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Creating a Sustainable Business Strategy for a SME

Thesis

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Thesis abstract

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This thesis focuses on the topic of sustainable business strategy. The objective was to create a universal template with which SMEs can create their own sustainable business strategy that takes into account their own unique circumstances and achieves competitive advantage.

The research methods employed to achieve the objective were an extensive literature review and action research. The research was conducted to answer the primary research question: how can a SME create a sustainable business strategy? It also answers the secondary research questions, necessary to answer the primary. The secondary research questions are: what is sustainable business strategy?, is there a competitive advantage to having a sustainable business strategy?, and what are the components of a sustainable business strategy?

Once the literature review was completed on sustainable business strategy, as well as related sub-topics such as business strategy, business models, etc. the action research was conducted. During this stage of research, the information and data gathered was applied to the creation of the template.

The template on proposal is called the Sustainable Business Strategy Template; inspired by the Business Model Canvas and can be found in the results as well as the appendices. The results also conclude that there should be further testing of the template with SMEs of various industries and specialities to improve upon its composition and structure.

Keywords: sustainability, sustainable business strategy, competitive advantage, small and medium-sized enterprises, universal, template

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Terms and Abbreviations

SBS	sustainable business strategy
SME	small or medium-sized enterprise
BMC	Business Model Canvas
SBST	Sustainable Business Strategy Template

1 INTRODUCTION

The introduction of this thesis presents the chosen topic – sustainable business strategy. The background of the subject and the reasons for the author choosing the subject is presented. It also describes the issue of sustainability, the objectives of the thesis, the research questions employed to achieve the objectives and the limitations of the research. Finally, this introduction concludes with a description of the research methodology used and how the thesis is structured.

1.1 The Issue of Sustainability

The issue of sustainability did not become a noteworthy concern until The Brundtland Commission published a report named *Our Common Future* in 1987 (Jørgensen and Pedersen, 2018). The report is the first to define sustainability (or sustainable development) as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Unruh, 2010). In the decades that followed the Brundtland Commission’s report, sustainability has slowly progressed from being an obscure concern of few to a shared concern of the general public in every corner of the globe. By its simplest definition, sustainability is “the ability to continue a defined behavior indefinitely” (Imppola, 2020).

Before proceeding, it is important to provide the definition of sustainability that will be adhered to throughout this thesis. For the purposes of this thesis, sustainability refers to the concept of holistic sustainability. Holistic sustainability “is an all-inclusive and interactive concept” that implies that societal problems must be solved by “understanding and improving all three dimensions of sustainability” (Imppola, 2020).

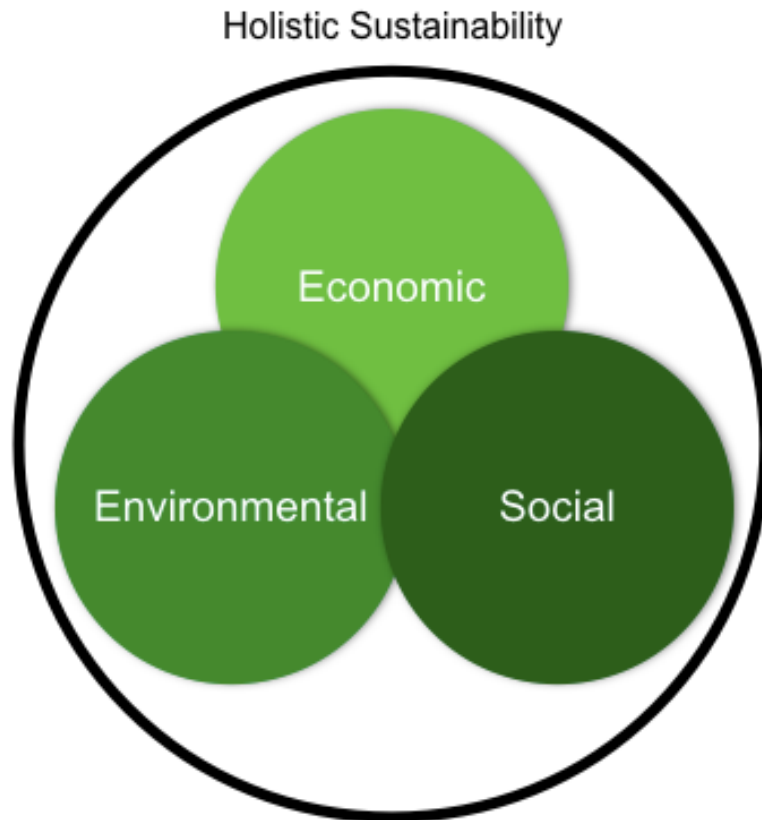


Figure 1. Holistic Sustainability

The three dimensions, or pillars of sustainability, are economic, environmental and social. The economic dimension of sustainability refers to the ability of communities and individuals to maintain their own financial independence and have access to the resources, including financial, to meet their needs. When the economic dimension of sustainability is fulfilled, everyone has a place in an intact economic system and is able to secure their own livelihood. The environmental dimension refers to Earth's ecosystems and their resources kept in balance and consumed at a rate at which they are able to replenish themselves without being depleted. The final dimension, social, refers to the guarantee of universal human rights and basic necessities to all people across the globe. When the social dimension of sustainability reaches its full potential, families and communities are healthy, safe, secure and protected from violence, oppression and discrimination of any kind. These three pillars of sustainability are intimately interconnected and each one must be considered in a business' SBS. Similarly, in holistic medicine, a patient's treatment is "characterized by the treatment of the whole person rather than just the symptoms of a disease" (Oxford Learner's Dictionary, 2020). The author of this thesis

holds the opinion that this is the manner in which sustainability should be approached – holistically.

1.2 Background

From August 2019 until May 2020, the author of this thesis participated in Yritystalli, also called Y-Zone Business Hub, for their practical training period at Seinäjoki University of Applied Sciences. The Y-Zone Business Hub gives students the opportunity to develop their own business idea, pursue their own entrepreneurial interests and expand upon their desired skills and expertise instead of a traditional workplace internship. The author is interested in entrepreneurship and sustainability's role in the development of business strategy. During their time in Y-Zone Business Hub, the author developed their own business idea and business plan, as well as a growth and development plan that would be implemented once the business launched. The author's primary intent in choosing this topic was to learn about SBS and develop a tool that they could use, as well as other SME owners, to create a SBS for their business.

1.3 Thesis Objectives, Research Questions and Limitations

The objective of this thesis is to answer the research questions and utilize the information and data gathered to develop a universal template with which SMEs can create and implement a SBS to achieve competitive advantage that would take into account their own set of unique circumstances. The author employed the research methods of an extensive literature review and action research to answer the research questions. The primary research question of this thesis is: how does a SME create their own sustainable business strategy? In order to answer this question, three secondary questions will need to be answered. Below in Figure 2, the primary and secondary research questions have been listed. The secondary questions are as follows:

1. What is sustainable business strategy?

2. Why have a sustainable business strategy?
3. What does a sustainable business strategy consist of?

A limitation of this thesis is that the results of the research, the SBS template, will be purely hypothetical until the author's business has been launched or another uses the template for their own business. There are also several limitations to method of action research. These limitations automatically affect the results of the research and cannot be prevented but they can be acknowledged and their impact attempted to be minimized. Potential limitations of action research are as follows: personal over-involvement of the researcher may bias the results, the results are difficult to replicate by another researcher and the results of this type of research are difficult to write up since a standard format cannot be used to report the findings (Sacred Heart University Library, 2019).

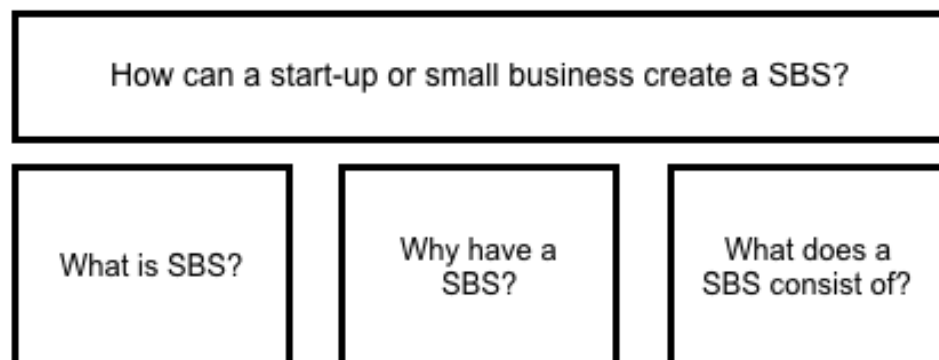


Figure 2. Research Questions

1.4 Research Methods

The purpose of the research was to gather information and data about the topic of SBS; its creation and application in theory and in existing firms in order to understand how SMEs can create and implement a SBS to achieve competitive advantage that took into account their own set of unique circumstances. The research methods employed to achieve the research objective was an extensive

literature review and action research. The first stage of research, the literature review, provided the data needed to proceed to the second stage of research - the action research. The literature review examined academic textbooks, journals and articles. The literature review also examined business journals and articles. Besides the topic of SBS, the review also includes expounding on sub-topics such as: theory and principles of business strategy, business models, tools used for the creation of business strategy and common characteristics of successful sustainable business strategies. During the second stage, the action research, the information and data gathered and analyzed will be then applied to the creation of the template.

1.5 Thesis Structure

The thesis is composed of eight chapters and sub-chapters to answer the primary, secondary research questions, and to present the results of the research.

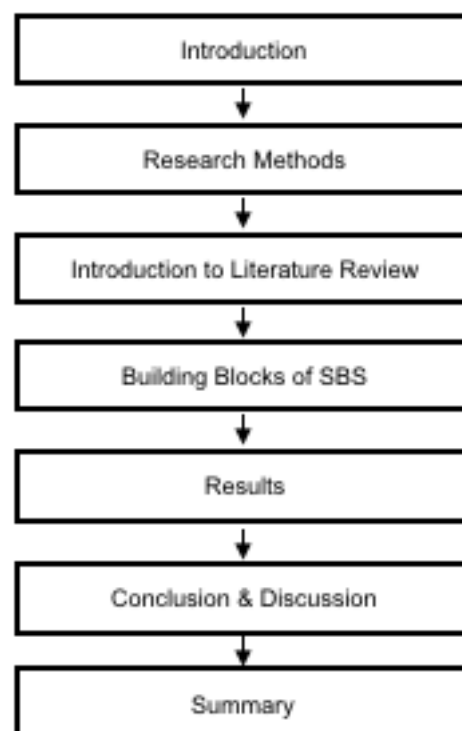


Figure 3. Thesis Structure

This first chapter has introduced the topic of the thesis, the research background, the research questions, methodology and limitations, as well as the thesis structure. The second chapter, Research Methods, explains the methods employed by the author to gather and analyze data and information to answer the primary and secondary research questions. The third chapter, Introduction to Literature Review, provides a detailed description of what the literature review contains as well as the concept of sustainability in business. The literature review presents the information and data gathered from the extensive review of academic textbooks, journals, and articles on the topic of sustainable business strategy. In the fourth chapter, Building Blocks of Sustainable Business Strategy, the literature review is continued and the theory and principles of business strategy, business models, and tools that are used in the creation of business strategy are summarized. The fifth chapter, Results, presents the universal template that was created based on the information and data gathered from the literature review, as well as explains how the template was created. The sixth chapter, Conclusion & Discussion, contains a summary of the answers to the research questions and information regarding the reliability, viability, and potential future research on the topic of sustainable business strategy and development for the template. The seventh and final chapter, Summary, provides a succinct review of the entire thesis, from the introduction through to the conclusion.

2 RESEARCH METHODS

The purpose of this chapter is to define the research methods employed to achieve the objective of this thesis. It also provides information on how the data and information was gathered, analyzed, and then applied. The objective of the research was to answer the primary research question, as well as the secondary research questions. To review, the primary research question of this thesis is: how can a SME create their own SBS? The secondary research questions are as follows: 1) what is sustainable business strategy? 2) why have a sustainable business strategy and 3) what does a sustainable business strategy consist of? These three questions will need to be answered to answer the primary research question. To answer the first question, the research was focused on gathering information to provide an understanding of sustainable business strategy and the theory and principles that undergird it. For the second question, the research was focused on if sustainable business strategy does or does not provide a competitive advantage for a business. To answer the third question, the research was concentrated on what a sustainable business strategy is composed of; such as principles, foundational concepts, business models, and research & development tools. Once the three secondary research questions were answered, the data and information collected were applied to the creation of the template. The author's theory is that by conducting the literature review and gaining a thorough and comprehensive understanding of SBS, a universal template can be developed for SMEs to assist in the creation of their own SBS.

2.1 Data Acquisition Process

The purpose of the research is to create a template that a SME could use to create a SBS to achieve competitive advantage that took into account their own set of unique circumstances. The data acquisition process is a two step process. In the first stage of research, the methodology of theoretical analysis, a literature review, was applied and a selection and discussion of theoretical and descriptive materials on the subject of sustainable business strategy were chosen (Research Methodologies, 2020). The data and information was gathered from an examination of busi-

ness journals and articles. Besides the topic of SBS, the review also includes expounding on sub-topics such as: theory and principles of business strategy, business models, tools used for the creation of business strategy, and common characteristics of successful SBS.

The second stage of research was action research. Action research is exploratory research conducted to understand a problem and then to develop a type of interventionary plan (Sacred Heart University Library, 2019). In action research, there is a strong emphasis on “pragmatic and solution-driven research rather than testing theories” (Sacred Heart University Library, 2019) and to develop techniques, products or procedures (Thesis Mind, 2020). As the purpose of the thesis is to develop a template for the creation of a SBS, action research was deemed the most appropriate method of research for this stage. During this stage of research, the data and information gathered during the first stage are applied to the creation of the template.

2.2 Data Analysis

Considering the research methods utilized for this thesis and that the literature review is the central source of data and information, an explicit angle was chosen to focus the research and to make the review distinctive to achieve the thesis objective and answer the research questions (Research Methodologies, 2020). The precise angle through which the data was gathered and analyzed was from the perspective of a SME. Conducting research through this angle provided valuable insight into academic research and case studies of what businesses have done and are currently doing for SBS. The data and information accumulated from the literature review was then applied to the creation of the template which can be found in the Results and Appendices below.

3 INTRODUCTION TO LITERATURE REVIEW

In this chapter, the first stage of research of the thesis is presented. The purpose of the literature review was to take a comprehensive survey of academic literature such as textbooks, journals, and articles to gather information on the topic of sustainable business strategy. The information and data gathered would be used to achieve the objective of this thesis: create a simple template for a SME could use as a guide in the creation of their own SBS.

Since the literature review is extensive, it has been divided into two chapters. This chapter, Introduction to Literature Review, summarizes the the review, introduces the concept of sustainability in business, and how a SBS offers a business a competitive advantage. The second chapter of the literature review, Building Blocks of Sustainable Business Strategy, contains three sub-chapters: theory & principles, business models and research & development tools.

The scope of the literature review does not include specific strategies for SMEs since businesses vary greatly in industry, specialty, external and interal factors and product or service. This review is focused on providing general information, data and tools that a SME can utilize for the creation and implementation of their own SBS.

3.1 Sustainability in Business

The concept of sustainability in business refers to the effect that business has on the economy, environment and society (Chladek, 2019). It refers to programs, products and practices that a business may implement to positively impact environmental and/or social issues and concerns (Bonini and Swartz, 2014). Sustainability is a broad term and can be described as a concept, an issue, a business approach or a policy. As a business approach, sustainability's purpose is to create long-term value by taking into consideration how a given organization operates in it's economic, environmental and social environments (Haanaes, 2020). This business approach is built on the assumption that developing business strategies that

are sustainable foster a company's longevity and benefit the bottom line (Haanaes, 2020).

SBS has varied definitions within academic and business literature. SBS according to its most simple definition is implemented to take a business from an unsustainable position to a sustainable one (TerraInfiniti, 2020). The goal of a SBS is to support the overarching goal of fostering a company's longevity while at the same time making a positive impact on either social or environmental problems, or both. In general, sustainable business strategies aim to decrease the negative impacts a business may have on the environment and society and at the same time increase the positive impacts while "creating long-term value for the firm, its stakeholders, and wider society" (Long, 2019). For the purposes of this thesis, the author will take the view that a sustainable business strategy is only sustainable, according to the principle of holistic sustainability; if it has integrated and/or considered the economic, environmental and social dimensions into the formulation of the strategy.

The manner in which an individual business approaches sustainability also varies from business to business; each has their own definition of what a sustainable business strategy means (TerraInfiniti, 2020) and each has their own approach. "For some companies, a strategy might focus on a few aspects such as relations with the community or environmental programmes. Others adopt a more holistic approach that links together multiple impact areas" (Bonini and Swartz, 2014). As a result of the varied opinion of what defines and constitutes a SBS and the different approaches that result, businesses of all sizes find themselves in the difficult position of creating a clear and measurable strategy that aligns with the organization's priorities (Bonini and Swartz, 2014). Companies that lack a clear sustainability strategy may attempt to implement a broad range of programs and priorities which result in teams and budgets being stretched, lack of integration across the organization and difficulty communicating progress as results are hard to measure (Bonini and Swartz, 2014). But in today's ever-evolving world, debating whether to incorporate sustainability into your business strategy is no longer an option (Chladek, 2019).

Since the private sector has played a role in the creation of and contributes to many of the problems we face across the globe in regards to sustainability, it is in the best interest of businesses to be proactively pursuing innovation and creating solutions for these issues (Jørgensen and Pedersen, 2018). When companies fail to assume responsibility this leads to issues worsening in the environment and society such as environmental degradation and inequality (Chladek, 2019). Currently, the sustainability crisis is forcing governmental bodies around the globe to take legislative action that negatively impacts a company's bottom line (Jørgensen and Pedersen, 2018). There is a need for solutions to go beyond the goal of profitability and the private sector has an immense opportunity to increase longevity, improve financial performance and to make a positive difference when it embraces sustainable business strategy.

In this current age of social media, businesses are experiencing an ever-increasing demand from their patrons to be sustainable, transparent and responsible. The informed and conscious consumer is forcing businesses, small and large alike, to make changes. Today, businesses are dealing with a "complex and unprecedented brew of social, environmental, market, and technological trends" (Whelan and Fink, 2016) and are having to address their impact on society - economically, environmentally and socially. Unfortunately, the misguided belief that sustainability efforts will hinder a company's financial performance has prevented many from making sustainability the centerpiece of their business strategy. But recent academic research demonstrates that the benefits of sustainable business strategy outweigh the costs (Whelan and Fink, 2016). It is becoming apparent that a SBS is becoming a necessity for businesses to not only be compliant with government regulation and international standards but also to outlast their competitors.

3.2 Sustainability as a Competitive Advantage

Sustainability has the potential to increase longevity, improve financial performance, and to make a positive difference in the world. It does not mean sacrificing profits or putting a business' success on the backburner. Instead, it has become a crucial element contributing to an organization's success. Sustainable business

strategy is not purely altruistic since a business cannot do good in the world if it is not doing well financially; doing well financially and making a positive impact in the world are intertwined and a successful SBS accomplishes both (Chladek, 2019). There is a growing body of evidence that demonstrates organizations that implement a sustainable business strategy experience improvements in financial performance in the long term (Lowitt, 2011). Sustainability is also among the biggest sources of creating profitable business opportunities for the companies that decide to embrace it (Werbach, 2009). A business that doesn't factor in sustainability risks being less successful in a number of measures, including profitability, growth and employee retention.

Throughout the breadth of research surveyed for this thesis the competitive advantage of sustainability was repeatedly mentioned, as well as its numerous benefits. For example, risk management is an area that organizations see improvements in after implementing a SBS. Sustainable business strategies can protect a brand's reputation, mitigate and manage risks such as operational disruptions like resource scarcity, climate change impact and community risks (Bonini and Swartz, 2014). In the areas of growth and returns on capital, there are also notable improvements due to SBS. Sustainable business strategies assist in prioritizing investment/divestment, incentivize the innovation of new products, entry into new markets, improve resource management, and reduce operating costs such as water waste, energy consumption, carbon emissions and improve employee engagement (Bonini and Swartz, 2014). Today, several investors utilize the Environmental, Social, and Governance (ESG) metrics “ to analyze an organization's ethical impact and sustainability practices. Investors look at factors such as a company's carbon footprint, water usage, community development efforts and board diversity” (Spiliakos, 2020). According to McKinsey & Company, a global consulting firm, companies that have high ESG ratings have a lower cost of debt and equity, greater public support and motivated employees that align themselves with the goals of the organization and care about its reputation and customer's expectations (Spiliakos, 2020). Sustainability efforts are paving the way to growth, lower costs, innovations and enhanced agility through relationships with suppliers, stakeholders, employees, and even competitors. In addition to GE, ANZ Banking Group, and Travelocity, companies such as Unilever, United Parcel Service, Cis-

co, Nike and Starbucks have made powerful linkages between their efforts to embrace sustainability and their ability to “move the needle” of financial performance in the short and long term. (Lowitt, 2011).

There is also a growing market for sustainable products and services. Consumers today are willing and ready to make changes to their consumption habits to decrease their negative impacts on the environment and society (Chladek, 2019). For example in the US, the sustainability market is predicted to reach \$150 billion USD in 2021 (Nielsen Company, 2018). “Millennials in particular are more willing to pay more for products that contain sustainable ingredients or products that have social responsibility claims” (Chladek, 2019). The market trends of 2019 and of 2020 presented by Euromonitor have also reiterated this trend. People have become conscious consumers and are becoming more mindful of their own individual impacts, positive and negative, on the world. “This respectful and compassionate approach to consumption embraces mindfulness of other human beings, animals and environment” (Angus and Westbrook, 2019). Recent consumer trends have also demonstrated a consistent and growing desire from the general public to make a positive impact on the environment. In its previous annual reports, Euromonitor had found that the consumer's trends were in keeping with issues such as reducing the use of plastic, reusing/recycling and the promotion of clean air (Angus and Westbrook, 2019). Throughout the literature, it was stated repeatedly that consumer trends and behavior will continue to shift towards more sustainable consumption behavior in the future and businesses that proactively pursue sustainable business strategies that anticipate this will have a competitive advantage of their competitors that do not embrace the future.

4 BUILDING BLOCKS OF SUSTAINABLE BUSINESS STRATEGY

This chapter is divided into five sub-chapters: 1) Theory & Principles, 2) Business Models, 3) Tools, 4) Examples of Successful SBS and 5) Final Observations. The first sub-chapter, Theory & Principles, summarizes traditional business strategy creation and principles that can also be applied to SBS. It also presents commonly mentioned themes and principles that undergird the concept of sustainability in business and SBS throughout the literature. The second sub-chapter, Business Models, provides the definition of a business model, the definition of a sustainable business model, and contains information about new approaches and innovative designs of business models and core processes. Again, this thesis does not explicitly focus on industry-specific business models or specialties according to product or service but instead provides general information that can be applied to a SME belonging to any industry, of any size, and product or service. The third sub-chapter, Tools, contains widely used research and development tools and resources by organizations to design business strategy, as well as tools specifically created to assist in SBS. The fourth sub-chapter contains four examples of businesses that have successful sustainable business strategies. The fifth and final sub-chapter, Final Observations, contains the conclusion of the literature review as well as six common characteristics of successful sustainable business strategies seen throughout the literature.

4.1 Theory & Principles

The theory and principles that undergird SBS are the fundamental basics of conventional business strategy and must be understood, even by a SME, to be comprehensive in its creation of a SBS. In this section, strategy will be defined as well as the widely used process by which organizations create and implement strategy. It does not provide every minute detail of strategic planning or business strategy in general; its purpose is to provide a SME the most important and necessary information integral to the success of their own SBS. Finally, it also provides two overarching, common themes seen throughout the literature surveyed for this the-

sis on the topic of sustainable business strategy: value chain versus value cycle and the biosphere rules.

4.1.1 Definition of Business Strategy

In the field of management, the goal of strategic management is to achieve and maintain competitive advantage and is the “art and science of formulation, implementation, and evaluation of the organization’s strategy to achieve its objectives” (David, 2011). It is synonymous with the term strategy (David, 2011). When one refers to business strategy, they tend to be referring to the subject of strategic management. Strategy is the means by which long-term objectives will be achieved and within the field of business, a strategy may include but not limited to: diversification, acquisition, product development, market penetration, retrenchment, divestiture, liquidation and joint ventures (David, 2011). Strategic planning is another term that is synonymous with strategy. It emerged in popularity in the 1960s and 1970s, then reemerged in the 1990s, and is still widely used to this day. Strategic planning is simply long-range planning and contains a three step process from creating to evaluating strategy (David, 2011). The three stages of strategic planning are formulation, implementation, and evaluation (David, 2011).

In the first stage, formulation, the following tasks must be completed: “developing a vision and mission, identifying an organization’s external opportunities and threats, determining internal strengths and weaknesses, establishing long term objectives, generating alternative strategies, and choosing particular strategies to pursue” (David, 2011). The decisions during this stage of the strategy process determine the organization’s trajectory in the future. The development of the vision, mission, core values, and goals of the organization must occur before a strategy can be formulated (Watkins, 2007).

In the second stage, implementation, the organization must put the formulated strategies to work by mobilizing employees and managers and doing the actual work. This stage of the strategy process is considered the most difficult and the success of these stages depends fully on excellent interpersonal skills and the

management motivating employees (David, 2011). “Consider the conclusions of a recent survey of 300 chief executive officers (CEOs). The key takeaway is that 72 percent of these CEOs believe that U.S. companies do a better job of developing corporate strategies than implementing them” (Stroh, 2014).

In the third and final stage, evaluation, the activities required to accomplish the strategy have been completed or are in the process of being completed and management must figure out if the strategy accomplished the desired objectives and organizational goals (David, 2011). There are three fundamental activities that must be completed in the evaluation stage: “reviewing external and internal factors that were the bases for current strategy or strategies, measuring performance, and taking corrective actions” (David, 2011). This stage is absolutely necessary in understanding whether a strategy was successful or unsuccessful and whether “...external and internal factors are always shifting so the outcomes of strategies implemented can vary greatly” (David, 2011).

After reviewing the academic and business literature on the topic of sustainable business strategy, there were overarching themes or values woven throughout the literature surveyed for this thesis. Two of the most common overarching themes or values were: 1) value chain versus value cycle and 2) the biosphere rules.

4.1.2 Value Chain Versus Value Cycle

The value chain represents the entire manufacturing process from extracting raw material(s) from the natural environment all the way to turning it into a high-value product. Defined in Michael Porter’s *Competitive Advantage*, the value chain model ends, hopefully, with a satisfied customer getting a high-value product. Unfortunately, the value chain model does not chart the product through to the end of its life when it becomes waste. It also ignores how the process interacts with the natural environment (Unruh, 2010). “According to Robert Ayres, an Insead Business School professor, he calculated that 95% of all resources extracted from the environment became waste within six months from harvest” (Unruh, 2010). The value chain model has also become commonly known as the “take, make, waste” sys-

tem; signifying simply the process of taking from the environment, making a product and then throwing it away.

As a sustainable alternative to the Porter's value chain model, the value cycle model was created. The value cycle imitates the cyclical nature of the environment or the biosphere (Unruh, 2010). The cyclical nature of the environment is represented by how some raw materials are constantly renewed, or reused and never lose value. Nature is "constantly innovating and evolving to become more complex, specialized, and effective" (Unruh, 2010).

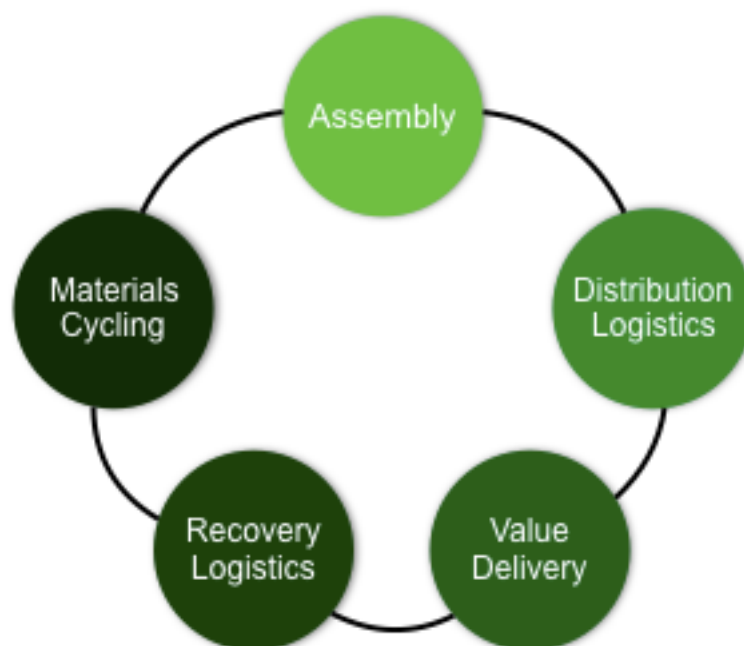


Figure 4. Value Cycle Diagram

According to Unruh, creating a value cycle is at the core of a sustainable business strategy. Since each business varies in size, industry, and speciality - the value cycle model can serve as a guide to how organizations can approach the creation of their own SBS. "They serve as a framework to help managers figure out the specific actions they can take to make their products and their organizations more sustainable. Although the steps are not strictly linear, most organizations will be more successful by following them in order through a single product or through the entire company." (Unruh, 2010). The value cycle model, or the imitation of the cy-

clical nature of the environment in the business model is also considered the circular economic model.

4.1.3 The Biosphere Rules

The biosphere rules provide “a systematic approach to thinking about sustainability” in an organization, helping in guiding in the creation of their sustainable business strategy by providing a “customizable and practical to-do list” (Unruh, 2010). Sustainable business strategies that do not deliver profit for the business and do not create value are not sustainable regardless of how eco friendly they are (Unruh, 2010). The biosphere offers “a value-creating, value-multiplying and value accumulating machine, which bodes well for companies seeking to tap into its secrets” (Unruh, 2010). These rules are meant to ensure that a business does not sacrifice the health of the environment or good of society for short-term growth.

The five biosphere rules are as follows: materials parsimony, power autonomy, value cycles, sustainable product platforms, and function over form. Parsimony means the “extreme unwillingness to spend money or use resources” (need to cite from a dictionary). According to the rule of materials parsimony, a business must minimize the types of resources and materials used in the production of products and there is a particular focus on using resources and materials that are environmentally friendly and possibly reusable. The rule of power autonomy means that a business achieves power or energy independence from nonrenewables and relies fully on renewables. The rule of value cycles, similar to what was described above, instead of creating products and services according to the “take-make-waste” model but by the value cycle model. According to the rule of sustainable product platforms, a business should prioritize creating a profitable business model utilizing the value cycle that can be scaled; growth does not mean compromising sustainability. The fifth and final rule, function over form, means fulfilling the needs of the customers within the boundaries of the value cycle model; a business should not take shortcuts that negatively impact the environment and society to benefit the bottom line.

Below is a chart, that provides each of the five biosphere rules, each of their definitions and examples of ways an organization can implement these rules practically within their SBS. During the creation of a SBS for a SME, each of these rules and the examples that accompany them can provide a source of inspiration, assist in the prevention of blindspots and can be considered during the strategy formulation process.

Rule	Definition	Examples
Materials Parsimony	Minimize the types of materials used in products with a focus on materials that are sustainable, responsible and ethical	<ul style="list-style-type: none"> • Reduced supplier complexity • Reduced production complexity • Reduced toxic risk • Reduced compliance costs • Volume purchase discounts • Improved health and safety • Improved worker productivity • Improved product attributes • Improved environmental performance
Power Autonomy	Maximize the power autonomy of products and processes so they can function on renewables	<ul style="list-style-type: none"> • Reduce energy costs • Reduced compliance costs • Improved environmental performance • Improved customer performance • Optimized for renewable energy
Value Cycles	Recover and reincarnate materials from end-of-use goods into new value-added products.	<ul style="list-style-type: none"> • Reduced processing costs • Reduced supplier risk • Increased control over brand and reputation • Improved asset management • Improved customer information
Sustainable Product Platforms	Leverage your value cycle as a product platform for profitable scale, scope, and knowledge economies.	<ul style="list-style-type: none"> • Compound above benefits through scale • Compound above benefits through scope • Foundation to accumulate learning by doing • Build robust cross-industry platform demand
Function Over Form	Fulfill customers' functional	<ul style="list-style-type: none"> • Generate ongoing rev-

	needs in ways that sustain the value cycle.	revenue stream <ul style="list-style-type: none"> • Greater customer knowledge • Increase control over asset base • Convergence into expanded offerings
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Figure 5. Biosphere Rules (Unruh, 2010).

4.2 Business Models

Creating a SBS also requires an understanding of the concept of a business model. Every business operates based on a business model consciously or unconsciously (Jørgensen and Pedersen, 2018). "A business model is a reflection of a company's strategy and offers a comprehensive understanding of how the company does business" (Lozano, 2018). A business model focuses on how all of the factors and elements within the organization work together as a whole system to accomplish organizational goals. Rethinking an organization's business model is an essential component of developing a SBS since it is within the business model where an organization can address change and focus its attention on innovation (Lozano, 2018).

The first and most fundamental part of the business model is the value proposition. The value proposition is how the organization creates value (Jørgensen and Pedersen, 2018). This is the most important part of the business model because it determines what the business offers its customers, how it helps the customer solve a problem, and also determines if the customer will be back (Jørgensen and Pedersen, 2018).

According to Jørgensen and Pedersen, a business model consists of a set of inter-related components that consists of three parts: value creation, value delivery and value capture (Jørgensen and Pedersen, 2018). Value creation is what a business has to offer consumers either by addressing a problem or a need; this is also known as a value proposition. Value delivery is defined as the "key resources, activities and partners that are needed for the company to carry out what the value proposition requires" (Jørgensen and Pedersen, 2018). The third component, value capture, is most simply how the company makes revenue and its cost structure

(Jørgensen and Pedersen, 2018). An organization that would like to create a SBS must consider and innovate its existing business model and how sustainability can be implemented in the three interrelated components of value creation, value delivery and value capture.

4.2.1 Definition of Sustainable Business Models

In his book, *Sustainable Business Models: Providing A More Holistic Perspective*, Lozano provides an extensive review of varying definitions of a sustainable business model provided by various experts, researchers and academics since there has not been one comprehensive definition or characterization of the term sustainable business model written (Lozano, 2018). Based on his review, Lozano defines a sustainable business model as “a holistic and systemic reflection of how a company operationalizes its strategy, based on resource efficiency (through operations and production, management and strategy, organizational systems, governance, assessment and reporting, and change), so the outputs have more value and contribute to sustainability more than the inputs (with regard to material and resources that are transformed into products and services, economic value, human resources, and environmental value)” (Lozano, 2018). This definition also emphasizes how a business model is affected by the environment inside and outside of the organization, its tangible and intangible resources, its supply chain and stakeholders (Lozano, 2018).

An example, commonly seen throughout the literature on sustainable business models (as well as the circular economy), is three alternative business models that do not create waste. These three alternative models are leasing, renting, and product pooling and in each model the business retains ownership and the customer does not have exclusive rights to the product or service. In leasing, “the supplier becomes a service provider by retaining the ownership and assuming responsibility for maintenance” (Lozano, 2018). In renting, “similar to leasing; however, the customer does not have unlimited access to the product” (Lozano, 2018). In product pooling, “the equipment is used simultaneously by several users instead of a sequential mode of use” (Lozano, 2018).

In the integrated model of business sustainability, there are six benchmarks that sustainable business models must consider: eco-efficiency, socio-efficiency, eco-effectiveness, socio-effectiveness, sufficiency and ecological equity (Issa, Chang, and Issa, 2010). In general, the business models of the future must continuously innovate and get smarter to become and maintain sustainability, must be open to experimentation, utilize service design, ditch the “take-make-waste” model and be collaborators not soloists (Jørgensen and Pedersen, 2018).

A business model that is sustainable must have sustainability embedded throughout the organization holistically, systemically and integrally into every department, process and element (Lozano, 2018). Sustainable business models create value for the business and do not define value under the pretense of sustainability as many presumably sustainable business models do (Lozano, 2018).

4.2.2 Examples of Sustainable Business Models

In this section four sustainable business models were chosen for examination. The first is Circular Economy Business Models. From Lowellyne’s book, *Sustainability Footprints in SMEs: Strategy and Case Studies for Entrepreneurs and Small Businesses*, there is an extensive review of sustainable business models. Three models were chosen for examination. The models were chosen because of their simplicity, straightforwardness, and comprehensiveness in nature. The three models chosen were Model of Sustainable Organization, the Sustainable Value Model and the Eco Enterprise Strategy.

1. Circular Economy Business Models

As discussed in a previous section, our current economic system is based on a take-make-waste model; also known as a linear model or as Michael Porter’s value chain. Throughout its development, the industrial economy has deviated little from this model and any model “based on consumption rather than on the restorative use of non-renewable resources entails significant losses of value and negative effects all along the material chain” (Ellen MacArthur Foundation, 2013). The

circular economy and its subsequent business models are restorative or regenerative by design and are intended to replace the take-make-waste model. Circular business models are meant to shift towards relying on renewable energy, eliminating the use of toxic chemicals & harmful substances and aims to eliminate waste through innovation in raw materials, products, services and systems. According to the Ellen MacArthur Foundation, the circular economy is based on three principles: designing out waste & pollution, keeping products & materials in use and the regeneration of natural systems (Ellen MacArthur Foundation, 2013).

Sitra, the Finnish Innovation Fund, has stated that three key trends will contribute to the number of companies applying the principles of the circular economy will only increase in the future. First, customers are changing their behavior and their preferences are shifting. Customer orientation will continue to move away from the traditional sale of goods towards tailor-made, customer-specific solutions that use resources more wisely and strengthen the relationship between business and customer (Sitra, 2021). Second, the concern of natural resource consumption and climate change will steer regulation, influence investments and guide consumer behavior towards the circular economy (Sitra, 2021). Lastly, “the advancements in technology and digitization, such as artificial intelligence, the internet of Things and robotics, enable implementation of circular value chains and business models” (Sitra, 2021). Technological innovation will continue to drive businesses into the circular economy and based on the previous two trends, these businesses who manage to keep up with these advances will gain competitive advantage over their competitors. Besides these key trends, “many companies have also begun to notice that this linear system increases their exposure to risks, most notably higher resource prices and supply disruptions” (Ellen MacArthur Foundation, 2013). “Economies will benefit from substantial net material savings, mitigation of volatility and supply risks, positive multipliers, potential employment benefits, reduced externalities, and long-term resilience of the economy” (Ellen MacArthur Foundation, 2013).

Circular business models rely on durable products that are leased or rented or shared, incentives to return used products or parts of products, repair or refurbishment of products and remanufacturing (Ellen MacArthur Foundation, 2013).

Circular business models can generally be divided into five business models: renewability, sharing platforms, product as a service, product-life extension and resource efficiency & recycling (Ellen MacArthur Foundation, 2013). According to the OECD handbook, circular business models also have a number of distinguishing characteristics. They include: the sparing use & maximization of natural resources, capturing value in already existing materials/components/products, less emphasis on maximizing sales volume of low-margin & short-lived products and a greater level of collaboration between partners within the supply chain (OECD, 2019).

Renewability, also referred to as the resource recovery business model, utilizes innovation and advanced “capabilities to recover and reuse resource outputs that eliminates material leakage and maximizes economic value” (Gerholdt, 2015). Specific examples of the renewability model at work are closed loop recycling, industrial symbiosis (the used or unused resources from one company are used by another) and cradle-to-cradle designs (waste is reprocessed and repurposed)(Gerholdt, 2015). The renewability model offers businesses primarily two benefits: the ability to market their products or services as green and managing risks associated with regulation and their supply chains (OECD, 2019). For example, instead of relying only on natural resources that are derived from unstable countries, a business could choose to rely solely or partly on locally derived materials which would help mitigate risks to their supply chains.

Sharing platforms are business models centered on the sharing of products and have a low ownership or use rate which enables a business utilizing this model to maximise productivity and value creation from the use of their products, rather than sale (Gerholdt, 2015). Sharing platforms allow an individual, group or business to maximize the value of under-utilized assets such as housing, vehicles or tools through lending or pooling (OECD, 2019). “Online platforms facilitate transactions between the owners of under-utilised assets and individuals seeking to use them; platform owners can generate a small margin on each related transaction. Significantly, because the capital cost of the underlying goods has already been paid (by owners), the up-front investment cost required to launch an online platform is significantly smaller than that required to become a traditional provider. Platforms usually also have very small operational costs and significant potential

for scale up. For the owners of under-utilised assets and products, the emergence of online platforms provides an opportunity to earn additional income. Unused apartments, rooms, vehicles, vehicle seats, clothing, or tools can be leveraged, rather than sitting idle. Potential buyers also benefit to the extent that shared products are cheaper than their traditional equivalents” (OECD, 2019). Recent developments “of various technologies – the internet, mobile phone technology, and the development of referral and reputational systems – that have reduced the transaction costs and risks associated with sharing assets” (OECD, 2019). Popular examples of sharing platforms include Airbnb and Uber.

There are two subtypes of sharing platform business models: co-ownership and co-access. Co-ownership involves the borrowing of physical goods such as household tools, appliances or lawn equipment. Products that are well suited for the co-ownership model are products that are durable, easy to transport, not used often and have a low ownership rate (OECD, 2019). Co-ownership sharing platforms are well suited for densely populated urban areas where people have less space to store products they use infrequently, have a low ownership rate or where people are less likely to invest in a product they rarely use. The co-access model “involves allowing others to take part in an activity that would have taken place anyway” (OECD, 2019). For example, Airbnb allows customers to stay in host’s unused rooms, apartments or homes for a lower price than staying in a hotel.

The product as a service model allows customers to “use products through a lease or pay-for-use arrangement versus the conventional buy-to-own approach” (Gerholdt, 2015). Products that are durable and of a high quality make for ideal candidates for the product as a service model since their life cycles are longer and allow for them to be maintained, refurbished and repaired easily (Sitra, 2021). According to the OECD, there are primarily three main variations of the product as a service model: product-oriented, user-oriented and result-oriented. Product-oriented allows manufacturers to continue using a conventional sales approach but include additional services for the customers after the sale has been completed. After-sales services may include maintenance contracts, extended product warranties, offering repairs or take-back (or buy-back) agreements (OECD, 2019). Patagonia, referenced further in this thesis, has a take-back program that provides

vouchers or discounts to customers for new clothing. The company then recycles the used garments either for resale or for repurposing as raw materials. User-oriented allows customers to pay for temporary use of a product for a short or long term lease and the business maintains full ownership of their product (OECD, 2019). An example of this model are car sharing schemes which have grown in popularity in urban areas. Instead of selling a product or a service, in the result-oriented model, a business is selling a particular outcome without specifying exactly how the outcome will be achieved (OECD, 2019). For example, a heating company may sell a heating outcome, or maintain a certain temperature for an office building, instead of selling the actual equipment that will be heating the building.

The product-life extension model is simply extending the life of a product for as long as possible and ensuring the product remains profitable. A product's life can be extended through maintenance or improvement, either through remanufacturing, repairing, upgrading or re-marketing (Gerholdt, 2015). Products are able to stay in the economy for a longer period of time which reduces the amount of resources used in production and keeps them out of the landfill (OECD, 2019). According to the OECD, there are four variants of the product-life extension model: classic long life, direct reuse, maintenance & repair and refurbishment & remanufacturing. Classic long life requires producing and maintaining products that are durable and of a high quality to avoid prematurely ending up as waste (OECD, 2019). A business that utilizes the classic long life model can charge customers higher prices because of the higher quality product. The direct reuse model is when a used product is redistributed to new owners and prevents the product from becoming waste (OECD, 2019). Online platforms that facilitate the sale and distribution of used products are eBay and Craigslist and are able to make a profit by earning a small percentage of the resale price. The definition of the maintenance and repair variant is in the name; maintenance and repair ensures that the product is able to reach its full potential and maximize its lifespan (OECD, 2019). The fourth variant, refurbishment and remanufacturing model, is also defined by its name; it involves "the restoration of degraded products, either for a fee, or for subsequent resale to original or new owners" (OECD, 2019).

The resource efficiency and recycling model involves the collection, sorting and transformation (or secondary production) of waste from homes, businesses and industry into secondary raw materials that can be sold to businesses (OECD, 2019). The three common variants of this type of model are downcycling, upcycling and industry symbiosis (OECD, 2019). Downcycling involves the transformation of waste into secondary raw materials. The key difference is that the recovered materials are of an inferior quality, and can only be used as an input in a limited subset of applications” (OECD, 2019). Upcycling involves the transformation of waste but the secondary raw materials produced can be used in high value applications (OECD, 2019). Industry symbiosis, also known as closed loop recycling, requires the production waste or by-products of one business to be given or sold to another business to be used in their production process as a raw material (OECD, 2019). The resource efficiency and recycling model can only be utilized under certain conditions- within a market for secondary raw materials and large amounts of waste or by-product being produced.

2. The Model of Sustainable Organization

The Model of Sustainable Organization, developed by the Deming Special Interest Group of the Chartered Quality Institute, simply contains eight guiding principles that are meant to help define and steer the organization’s sustainable business strategy. The eight principles are as follows: “customer focus, systems thinking, daily work of the organization, wisdom from numbers, leadership, innovation, protection of the natural environment and respect for people” (Lowellyne, 2015). A small business using the Model of Sustainable Organization as a guide, should continuously review the relationship between the eight foundational principles and elements that optimally supports the goals of the business. The primary elements of this model that a business should focus on are customers, operating systems, people-culture-leadership-management, societal influences/learning, environment, plan-do-study-act and essential interactions and communication. “These elements are interpreted as part of a holistic view of an organization’s role within the context of the society, environment, leadership style, and culture” (Lowellyne, 2015).

An important element of this model is the PDSA Cycle. “The PDSA Cycle (Plan-Do-Study-Act) is a systematic process for gaining valuable learning and

knowledge for the continual improvement of a product, process, or service” (The W. Edwards Deming Institute, 2021). The PDSA Cycle is also known as the Deming Wheel or the Deming Cycle and contains four steps: plan, do, study, and act. These four steps can be repeated as often as necessary or desired as a part of a business’ continual learning and improvement (The W. Edwards Deming Institute, 2021).

3. The Sustainable Value Model

The Sustainable Value Model is a business model that categorizes “shareholders as a separate group from stakeholders and as a consequence identifying a potential growth option for the firm through the creation of sustainable value” (Lowellyne, 2015). Sustainable value is created by reducing risks, preemptively acting in response to regulation and preventing a loss of market share or reputation damage (Lowellyne, 2015). According to the Sustainable Value Model, a business must pursue a three phased program which includes: diagnosis, value creation and value capture. In the first phase, diagnosis, a business must identify and analyze business activities that create or destroy value for its stakeholders for the purpose of the development of strategies that are future-oriented in relation to anticipating stakeholder expectations and business opportunities and at the same time seeking to reduce risks (Lowellyne, 2015). In the second phase of this model, value creation, “the adoption of strategic choices that create both shareholder and stakeholder value or reduce value destruction through the acquisition of resources to leverage strategic partnerships with key stakeholders”(Lowellyne, 2015). Creating sustainable value requires a business creating processes across six levels: “risk (compliance oriented management of risks and protecting license to operate), efficiency (reducing energy, waste, or other process costs), product (creating product differentiation based on technical and environmental/social features), market (addressing new markets driven by consumer and societal needs), brand (gaining stakeholder recognition and preference), and context (changing the rules of the game to create advantage for sustainable strategies)” (Lowellyne, 2015). In the third phase, value capture, it contains the implementation of the strategy, measurement of success, and the validation of actions taken to enhance shareholder and stakeholder value (Lowellyne, 2015).

4. The Eco Enterprise Strategy Model

According to Eco Enterprise Strategy Model, an organization's business model is based on three analytical components of business strategy: "value analysis (identification of the organization's core values and instrumental values activities or mechanisms that bolster ethical approaches), issues analysis (awareness of the societal context), and stakeholder analysis (understanding the power relationship between the firm and its various stakeholders)" (Lowellyne, 2015). In this age of social media, growing public outcry for injustices being vindicated, and organizations being held responsible by the public - the Eco Enterprise Strategy is growing in popularity. This model is based on the premise that organizations admit that industrialization and globalization have caused problems and desire to do something about injustice caused; whether it be environmental injustice, social injustice, or economic injustice (Lowellyne, 2015). In this model, sustainability strategy manifests in the organization as values that steer the core of the business. For example, these values include but are not limited to: diversity, wholeness, quality, dialogue or human spiritual fulfillment. With the Eco Enterprise Strategy, a small business can arm itself with clear values, an in-depth understanding of societal issues (social, environmental, and economic) and the consideration of relevant stakeholders to create a sustainable business strategy that "emphasizes growth that focuses on both economic and environmental development goals with assured social benefits" (Lowellyne, 2015).

4.3 Tools

Once a foundational understanding of the theory and principles of business strategy, business models and sustainable business models is attained a SME can then utilize one or many of the vast number of research and analytical tools that have been developed to assist in the creation of strategy. In this subchapter, the tools provided are widely used in the creation of conventional business strategy, as well as tools specifically designed to be used in SBS. The tools and resources included in this chapter are the United Nation's Sustainable Development Goals, interna-

tional management standards, the Sustainable Strategic Growth Model, SWOT analysis, PESTEL analysis, Porter's Five-Forces Model, STaR Mapping and materiality assessment.

4.3.1 United Nation's Sustainable Development Goals (SDGs)

The United Nations Sustainable Development Goals (SDGs) are goals that were created to act as a common roadmap for developed and developing countries, their public institutions, private & nonprofit organizations and the general public in their efforts in sustainable development. The goals are based on the premise that progress in one area will influence the outcomes of the others - economic, social and environmental (United Nations Development Programme, 2021). Each of the goals have integrated and considered each of the three areas and have established targets and indicators to help guide progress. The goals "recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests" (United Nations, 2021). To achieve the SDGs, all parts of society must be engaged and contributing creativity, knowledge, technology and financial resources (United Nations Development Programme, 2021).

For a SME, the SDGs are an appropriate starting point for crafting a SBS and can, for example, provide inspiration and direction for establishing goals and objectives. Below in Figure 6, each of the SDGs is numbered, named & defined accompanied by one target & one example of practical use in a SME. The information presented in the table has been gathered from the United Nations Sustainable Development Programme website.

Number	Goal	Definition	Example of Target	Example of Practical Use
1	No Poverty	End poverty in all its forms.	By 2030, eradicate extreme poverty for all people everywhere, currently measured as	Building partnerships with suppliers that ensure and can verify they pay their employees a fair

			people living on less than \$1.25 a day.	wage and at least \$1.25 a day.
2	Zero Hunger	End hunger, achieve food security and improved nutrition and promote sustainable agriculture.	By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.	Within the community that your business operates, make contributions to food banks or make financial contributions to organizations that are working to alleviate the problem.
3	Good Health & Well Being	Ensure healthy lives and promote well-being for all at all ages.	By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases.	Ensure that your own employees and those of your partners have access to medical services, mental health services or create a culture of a healthy, balanced lifestyle.
4	Quality Education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.	Provide opportunities for employees to grow professionally in their position.
5	Gender Equality	Achieve gender equality and empower all women and girls.	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	Ensure that hiring practices are fair and that men & women are on an equal playing field.
6	Clean Water & Sanitation	Ensure availability and sustainable management of water and sanitation for all.	By 2030, achieve universal and equitable access to safe and affordable drinking water for all.	Run a fundraiser within the business, among staff, to contribute money to building wells in areas that are in

				need of clean water access.
7	Affordable & Clean Energy	Ensure access to affordable, reliable, sustainable and modern energy for all.	By 2030, increase substantially the share of renewable energy in the global energy mix.	Evaluate your business' ability to make the transition to renewable energy and start to make changes where you can immediately.
8	Decent Work & Economic Growth	Promote sustainable, inclusive and sustainable economic growth, full and productive employment and decent work for all.	By 2020, substantially reduce the proportion of youth not in employment, education or training.	Provide opportunities to youth for internships or work placements to provide opportunities to youth in your community.
9	Industry, Innovation and Infrastructure	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending	Contribute to and learn from community conversations around infrastructure, development, etc.
10	Reduced Inequalities	Reduce inequality within and among countries.	By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status	Evaluate hiring practices to ensure that job candidates from diverse backgrounds are being considered.

11	Sustainable Cities & Communities	Make cities and human settlements inclusive, safe, resilient and sustainable.	Strengthen efforts to protect and safeguard the world's cultural and natural heritage	With your employees, create a culture of celebration of each other's cultures, milestones, etc.
12	Responsible Consumption & Production	Ensure sustainable consumption and production patterns.	By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses	A restaurant can make changes to their menu, such as simplification of menu or recipes, to reduce the amount of food wasted.
13	Climate Action	Take urgent action to combat climate change and its impacts.	Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	Allow employees the opportunity to take paid days off to work on environmental conservation programs or events.
14	Life Below Water	Conserve and sustainably use the oceans, seas and marine resources for sustainable development.	By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution	If plastic is necessary for the manufacturing of products, use plastic collected from oceans as secondary raw materials for production.
15	Life On Land	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.	Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems	Evaluate raw materials used in the creation of products and make changes to suppliers or what types of materials used in manufacturing.
16	Peace, Justice & Strong Institutions	Promote peaceful and inclusive societies for sustainable development, provide access to justice	End abuse, exploitation, trafficking and all forms of violence against and tor-	Make quarterly contributions to nonprofit organizations working to end human trafficking or to-

		for all and build effective, accountable and inclusive institutions at all levels.	ture of children	wards the care of victims.
17	Partnerships for the Goals	Strengthen the means of implementation and revitalize the global partnership for sustainable development.	Mobilize additional financial resources for developing countries from multiple sources	Build partnerships with non-profits that are working within your community, industry or in issues that your business is committed to.

Figure 6. Sustainable Development Goals (SDGs)

For information concerning each SDG, their targets, indicators and other resources for guidance in how to practically apply them to a SMEs SBS, information and resources can be found on <https://sdgs.un.org/goals>. The Division for Sustainable Development Goals (DSDG) of the United Nations also provides support to stakeholders, facilitates partnerships, engages in communication, outreach and can provide further assistance to SMEs. The department “plays a key role in the evaluation of UN system wide implementation of the 2030 Agenda and on advocacy and outreach activities relating to the SDGs” (United Nations, 2021).

4.3.2 Management Standards

The International Organization for Standardization is an international, non-governmental organization that works with a wide variety of experts and its member organizations to develop international standards that can be utilized by businesses and organizations of all types around the world that share knowledge, support innovation and provide solutions to global challenges (ISO, 2021). The following two standards chosen to be included in this thesis are the ISO 26000: An International Guide to CSR/Sustainability and the BS 8900: Guidance for Managing Sustainable Development. Both of these standards provide organizations with guidelines for businesses to adhere to an international standard in regards to sustainability. There are other standards created by the International Organization for

Standardization for sustainability but these two were chosen because they would be simple and straightforward to utilize by a small business.

The ISO 26000, An International Guide to CSR/Sustainability, was written to provide guidance on the issue of social responsibility and sustainability (Lowellyne, 2015). The ISO 26000 provides businesses guidance on how to incorporate social responsibility and sustainability into their business strategy by identifying priorities in regards to the following: organizational governance, human rights, labor practices, environment, fair operating practices, consumer issues and community involvement & development (Lowellyne, 2015). It does not provide requirements but rather guidance for organizations to thoroughly understand social responsibility and how to put the principles of social responsibility into action (ISO, 2021).

The BS 8900 Standard: Guidance for Managing Sustainable Development, is a framework that was written before ISO 26000 and “provides a more intuitive approach for a business to implement sustainable” business strategies (Lowellyne, 2015). “The standard was developed with a purpose of enabling businesses to achieve key outcomes such as strengthening relationships with key stakeholders, enhancing internal cohesion within the organization, developing trust and confidence by promoting transparency and good governance and stimulating stakeholder involvement through engagement and the management of risks and opportunities” (Lowellyne, 2015). The BS 8900 provides businesses with four principles to consider and incorporate into their sustainable business strategy that can assist in integrating the goals of “a high quality of life, health and prosperity with social justice and maintaining the earth’s capacity to support life in all its diversity” (Lowellyne, 2015). The four principles are as follows: inclusivity (the practice of considering all stakeholder opinions), integrity (an operational ethos that promotes good corporate governance), stewardship (the pursuit of sustainable resource management) and transparency disclosure and communication of organization operational practices) (Lowellyne, 2015).

The ISO 26000 and BS 8900, as well as the ISO 14000 group of standards, are excellent sources of information and guidance in the formulation process of a SBS. The ISO 26000 and the BS 8900 are not certifiable because they are meant to act

as guides rather than have specific standards or benchmarks for a business to adhere to but only have principles or priorities that it should consider which also makes them ideal starting points for SMEs. The International Organization of Standardization has written thousands of standards and provided information on these standards through its website for businesses. For a SME just beginning its sustainability journey and formulating or reevaluating its SBS, considering and conforming to these standards can guarantee it is on the right track to compliance to standards and regulation. This is essentially crucial considering a SBS because a business can only achieve competitive advantage once compliance has been met. “Management standards ensure businesses around the world conform to the same standards, management techniques, business processes, and production controls, quality, products, and services all become standardized” (Vault Intelligence, 2019).

4.3.3 Sustainable Strategic Growth Model

The Sustainable Strategic Growth Model (SSGM) is a model developed to assist and guide in becoming a sustainable enterprise. It helps a business develop their sustainable business strategy and measure the success of the objectives while considering the organization’s unique context and economic, environmental, and social challenges (Lowellyne, 2015). “According to the SSGM, sustainability is defined as: the effective utilization of assets and information by an organization to develop strategic solutions that provide benefits to society of reduced environmental impact, socioeconomic value creation ensuring the continued profitability of the organization and prosperity for future generations” (Lowellyne, 2015). The SSGM is also underpinned by the views expressed by the Massachusetts Institute of Technology’s Business of Sustainability Survey that provides recommendations for organizations in regards to sustainability (Lowellyne, 2015). MIT’s recommendations include using a systems thinking approach, to develop cooperative alliances with relevant stakeholders, to consider and be prepared for various scenarios, be transparent, and revamp marketing and research & development.

The five steps of the Sustainable Strategic Growth Model are 1) learn, 2) develop, 3) implement, 4) optimize and 5) sustain (Lowellyne, 2015). In the first step of the SSGM, there are two primary activities - acquiring knowledge about potential risks and opportunities and building the organization's capability by gathering information from internal and external sources. Management can utilize tools such as a SWOT analysis, PESTEL analysis, or Porter's Five Forces Model to acquire knowledge on potential risks and opportunities and strategic groups like customers, governments, competitors, industry partners and non-governmental organizations. This information should be assimilated and then will be used in the next stage to create organizational goals and strategic objectives. Each of these three tools is described later in this subchapter. During this step, the business should also conduct "a strategic review of all products, processes, human resources and infrastructure within direct control of the business" (Lowellyne, 2015). Management should also include an examination of all existing best practice, standards and legislation in sustainability and corporate social responsibility, also international management standards such as the two previously mentioned.

In the second step of the SSGM, the development of sustainable business strategy moves forward by establishing the organization's strategic goals by "translating strategic vision into policy statements seeking to identify key sustainability goals that are relevant to the organization in relation to its size and competitive environment" (Lowellyne, 2015). During this stage of the model, management can also utilize engaging with its stakeholders for valuable input and feedback. For example, stakeholder engagement such as employee surveys, customer surveys, learning from others within the industry, and building diverse decision-making teams with different types of stakeholders can all provide useful information that management could have possibly overlooked or ignored.

The third step, the implementation phase is the doing phase. This, similar to what was previously mentioned concerning the implementation stage of business strategy, is the most difficult. Implementation requires the commitment of management to ensure that organizational culture and communication are embedded with the sustainability strategy. Ensuring that the entire organization and its operations have received all relevant information regarding policy. Senior management can

utilize “tools such as training, instruction, supervision, review, and reporting to engage stakeholder’s (employees) emotional commitment” to the organization’s sustainable strategy (Lowellyne, 2015).

Optimize is the fourth step of the model and only contains one activity - adopt continuous improvement (Lowellyne, 2015). When a business embraces sustainability and implements sustainable strategy, they will experience immediate measurable benefits such as “improved reputation, environmental impact reduction, safety/employee well-being programs, integrated management systems, and resource efficiencies” (Lowellyne, 2015). But a business must continuously learn and improve as internal and external factors shift and change. External factors such as natural resources availability and developments in technology are constantly evolving and must be monitored to maintain competitive advantage and remain sustainable. In the fifth and final step, sustain, “value creation through rewarding sustainable behavior by the use of two main approaches” - renew and reward (Lowellyne, 2015). “As the maximum economic, social, and environmental returns achievable by the organization and society from a given strategy using existing technology and resources, the firm approaches a sustainability barrier” (Lowellyne, 2015). Management and stakeholders must review each stage of the model to guarantee that the organization is moving forward and beyond its limitations to ensure that the organization is maintaining its economic and social value while protecting the environment.

4.3.4 PESTLE Analysis

The PESTLE Analysis is an extension of the commonly used PEST Framework and occasionally spelled as the PESTEL Analysis. PESTLE is a tool that helps an organization scrutinize their external environment to understand the bigger picture in which it operates and empowers the organization to take advantage of opportunities and minimize risks (Issa, Chang and Issa, 2010). Opportunities and risks are categorized according to the acronym and the categories include: political, economic, social, technological, environmental and legal (Corporate Finance Institute, 2021). The evaluation of these six factors and the opportunities and risks each of

them pose for the business can help steer the creation of a sustainable business strategy.

Political factors are the opportunities and risks that are associated with anything related to government and public affairs of the country in which the business operates. Political factors primarily pertain to those within the country the business operates but also factors that could potentially influence from countries it doesn't directly operate in; for example countries in which suppliers operate. When evaluating political factors, a business should observe "how government policy and actions intervene in the economy and other factors that can affect a business" (Corporate Finance Institute, 2021). Political factors include and are not limited to: political action committees, lobbying activities, government fiscal & monetary policy changes, international relationships & treaties and bureaucracy (David, 2011).

Economic factors are the opportunities and risks that are associated with the various aspects of the economy and how they could impact a business (Corporate Finance Institute, 2021). Economic factors have a direct influence on cost-related matters of the organization and changes in the economy can have an immense effect on the company's bottom-line (Issa, Chang and Issa, 2010). They also "have a direct impact on the potential attractiveness of various strategies" (David, 2011). Key economic factors include and are not limited to: availability of credit, level of disposable income, interest rates, inflation rates, consumption patterns, demand shifts, price fluctuations, import/export factors, tax rates (David, 2011). A business evaluating economic factors can begin by finding key economic indicators from the country's central banks and other government agencies (Corporate Finance Institute, 2021).

Social factors are related to the cultural, social, and demographic trends of a society (Corporate Finance Institute, 2021). Important social factors that should be considered during a PESTEL analysis include but are not limited to: cultural aspects & perceptions, consumer awareness, health consciousness, population growth rates, average disposable income, age distribution, per capita income and career attitudes (David, 2011).

With growing sensitivity towards environmental issues, companies are increasingly expected to take greater responsibility for making sustainable business strategy a reality. Defining this new role is a major challenge for businesses as they search for ways to balance economic, environmental, and social performance. To assist in the integration of sustainability into the business strategy, and to aid resource allocation decisions, managers must quantify the link between environmental actions and financial performance (Issa, Chang and Issa, 2010).

Technological factors “represent major opportunities and threats that must be considered in formulating strategies” (David, 2011) and are linked to innovation within the industry and within the economy. If a business falls behind on the latest technological trends and advancements, it can be detrimental to business operations and for profit (Corporate Finance Institute, 2021). Key technological factors that a business should consider in the PESTLE analysis include but are not limited to: research & development activity, automation and the rate of change in technology (Corporate Finance Institute, 2021).

Environmental factors refer to forces of the natural environment and anything associated with the environment (Corporate Finance Institute, 2021). Environmental factors include but are not limited to: recycling, waste management, air pollution, water pollution, ozone depletion, endangered species, temperature and weather conditions (David, 2011). Since the climate is changing rapidly and weather extremes have become more common, it is important for businesses to understand and take into account the latest data for consideration in their sustainable business strategy (Corporate Finance Institute, 2021).

The final category of factors is legal factors. Legal factors are any legal forces that define what an organization can and cannot do (Corporate Finance Institute, 2021). Legal factors include and are not limited to: environmental protection laws, local/state/federal laws, changes in tax laws, special tariffs, intellectual property, licenses & permits and changes in patent laws (David, 2011). There may be some confusion regarding the difference between political and legal factors when conducting the PESTLE analysis. “Political and legal factors can intersect when gov-

ernmental bodies introduce legislation and policies that affect how businesses operate” (Corporate Finance Institute, 2021).

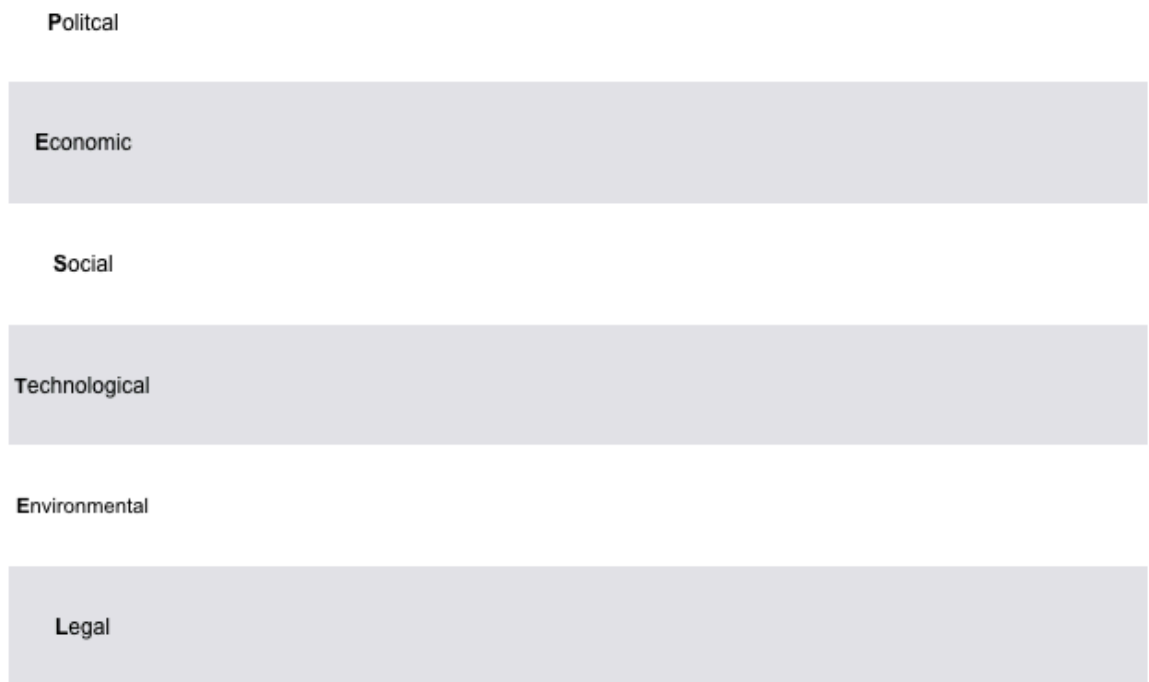


Figure 7. PESTLE Analysis Template Example

The first step in conducting a PESTLE analysis is to thoroughly understand the business which the analysis is being conducted for and by being familiar with the six categories. There are no rules on how much information and where to get the information but the most important component of the PESTLE analysis is to understand which categories and what information is relevant to the business (Bush, 2019). Excellent sources of information and data besides the internet and search engines are government reports or reports prepared by companies that can be purchased that contain reliable data on specific topics (Bush, 2019). Once the research is completed, compile the information and data gathered and focus on only relevant information. Relevant data derived from a PESTLE Analysis can be incorporated into other strategic frameworks and analyses, such as SWOT Analysis and Porter’s 5 Forces (Corporate Finance Institute, 2021).

4.3.5 Porter's Five Forces Model

Porter's Five-Forces Model is an analytical tool that is widely used to evaluate a market's attractiveness from a profit standpoint for businesses of all sizes across industries (David, 2011). Also referred to as the Competitive Forces Model, the purpose of this model is to analyze the competitiveness within a particular industry since "the intensity of competition among businesses varies widely across industries" (David, 2011). This model is a simple, powerful and effective tool a SME can use to understand it's business environment & industry and can empower management to make appropriate changes to its strategy to obtain competitive advantage (MindTools, 2021). Developed by Harvard Business School professor Michael Porter, the model contains five forces that occur within an industry. The five forces evaluated in the model include: rivalry among competing firms, potential entry of new competitors, potential entry of new competitors, bargaining power of consumers, and bargaining power of suppliers (Corporate Finance Institute, 2021).

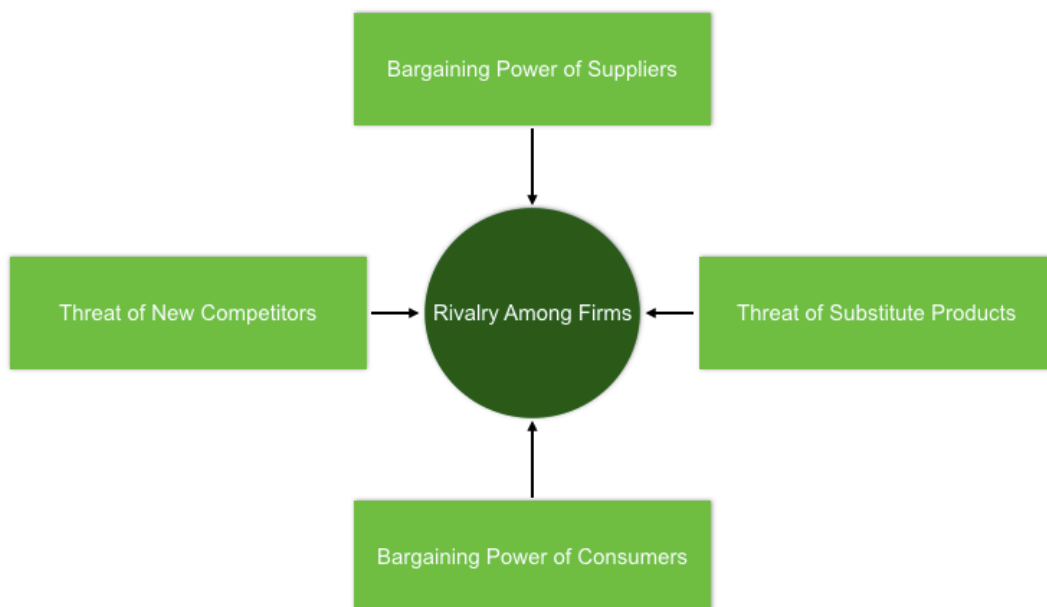


Figure 8. Porter's Five Forces Model

Rivalry among competing firms is "usually the most powerful of the five competitive forces" (David, 2011). Factors that directly influence the rivalry among competing

firms include but are not limited to: amount of competitors, product similarity/homogeneity, costs to consumers for switching companies, surplus of production capacity, and brand loyalty (Corporate Finance Institute, 2021). The competition among businesses in an industry intensifies typically when “the number of competitors increases, the size and capability of competitors becomes more equal, demand for industry’s products or services declines, consumers can switch brands easily, and fixed costs are high” (David, 2011). In regards to the attractiveness of an industry, when the rivalry among firms increases the profits decrease thus the attractiveness of the industry decreases as well. Rivalry among competing firms is the most powerful of the five competitive forces because a business’ strategy is only as successful as the amount of competitive advantage it provides the business over its competitors (David, 2011).

Next to the rivalry among competing firms, the bargaining power of consumers is an exceptionally powerful force affecting the level of competition within an industry (David, 2011). The bargaining power of consumers is high when buyers are large and concentrated, buyers purchase a large volume, and buyers are educated on the product such as pricing and demand (Corporate Finance Institute, 2021). The bargaining power of consumers increases “if they can inexpensively switch to competing brands or substitutes, if they are particularly important to the seller, if sellers are struggling in the face of falling consumer demand, if they are informed about sellers’ products prices & costs and if they have discretion in whether and when they purchase the product” (David, 2011).

The intensity of the potential entry of new competitors is measured by how easily a business can enter into a particular industry and whenever this occurs, the competitiveness within the industry increases (David, 2011). The potential entry of new competitors is influenced by the but not limited to the following factors: brand loyalty, government regulation, barriers to exit the industry, investment in specialized equipment, fixed costs and the need for specialized skills or techniques (Corporate Finance Institute, 2021). The bargaining power of suppliers can affect the intensity of competition within an industry if there is a large number of suppliers, a small number of substitutes of materials or when the cost of switching materials is costly (David, 2011). Understanding the bargaining power of suppliers within their indus-

try can help a small business decide on objectives or activities of their sustainable business strategy. For example, in many industries suppliers and sellers are building strong partnerships to set reasonable prices, improved delivery times and reduce inventory and logistics costs (David, 2011).

The fifth force, the potential development of substitute products, refers to the threat of businesses in other industries producing products that will cause consumers to switch products (David, 2011). When there are substitute products available, that puts a price ceiling on products/services and may make the industry less attractive. “Companies are likely to experience a high threat of substitute goods/services when: switching costs are low for customers, substitutes have superior pricing and substitutes have better attributes or performance characteristics” (Corporate Finance Institute, 2021).

By utilizing the Porter’s Five-Forces Model, a SME can do a thorough evaluation of the competition within the industry that it is entering and can also provide valuable information for the formulation of it’s SBS. During the formulation stage of the SBS, completing the Porter’s Five-Forces Model will assist a business in identifying how each competitive force impacts the business, appraising the importance of the elements of each competitive force for the business, and evaluating whether the business should stay in current industry or enter new markets (David, 2011).

Conducting a Five-Forces Model framework requires more in-depth, detailed knowledge of the market than the SWOT or PESTLE analysis. Ideally, a SME should be prepared with information before conducting the Five-Forces Model such as financial performance of competitors, reasons behind their customer loyalty or loss, reasons for acquiring or winning certain clients, their suppliers and an understanding of who their customers are (Lucidity, 2021). A simple approach to completing this framework for a SME would be to evaluate each force individually by asking strategically important questions and finding the answers. Once information about each force is gathered, management can then evaluate if the force is positively or negatively impacting their business, or perhaps is neutral. Another approach would be to decide if the threat level of a force is high, medium or low.

Force	Examples of Questions for Evaluation
Rivalry among competing firms	<ul style="list-style-type: none"> • How many competitors are in the market? How many directly affect you? • How big is the market? Can it sustain many successful companies? • Is the industry growing? • Are there exit barriers in the market? • Have you lost to competitors? Do you know why?
Bargaining power of consumers	<ul style="list-style-type: none"> • How many product or service options are there in the market? • How much does it cost to switch to a different product or service? • Are customers well-educated? • Are they price sensitive? • How strong is your brand value and loyalty?
Threat of new competitors	<ul style="list-style-type: none"> • Is there government regulation in the industry? • Is the product or service complicated? • Is there legal barriers? • How much money is required to enter market? • How would other competitors respond? • Are there any barriers to entering market? • Have new competitors entered recently? How are they doing?
Bargaining power of suppliers	<ul style="list-style-type: none"> • How many suppliers of the product or service are there? How many do you use? • How much does it cost to switch suppliers? • Are suppliers special or unique? • Are you an important customer to your supplier?
Threat of substitute products	<ul style="list-style-type: none"> • Is there already substitute products or services? • What is the cost for a customer to switch to a rival product? • How strong is brand loyalty in the industry? • How does the product or service do in competition?

Figure 9. Five-Forces & Questions (Lucidity, 2021).

In the table above, examples of questions a SME could use for the evaluation of each force are included to provide guidance in conducting a Porter's Five-Forces Model analysis. The information gathered from the analysis can assist in identifying any easy wins, internal issues, redirect future decisions and better position a business within the marketplace (Lucidity, 2021).

4.3.6 SWOT Analysis

The SWOT analysis is used to gather internal and external factors to create value and provides an excellent starting point for the creation of a sustainable business strategy (Spiliakos, 2020). A business may choose to use the SWOT analysis to assist in the overall strategic planning process and in decision making (Renault, 2021). For example, a business may conduct a SWOT analysis when management would like to evaluate potential opportunities to solve existing problems, to ascertain where change is possible, to reevaluate organizational priorities, or to make adjustments to ongoing plans (Renault, 2021). A SWOT analysis can also be completed for the purpose of evaluating a product, place, industry, or person (Corporate Finance Institute, 2021). Consumer behavior and preferences are changing rapidly and the SWOT analysis can help a business evaluate the need for different types of products, or new places for locations (David, 2011).

The acronym SWOT represents what is evaluated in the analysis: the organization's internal strengths and weaknesses, and its external opportunities and threats (Renault, 2021). Strengths and weaknesses of a business refer to the present condition of the organization; they are current strengths and weaknesses. Opportunities and threats are generated by looking to the future. This type of analysis is widely used in all industries and types of organizations because good strategies should "capitalize on internal strengths and eliminate internal weakness" and "take advantage of external opportunities and to avoid or reduce the impact of threats" (David, 2011).

"Strengths are the characteristics that give the business its competitive advantage, while weaknesses are characteristics that a company needs to overcome in order

to improve its performance” (Corporate Finance Institute, 2021). Internal factors are any activities that are directly under the control of the business. These internal factors include but are not limited to: a company’s culture, public image, financial resources, operational capacity, and organizational structure (Corporate Finance Institute, 2021). Strengths and weaknesses can be determined by considering what the business does exceptionally well, what it does poorly, and how the business could improve. It is also helpful to consider these questions from the viewpoint of an outsider such as a customer, supplier or community in general.

External opportunities and threats are factors that are beyond the control of the business and can come from economic, social, cultural, demographic, environmental, political, legal, governmental, technological, and competitive forces, trends and events occurring in society (David, 2011). “Opportunities are elements that the company sees in the external environment that it could pursue in the future to generate value. Threats are elements in the external environment that could prevent the company from achieving its goal or its mission or creating value” (Corporate Finance Institute, 2021). An excellent place to start when evaluating opportunities and threats is to cast a wide net since “no organization, group, program, or neighborhood is immune to outside events and forces” (Renault, 2021). Examples of what to examine include but are not limited to: local, national, and international events & economic news, changes in the population’s demographics, changes to or new legislation that could impact business activities or profitability, and shifting trends in the industry or culture (Renault, 2021).

S W O T

Strengths	Weaknesses
Opportunities	Threats

Figure 10. SWOT Analysis Template Example

A SME can utilize the above SWOT Analysis template example to conduct its own analysis. After the completion of the analysis, a business can use the results to identify issues that need to be addressed, set or reaffirm goals and create a plan to achieve goals (Renault, 2021). Management should also be open to the possibilities within any weaknesses or threats (Renault, 2021). A weakness or threat proactively addressed by a business, instead of reacting to it, could provide a strategic advantage of competition. It is also important to consider that opportunities or strengths can become a weakness or a threat if a competitor identifies the opportunity and takes advantage of it themselves or replicates a strength (Renault, 2021).

4.3.7 StaR Map

In Werbach's book, *Strategy for Sustainability: A Business Manifest*, STaR Mapping is described as a tool that analyzes the micro and macro changes in society, technology, and natural resources through a rapid analysis. The purpose of the STaR map is to anticipate and understand changes in the world such as changes in society, technology, and resources "by explicitly identifying and analyzing the changes or trends that are affecting or could affect a business" (Werbach, 2009). This method of analysis can be used for an individual product or service, or for a business as a whole. Depending on the nature of the business, the STaR map can be focused on one of the changes - either society, technology, or resources. Completing a StaR map, for example, assist a business that is heavily dependent on resources to evaluate the availability of resources. Or, a business that is service oriented could utilize the StaR map to analyze how changes in society and technology will influence how it conducts business (Werbach, 2009).

The three areas of changes that are meant to be identified by the STaR map are society, technology, and natural resources. Every business exists within a society and culture, and is limited by the boundaries of that particular society and culture. For example, societies have "four common characteristics: a sense of place, a common form of governance, a common language, and a common culture" such as the traditions and customs (Werbach, 2009). A business must identify changes in these four common characteristics and conform to the changes to survive and to strengthen.

A small business can utilize the STaR map by simply conducting research through the internet, observing changes through their own experiences, or discussing it with others (acquaintances, employees, investors, etc.)(Werbach, 2009). The entire process can last anywhere from a few hours during one work day to get a rough summary or up to a few weeks to be more thorough (Werbach, 2009). STaR mapping can be used continuously throughout the life of a business, even after the SBS has been created and implemented to evaluate the constantly changing organization's external context. The purpose of a STaR map is to get a synopsis on the outside world and the changes it is currently going through. It can be utilized

by a SME, for example, to assist management in the integration of short-term objectives within the context of long-term strategy, or plan for changes to strategy and operations (Werbach, 2009).

	Questions to ask, assumptions to challenge	Example of what to map
Changes in Society	<ul style="list-style-type: none"> How do laws, preferences, and social morays of the society in which we function affect our business? Are there changes coming that will affect how society responds to how business performs? Which opportunities might these changes provide our business? Is our business a force that strengthens the societies in which we function, or weakens them? 	<ul style="list-style-type: none"> Regulatory environment Customer preference Trends in health and wealth Supplier markets Competition
Changes in Technology	<ul style="list-style-type: none"> What are the opportunities for a radical increase in the productivity of our technology to make our work more efficient? How can technology protect us from erratic prices of energy? Do we have a consistent investment philosophy to ensure our technological leadership? Whom might we join with to create technological breakthroughs? 	<ul style="list-style-type: none"> Emerging production techniques Information availability Competitive differentiation Technological innovations Customer expectation
Changes in Resources	<ul style="list-style-type: none"> Which of our offerings are energy intensive to produce, to feed, or to transport? Which nonrenewable resources do we rely on for the business to function? What are the trends with these resources? What are the substitutes for these resources? What are the future trends in our labor markets? How will an aging population in industrialized countries affect us? 	<ul style="list-style-type: none"> Natural resource scarcity Energy price stability Waste disposal Supply chain shocks Workforce development Talent recruiting Talent retention Diversity of talent pool

Figure 11. STaR Map Example

4.3.8 Materiality Assessment

An analysis that is commonly used by companies who are sustainable market leaders are materiality assessments (Lowitt, 2011). Materiality assessments are completed by a business to “better identify and prioritize the sustainability issues that are most meaningful to both their company and their stakeholders” (Lowitt, 2011). “Materiality assessments are formal exercises aimed at engaging stakeholders to find out how important specific environmental, social and governance (ESG) issues are to them. The insights gained can then be used to guide strategy and communication and help you tell a more meaningful sustainability story” (Nelson, 2021). Besides the opportunity to analyze potential risks and opportunities to guide the sustainable business strategy, materiality assessments offer a number

of benefits to an organization. They provide a business an opportunity to make better use of resources, understand where the organization is creating or reducing value for society, anticipate trends & issues and assist in the development of new products or services (Youmatter, 2020). In regards to stakeholders, it provides information that will empower the organization to satisfy their demands, meet their sustainability reporting expectations and produce better content & data for the business' annual report (or CSR report)(Youmatter, 2020).

A materiality assessment is conducted in three steps: 1) defining stakeholders & materiality priorities, 2) conducting research, and 3) evaluate and synthesize assessment responses & data (Nelson, 2021). In the first step of the assessment process, a business must identify internal and external stakeholders that will offer valuable insight into what sustainability issues should be considered and focused on in the materiality assessment. Internal stakeholders are within the organization such as executive leadership, managers, and employees (Nelson, 2021). External stakeholders are those from outside of the organization and can be from trade associations or unions, non-governmental organizations/non-profits, and customers (Nelson, 2021). Once the stakeholders have been chosen, determine what sustainability issues and indicators are going to be measured. The issues and indicators are most easily categorized into economic, social, and environmental issues (Nelson, 2021).

The second step of the assessment process is to design and conduct the materiality survey (Lowitt, 2011). According to Nelson, to get the best results from a materiality assessment a business should choose to design a formal, structured survey as opposed to informal question and answer sessions or workshops. A traditional survey that uses a numerical scale for responses can provide results that are easy and straightforward to analyze and explain (Nelson, 2021). Survey questions should be designed to figure out what are the most important issues to the various stakeholders. For example, "On a scale of 1 to 5 (1 being the lowest concern to 5 being the highest concern) how important is carbon emissions to you?" To receive further insight into the opinions of the stakeholders, additional space on the survey for written comments can be placed with each question or at the end of the survey. For a materiality survey, a business should consider "investing in software that can

streamline collection and reporting, or utilize surveying tools such as Survey Monkey, Typeform, or Google Forms” (Nelson, 2021). The easiest method of getting the survey to the chosen stakeholders is by email and also allows for simple, quick follow up with any that have not submitted responses.

The final step of the materiality assessment process is to evaluate and synthesize the materiality survey responses. Once the deadline for responses has passed, the results should be reviewed according to the stakeholder group to see if there are any trends within certain groups and what is most important to each of them. Besides viewing stakeholder group responses individually, the responses should also be viewed collectively to identify if there are any commonalities. A business “can create several graphs to help map out trends and observations, but the end result should be a formal matrix graph that plots how each indicator ranks in significance relative to stakeholder influence” (Nelson, 2021). A Materiality Assessment Matrix is a visual representation of the results of the materiality survey. There have been many variations of the matrix that have been developed that either emphasize what’s important for reporting or strategy (Overall, 2017). The general materiality assessment matrix template can be used by a business to gain an understanding of what issues are the most important to both the stakeholders and the business. A matrix template that has the sole purpose of influencing strategy decisions can be used as a strategy development tool because it focuses on what the impacts of the business and what the business can control (Overall, 2017).

Once the materiality assessment and the results have been visually represented through a materiality assessment matrix and other presentation tools such as graphs, charts, etc., a business should share the results with its stakeholders and potentially publish for the public (Nelson, 2021). The conversation between the business and its stakeholders should continue after the completion of the assessment by sharing the results and embracing feedback on the results. For a SME, a Materiality Assessment can provide direction on which sustainability issues should become a priority or focus of the SBS.

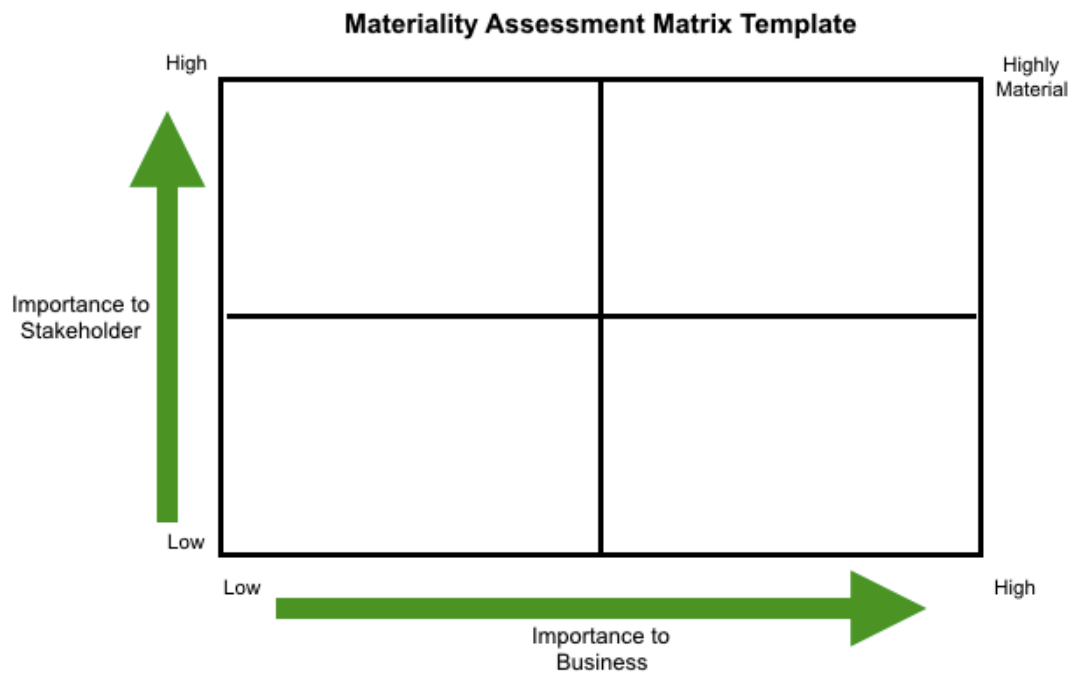


Figure 12. Materiality Assessment Matrix Template (Lowitt, 2011).

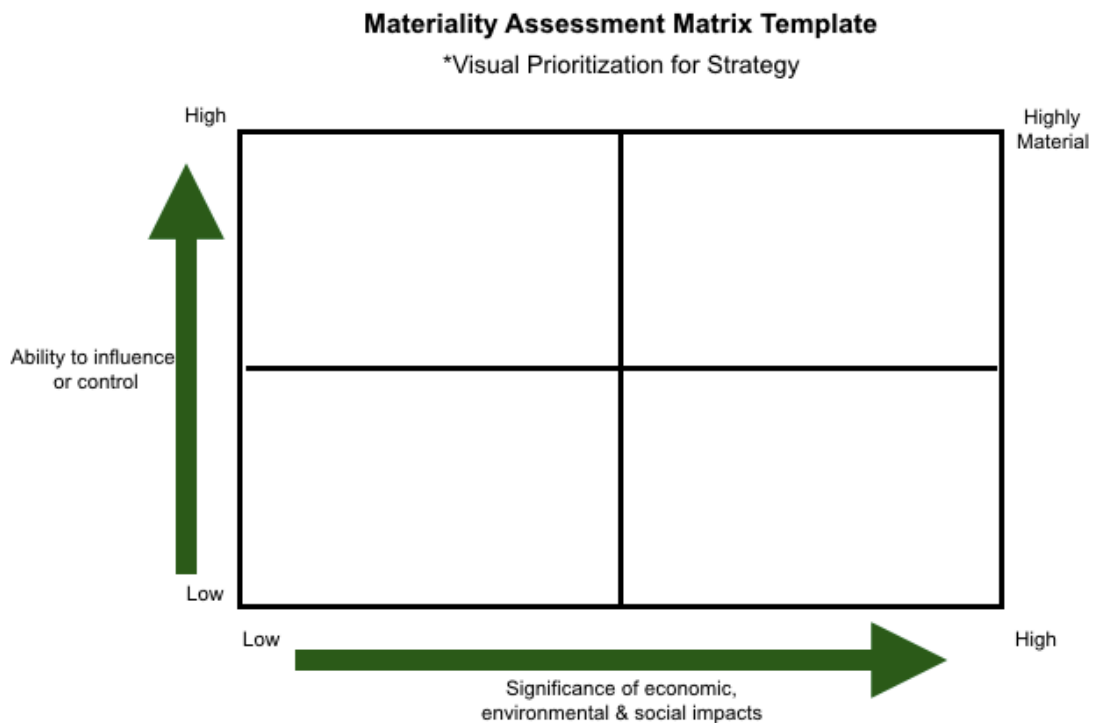


Figure 13. Materiality Assessment Matrix Template focused on strategy (Lowitt, 2011).

4.4 Examples of Successful SBS

4.4.1 Kotkamills

Kotkamills was established in 1872 and is the oldest sawmill still operating in Finland. The company is at the forefront of sustainability and serves as an example of a business that has managed to merge three separate business lines to create an example of a circular economy model in which each line supports the other (Kotkamills Oy, 2021). For example, byproduct and waste produced from one business line is then used for the production of a product in another business line. The three business lines are Kotkamills, Consumer Boards and Absorbex.

One environmental issue Kotkamills decided to address, that would also become a business opportunity, is unsustainable food packaging. Kotkamills groundbreaking product is food packaging that is not made of plastic and does not have a negative impact on the environment. Their packaging products are disposable but not made of plastic, composed of a water-based barrier for easier recycling, are biodegradable, decrease the amount of greenhouse gas emissions released from production of typical food packaging as well as result in a decrease in the release of microplastics and chemical pollution (Sitra, 2021).

Kotkamills, with local partners, conceived the Game Changer Loop which serves as an example of a circular economic model and can be used as a blueprint for other companies to be replicated (Kotkamills Oy, 2021). In the Loop, Kotkamills with a business partner produces cups for cafes and restaurants and the cafes and restaurants then serve hot beverages in the cups. Once the customer has used a cup, they can dispose of it in recycling boxes located within the cafe or restaurant where a recycling company will pickup and then dropped off at Kotkamills to be recycling into a raw material for Absorbex Eco Laminating paper (Kotkamills Oy, 2021).

In regards to other components of a SBS, Kotkamills has embedded sustainability

into its vision and mission. “Kotkamills manages and develops its business operations with responsibility for the economy, the environment, society and people. We are committed to advancing genuine change for good – a future that is better for individuals, communities, and the planet” (Kotkamills Oy, 2021). It has laid fundamental sustainability principles that guide every decision the company makes: the circular way, transparency and responsibility. Kotkamills lives up to these values by: building partnerships that create positive environmental impact, setting targets for all areas of operation and are able to fully trace resources with their “chain-of-custody according to PEFC™ and FSC®” (Kotkamills Oy, 2021). The company also empowers and encourages its employees to drive innovation with its “people first” philosophy (Kotkamills Oy, 2021).

4.4.2 Stonyfield

Stonyfield first began as a nonprofit farming school devoted to helping “family farms survive, keep food and food production healthy, and help protect the environment” and was ran by its two founders Samuel Kaymen and Gary Hirshberg (Stonyfield, 2021). When the school was in need of financial support, they utilized the school’s seven dairy cows and began producing organic yogurt that was free of toxic pesticides and chemical fertilizers (Stonyfield, 2021). The yogurt was a success and the founders made the realization that a “successful organic company could make a bigger difference for family farms, people, and the planet than their school could” (Stonyfield, 2021). Today, the company’s product list consists of not only yogurts but of smoothies, soy yogurts, frozen yogurts, milk, and cream and are all sold in grocery stores and supplied to school cafeterias across the United States. It has certainly stayed true to its original vision of “healthy food, healthy people, and a healthy planet” (Stonyfield, 2021). Stonyfield’s products are still toxic pesticide free, free of artificial hormones, free of antibiotics, and free of GMOs. Stonyfield is still passionate about supporting small, family owned farms and has a supplier network of hundreds of organic family farms covering hundreds of thousands of acres. The company has also heavily invested in sustainable business practices such as offsetting emissions from production facilities, produc-

ing yogurt plant-based yogurt cups, and producing its own renewable energy (Stonyfield, 2021).

Despite several setbacks and challenges in its early years, Stonyfield reached Inc.'s list of five hundred fastest growing companies in the United States with annual sales reaching \$56 million dollars (Saylor Academy, 2012). In 2001, Samuel Kaymen retired from Stonyfield and handed over control of the company solely to Gary Hirshberg. Hirshberg decided to take a new strategic direction for the company by forming a partnership with Groupe Danone - the largest fresh dairy company in the world (Saylor Academy, 2012). This partnership was mutually beneficial for both companies. Danone owned 85 percent of Stonyfield but Hirshberg still retained 60 percent of voting shares in the company, allowing him to retain his status as Stonyfield's leader and primary decision maker and Danone acquiring a flourishing, profitable subsidiary (Saylor Academy, 2012).

Stonyfield is an excellent example of a (former) SME with a successful SBS. It started nearly by accident and managed to scale its operations to keep up with ever growing demand and maintain sustainability. Even though their mission changed early on, Stonyfield stayed true to its original vision and core values. The company has also demonstrated that it is continuously learning, evolving, and innovating when faced with challenges concerning growth and scaling operations. Stonyfield also provides an example of how a SME can go from local to global and still maintain its sustainability objectives with its partnership with Danone.

4.4.3 Patagonia

Originally named Chouinard Equipment, Patagonia was founded by Yvon Chouinard as a SME focused on the niche market of mountain climbing gear. Chouinard, a passionate mountain climber himself, had decided that he would live his life in the most environmentally-friendly way possible and this philosophy impacted not only his personal life but also his professional life (Medium, 2020). When Chouinard was climbing the base of El Capitan, he noticed how the entire wall was punctured with holes from the steel pitons his company pioneered and produced

(his company was the only one producing them at the time)(Medium, 2020). Chouinard was devastated that his product was causing damage to the natural environment but the steel pitons were the small company's best-selling product. He decided to stop production on the steel pitons despite their amounting to 70% of the company's profit (Medium, 2020). As a result, Patagonia remained true to its original mission, vision, and core values of building the best products, causing no unnecessary harm, and utilizing business to inspire and implement solutions to environmental problems (Medium, 2020).

Now, Patagonia is no longer a SME but an internationally recognized brand that produces the highest quality products for their devoted customers. From the beginning, the company's only strategy has been sustainability and it has infused sustainability into every aspect of its DNA, business model, and day-to-day operations. It has even been recognized by the United Nations as a leader in sustainability by being awarded with the UN Champion of the Earth Award in 2019 (UNEP, 2019). "From a small company making tools for climbers, Patagonia has become a global leader in sustainability. Its drive to preserve the planet's ecosystems runs through the entire business from the products made and the materials used to the donation of money to environmental causes" (UNEP, 2019).

For example, since 1986 Patagonia has donated 1% of annual sales to supporting organizations and causes that are devoted to protecting the planet. In 2018, Patagonia gave an additional \$10 million to activist groups defending earth's air, water, and land as a result of the Trump era federal tax cuts (UNEP, 2019). Besides financially donating to several causes and activist organizations, the company has also allowed employees to take two months per year paid to volunteer for environmental causes and projects (Climate Conscious, 2021). It has managed to produce 70% of its products from recycled materials with a goal of reaching 100% of products by 2025 (UNEP, 2019). Patagonia has also pioneered programs such as the Common Threads Recycling Program which encourages customers to repair damaged clothing instead of buying new and created an online marketplace for customers to buy their secondhand clothing (Szekely and Dossa, 2018). Even though Patagonia has grown to become a leader in sustainability globally, it still has areas that it can improve upon. For example, improvements need to be made

within its supply chain for workers and their working conditions. “Together with the Institute of Technology (MIT), Patagonia analyzed its supply chain. The results are somewhat shocking. Only 45% of their current suppliers pay a living wage” (Climate Conscious, 2021).

4.4.4 Seventh Generation

Seventh Generation began “when Niche Marketing in Burlington, Vermont acquired a mail-order catalog business that offered energy-, water, and resource-saving products and was in need of new ownership” (Seventh Generation, 2018). The small mail-order catalog business was then renamed Seventh Generation after the old Iroquois philosophy that declares “in our every deliberation, we must consider the impact of our decisions on the next seven generations” (Seventh Generation, 2018). The new name’s meaning became the vision for the company and thirty years later, still guides each and every decision. Seventh Generation’s vision is “to transform the world into a healthy, sustainable & equitable place for the next seven generations” (Seventh Generation, 2018).

Besides having purposeful leadership and good governance structures in place, Seventh Generation was able to maintain consistent, sustainable growth and graduate from its status as a SME to become the largest producer of eco-friendly cleaning products in the United States because of its setting of objectives & benchmarks and engaging in cultural conversations surrounding economic, environmental, and social sustainability (Mainwaring, 2019). The company was purchased by Unilever a few years ago (Mainwaring, 2019). In any merger or acquisition, there is an underlying fear that a company’s mission, vision, and core values may be compromised as a result of the new ownership but this wasn’t the case for Seventh Generation. Unilever purchased the company because it has committed itself to sustainability and led the industry in many aspects of sustainability.

For example, every year Seventh Generation publishes a Corporate Consciousness Report in their efforts to be as transparent and open as possible (Seventh Generation, 2018). The annual report “assesses our commitment to sustainability

and examines the progress we've made toward our ambitious 2025 goals, working to Nurture Nature, Enhance Health, Transform Commerce, and Build Community" (Seventh Generation, 2018). The company has also created a governance structure in which a senior leadership committee is charged with making sure the brand implements, measures, and meets its sustainability goals. This committee is called the Social Mission Board (Mainwaring, 2019). When it was still a SME, Seventh Generation eliminated phosphates from auto-dish liquids and voluntarily disclosed ingredient lists on their products before it was required by law (Mainwaring, 2019). Seventh Generation is also purposefully working towards operating completely with renewable energy, zero-waste packaging, and increasing internal diversity (Mainwaring, 2019). "Seventh Generation's environmental and financial success, and how they achieve it, is a great learning opportunity for impact-driven brands" that are interested in improving their bottom line and having a positive impact (Mainwaring, 2019).

4.5 Final Observations

Throughout the literature surveyed for this thesis, there were common characteristics of successful sustainable business strategies continuously seen throughout various and diverse sources. In this section, these common characteristics are presented and briefly explained. The six common characteristics of successful sustainable business strategies are: defined mission and vision statements, defined goals and objectives, staff engagement, good governance structures, transparency and continuous learning, innovation and evolution. Throughout the literature surveyed for this thesis, there were common characteristics of successful sustainable business strategies continuously seen throughout various and diverse sources. In this section, these common characteristics are presented and briefly explained. The six common characteristics of successful sustainable business strategies are: defined mission and vision statements, defined goals and objectives, staff engagement, good governance structures, transparency and continuous learning, innovation and evolution.

- Defined Mission & Vision Statements

- Defined Goals & Objectives
- Staff Engagement
- Good Governance Structure
- Transparency
- Continuous Learning, Innovation & Evolution

4.5.1 Defined Mission & Vision Statements

Mission and vision statements are essential components of any business strategy, even for a SME. Mission and vision statements have the potential to bring focus to a SBS and provide direction for management on priorities, objectives and activities. Since sustainability must be a long term strategy if it is to be achieved and maintained, it is important that a mission statement and vision statement reflect the business' intentions in regards to being sustainable - socially, economically and environmentally (Tsvetkova et al., 2020).

Developing a vision statement is the first step in creating any strategy (David, 2011). With a vision statement, an organization develops a clear vision of the future (Rothhauer, 2018). It answers the questions of "who do we want to become" and why do we do what we do (David, 2011). Once a vision statement is developed, then a mission statement can be created and "Mission statements are enduring statements of purpose that distinguish one business from other similar firms. A mission statement identifies the scope of a firm's operations in product and market terms" (David, 2011). A mission statement most simply answers the question of "what is the business." Without answering the questions of who, why and what, a SME cannot create an effective SBS that achieves the "how" (Rothhauer, 2018).

4.5.2 Defined Goals & Objectives

Since sustainability should be considered as contributing to the longevity of the business and benefiting the bottom line, it should be factored into the objectives of the business (Tsvetkova et al., 2020). Goals and objectives can only be established once the vision and mission statements are created. These statements provide a roadmap for a business to break down its goals and objectives, and then plan the activities and processes necessary to achieve those goals and objectives (Rothhauer, 2018). If business activities and processes are developed first, then an owner or management risks developing a business that is devoid of meaning and direction (Rothhauer, 2018).

A SME can set goals and objectives by first identifying key issues and setting priorities for their SBS. A business should “identify the sustainability issues with the greatest long-term potential to create a systematic agenda” (Bonini and Swartz, 2014). Research shows that narrowing down the list of priorities down to 3-5 is far more effective than having an extensive list of vague issues and priorities. Once the priorities are established and analyzed, the information gathered should be distilled into goals that have a long-term orientation (5 years or more)(Bonini and Swartz, 2014). For a SME that is having difficulty with developing their objectives, utilizing the SMART goals approach (specific, measurable, achievable, relevant, time-bound) can act as a guide in their development. It would also be helpful, as a business, to research and reflect on the United Nations’ Sustainable Development Goals as sources of inspiration and direction (Tsvetkova et al., 2020).

4.5.3 Staff Engagement

“A strategy for sustainability can provide a strong sense of purpose and greater meaning to the company’s mission, can connect people to their own job goals, and can speak to the next generation of workers” (Werbach, 2009). Sustainability provides a unique opportunity for SMEs to create an opportunity for employees to serve something larger than themselves. Employees are more engaged with their

jobs and workplace activities when they can connect what they care about in their own lives with what makes them happy (Werbach, 2009).

A study of SMEs in Sweden found that staff engagement throughout the business is crucial to the success of a SBS. The study concluded that employees and organizational culture are the two strongest internal drivers within a SME for promoting and maintaining sustainability practices, and achieving objectives (Tsvetkova et al., 2020). Staff engagement “describes the level of passion and excitement people feel about their work” and can be measured by the extent that employees “put extra attention, thought, energy into work, beyond the minimal job requirements” (Werbach, 2009).

SMEs should proactively prevent potential issues with staff engagement by understanding the biggest hindrances to a successful SBS in regards to employees and organizational culture. Examples of problems with engagement throughout an organization include and are not limited to the following: failure to communicate and coordinate at multiple levels/poor communication, failure to outline clear roles and responsibilities, failure of executive team commitment/managerial complacency/executive hypocrisy, and staff apathy (Stroh, 2014)(Werbach, 2009). The success of an SBS is heavily dependent on the engagement of employees and building internal support within the business. Research has demonstrated that businesses that excelled at meeting their goals and objectives made sure to involve and engage employees at all levels from the beginning (Bonini and Swartz, 2014).

4.5.4 Good Governance Structures

A trend among sustainable market leaders is the installation of a robust sustainability governance structure that ensures that sustainability is infused into every aspect of the strategy. Having a good governance structure in place is a determining factor that separates sustainable market leaders from the rest (Lowitt, 2011). “Successful integration and effective management of sustainability at a company requires having committed leadership, clear direction, and strategic influence—and none of this will happen without a robust governance structure” (Eapen, 2017). Good governance ensures that a business has policies and procedures in

place that monitor “accuracy, consistency and responsiveness to key stakeholders including customers, shareholders and regulators” (Moffat, 2017). It also encourages good decision making, helps manage risks, and encourages management to continuously review the progress of the SBS (Moffat, 2017).

In a SME, the governance structure does not have to be as complex as that of a large corporation which may have multiple teams devoted to monitoring sustainability efforts. Good governance for a SME can be as simple as having a “trusted advisor(s), having some form of administrative support” or working with an outside consulting firm (Moffat, 2017). Every business must create its own governance structure that suits their unique circumstances, business model, structure, and resources (Eapen, 2017). When developing good governance structures within a SME, it is important to consider that commitment begins with ownership & management, accountability must be established & communicated, alignment between structure & business activities is crucial, and maintaining flexibility to adapt & evolve is necessary to advance a sustainability agenda (Eapen, 2017).

4.5.5 Transparency

Transparency is an essential element of any SBS. Transparency, openness, and honesty are business opportunities and should not be viewed exclusively through the lens of regulatory and legal compliance (Werbach, 2009). Transparency goes beyond complying with laws and regulations (Werbach, 2009). Sustainability cannot be achieved without an organization being transparent and transparency cannot be achieved without the previous keys to a successful SBS such as: mission & vision statements, goals & objectives and engagement throughout the organization. A SME can practice transparency by reporting their sustainability performance and publishing results in their annual report, as a special sustainability report, or through their social media channels (Tsvetkova et al., 2020).

To ensure transparency, ownership and management must model transparency. “The only way for companies to accomplish transparency is through open communications with all key stakeholders built on high levels of information disclosure,

clarity, and accuracy – as well as an openness to recognizing faults and improving practices” (Haanaes, 2020). For example, leadership can model transparency by quickly delivering company news (good and bad), publicly embrace environmental expectations and by celebrating employees that actively contribute to achieving objectives (Werbach, 2009). Transparency should also be considered and built into the products and services a business offers, how they are sold, how pricing is set and the ingredients used in the production of products and services. For a SME, a simple and straightforward manner to consistently implement transparency is to consider it in every single component of the business model and to have constant communication surrounding transparency itself. “The goal of transparency - of exceeding expectations of openness - needs to be demonstrated in every report, every speech, every product label and culture” (Werbach, 2009).

4.5.6 Continuous Learning, Innovation & Evolution

For a business to achieve sustainability, remain sustainable and maintain competitive advantage, a business must continuously learn, innovate, and evolve. In Lowitt’s study of sustainable market leaders among the Global Fortune 500 companies, the companies that are leading in sustainability have similar approaches and responses to new imperatives or challenges. They continuously learn, innovate and evolve in the face of new challenges instead of remaining stagnant, falling behind and failing to adapt thus losing their competitive advantage.

According to Lowitt’s research, sustainable market leaders (those within the top twenty five percent of the Global Fortune 500) have similar approaches in how they respond to new challenges or imperatives. First, they seek to fully understand the new imperative or challenge and how it is relevant to them (Lowitt, 2011). For example, when confronted with a new challenge, a sustainable market leader will investigate how it impacts their competition and how it impacts their own financial performance. Secondly, “they undertake an assessment to identify the imperative’s attributes that are most meaningful to their business, as seen both through their and external observers’ eyes” (Lowitt, 2011). This allows them to evaluate their current performance, adjust or set new target performance levels and make

adjustments to achieve these new goals (Lowitt, 2011). Finally, they execute these plans, they measure their progress and continuously pursue improvement (Lowitt, 2011). Sustainable market leaders continuously learn, innovate, and evolve.

Through his research, Lowitt also identified other attributes that sustainable market leaders had in common that also tied many of the characteristics of a successful SBS together. Sustainable market leaders...

- Viewed sustainability as a way to generate value and rejected the view that sustainability is achieved through altruism and crisis prevention (Lowitt, 2011).
- Challenged assumptions within their industry and market and identified new business opportunities (Lowitt, 2011).
- Identified environmental and social problems that they were able to solve immediately within their available capabilities; started small with what they could do immediately (Lowitt, 2011).
- Have high levels of staff engagement and actually partner with their employees in the learning and innovation process (Lowitt, 2011).
- Developed partnerships and relationships with peers within and outside their own industries, academics and NGOs (Lowitt, 2011).
- Continuously renewed their SBS (Lowitt, 2011).

“Every organization’s operating environment will change as dramatically in the next 3-5 years as it has changed in the last five” (Werbach, 2009). A SME cannot afford to ignore changes in markets, competitors, trends, customers, government policy and technology for the majority of the year, after completing a strategy (Stroh, 2014). A SBS must evolve as changes and trends constantly evolve and stay in tune with these changes allows a SME to, for example, learn new things and gain customer feedback that will offer the ability to tweak or change parts of a SBS (Stroh, 2014).

5 RESULTS

The purpose of this chapter is to present the results of the research by dividing into two sub-chapters. The objective of the thesis was to create a universal, straight-forward template that a SME could use to create their own SBS to achieve competitive advantage. The first sub-chapter presents the development process for the template. The second sub-chapter presents the content of the two-sided template. The actual template can be found in the appendices at the end of this thesis.

5.1 Development Process for Template

As discovered when conducting the research, the creation of a universal template to be used by a SME to create a SBS had the potential of being immensely complicated and extensive since each business varies in industry, specialty, size and circumstances. This means the strategies created by different SMEs have the potential of varying greatly. As a result of the extensive literature review on the subject, the author of this thesis decided to utilize the Business Model Canvas as a roadmap for the template. The Business Model Canvas is a strategic management tool that can be utilized to easily define and communicate a business idea or concept (Ebinum, 2016). The canvas was chosen to be the foundation of the Sustainable Business Strategy Template Canvas (SBST) because it reflected the straightforwardness, simplicity and comprehensiveness desired to achieve in the universal template.

The Business Model Canvas was studied, evaluated and then viewed through the lens of sustainability. While considering the information and data gathered from the literature review, the author revised or eliminated the existing questions within the BMC and added questions concerning sustainability within the key areas of the business. Each section of the SBST is also composed similarly to the BMC in that it contains one element of the business or business strategy to consider and a few questions concerning the element; such as partners or value proposition.

5.2 Presentation of Template

The Sustainable Business Strategy Template (SBST) for SMEs is formatted and presented similarly to the Business Model Canvas. In the section below, the content of the SBST is presented simply with bullet points and a copy of the template is located in the Appendices at the end of this thesis.

5.2.1 SBST: Sustainable Business Strategy Template for SMEs

- Value Proposition
 - What is the value you deliver to your customer?
 - What problem or need are we providing a solution for?
- Mission & Vision
 - What is our vision statement? Who do we want to become and why do we do what we do?
 - What is our mission statement? What is our business?
 - What does sustainability mean to us and to our business? How could this impact our day-to-day operations and future?
- Staff Engagement
 - How will you get you staff engaged and involved in the sustainability agenda?
 - How do we create a healthy, thriving culture within our business?
- Sustainable Partners
 - What kind of partnerships do you need?
 - Who are the sustainable options for partnerships?

- Sustainable Technology & Resources
 - What are the resources you need?
 - What technology do you need?
 - Are there sustainable options for either?
 - How can we change your product or service to be more sustainable?
- Sustainable Channels
 - How does your value proposition reach your customer?
 - Where can your customer buy or use your products or services?
- Negative Impact
 - What negative impacts does our business have on the environment, people and community?
- Positive Impact
 - What are we currently doing that has a positive impact?
 - How do we turn our negative impact into positive?
- Sustainable Key Activities
 - What are your competitors doing in sustainability that you can learn from?
 - How do you embed sustainability into every department, process and element of our business?
 - Where can you be completely circular?
- Key Goals & Objectives
 - What are 3-5 key sustainability issues that concern our business? In what order should they be prioritized?

- How can you turn our 3-5 priorities into goals & objectives?
- Governance & Transparency
 - How do you monitor compliance?
 - How do you measure and monitor progress?
 - Who can you reach out to for guidance?
 - How can you share news about your sustainability efforts?
 - How do you gather feedback?
- Sustainable Cost Structure
 - What are the important costs you make to create and deliver your product or service?
 - Are your products and services priced fairly and honestly?
 - What changes are you making in every department, process and element to be more sustainable?
 - How does this impact costs?
- Sustainable Revenue Stream
 - How do customers reward you for the value you provide to them?
 - What are the different sources of revenue?
 - How much revenue can be given to or invested in economic, environmental or social issues in your community?

5.3 How to Use Template

Similarly to the Business Model Canvas, the Sustainable Business Strategy Template (SBST) for SMEs is completed by filling out each of the boxes in the template and answering each of the questions that are provided to assist in the SBS formulation process.

5.4 How to Measure Success

As stated previously in the final section of the Literature Review, transparency and continuous learning, innovation & evolution are common attributes of a successful SBS. Tracking the performance of a business is essential in practicing transparency and to learn, innovate and evolve. A KPI, key performance indicator...“KPIs provide a focus for strategic and operational improvement, create an analytical basis for decision making and help focus attention on what matters most” (KPI.org, 2021). KPIs are generally tracked, measured and analyzed by using business analytics software and reporting tools (Twin and James, 2021). An adequate KPI achieves the following: “provide objective evidence of progress towards achieving a desired result, measure what is intended to be measured to help inform better decision making, offers a comparison that gauges the degree of performance change over time” and has the ability to track, for example, efficiency, quality, compliance, employee performance and timeliness (KPI.org, 2021).

KPIs that are used to measure financial performance and are vital to understanding how a business is doing include: revenue growth, revenue per client, profit margin, client retention rate and customer satisfaction (Twin and James, 2021). These five KPIs should be in every SMEs toolbox in evaluating the financial performance. Sustainability KPIs should also be employed to measure the sustainability performance of a business. “Sustainability footprints are alternatively defined as methodologies for assessing the social and environmental impact of the economic investment in a specific strategic option in relation to other strategic alternatives and the potential risk to the survival of future generations” (Lowellyne, 2015). Utilizing sustainability KPIs allow a SME to track progress and to make improvements in the future (Lowellyne, 2015).

For a SME, evaluating which KPIs to utilize can become an obstacle. There is an extensive list of sustainability KPIs and it can become an intimidating task to figure out which KPIs are the most important for a particular business. A SME can first begin by referring back to and understanding its goals and objectives to understand what needs to be measured. Then, it can appeal for feedback from employees and managers from within the organization to understand business processes and from external analysts or advisors for an outside perspective. By referring back to the goals & objectives and understanding the various points of view within the business, a SME can gain a better understanding of what needs to be measured (Klipfolio, 2021). The most commonly used sustainability footprints include: carbon footprint, energy consumption, product recycling rate, supply chain miles, water footprint, waste reduction rate and waste recycling rate (Compare Your Footprint, 2017).

6 CONCLUSION & DISCUSSION

This chapter summarizes the results of the research and states the answers to the primary and secondary research questions. It also addresses the reliability and validity of the thesis, as well as provides suggestions for further research for sustainable business strategy templates for SMEs.

6.1 Answers to the Research Questions

In this section, the answers are provided for the research questions. The answers to the secondary research questions are provided before the answer to the primary research question since they establish the foundation of the answer to the primary research question.

6.1.1 What is a sustainable business strategy?

Sustainable business strategy most simply “is the integration of economic, environmental, and social aims into a firm’s goals, activities, and planning, with the aim of creating long-term value for the firm, its stakeholders, and the wider society” (Long, 2019).

6.1.2 Why have a sustainable business strategy?

There is a competitive advantage for a business that chooses to embrace sustainable business strategy. SBS has many benefits that contribute to competitive advantage. It has the potential to improve longevity, financial performance, improved risk management, improved brand reputation, prevention of supply chain issues, reduction in operating costs, higher rates of growth and returns on capital to name only a few. Sustainability also provides business opportunities like new markets, new technologies and new products & services.

6.1.3 What does a sustainable business strategy consist of?

Conventional business strategy is the foundation of SBS. Therefore many foundational concepts and principles of business strategy also apply to sustainable business strategy such as the stages of strategy: formulation, implementation and evaluation. Other essential components of conventional business strategy also apply to sustainable business strategy such as mission statements, vision statements, having goals & objectives and measuring progress. Sustainable business strategy also uniquely consists of concepts such as the biosphere rules, the value cycle and sustainable/circular business models. There are also research and analysis tools that can be utilized for both conventional business strategy and sustainable business strategy. These tools include: management standards, PESTLE analysis, SWOT analysis and Porter's Five Forces Model. Across the breadth of literature, there were also common characteristics of successful sustainable business strategies such as: a defined mission statement, a defined vision statement, clear goals & objectives, being transparent and having good governance structures in place.

6.1.4 How can a SME create their own sustainable business strategy?

This was the primary research question of this thesis and was asked in order to achieve the objective of the thesis: to create a universal template for a SME to create their own SBS.

6.2 Reliability & Validity

Reliability refers to the "extent to which the same answers can be obtained using the same instruments more than one time" (Dudovskiy, 2020). Since the research methods conducted to complete this thesis were primarily theoretical and was composed of a thorough and extensive literature review, the majority of the answers to the research questions would for the most part be the same since the same instruments to gather the information would be employed by another researcher; such as academic textbooks, journals, and articles. The result of the

primary question, “how can a start-up or small business create their own sustainable business strategy”, would vary amongst researchers since different conclusions could be made concerning what should and should not be placed in the SBS template from researcher to researcher. A third detail to consider in measuring the reliability of this thesis is that the author conducted the research with the purpose of creating something that would not only be useful to other entrepreneurs or small business owners but fully intended to utilize the results of the research themselves. This does mean that there is a strong level of observer subjectivity and that personal over-involvement in the research most likely had a direct effect on the results (Sacred Heart University Library, 2019). Because of the reasons stated previously, the reliability of this thesis is not excellent (or at the highest level) but it is sufficient for achieving the objective of this thesis - creating a universal template to create a SBS for a SME.

Validity refers to “how accurately a method measures what it is intended to measure” (Middleton, 2020). The validity of this thesis was evaluated by considering content validity and face validity because of the research methods employed to achieve the objectives. In regards to content validity, the thesis has only a moderate level of validity because it does not cover all content of what was being measured (sustainable business strategy) but focuses on the most commonly referenced information and data throughout the literature since it is a vast subject. In regards to face validity, the thesis has a high level of validity because it does measure what it states it will measure.

6.3 Further Research Suggestions

As this thesis proposes that by understanding and investigating various aspects and approaches of SBS by conducting an extensive literature review on the topic and its related sub-topics, a universal template could be created to assist SMEs in the creation of their own sustainable business strategy, one suggestion for further research is to understand sustainability issues and differences in approaches for strategy within different industries. Since the template created in this thesis is meant to be a universal template, it does not venture into addressing any particu-

lars or specifics within industries or specialities. Future templates could be created that would be specialized for different industries. A second suggestion for future research is that as technology progresses and global conditions change (such as economic, political or environmental factors), the template proposed and any future specialized templates would need to be adapted. A third suggestion for future research would be to first ask a group of SMEs to review the template and provide feedback to improve upon its composition and layout.

7 SUMMARY

This thesis was designed to analyze the topic of sustainable business strategy and to create a universal template for SMEs to use for creating their own SBS that took into consideration their own unique circumstances. Therefore, the primary goal was to answer the research question: how can a SME create their own sustainable business strategy? To answer this question and to achieve the objective, the author needed to answer three secondary research questions. The secondary research questions included: what is sustainable business strategy?, is there a competitive advantage to having a sustainable business strategy?, and what are the components of a sustainable business strategy? Once the primary and secondary research questions were answered, the information and data gathered could be used in the creation of the template.

For this thesis, the research methods chosen were a literature review and action research. In the first stage of research, an extensive literature review was conducted on the topic of sustainable business strategy and also covered the sub-topics of business strategy, business models, tools for analysis & business research and common characteristics of successful sustainable business strategies. In the second stage of research, the action research, the information and data gathered was then analyzed and applied to the creation of the template. Since sustainable business strategy is a vast and ever expanding topic with recently completed research being released often, the research focused on the most common principles, theories, characteristics, etc. of sustainable business strategy and attempted to compile the information that would be the most useful to a SME.

The objective of the thesis, to create a universal template with which a SME could create their own sustainable business strategy that took into account their own unique circumstances was completed by utilizing the information and data gathered during the literature review and applied in the action research stage. The end result was a two-sided document that could be used similarly to the Business Canvas Model. The Business Model Canvas was also used as the foundation for the Sustainable Business Strategy Template (SBST); a reinvention of the Business Model Canvas focused on sustainability. The reinvented Business Model

Canvas and contains all of the same elements but has been altered to fit the issue of sustainability. With the template, a SME has all the elements necessary to create their own SBS that takes into account their own set of unique circumstances.

To conclude, the thesis accomplished its objective to create a template to assist SMEs in the creation of their own sustainable business strategy. It also answered the primary and secondary research questions necessary to accomplish the objective. The primary limitation of this thesis is that the template is purely hypothetical and has not been tested with an actual SME or group of SMEs. The primary recommendation for future research is that the template should be given to a SME or group of SMEs from various industries to evaluate the template and provide feedback for future development.

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APPENDICES

APPENDIX 1. SBST: Sustainable Business Strategy Template

