Can SMEs improve sustainability?

A recent study has investigated the role of small and medium sized enterprises (SMEs) in modern business and concludes that, with the right strategy, they can offer economic prosperity alongside environmental protection.

At least 99 per cent of all EU enterprises are considered SMEs, having less than 250 employees. While their environmental impact is significant (contributing 70 per cent of industrial pollution in the UK, for example), the study suggests that they are well positioned to benefit from new sustainable development opportunities. SMEs have more flexibility than multinational enterprises (MNEs) and can easily change to meet important environmental and social targets.

Although MNEs have larger assets and resources, their strictly defined cultures and processes can make them more resistant to change. MNEs may also be more able to protect themselves from external competitive forces. SMEs, on the other hand, have developed coping mechanisms to face these challenges and embrace innovation and change. As such, SMEs can work to both the limits and opportunities presented by the current social, economic and environmental circumstances.

The study discusses several different ways for SMEs to increase their sustainability. For example, SMEs could become investment targets for larger firms. This can “free up” the founding entrepreneurs and their capital so they continue to strive for sustainable innovations whilst also helping MNEs increase their level of sustainability. However, care needs to be taken that the SMEs are not in conflict with the bigger brand.

SMEs could also form a network and behave like a single, larger firm in the marketplace, aided by the globalisation of communication technology. An SME network would allow efficiency, creativity and flexibility with the equivalent force of a larger organisation when necessary. In addition, networking could mitigate against any negative influences caused by individual SMEs.

Lastly, SMEs could form global supply chains. Larger companies often demonstrate a commitment to environmental responsibility by carefully managing and monitoring their supply chain, a practice which is often too expensive for SMEs. However, as SMEs are suppliers as well as buyers they can still exert their influence on the supply chain by adopting sustainability practices, especially if they are networked to behave like a larger organisation. This moves their customers in the chain towards sustainability as well as placing pressure on upstream suppliers to provide more environmentally-friendly goods or services. This could ensure that the sustainability of products is based on a life cycle analysis through every stage of production.

Currently, there are several successful models of sustainable SMEs evolving in the business environment. The authors suggest that collaboration between SMEs and MNEs could be essential to attain global sustainable goals.


Contact: sammoore1955@hotmail.com

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