SMB Group

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SMB PATHWAYS TO SUSTAINABILITY

Environmental, social, and governance (ESG) considerations have become ubiquitous for large, publicly traded organizations. But how important are sustainability initiatives for small and medium businesses (SMBs), and what policies and practices are they putting in place in this area?

This is one of the several topics SMB Group's **1,000 *Business and Technology Priorities for 2023*** survey defined into its detail. Fielded in November 2022, the study surveyed 743 SMB decision-makers and influencers in SMBs (1-999 employees) and mid-market (1,000-2,500 employees). (For the sake of brevity, we refer to the entire sample as "SMBs.")

In this Infographic, we provide insights on SMB attitudes, practices, and plans for ESG initiatives.

More than Half of SMBs Believe that a Strong ESG Strategy Benefits Financial Performance

To what extent do you agree or disagree with this statement: "A strong ESG strategy and actions can help our business improve financial performance"?

Consumers and even business buyers may not always understand what the ESG impact factors when evaluating the purchase of goods and services. Socially responsible investors may be more aware of ESG factors and understand how strong a company's stance is on sustainability. Both may be partners with them.

With these trends in mind, it's not surprising that over half of SMBs—**57%**—agree that "a strong ESG strategy and actions can help our business improve financial performance." Interestingly, the larger the company, the more likely they are to agree with this statement. There are also significant differences by industry.

Industries most and least likely to strongly agree that "A strong ESG strategy and actions can help our business improve financial performance"?

Most SMBs Say They Consider Sustainability, but Don't Prioritize It

Which of the following best describes the role of ESG in your company's strategy?

Sustainability is not yet a top priority for most SMBs—who are most likely to agree with the statement that "sustainability is something we consider, but not a top priority for our company."

Less than one-quarter of SMBs say sustainability is an important factor guiding their strategy. Larger SMBs are more likely to prioritize sustainability as part of their corporate strategy than smaller ones.

29% of SMBs with 100–2,500 employees say that sustainability is one of the most important factors guiding strategy.

11% Just **11%** of businesses with fewer than 100 employees identify with this statement.

18% of SMBs report that they are starting to integrate sustainability into their company strategies.

How Sustainability Factors into Company Strategy by Industry

There are significant variations by industry in terms of prioritizing sustainability. At opposite ends of the spectrum, IT services and financial services are most likely to say that "sustainability is one of the most important factors guiding our strategy," while personal services are least likely to identify with this statement.

Percent selecting "sustainability is one of the most important factors guiding our strategy" by industry

SMB Sustainability Initiatives

The top three sustainability initiatives that SMBs have implemented are operating an internal recycling program, reducing water and energy consumption, and purchasing more recyclable goods. About one-quarter of SMBs plan to set in each sustainability area in the future.

SMBs are least likely to implement these initiatives: buying carbon credits, advocating for more inclusive public policies, and giving employees time off to volunteer for charitable causes. Sustainability initiatives that require technical expertise or significant capabilities to help their customers purchase carbon offset credits. This data suggests that vendors may want to develop other types of tools to help SMBs prioritize sustainability goals.

Sustainability initiatives SMBs have implemented and plan to implement

SMB Sustainability Initiatives by Employee Size

Larger SMBs are further ahead on the sustainability pathway. In general, they are more likely to have implemented several sustainability initiatives than smaller counterparts.

How SMBs Manage Sustainability

SMBs that are currently engaged in at least one sustainability initiative rely on a mix of different types of software to manage them. Two-thirds currently rely on spreadsheets and other generic software as a method to manage their sustainability initiatives. Interestingly, a higher percentage take advantage of functionality in the business solutions they use, and about one-third use software specifically designed for this function. About one-quarter plan to deploy function-specific software in the future.

Larger SMBs use more software, and more types of software, than smaller ones to help support sustainability efforts.

Perspective

- Sustainability is already a top priority for large businesses. Investors, customers, and employees increasingly want to do business with companies stand on environmental and social issues, and what steps they are taking to these areas.
- As their interest continues to grow, sustainability is becoming a critical issue for businesses of all sizes. A solid ESG strategy can help business to attract investors, employees, and customers; reduce costs; and improve financial performance. SMBs that put an ESG strategy in place now will also be better prepared to comply with new regulatory requirements that are likely to be mandated in the future.
- Creating and executing an ESG strategy can be challenging. But small steps are the start of moving forward—and many SMBs have already started down the sustainability path. By focusing on the areas that matter most to the business—and are relatively easy to execute—SMBs can pave a successful pathway towards a more sustainable business.

About this Infographic

✓ This infographic provides insights from SMB Group's ***SMB Business and Technology Priorities for 2023*** survey. For more highlights from this study,

✓ See our companion ebook: **SMB Business and Technology Challenges and Priorities for 2023.**

About SMB Group

✓ SMB Group is a research, analysis, and consulting firm focused on technology adoption and trends in the small and medium business (SMB) market. SMB Group helps clients to understand and segment the SMB market, identify and act on trends and opportunities, develop more compelling messaging, and more effectively serve SMB customers.

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