser. *Project ROI.* Rep. Verizon, 2015. Web.

Whelan, Tensie, and Carly Fink. "The Comprehensive Business Case for Sustainability." *Harvard Business Review* (2016): n. pag. *Harvard Business Review*. 21 Oct. 2016. Web.