

GAINING FROM SUSTAINABILITY

More than just going green, being sustainable encompasses social and economic aspects that affect an SME’s stakeholders and the wider community in which it operates

BY VIVIEN SHIAO

SUSTAINABILITY can be a dirty word for some small and medium-sized enterprises (SMEs). To them, it is a necessary evil that is part and parcel of getting the required eco certifications and licences for their business to operate. But for many, their understanding of sustainability is rudimentary at best. Many associate it with going green, but it is much more than that. It encompasses social and economic aspects that tend to get missed out along the way.

SMEs that view sustainability as a matter of compliance and costs miss out on the benefits that can be reaped, say experts. Also, the concept of business sustainability has evolved over the years, observers tell *The SME Magazine*.

At the start, businesses tended to focus on environmental issues such as pollution – and rightly so, says Lawrence Loh, director, Centre for Governance, Institutions and Organisations, NUS Business School. This has taken a turn towards a broader notion of climate change.

“In recent times, two other aspects have taken centre stage too – social and governance,” he adds. The social domain covers issues related to stakeholders such as customers, suppliers, employees and the wider community, he explains. Governance, on the other hand, involves proper accountability and disclosure in core areas of corporate processes such as the board leadership.

“So what we are seeing is now a total notion of sustainability that relates to the triple areas of environmental, social and governance – the so-called ESG,” adds Associate Prof Loh.

ESG is known as a set of criteria or standards that socially conscious investors use to screen investments in businesses. This helps to determine the future performance of companies by measuring both risk and returns.

For many SMEs, however, their notion of sustainability has not quite reached that level of sophistication compared to some global multinational corporations (MNCs). “Most SMEs in Singapore are usually a part of the supply chain in large organisations and MNCs,” explains Mohit Grover, sustainability leader, Deloitte Southeast Asia. As a result, the SMEs regard sustainability as fulfilling specific requirements by MNCs in order to secure jobs as suppliers.

Today, he notes, SMEs have gradually moved beyond

viewing sustainability as solely a form of compliance. “Based on our interactions with SMEs, they associate corporate social responsibility (CSR) with sustainability. Their CSR programmes focus on social aspects such as philanthropy, volunteering activities, and community engagement programmes,” he says.

Like other industry watchers, Mr Grover emphasises that sustainability is a balance. “To achieve this balance, organisations need to understand what aspects are material to them as different industries would have specific focuses,” he says.

BUSTING MYTHS

Many of the SMEs that Mr Grover has interacted with usually spend the bulk of their time addressing daily operational challenges. Their immediate challenge is to keep the business afloat, and they generally have a short-term approach in managing their business, he notes.

But it is not true that sustainability implementation is only applicable to large organisations with strong financial resources. Instead, Mr Grover says, SMEs can always try to aim for “low hanging fruit”.

For example, SMEs can start to monitor resource usage through a desktop exercise to understand the baseline, he explains. They can then analyse the findings and identify gaps for improvement.

NUS Business School’s Associate Prof Loh concurs that all companies – big and small – can gain from being serious about sustainability. For companies new to sustainability, he suggests taking a look at some existing standards such as the Global Reporting Initiative and sieving out relevant parts.

For SMEs overwhelmed with business demands, he proposes being very focused and measured in their approach, by rolling out initiatives that are more related to the business.

“The journey can be progressive as not all aspects need to be taken care of all at once. Start small, start well, and in no time, the company will be on the journey in the right direction,” Associate Prof Loh advises.

To sit and do nothing is also not an option for SMEs as they expand. As SMEs grow, the impact of ignoring sustainability-related risks may be amplified as well, he points out.

Energy savings for a small assembly area may seem insignificant, but when organisations grow their footprint, there needs to be performance targets established to monitor the energy usage, says Mr Grover.

Decision makers in SMEs need to realise that sustainable risks could have a material impact to business activities to ensure that business activities are not adversely affected. “If SMEs do not factor such sustainability risks, they may end up having higher cost of goods in their products sold,” he warns.

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TAKING IT ON

One firm that is taking on sustainability is Commonwealth Capital, a Singapore-based investment company with a portfolio of more than 10 food and beverage (F&B) consumer brands such as PastaMania, Swissbake, Udders Ice Cream and The Soup Spoon.

Most recently, it joined an initiative as a new member of the Southeast Asia Alliance for Sustainable Palm Oil (Saspo) to source for sustainable palm oil for all subsidiaries.

Andrew Kwan, group managing director of Commonwealth Capital, says: “We have started this journey through engagement with our suppliers to get a broader understanding of our palm oil footprint.” The group’s long-term goal is to convert to 100 per cent sustainable palm oil by end 2025, he adds.

Another key initiative is from local fish farm Barramundi Asia, in which Commonwealth Capital owns a majority stake. It rears barramundi fish that is eventually packed and sold under Commonwealth Capital’s Kühlbarra label.

Mr Kwan says that the farm was recently awarded a third-party aquaculture certification programme known as the Best Aquaculture Practice award, which is believed to be a first in Singapore. This is a testament of Barramundi Asia’s world-class practices in sustainable farming, he adds.

He points out that business owners often believe that adopting sustainable practices are costly and may result in lower profits – a conclusion that is not necessarily true.

“It is important to also recognise the potential benefits which arise, like building brand equity and recognition as a trusted and responsible company,” he says.

He cites a 2018 Saspo study which found that there is an increased awareness and demand for ethical brands in the region. According to findings, some 56 per cent of Singapore’s population looks for ethical brands in their purchase decisions. Thus, he believes that companies pursuing sustainable practices “will not be short changed”.

Another local SME that takes sustainability seriously is furniture retailer Commune. Its CEO Joshua Koh says: “Sometimes, our consumers don’t realise that the finishes and furniture used in their homes are all major contributing factors to healthy indoor air quality, comfort and the durability.”

As a result, Commune uses “costlier but higher quality raw materials” in its products which reduce the level of formaldehyde to an insignificant amount. This not only keeps its customers safe, but also the craftsmen who work on them, says Mr Koh.

Sustainability is part of each step of the business – from sourcing, production, business practices and even in the communities that Commune operates in.

Mr Koh adds that the business also contributes towards social causes that elevate quality of life through furniture and design, as furniture has “such a personal impact on the way people live”. It is not just protecting the environment, but about being conscious of the long-term growth and cultivation of a local community, he says.

For example, the business carries lifestyle products by

The Art Faculty by Pathlight, an autism-focused school, in its flagship store at Millenia Walk and Paragon store to encourage customers to make meaningful purchases. All proceeds from the sale of these items are donated to the Autism Resource Centre.

The business also works with the North-East Community Development Council on Project Refresh, which aims to improve the living environment of the less fortunate through a series of refurbishment works and furniture upgrades.

Mr Koh says that Commune supported the initiative by donating furniture and sending a team to help out with the spring cleaning and placement of new furniture.

“What attracted us to the various projects was that it served as a good opportunity to rally our employees together in terms of spirit, and contribute their time and effort to a bigger social cause that could benefit residents in terms of meeting their basic needs,” he adds.

INNOVATION FOR SUSTAINABILITY

With the rapid advancement of technology, the face of business sustainability is also changing.

NewEra, a Singapore startup focusing on accelerating renewable energy adoption in Southeast Asia, uses block-chain technology to achieve its goals. It is building a block-chain



GAINS
Andrew Kwan from Commonwealth Capital says that there are potential business benefits to sustainability, such as brand equity and recognition



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enabled platform to enable a decentralised system to create and make carbon credit accessible to the masses.

Andy Tan, co-founder of NewEra Energy, says: “We embarked on this journey because we realise many innovative minds today are overly focused on creating the next big thing that is targeted at profit and commercial viability, and there is very little innovative progression on the sustainable and green front.”

He notes that there is a lack of an immediate incentive system for individuals and small businesses to go green. While the carbon credit market has seen a good amount of success in encouraging firms to go carbon neutral, this is beyond the reach of individuals and small businesses currently, he says.

NewEra’s platform allows individuals and small businesses to participate, and in the process, be incentivised to continue more sustainable practices.

“Our mantra is very simple – be sustainable, earn rewards. It is the most practical way of promoting sustainability among the masses as there are tangible rewards in doing so,” says Mr Tan.

From his experience, he observes that SMEs see environmental and sustainability issues as a “potential risk and burden”. But he believes that sustainability is about innovating and executing ideas that meet the needs of the present, without compromising on the needs of future generations.

And increasingly, more consumers are demanding businesses to be sustainable, especially the Millennial generation. “When we speak to SMEs, we recommend that they get involved in sustainability by focusing on how they can immediately reduce their energy consumption and wastage in terms of behavioural change of their employees without the need for upfront, expensive investments,” he says.

Mr Tan observes that from cost savings to improving creativity and innovation, and to improving the branding and image of the business, businesses today have a lot more to benefit from promoting sustainability as compared to the past.

He says: “Being sustainable makes sense for SMEs in general as it means innovating to make use of lesser resources to create a bigger impact. It trains the management and employees to think out of the box and be more efficient in what they do.” ■

GREENLOGY’S ROAD TO SUSTAINABILITY

Greenology is an SME that specialises in urban greenery. Founder and managing director Veera Sekaran (below) shares his journey to sustainability.

WHY DID YOUR COMPANY DECIDE TO EMBARK ON SUSTAINABILITY?

My direct answer to the question would be that I did not embark on sustainability — but I do see sustainability as an outcome of Greenology’s work in urban greening and technology.

I started Greenology back in 2008, out of my passion for plants and the belief that they would vastly improve urban ecology and peoples’ lives. Within the context of such work, sustainability manifests as a physical space that is designed for a balance between our needs for urban living and the natural ecosystems that co-exist within the same urban space.

COULD YOU SHARE YOUR SUSTAINABILITY INITIATIVES?

The day my idea for Greenology sprouted, it was clear as day that the business should not be void of social meaning. One of our longest partnership is with Apex Harmony Lodge, Singapore’s first purpose-built home for people with dementia. We run horticulture sessions four times a week as part of Apex’s work therapy programme for its residents. Most of the resources that go into running the programme return to the supply chain for our greenwalls, so the social and cultural impacts to such initiatives outweigh the costs involved.

We also work with schools and associations to provide training and work experience for youths with special needs. On the same front, I am currently in talks with partners such as Minds to re-look into employment infrastructure and opportunities for the horticulture and agriculture industries. As both industries evolve to become more tech-driven, it will lose out if talent now is not appropriately prepared for the future workforce.

HOW HAS THE JOURNEY BEEN SO FAR?

The journey has been fulfilling yet challenging at various stages. My greatest fulfilment comes from being able to play a positive impact when it comes to environment and society at large. Being able to convert greying landscape into nature-thriving habitats and bringing nature into indoor environments and connecting people back with nature are the greatest joy for me.

WHAT ARE SOME OF THE BIGGEST MISCONCEPTIONS ON SUSTAINABILITY?

Many times, people are concerned with reaching the final destination or tend to be obsessed with scale of impact, whereas it all starts with making the leap and taking the small steps in the right direction. Once you have started the journey, the rest will unfold as you progress.

While taking baby steps is important, it is not to say that we should be taking on



meaningless initiatives. I have come across offices that implement one-day recycling or “turn-off-the-lights” programmes as part of their environmental CSR programme, without addressing wider issues like the impact of their supply-chain processes, or evaluating their energy consumption patterns. In other words, as business leaders, we should avoid the trap of conflating meaningful forms of “sustainability work” with green tokenism.

COULD YOU SHARE ADVICE ON HOW SMES CAN TAKE STEPS TOWARDS A SUSTAINABLE BUSINESS?

Sustainability starts at the leadership level, and involves the change of corporate culture at large. Someone within the organisation must take the baton and champion the sustainable initiative throughout the organisation. This may be challenging at the start but rewarding as the journey unfolds.

I think SMEs should start with looking at their day-to-day processes. For Greenology, I always make it a point for my staff to re-use materials that we tear down after events and exhibitions. All our plants go back to the nursery and live on to be re-used for the next event. This does not sound like rocket science, but we may be surprised by how “wasteful” companies can become when they are not mindful or become careless. ■