

The Affordability of Sustainable Entrepreneurship Certification for SMEs

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Abstract

Sustainable entrepreneurship is a spin-off concept from sustainable development. It can be defined as the continuing commitment by business to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families as well as of the local community and society at large, or simply as business that takes into account the 3 Ps: people, planet, and profits. Sustainable entrepreneurship became en vogue after the successful 1995 protests against the dumping of the Brent Star Oil Platform in open sea. The owner, the Dutch multinational Shell, withdrew its decision and started to consult the stakeholders. Many (big!) companies followed suit: Nike, Levis, Philips, Unilever, and so on. They all now publish their yearly sustainability reports. Ever since, a whole battery of techniques and procedures have been developed to promote sustainable entrepreneurship in *audits* (ISO 14010/14011/14012/14031, AA 1000), *codes* (Levi, Nike, GAP, C&A, ICFTU, AIP, ETI), *management* (ISO 14001, EMQS, SA 8000, AA 1000), and *labels* (ecolabel, GSC, FLO). To obtain, for example, the ISO-certificate may prove very expensive for a small and medium-sized enterprise (SME). So, why would SMEs become sustainable entrepreneurs and, if they choose to do so, can they afford it? Apparent reasons for SMEs to become sustainable entrepreneurs are: a positive image; motivated personnel; cost efficiency; risk containment; and, market opportunities while dealing with other sustainable entrepreneurs. But the question remains: can SMEs really afford it? This paper explores both theory and practice. A case-study is made of ES Tooling, a Belgian SME.

Keywords: sustainable entrepreneurship, affordability, certification, SME

1. Introduction

Currently, there is business hype about sustainable entrepreneurship. Every self-respecting company tries to brand itself as a sustainable entrepreneur. Business schools and employers' organisations devote whole conferences to the topic. Many terms are used like corporate social responsibility, ethical funds, eco-efficiency, and so on. Although these words reflect different concepts, they all point to various aspects of sustainable development. There is also a booming business in (expensive) sustainable entrepreneurship certificates. Yearly sustainability reports are published almost exclusively by big companies. This raises the question whether SMEs, which constitute up to 90 percent of all businesses, actually can afford to be sustainable entrepreneurs.

In 1987, the World Commission on Environment and Development of the United Nations (the often cited Brundtland Commission) first described and defined sustainable development as a process in which the exploitation of natural resources, the allocation of investments, the process of technological development and organisational change are in harmony with each other for both current and future generations. Sustainability is a concept that is oriented toward the long term and future generations as much as to the present. Therefore, sustainability is at conflict with our fast consuming society and short term and short-sighted policies. Sustainability fits nicely in the differing view on the prime responsibilities of companies and organisations and their stakeholders¹ that goes beyond the classical view in which a company's sole aim was profit maximisation in the interest of the shareholders.

Hence, sustainable entrepreneurship can be interpreted as a spin-off concept from sustainable development. Sustainable entrepreneurs are those companies that contribute to sustainable development by doing business in a sustainable way. As Kofi Annan pointed out:

let's choose to unite the powers of markets with the authority of universal ideals. Let us choose to reconcile the creative force of private entrepreneurship with the needs of the disadvantaged and the requirements of the future generations....²

Sustainable entrepreneurship can be defined as the continuing commitment by businesses to behave ethically and to contribute to economic development, while improving the quality of life of the workforce, their families, the local and global community, as well as future generations.³ From a sustainable entrepreneurship perspective, a company is a nexus of responsibilities toward the company's shareholders, but also toward nature, society, and future generations. When the interests of these stakeholders are part of the decision-making process in a company, we can genuinely speak about a whole new type of a company with a new type of operational management. A company does not operate on a deserted island, but is embedded in an economic, social, cultural, and ecological environment. This offers possibilities and poses threats and obligations. And the theory and concepts of sustainable entrepreneurship try to find the right balance.

2. The Essence of Sustainable Entrepreneurship

Following a well known marketing principle, sustainable development is said to deal with the 3 Ps, which stand for *people*, *planet*, and *profit*. All three aspects (including the last) have to be satisfied before an entrepreneurial activity can be labelled as sustainable.

The first aspect - *people* - is about the behaviour of companies in social and ethical issues. How does a company treat their employees (or human resources) and does it promote social cohesion? The issues that need to be adequately dealt with are the protection of human rights, the non-indulgence towards fraud and corruption, the use of child labour, the gender relationships and discrimination on the work floor, labour participation in management and profits, behavioural codes, and so on. While many labour regulations were imposed in the beginning of the 20th century by labour and socialist movements as well as in the golden sixties, voluntary, self-imposed systems in this area are more recent (for example SA 8000 and AA 1000).

Secondly, sustainable entrepreneurship takes care of the natural environment. "We did not inherit the earth from our ancestors; the earth is on loan from our children," says the Indian adage that clearly summarises individual and corporate responsibility towards the natural environment. The second aspect - *planet* - raises the question of the effect and remedy of the impact of a company on natural resources and the landscape. Environmental care, chain management, eco-efficiency, clean products, sustainable technology development, sustainable industry fields, and eco-design are concrete examples of these issues. The consequence for business behaviour is that either environmental integrity becomes a business goal next to profit seeking or that environmental protection becomes a real constraint on profit maximisation (the mathematical calculus in business optimisation model leads in both instances to the same outcome). The integration of environmental concerns into business practices is driven by both regulation (environmental legislation) and self-regulation (ISO 14000 and so on).

Finally, the third aspect - *profit* - does not, as one might expect, relate solely to the purely financial results of an enterprise. Profit is also about the use and allocation of value added for employment, investments in machines, infrastructure and sponsoring, and distribution (e.g., labour participation). The definition of sustainable entrepreneurship is not a static one since the world and the ideas that emerge are by nature dynamic. But, while the former two aspects of sustainable entrepreneurship, which relate to the material and immaterial contributions of dynamic corporate behaviour to nature and to global and local communities which shape our natural and social environment,⁴ are subject to changing views on people and planet, the last aspect is the very essence of a business enterprise.

Janssen provided a list of ten ground rules for becoming a sustainable entrepreneur:

- i. The corporation should start reducing the environmental damage, respecting human rights and treating its employees with great care;
- ii. Sustainable entrepreneurship has to be a self-initiated process and should not simply be a response to external pressure;
- iii. If a corporation wants to practice sustainable entrepreneurship, it should identify clear aims and targets;
- iv. The aims should be closely related to the corporation's practice and should match the corporate values and its primary activities;
- v. The aims have to be closely related to the consumers' needs;
- vi. The corporation has to be capable of explaining the relationship between sustainability and its activities and production process;
- vii. The corporation should adhere to these aims on a long term basis;
- viii. Consumers and pressure groups should have a transparent overview of investments made by the corporation related to sustainable entrepreneurship;
- ix. Sustainable entrepreneurship practiced by the corporation should not shifted to the consumers via a price increase; and,
- x. A corporation should not attempt to overemphasise its efforts.⁵

Bos added an additional rule to the list:

- xi. A corporation should make sure that its practices are shared by the corporation as a whole, and that they are not solely efforts of the management.⁶

3. Sustainable Entrepreneurship and SMEs

Sustainable entrepreneurship is a business approach that seems almost exclusively reserved for large industrial companies. They certainly took the lead in this development after Shell decided in 1995 to dump the

Brent Spar Oil Platform in the Atlantic Ocean. The pressure from Greenpeace and other environmental organisations as well as the heated protests by consumers and ecological activists alike forced the Shell Oil Company to reconsider and change its plan. Although initially unintended, it is fair to say that the decision about the final destination of the Brent Spar was made in consultation with Shell's stakeholders, in particular public opinion and environmental interest groups. The affair had some further consequences in that it changed Shell's global style of doing business. Sustainable entrepreneurship became their business approach. Previously an irresponsible polluter, Shell is now clearly one of the (self-declared) market leaders in sustainability. The old policy of Shell, summarised as "Decide, Act, Defend", was transformed into a business model "Dialogue, Decide, Act" that determines the process of important decisions. Many (big) companies followed suit: Nike, Levis, Philips, Unilever, and so on. More large companies are engaging in sustainable entrepreneurship policies, more specifically the ones that focus on product- and chain-directed environmental care.

Sustainable entrepreneurship presupposes that companies are fully aware of the impact of their behaviour on the material and immaterial situation of their direct and indirect environment.⁷ It involves not only the scanning of opportunities and threats in the market, but also of the environment. The fact that sustainable entrepreneurship has been until now largely a large companies' playground, is partially due to the more limited resources of SMEs. However, as we will show later on, it is impossible for SMEs to ignore this new economic reality.

Small and medium-sized enterprises make a substantial contribution to economic growth and employment in most countries around the world.⁸ The individual impact of SMEs is relatively small, but their collective impact is substantial. SMEs typically represent about 95% of all private sector firms in most modern nations, and so form a major portion of all economic activity.⁹ Furthermore, they account, for example, for 35% of exports from Asia and approximately 26% of exports from developed countries including the United States.¹⁰ In selected countries such as Italy, South Korea, and China, SMEs contribute as much as 60% of total national exports.¹¹ In Belgium, they represent 95% of all businesses and employ 40% of the labour force in private companies.

There is no unequivocal definition of a SME. A whole set of definitions exists that are used in various institutions. The European Commission¹² recommends the following definition that guides all its measures aimed at micro-, small and medium-sized enterprises: SMEs are enterprises which have fewer than 250 employees,¹³ have either an annual turnover not exceeding 40 million Euro or an annual balance-sheet total not exceeding 27 million Euro, and conform to the criterion of independence.¹⁴ When it is necessary to distinguish between small and medium-sized enterprises, the former are defined as enterprises which have fewer than 50 employees, have either an annual turnover not exceeding 7 million Euro or an annual balance-sheet total not exceeding 5 million Euro, and conform to the criterion of independence.

4. The Gains of Sustainable Entrepreneurship for SMEs

A. Gains for All Enterprises

Bos states that there are two main reasons for corporate organisations to take into account the socio- and eco-ethical aspects of their behaviour.¹⁵ The first consequence for not doing so is bad publicity. When a corporate enterprise is perceived by the general public as unethical, this will damage its corporate reputation, which, in turn, may result in a loss of income, profits, and share value from a conscious consumers' boycott or unconscious bypass of products. It is important to remember, however, that many benefits from sustainable entrepreneurship are being defined as costs or losses avoided. Secondly, Bos emphasises that idealism drives more and more organisations that consider themselves to be more than solely profit-making ventures. If not led by idealism, however, corporate enterprises can still enhance their public reputation by showing respect for people and planet instead of only for profit.

Sustainable entrepreneurship gives companies an opportunity to distinguish themselves from others. So far, the results have been encouraging, as shown by the returns on funds of companies that are engaged in sustainable development. Examples are the RG Sustainable Shares Fund, ABN-AMRO Sustainable World Funds and the SNS Eco Shares funds. Also, the Dow Jones Sustainability Group Index, launched in 1999, shows that sustainable companies financially outperform others. The Dow Jones Sustainability Group Index includes the best performing companies with regard to financial results, social, and environmental accountability.

B. Gains for SMEs

A general gain of adapting sustainable entrepreneurship in SMEs is the internal dynamics that sustainable approaches introduce in the production process and human resource management. It is likely to lead to a more bold investment policy in both technology and personnel that will yield results in the long run. A direct and obvious gain accrues to those SMEs that supply their products to large companies that are sustainable entrepreneurs and that require their supplier to be so as well. Such large companies may have a direct interest in product- and chain-directed environmental care as well as labour conditions. SMEs that do not anticipate these

developments and requirements seriously risk losing business to small and medium-sized competitors that do, or did, invest in sustainable production methods. Another argument for adopting sustainable entrepreneurship lies in the concentration trend of big, global companies. SMEs obviously cannot compete with these international players. SMEs should therefore focus on their surroundings, an essential part of the definition of sustainability. Being involved in the local community may prove a sustainability technique for SMEs that global companies will find hard to copy, and for that reason larger companies may turn to locally, well-embedded SMEs. The other benefits of sustainable entrepreneurship can be summarised as follows:

- A positive image and reputation;
- Less dependency on depleted resources;
- Higher motivation of employees and attractiveness for new employees;
- Efficient production due to superior technologies and better skilled staff;
- Superior insight in market preferences and opportunities;
- Risk control (environmental accidents, scandals, bad publicity, etc.);
- Lower burden from changes in (environmental and social) legislation;
- Corporate social responsibility;
- Internal business dynamics;
- Business partnerships with other sustainable entrepreneurs; and,
- Business partnerships with global players.

Sustainable entrepreneurship requires an ongoing dialogue between shareholders and stakeholders. Since a healthy financial basis remains essential, not only will shareholders have to live up to their social and environmental responsibility, but - especially in the case of SMEs - stakeholders will have to understand that sound financial results are essential for the survival of the company. Without sound financial results there would be no company, let alone a sustainable one. However, after listing the potential gains of sustainable entrepreneurship for SMEs, the key question remains: can they afford it?

5. The Instruments of Sustainable Entrepreneurship

As mentioned earlier, sustainable entrepreneurship became en vogue after the successful 1995 protests against the dumping of the Brent Star Oil Platform in the open sea. The owner of the platform, the Dutch multinational Shell, withdrew its decision and started to consult its stakeholders. Sustainable entrepreneurship became the new approach and buzz word. Many big companies like Nike, Levis, Philips, and Unilever followed suit and they all now publish yearly sustainability reports. Ever since, a whole battery of techniques and procedures have been developed to promote sustainable entrepreneurship in: *audits* such as AA 1000 and ISO 14010/14011/14012/14031, recently superseded by ISO 19000; *codes* such as Levi, Nike, GAP, C&A, ICFTU, AIP, and ETI; in *management* such as ISO 14001, EMQS, SA 8000, AA 1000; and as *labels* such as the ecolabel, GSC, FLO and so on.

Standards for production have been available for quite a while. They were originally created to define product quality. More recently, standards for human resource management at a company level came about that were meant to induce and maintain good housekeeping. Whereas it is rather easy to decide whether or not a product complies with a standard, processes are more difficult to assess. Consequently, these types of standards are less easy to interpret and compare. The first international management standard, the quality standard ISO 9000, came into use in the beginning of the 1990s and was followed by environmental standards, the ISO 14000 series (now ISO 19000). The standards, however, were considered in some cases to be too complex or too general. As a result, specific standards (QS 9001) or simplified ones (ISO 14001-light) were developed. Different industries also take different approaches to management norms and have adopted their own versions. There are also new and modified versions of international standards emerging such as the new version of ISO 9000 and an unofficial version of ISO 14000 for the working environment. Certification is also beginning to occur in relation to social accountability, information security, ethical trade, equality in the workplace and fire prevention.¹⁶ In the next sections, we will briefly discuss some techniques and procedures.

A. Environmental Audits

An environmental audit is one of the procedures in sustainability support devices. An environmental audit often has a descriptive character. The organisation as a whole, and its environmental management in particular, are evaluated (competences, responsibilities, communication, education, etc.). In 1996, ISO developed three standards for environmental auditing - ISO 14010, ISO 14011, and ISO 14012 - that were recently superseded by ISO 19K. In general, ISO is an audit process that assesses environmental control systems.¹⁷ These audits are executed by an audit team by order of a client. This client can be the company itself or a body that has the legal or contractual authority to request an audit. The client determines the goals. The audit team should be

independent and not related to the client or the activities they audit; it should be objective and free from bias and conflict of interest throughout the process. The use of external or internal audit team members is at the discretion of the client. Other conditions are: sufficient information about the subject that needs to be audited; sufficient cooperation from the enterprise under scrutiny; and a systematic way of working. There is a standard procedure that describes the way of preparing and executing the audit (kick-off meeting, gathering of information, end meeting, etc.), the way of composing the documents (reports of meetings, procedures, and checklists to assess the different elements of the environmental control system, etc.), and it also describes the lay-out of the report. In conclusion, it is fair to say that an environmental audit costs a lot of time and effort. It can also become an expensive process when the company audited is unfamiliar with ISO and/or not environmentally conscious.

B. Social Audits

Contrary to environmental audits, to our knowledge there is no internationally recognised norm for social audits. Nevertheless, AA1000 and SQAS (the latter for the transportation industry) are well known. A social audit is defined as the process by which an organisation reflects on, measures, evaluates, and reports on its social impact and ethical behaviour and adjusts them according to its goals and values, and to those of its stakeholders. A social audit has also been described as a learning process with four major building stones:

- i. Dialogue with the stakeholders;
- ii. Use of quantitative and qualitative performance indicators and benchmarks requiring a social bookkeeping system. Examples of indicators: absenteeism, dismissals and resignations, labour accidents, total earnings, and so on;
- iii. External verification (necessary for the credibility of the next step); and,
- iv. Reporting of and communication about goals, efforts, and results.¹⁸

B. Codes

Corporate codes of conduct are defined as statements of principles by which a business agrees to abide voluntarily over the course of its operation. Such a code of conduct creates and continuously evaluates benchmarks for the company's management. It more or less forces the company to behave according to its own principles, for its own good and for the better of their direct and indirect environment. Famous international companies have drawn up corporate codes of conduct, primarily in reaction to their critics and activists from consumers' organisations and other pressure groups. Well-known examples are the Levi-Strauss global sourcing and operating guidelines, the Nike code of conduct, and the GAP code of vendor conduct. Most of these codes are rather vague and idiosyncratic. Recently, there has been a tendency to create more uniform codes.

C. Management

A management system can be defined as the organisational structure, responsibilities, procedures, processes, and operational duties necessary to carry out certain goals. General management is concerned with the overall operational, financial, and strategic management. However, different management systems can be put in place for various goals like environmental care, quality assurance, safety, etc. The best known standard for quality management is probably ISO 9000/9001. Examples of environmental management systems are ISO 14001 and EMAS. The best known social management system is SA 8000.

D. Labels

A label is put on a product when that product distinguishes itself in a specific product category. The criteria for labelling should be well-defined and transparent. Following the ISO approach, environmental labels are classified into three types:

- i. Type I environmental labelling programs are voluntary programs where an independent labelling authority sets the criteria based on the lifecycle approach of the concerned product group;
- ii. Type II labelling is about environmental labels that form an integral part of the marketing effort for the product. ISO 14021 sets the standards under which conditions a product can be labelled as environmentally friendly;
- iii. No criteria are set for a Type III labelling, but an independent labeller is involved. It is rarely used.

Examples of environmental labels are the European Eco-label and FSC.¹⁹

6. The Affordability of Sustainable Entrepreneurship for SMEs

The proliferation of new types of management systems and their certification techniques seems to create its own problem of sustainability, especially for SMEs. While management systems supposedly have the effect of introducing a systematic approach to the issues of environmental protection, health and safety of employees and neighbours, quality management, etc., there is the pertinent risk that the sheer variety of systems creates overlap and waste. These instruments then require more material and financial resources than a small, individual company can afford. Another risk is that companies, especially SMEs, can become disenchanted by the whole idea of sustainable management systems. While an SME can afford to invest in one ISO-certificate, to obtain all certificates that prove (or signal to the outside world that) the company is a sustainable entrepreneur may prove prohibitively expensive for an SME. While the advantages are many, can SMEs afford to become sustainable entrepreneurs?

Well, SMEs seem to think that they cannot. The vast majority is sitting on the sidelines when it comes to the ISO game, let alone sustainable entrepreneurship. In 2000, only 0.1 % of European non-micro companies had an accredited environmental management system (EMS) such as ISO 14001 or EMAS. Although eco-efficiency schemes have reached tens of thousands of companies, they only represent a tiny fraction of the millions of European SMEs. Even fewer companies are aware of eco-design and sustainable manufacturing concepts. Attitudes about the environment and understanding of sustainable development remain very poor, but cost and time pressures seem to be the crucial factors. SMEs as a group have not been persuaded that spending (quite some amount of) money to obtain an ISO-certificate is a sound business decision in terms non-specific promises of cost savings. For most SMEs, shortage of resources - time, personnel as well as money - is the rule. Therefore, the tendency is to ignore complicated, new systems.

SMEs face the following problems that SMEs with regard to sustainable development:

- Lack of resources, time and money;
- Lack of capabilities, skills and knowledge;
- Lack of awareness of issues, risks, regulation;
- Lack of training needs analysis (TNA);
- Lack of awareness of tools and techniques;
- Lack of awareness of provisions and their benefits;
- Lack of strategic and holistic thinking;
- Lack of internal communication and integration;
- Lack of work floor staff involvement;
- Lack of flexibility and fear of change;
- Lack of external communication (networking); and
- Mistrust of other companies in groups.²⁰

While there has been a large increase in the number of initiatives aimed at SMEs, the measures of support have not always been correctly tailored to the needs of SMEs. Support systems are often found to be too abstract and impractical, too general (insufficiently apt for specific industries), too passive, superficial or lacking in quality, too expensive, time-consuming or inflexible, or poorly targeted or promoted. There has also been an overemphasis on environmental management systems and certification²¹ at the expense of eco-efficiency, eco-design, integrated approaches,²² and sustainable production²³.

Nonetheless, these initiatives can become successful by means of at least putting sustainable development on the agenda of SMEs and their federations. Also, regional partnerships can help to ensure proper co-ordination, provide pragmatic support, reduce confusion, develop individual relationships, and provide all the right incentives for SMEs. Finally, SMEs should be encouraged to form or join self-help networks. For example, environment business, eco-efficiency and joint-EMS implementation clubs. But whatever the approach taken, it should be simple and transparent.

7. Case Study: ES Tooling

ES Tooling is a Belgian SME (following the Belgian and European definition) that positions itself as a sustainable entrepreneur. The company has put sustainability into practice in a way that is compatible with its own objectives, values and limited resources, but also in a unique manner that may prove useful for many SMEs around the world. ES Tooling was thus not randomly selected as a case study, but rather as a precedent. ES Tooling has come up with a transparent and effective approach that may induce other SMEs to become sustainable entrepreneurs as well.

A. Introduction

ES Tooling was founded in 1996 by Erik Schildermans and his wife Carine Melotte. The company is located in the industrial zone of Beringen, a town in the north-eastern part of Belgium. ES Tooling specialises in precision technology, which allows the company to produce parts with a precision level of 0.0005 millimetres. ES Tooling currently produces fine mechanical parts, adjustment and measuring tools, and moulds for prestigious companies. These parts are used as components for cutting tools in the automotive and optical industry, for small automation in the measuring and control engineering industry, and in various other industries (e.g. health). ES Tooling claims to uphold high standards and values in its relationships with its customers, employees, and the local community, and to care about the natural environment.

The company's business profile (directed toward its customers) is that of a reliable producer of fine mechanical parts that guarantees the highest quality by using the latest modern technology in high precision cutting machines. An active investment policy allows ES Tooling to replace its machines every five years. That is the only way to remain technologically up-to-date. The hypermodern measurement tools make it possible to pursue an internal quality control. All this has led to a financially healthy business (*profit*).

Transparency toward and participation of the employees is actively stimulated (*people*). Schildermans strongly believes in a learning organisation and gives his employees the opportunity for extra training, courses, and personal development. Although there is no profit sharing, all employees participate in the decision-making process of the company. They are consulted for important decisions with regard to investments and/or recruitments. The comfortable central refectory is also used as a meeting room where the whole team gets the chance to air their opinions. A visitor to the premises will learn that ES Tooling deeply cares about safe, hygienic, and healthy labour conditions. ES Tooling also wants to accomplish its environmental obligations in a pro-active way. The company goes beyond its legal obligations and has invested heavily in gardens that surround the production hall.

B. Reporting on Sustainable Entrepreneurship

In June 2003, ES Tooling proudly presented its report entitled *Sustainable Entrepreneurship*. Being a SME, ES Tooling surprised many professionals in the academic world, business community, and financial press. For months, the staff had worked to map out the company and its mission as well as its financial, social, and environmental achievements. The report defines goals with regard to the company's activities, values, and stakeholders. The core business of ES Tooling is technology and the production of fine mechanical parts by means of highly precise machines. The company has an outstanding reputation for its service, products, and technology. ES Tooling aims to hold or obtain a lead position in all the markets in which it is present. The focal point is technological innovation. ES Tooling chooses quality as the key instrument for a successful implementation of its strategy. Individuals are put in the centre of its system of values, which entails individual rights as well as obligations. The company stimulates personal development on the basis of equal opportunity. The sustainable entrepreneurship report puts particular emphasis on this personalised approach by showing the name and picture of every employee (often in front of the piece of technological equipment for which the person is responsible). The remuneration and compensation system is both competitive and fair. Teamwork is essential in the line of activity in which ES Tooling is engaged. ES Tooling is said to care about healthy and safe labour conditions, which becomes clear to any visitor of the production plant. Communication with employees is an essential element in the practical implementation of a sustainable business strategy. ES Tooling's management keeps the employees well informed about almost everything that happens on the work floor and beyond. Every month, after lunch (not during), Erik Schildermans chairs a meeting with all his personnel and staff. On the agenda are all the major issues related to the company. Every employee is free to comment. It is only after and on the basis of the discussion with his employees that a decision is made by Erik Schildermans. Respectful of his final decision, the employees genuinely appreciate this *modus operandi*. Stakeholders are an important aspect of sustainable entrepreneurship. ES Tooling's customers rely on the company's experience and devotion to perfection. It makes the company a privileged partner for global players (in particular aircraft and space industry). Growth is seen as a challenge and change is seen as an opportunity. Therefore, ES Tooling stimulates a learning organisation. The quality of its product, which is based on the professionalism of its employees, has enabled ES Tooling to reach its goals, to finance its growth, and to offer its shareholders accurate profits. Sustainable entrepreneurs are thought to also have an eye for the environment. Behind the ES Tooling building sits an astonishingly beautiful garden. This garden not only allows the employees to have their lunch in a relaxing atmosphere, it is a shining example of the ecological potential of industrial zones. The garden clearly is also a front piece of ES Tooling. Furthermore, the company takes up its social responsibility by sponsoring valuable local initiatives such as the youth orchestra at St. Cecilia of Beringen.

C. The Gains of Sustainable Entrepreneurship for ES Tooling

Although ES Tooling holds an ISO 9000/9001 certificate, Erik Schildermans decided not to pursue its environmental counterpart, the ISO 14000, or an OHSAS certificate. Given the company's experience in ISO-

procedures and its record in environmental care, the costs for obtaining an additional certificate would be comparatively low. Instead, ES Tooling opted to invest four times as much in the writing, layout, and printing of a sustainability report plus the building of a showpiece garden. This puts a completely different perspective on the question of whether SMEs can afford to be sustainable entrepreneurs.

ES Tooling admits that the decision to invest in a sustainability report was controversial and even put in doubt during the process. The report (and the garden) implied a substantial investment. However, the opportunity cost, i.e., the value of the alternative forgone, was rather low. The time and the money were better spent on the report and the garden since ES Tooling understood that (four) more certificates would not have any impact on the outside world. More importantly, six months after publication, the management states that the report has helped to open doors that beforehand had remained closed.

It is fair to say that in the case of ES Tooling, sustainable entrepreneurship has yielded a high return, making it both an effective and efficient tool. This results from:

- the public exposure and positive image of the company;
- new business opportunities; and,
- the low opportunity costs in spite of substantial financial and time costs.

The lesson to be learnt is straightforward: SMEs can afford to become sustainable entrepreneurs. When they choose to do so, they should be willing to devote time and effort to the project and select a sustainability instrument that fits their needs. Furthermore, they should look at the return and the opportunity costs of such a strategy rather than the financial costs.

8. Conclusion

Sustainable entrepreneurship is a spin-off concept from sustainable development that covers many new evolutions in business such as corporate social responsibility, ethical entrepreneurship, ecological care, stakeholder participation, and so on. It can be defined as the continuing commitment by a business to behave ethically and contribute to economic development, while improving the quality of life of the workforce, their families, local communities, the society, the world at large, and future generations. Sustainable entrepreneurship is an approach that is applied mostly by large, often industrial companies. In this article, the question was raised of whether SMEs could afford to do business in a sustainable manner. The gains are clear: business relationships with large companies that require sustainable partners, a positive reputation that attracts and motivates employees, and risk control. The evolution of sustainable entrepreneurship has led to the creation of a whole battery of certificates. However, the proliferation of complex and costly procedures to obtain certification has caused the almost complete repudiation of sustainable entrepreneurship by the SME community. Given the opportunities, this is short-sighted strategy.

The case study presented in this article points out what the preconditions are for the implementation of sustainable business practices by SMEs. First of all, it is important to learn that the smaller financial resources of SMEs do not need to be a determining, prohibitive constraint. However, when SMEs choose to become sustainable entrepreneurs, they should be willing to devote time and effort to the project, and they should select a simple, pragmatic, and effective format that is tailored to their needs and compatible with their style. The case study offers some great examples. Furthermore, SMEs should look at the return and the opportunity costs of a sustainability strategy rather than the financial costs.

Notes

¹ Stakeholders are those groups and individuals that can affect, or are affected by, the accomplishment of the organisational purpose.

² As quoted in United Nations Global Compact Network.

³ World Business Council for Sustainable Development.

⁴ A. Bos, "Sustainable Entrepreneurship in a Changing Europe: Pedagogy of Ethics for Corporate Organizations in Transformation," in *EuroDiversity: A Business Guide to Managing Differences*, ed. G.F. Simons, D. Min et al. (Oxford, UK and Woburn, USA: Butterworth-Heinemann, 2002).

⁵ M. Janssen Groesbeek, *Sustainable Entrepreneurship - Theory, Practice, Instruments* (Amsterdam: Business Contact, 2001).

⁶ Bos.

⁷ Ibid.

⁸ Organization for Economic Co-operation and Development, *Globalisation and Small and Medium Enterprises*. (Paris: OECD, 1997).

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- ⁹ M. Schaper, "The challenge of environmental responsibility and sustainable development: Implications for SME and entrepreneurship academics," in *Radical changes in the world – Will SMEs sour or crash?*, eds. U. Füglistaller et al. (Rencontres de St. Gall, 2002).
- ¹⁰ Organization for Economic Co-operation and Development.
- ¹¹ G. Knight, "Entrepreneurship and Marketing Strategy: The SME under Globalisation," *Journal of International Marketing* 8, 2 (2000): 12-32.
- ¹² Commission of the European Communities, *Commission recommendation of April, 3 1996 concerning the definition of small and medium-sized enterprises*, C(96) 261 final, 1996.
- ¹³ The number of persons employed corresponds to the number of annual working units (AWU), that is to say, the number of full-time workers employed during one year with part-time and seasonal workers being fractions of AWU.
- ¹⁴ Independent enterprises are those which are not owned as to 25% or more of the capital or the voting rights by one enterprise or jointly by several enterprises that fall outside the definition of an SME. This threshold may be exceeded in the following two cases: if the enterprise is held by public investment corporations, venture capital companies or institutional investors, provided no control is exercised either individually or jointly; and, if the capital is spread in such a way that it is not possible to determine by whom it is held and if the enterprise declares that it can legitimately presume that it is not owned as to 25% or more by one enterprise or jointly by several enterprises that fall outside the definition of an SME.
- ¹⁵ Bos.
- ¹⁶ M. Martensson, "Management systems, certificates, labelling: how many can a small company manage?," in *Sustainable Development, SMEs and New Enterprises (Conference Report)*, European Foundation for the Improvement of Living and Working Conditions (Luxembourg: Office for Official Publications of the European Communities, 2001), 10-11.
- ¹⁷ In this case, we are talking about EMSs or Environmental Management System Audits. An EMS is defined as a systematic and documented verification process of objectively obtaining and evaluating audit evidence to determine whether an organisation's environmental management system conforms to the environmental management audit criteria, and communicating the results of this process to the client.
- ¹⁸ E. Borgo, B. Mazijn and S. Spillemaeckers, *Een integrale benadering van de ketenanalyse ten behoeve van ketenbeheer door bedrijven*, (Gent: Centrum Duurzame Ontwikkeling (CDO), 2000), 46.
- ¹⁹ Forest Stewardship Council (FSC).
- ²⁰ M. Hilton, "SME Support for Sustainable Development: Principles and Practice," in *Sustainable Development, SMEs and New Enterprises (Conference Report)*, European Foundation for the Improvement of Living and Working Conditions (Luxembourg: Office for Official Publications of the European Communities, 2001), 25-27.
- ²¹ Certification as such does not guarantee significant improvements, let alone cost savings.
- ²² For instance, including environment, health, safety and quality.
- ²³ For instance, based on renewable resources.

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