

Leeds University Business School – Research and Innovation Podcast

Episode 14 - Can manufacturing SMEs be both productive and environmentally stable?

Speakers: Dr Matthew Davis and Naomi Booth Wade

Matthew: Hello, I'm Matthew Davis, I'm Associate Professor in organisational psychology here at Leeds University Business School.

Naomi: And I'm Naomi Booth Wade, and I'm a research assistant on the project.

Matthew: And today on Leeds University Business School's Research and Innovation Podcast, we're going to be talking about how to be both sustainable and productive, which might sound like two things that don't really go together, but we're going to talk a little bit about a research project we've been running, and things we've learned already around this challenge. So, Naomi, I guess a really good place to start with this would be: what are we meaning by the term sustainability, and, you know, why should businesses care at the moment?

Naomi: Yes. So, sustainability in terms of this project is environmental sustainability, so it's pro-environmental behaviours, such as planting trees and offsetting the amount of greenhouse gasses into the atmosphere.

Matthew: Excellent. And I think we all know this is topical at the moment with things like Extinction Rebellion and a lot of political pressure around climate change. I know one of the things that you've been looking at on this project in particular is small and medium enterprises and maybe what sustainability means for them, for SMEs. How do you see sustainability being relevant to them?

Naomi: Yes, so at the moment we're seeing a lot of changes in the policy landscape and also general culture around organisational environmental sustainability. There is consensus that companies need to adapt to a low carbon economy. The government has signed up to Net Zero by 2050, which basically means that emissions must be balanced by schemes to offset an equivalent amount of greenhouse gasses from the atmosphere, such as planting trees.

SMEs in particular, so manufacturing, small to medium enterprises are pulled by pressures from productivity growth, whilst also being high carbon emitters, and the government's 25-year plan for the environment, and its resources and waste strategy will substantially change the way some businesses operate.

As I said, there are cultural changes too, there was a 2015 study that showed about 66% of respondents were prepared to pay for sustainable goods and about 81% want to buy sustainable products. Young people as well are seeking careers in organisations that have good reputations for corporate and social responsibility, including environmental sustainability. And institutional investors are paying more attention to environmental issues. So, we can see from this data that there is pressure and there are changes in culture happening towards being more sustainable.

Matthew: That makes a lot of sense, and I think I can see how there would be opportunities tackling sustainability for businesses, whether that's in terms of markets or consumer perception, maybe, or cost reduction. But probably also costs involved for implementing this, and I know one of the things you've been looking at on this project is that idea of competing goals or tensions between these things, and particularly how to be productive and turn a profit and be sustainable, that feels like a really hard circle to square. What are your thoughts on this so far, Naomi?

Naomi: Yes. So, we're seeing that it can be quite a challenge for businesses to become sustainable whilst also being productive, and we're aware that this is particularly a challenge for small to medium enterprises, and manufacturing small to medium enterprises. The good news is that about 71% of companies recently surveyed showed that the last environmental improvement they carried out had reduced costs, but obviously it's not always that simple.

Reshoring, for example, away from countries like China to the UK can dramatically improve the carbon footprint, but it can also increase costs. Companies can install onsite renewable heat systems, or power generation, but this leads to energy cost savings, but obviously it requires a big upfront investment, and some small to medium enterprises might not be able to have that money available to make that investment. So, the whole goal of this project is to really delve deeper into those challenges and

pull apart those interesting connections between productivity and sustainability and try to help SMEs find solutions.

Matthew:

That's great. Well that sounds like lots of ideas about what organisations could be doing. I guess the next question that I had was, well, do you have any insights to share about how businesses are balancing those goals, or ways that they could balance? Any tips, maybe, for people who might be listening who are grappling with these practical challenges right now? They want to do the right thing, and they want to be more sustainable, but they have got cost pressures and other operational pressures. What kind of things might they be able to do?

Naomi:

Yes. So, I would say for small to medium enterprises, or any organisation that is wanting to be more sustainable but perhaps doesn't have that money to make big investments in solar panels or renewable energy sources, anything like that, really simple day to day practices you can instil in the workplace, such as printing double-sided on paper to reduce your paper use. As well, many small businesses sometimes needlessly wrap goods in plastic or cardboard or other materials, and these might be recyclable, but it's good to question, do we need to have these materials in the first place?

It might be that you need to check in with your suppliers, are they sending you products wrapped in plastic? Is it possible to have a conversation with them to ask them not to do that anymore? Another thing that small businesses can do is think about their remote working. Obviously with COVID we've seen a lot more people working from home, and although COVID has been very devastating, it has given opportunities for businesses to evaluate how they operate and perhaps consider having more of the workforce work from home to reduce carbon footprint of employees commuting to work and potential overheads.

If an SME or company does have the money to afford an investment, it's important not to rush straight into these things, it's important to bear in mind the best way to go about the change, and the research has shown that the businesses that are most successful at driving sustainability and environmental improvements and cost savings, adopt a boardroom to shop floor approach to promoting change, so they ensure that they took the whole of the workforce with them on the sustainability journey and the made the environment at the heart of their business. They designed in sustainability at the very earliest

stage in meetings, and we've also found that companies are finding that their employees are driven to be sustainable, so not only is it from boardroom to shop floor, but can also be shop floor to boardroom. And if you get that engagement and you have those conversations with the workforce then that can be really useful.

Matthew: Just picking up there, Naomi, I think that's a really important point in terms of engaging staff. I think, obviously the conversations that you often have with businesses are around how employees are often driving this focus on sustainability, and saying that they want to do something, they want to improve the planet and what they are leaving for their children. And I think there are echoes of cost reduction and techniques that manufacturers will be very used to in terms of driving out cost and waste within their processes and their production. And I think that kind of mindset is really relevant here, isn't it?

And particularly when we think about shop floor workers, frontline staff, who really know where the waste is happening, where there are opportunities to improve things, and often have lots of really good ideas, and maybe just needed a little bit of technical advice to put it into action. So, I love hearing you talk about this, I personally think that empowerment, that engagement of staff, there is so much there to be done.

Naomi: Yes, absolutely. And the research has actually shown, interestingly, that employees that feel like they have a say in the way a company operates in terms of sustainability behaviours actually, they show better productivity. Some employees might be more keen towards recycling, others might be more keen towards other things like walking to work, and I think having those conversations, really getting to know your employees and how they feel towards sustainability can really be beneficial in the long run.

Matthew: So, I think that is some good, kind of, I think, research and stats and other things that you have shared as part of that discussion, Naomi. As we've touched on, there are often lots of competing pressures on businesses, so sustainability is maybe one goal, being productive and being profitable and being a responsible employer in other ways is... there are lots of things which are competing for time and attention and resource, and I guess this is one of these that gets into that mix. So, I think the project that

you're involved in is looking at how to balance those goals. Are there ways that people can get involved in that research?

Naomi: Absolutely. We have a lot of opportunities at the moment for SMEs to get involved; we've got free workshops, as well as free one-to-one sessions with the research team to really go into further depth of the company's goals and help them be sustainable and productive, so if you are interested in finding out more about this research, or you would like to get involved, our contact details are available in the episode description.

Matthew: Perfect. Well thank you very much for listening to today's episode.

Naomi: Thank you.