

Small business sustainability in a COVID-19 world

A whitepaper by Australia Post in collaboration
with the Banksia Foundation
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Foreword

Australia Post has been at the heart of Australian communities for more than 210 years, connecting them to each other and the world. As Australia's leading logistics, postal and integrated services business, we support our customers to grow and communities to thrive, helping to unlock opportunities for all Australians.

Small businesses are the engine-room of our economy and one of Australia Post's largest customer groups. We are a big business working in partnership with small businesses, and appreciate how important sustainability is to long term small business success.

At a time when the impact of COVID-19 has sent shockwaves through the foundations of many businesses, we recognise that now more than ever, small businesses need to be considering how they can be sustainable and resilient, so they can continue to service their customers and grow their business now and in the future.

This is the second whitepaper designed especially for small businesses that we have co-authored with the Banksia Foundation, and we are very proud of our long-term partnership and shared vision for more sustainable business practices.

Our previous research on this topic four years ago, found that most small businesses are eager to learn more about sustainability – and incorporate that knowledge into their business practices. We hope this whitepaper will provide a practical roadmap and key insights for small businesses, so they can take advantage of new opportunities and grow their business in a sustainable way.

This paper is part of a series of whitepapers by Australia Post; to advance the UN Sustainable Development Goals (SDGs). Other topics include:

- Unlocking the value of social procurement and supplier diversity: Leading practice insights - 2018
- Transitioning to a Circular Economy: Insights from the frontline - 2017
- Digital participation: A view of Australia's online behaviours - 2017
- Small business: Making sustainability part of every day - 2016

The SDGs provide a blueprint to put the world on a sustainable path to 2030 and address pressing economic, social and environmental challenges. In a world impacted by COVID-19, businesses both large and small have a crucial role to play in addressing the SDGs.

Australia Post's approach to sustainability is underpinned by the SDGs, and we believe that addressing these goals is critical to seeing our customers, communities and our own organisation prosper and become more inclusive.

I would like to thank the Banksia Foundation for partnering with Australia Post on this important project. We hope it provokes thought and discussion within your small business.



A handwritten signature in black ink that reads "garystarr". The signature is written in a cursive, slightly stylized font.

Gary Starr
Executive General Manager, Business,
Government & International

Foreword

The Banksia Foundation conducts Australia's most prestigious and longest-running sustainability awards. The Banksia Sustainability Awards recognise individuals, communities, businesses and government for their innovation and excellence in environmental and social stewardship as embodied by the SDGs.

Each year, the Banksia Awards spotlight more and more small businesses with sustainability at the heart of what they do, and we are always inspired by the unique impact this cohort creates.

Small businesses are the future of this country. Now more than ever Australia needs small businesses, and we have a real opportunity to build a more sustainable and inclusive economy than the one we left behind prior to COVID-19.

To do so effectively, small businesses need the tools to navigate business in a sustainable way. However, unlike large businesses, resources are limited to assist small businesses to be more sustainable.

This is one of the reasons we are particularly proud to collaborate with Australia Post on a whitepaper that will guide small businesses to have a positive impact, by incorporating sustainability into the core of their business strategies in a way that also delivers positive commercial outcomes.

This paper examines what the key drivers and sustainability issues are for small businesses right now, and explores how small businesses can be better prepared to tackle a world impacted by COVID-19. Importantly, this paper points to the SDGs as the global blueprint for regeneration, and proposes a clear roadmap for the way forward. I trust this paper will stimulate thought and action in small businesses across Australia.

I would like to thank Australia Post, for making this important project possible, and for leading the way as a champion of the SDGs in our region. I would also like to thank the Banksia Award finalists who shared their invaluable insights and advice.



Graz van Egmond
CEO, Banksia Foundation

A handwritten signature in black ink, appearing to read 'Graz van Egmond'.



Australia Post and the Banksia Foundation acknowledge the Traditional Custodians of the land on which we operate, live and gather as employees, and recognises their continuing connection to land, water and community. We pay respect to Elders past, present and emerging.



Australia Post and the Banksia Foundation support the achievement of the United Nations Sustainable Development Goals.

Executive summary

This paper explores the key attributes of sustainability in small to medium enterprises (SMEs), based on a survey conducted by Australia Post of 614 SMEs and a series of conversations with SME leaders.

A full list of interviewees is included in Appendix 1. They include Australia Post small business customers and Banksia Award finalists. Details on the methodology are included in Appendix 2.

In the first section, Operating responsibly, we unpack what responsible business looks like in practice, including what drives SMEs to be sustainable and the key issues affecting them right now.

From there we examine what is required for SMEs to build resilience, so they are better prepared to respond to future crises, and adaptable to the changing and often unstable economies we operate in.

Based on this background information, we look at the future of SME sustainability through the lens of regeneration, with a focus on rebuilding and restoring economies, communities and our planet. In conclusion we propose a sustainability roadmap with practical steps for SMEs to apply.

Australia Post and the Banksia Foundation would like to thank the small business customers and Banksia Award finalists who contributed to this paper. We would also like to thank the Australia Post Stakeholder Council for their feedback.

Key findings

1. Operating responsibly

SMEs are motivated to operate responsibly for three key reasons:

- **Balancing purpose and profit:** the pursuit of profit is central to ensuring financial sustainability for businesses of any size. However many SMEs are aspiring to balance purpose and profit, by leveraging their business as a force for good.
- **Changing stakeholder expectations:** the shift in generational thinking has brought to the surface a vibrant cohort of conscious consumers and purpose-driven employees who expect SMEs to have a good record on sustainability.
- **Future-proofing the business:** SMEs increasingly recognise that sustainable business practices are key to long-term survival. They feel their business will only be sustainable if the communities they serve and operate in are sustainable as well.

Despite the fact every SME has different priorities when it comes to addressing sustainability issues, there are three common issues of importance for SMEs right now:

- **Reducing waste and rethinking materials:** waste has become a burning issue for many SMEs, and reducing waste to landfill is a key priority right now. Many are rethinking the materials they use to make their products, and focusing on reuse and recycling in their operations.
- **Sustainable packaging:** for SMEs with an eCommerce focus, the impact of their packaging can be significant, and according to survey respondents, one in three SMEs are now committing to reusable or recyclable packaging for their products, or packaging that is made from recycled content.
- **Supporting local communities:** SMEs play an essential role in the fabric of local communities. Based on our findings, 38 per cent of SMEs currently integrate community support at the heart of their approach to sustainability, with a focus on philanthropic giving, sponsorship, and initiatives that stimulate local employment.

2. Building resilience

The sudden emergence of COVID-19 has disrupted the way we do business like never before. COVID-19 has highlighted weaknesses in our supply chains and a lack of contingency planning among many SMEs. There are three ways SMEs can build greater resilience:

- **Rethinking supply chains:** rather than focusing solely on efficiency, many SMEs say they are now considering how they can build diversity into their supply chains and potentially reshore production.
- **Transitioning to a circular economy:** in the face of declining natural resources and supply chain disruption, one of the biggest opportunities for SMEs is a transition to the circular economy through new business processes, new connections and new ways of linking different parts of the supply and manufacturing chain.
- **Digital disruption:** social distancing, self-isolation and the closure of bricks and mortar stores has completely disrupted the way people shop. As online shopping has become the next normal, SMEs need to strengthen their online presence and adapt to a new way of trading.

3. Regeneration in a world impacted by COVID-19

As we look to the future through a post-COVID-19 lens, the SDGs provide a global blueprint for how the world needs to regenerate. Achieving the SDGs would create a world that is comprehensively sustainable: socially fair, environmentally secure, economically prosperous, inclusive; and more predictable.

In addition, addressing these goals could open up market opportunities worth up to US\$12 trillion a year in the lead up to 2030¹, and many SMEs are using them to make decisions about their business.

Small business sustainability roadmap

We propose a clear roadmap with practical steps that can be applied by any SME looking to improve their approach to sustainability.

The roadmap steps are covered in detail from page 18.



Introduction



SMEs form the backbone of the Australian economy, and the supply chains of large companies. Making up 98 per cent of Australian businesses, they contribute over \$4 billion to the Australian economy and employ close to half the nation's workforce².

With the world's population growing at a rapid pace, so too is the demand for goods and services. There is no doubt this greater demand is good for business, but the planet is struggling to keep up, and our natural resources are steadily declining. Businesses large and small are now being forced to rethink supply chains, materials and the way products are made.

At the same time, businesses are facing far greater demand for transparency than ever before. Conscious consumers are asking brands the hard questions – What is the wage level and conditions of workers in your supply chain? Where exactly are your product components made? What is your carbon footprint?

However, many SMEs are occupied with the immediate concerns of running a business – from managing cash flow, to attracting customers and dealing with suppliers. Sustainability is not always top of mind for SMEs, with almost one in five survey respondents saying it is not important to them: they may not always know

where to start when it comes to integrating sustainability in practice.

This is not surprising considering SMEs lack the resources available to their larger business counterparts. Neither are they subject to all of the same laws and regulations, and therefore not mandated to report on sustainability performance in the same way large businesses are (*for example, under the Modern Slavery Act 2018*).

Yet, our survey shows that 44 per cent of SMEs consider sustainability very important to the future success of their businesses, up from 31 per cent in 2016. Further, the SME leaders of tomorrow understand the ripple effect of expectations on big business, and sense that sustainability is no longer just a matter of reputation and trust, but also of longer-term survival, security and competitive advantage³.

Changing environmental conditions, such as the Australian bushfires of 2019/20 and the sudden emergence of COVID-19, have confirmed this reality. There is no denying that the future viability of many SMEs is highly contingent on the health of local communities, economies and importantly, our planet.

1. Operating responsibly

Sustainability is most often defined as meeting the needs of the present without compromising the ability of future generations to meet theirs⁴.

Businesses typically apply sustainable practices across three key pillars: social, environmental, and economic. These pillars are sometimes referred to as the “triple bottom line” or people, planet and profit.

Social sustainability focuses on the company’s most important stakeholders, such as: employees, customers, suppliers and the communities that it operates within. These practices may focus on:

- Health and safety standards - including in the supply chain.
- Fair labour rights, human rights and no child labour - including in the supply chain.
- Equal opportunities, diversity and flexibility in the workplace.
- Local community involvement and philanthropic support.

Environmental sustainability focuses on reducing a company’s impact on, and what they can do to improve the environment. Practices may include:

- Reducing or offsetting carbon footprint.
- Reducing waste, water, and energy used in operations.
- Reusing and recycling materials.

Economic sustainability focuses on the way a company makes its profit and contributes to the economy. Practices in this pillar focus on:

- Governance, compliance and risk management.
- Transparency.
- Creating employment.

At a minimum, contemporary businesses are expected to operate responsibly and ensure they do not cause harm to people, communities and the environment as a result of their operations⁵.

Key drivers of responsible SMEs

In this section we take a look at what motivates SMEs to be responsible, based on our conversations with SME leaders and the results of our survey.

1. Balancing purpose and profit

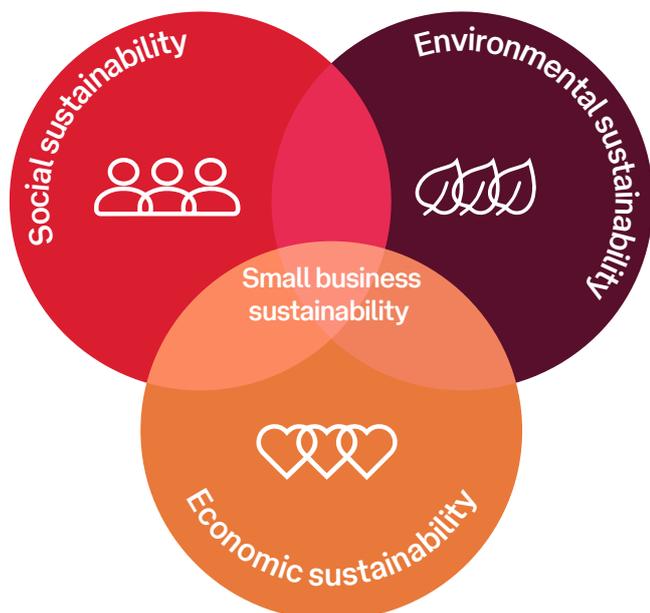
The pursuit of profit is central to ensuring financial sustainability for businesses of any size. However many SMEs are aspiring to balance purpose and profit, by leveraging their business as a force for good⁶.

Many of the SME leaders we interviewed articulated a clear social purpose at the heart of their business, and a desire to achieve commercial success, while at the same time creating positive social and environmental outcomes.

CEO & Founder of Flora & Fauna, Julia Mathers says she was motivated to create a purpose-driven business after spending 20 years in the retail industry. *“I view Flora & Fauna as a platform for purpose. Yes we sell stuff, but we can harness the power of that to deliver so much more value. We look at the packaging we use, the charities we support, the energy we use, how we improve our efficiency – but in the most sustainable way possible.”*

Julie says businesses like Flora & Fauna have an obligation to ensure they are operating responsibly. *“We have to be sustainable because our planet is choking. So the main driver for me is having a smaller impact on the world, while creating a better planet and society”* she says.

This is a sentiment shared by many of the SMEs we engaged with. When talking about their primary drivers for sustainability, nearly every person we spoke to said: *“we do it because it’s the right thing to do.”* As Jess Crowley, Manager at Bioflex Nutrition says; *“I would do it whether customers or employees asked for it or not. It’s our responsibility”.*



2. Changing stakeholder expectations

Today's consumers are more informed than ever before. Globalisation and the Internet have created a level of transparency that is driving consumers to reconsider the products they buy and who they buy them from.

The shift in generational thinking has brought to the surface a vibrant cohort of conscious consumers and purpose-driven employees. As we welcome Generation Z to the world stage, it is clear these truth-seeking digital natives no longer form opinions of a brand based solely on the quality of their products and services, but now on their ethics, practices and social impact⁷.

Research consistently finds that consumers are more likely to purchase from brands that are sustainable^{8,9}, and many are willing to pay more for products and services that protect the environment or don't infringe on human rights^{10,11}.

At the same time, it is evident that young people are more attracted to employers with a good record on sustainability¹² and more likely to be loyal to those companies who address sustainability issues¹³.

SMEs we spoke to are acutely aware of this in-built sustainability mindset, and it is a key driver of their responsible business practices.

Erika Martin, Ethics & Sustainability Coordinator at Melbourne-based fashion label ELK, says being more transparent about ELK's sustainability strategy has had a real impact on attracting employees. "We've had some great hires over the past year who were attracted to our brand because of the work we're doing in the sustainability space. We're also seeing a more conscious customer coming through who cares more about the sustainability of what they're buying."

Jill Saunders, from Beauty & The Bees says sustainability is a key feature of her brand, "We've been focusing on sustainability for over 25 years, but our consumer very much expects us to be sustainable now."

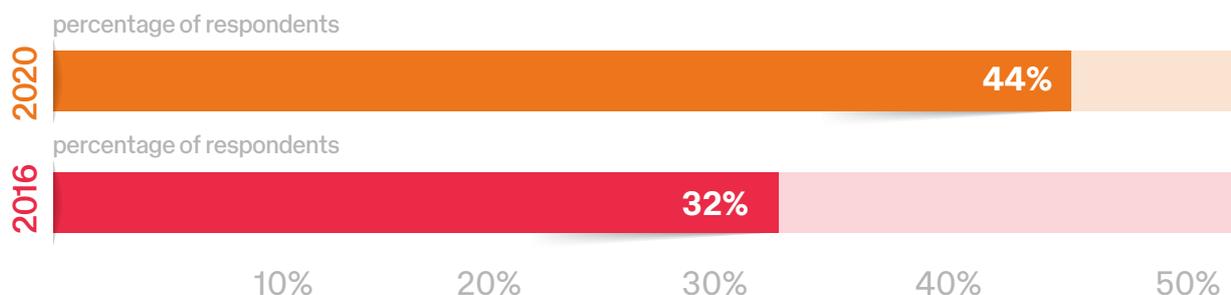
3. Future-proofing the business

SMEs increasingly recognise that sustainable business practices are key to long-term survival. Our research in 2016 found that 32 per cent of SMEs believed sustainability is very important to the future success of their business. Today, our research shows that figure is 44 per cent. They feel their business will only be sustainable if the communities that they serve and operate in are sustainable as well. Many of the SMEs we spoke to made the point that sustainability is about future-proofing their business for the long-term (see figure 1).

Jill Saunders from Beauty & The Bees also says she is constantly reviewing her business practices to ensure her business remains sustainable into the future, "Our products are made from renewable resources, like olive oil, and we're always looking at the resources we use to see if we can diversify. At the moment we're trying local walnut oil. We use local manufacturers too, so we can create sustainable employment and reduce our carbon footprint."

Whether SMEs are focusing on environmental or social sustainability issues, there is growing awareness among SME leaders that these practices enhance business economic prospects and secure financial sustainability over time¹⁴. This connection between sustainability and positive commercial outcomes is particularly obvious and common in areas such as reducing electricity or gas consumption, water use or carbon footprint, with our research finding that one in three SMEs indicate they have adopted such practices. Interestingly, our research also found that social sustainability issues, which were relatively less integrated in the strategies of SMEs in 2016, have also increased in importance as the connection to commercial outcomes has become common ground. For example, 33 per cent of responding SMEs currently have strategies in place to support and respect human rights, including in their supply chain.

Figure 1: Growing importance of sustainability for SMEs



Q: Thinking about the role of sustainability for your business, how important is sustainability to the future success of your business? (Percentage of SMEs scoring 9-10 on a 0 to 10 scale where 0 = extremely important).

For Greg Welsh, Director of Winya Indigenous Furniture, future success is highly contingent on the company's ability to continue supplying Australia's largest corporates, and transparency has become more important than ever. *"Even though the modern slavery legislation¹⁵ doesn't strictly apply to SMEs, we knew it made sense for us to get on the front foot and set up reporting processes for our suppliers straight away. We could anticipate our large corporate customers coming to us asking for data and we wanted to be prepared. At the end of the day if you want to sell something to a large company like a Woolworths, you have to be able to answer questions about modern slavery in your own supply chain."*

It is clear SMEs are also recognising that even though they are not mandated to report on sustainability issues in the same way large businesses are, it makes good business sense to do so.

Trends and insights

Four years on from our previous whitepaper on this topic, the most notable shift in key drivers relates to a more long-term view in relation to unlocking financial benefits.

While previously SMEs were looking to save money in the short-term, through energy efficiency initiatives for example, we now see more of an imperative to future-proof the business through policies and practices that will ensure growth and viability in the long-term. For example, since 2016, key issues such as supporting diversity in the workplace, providing equal opportunities, or sustainable packaging have increased their importance, and today almost one in three responding SMEs indicate these areas are integrated in their businesses.

For some SMEs this means sustainability can often cost more in the short-term, through switching to more sustainable materials or offsetting the company's carbon footprint. However these businesses are confident that the costs will pay-off in the long-term.



Key sustainability issues being addressed by SMEs

SMEs are faced with a wide range of sustainability issues. From fair labour rights and human rights in the supply chain, to offsetting carbon emissions and reducing waste in operations; every SME has different priorities when it comes to addressing sustainability issues, depending on their social, environmental and economic impacts.

However, our interviews revealed three common sustainability issues being addressed by SMEs right now.

1. Reducing waste and rethinking materials

Waste has become a burning issue for businesses, governments and households alike. Over recent years we've seen a war on waste, bans and tariffs on plastic bags, container deposit legislation in some States and Territories, and a phased ban on the export of waste plastic, paper, glass and tyres.

As a country we generate 67 million tonnes of waste each year - a third of which comes from commercial sources¹⁶. Every SME we interviewed said reducing waste to landfill is a key priority right now.

Kernel Property is a tenant advisory business that works closely with tenants and architects to save money while reducing waste, *"When we help a tenant find a new office space, we encourage them to focus on reusing materials wherever possible. This significantly reduces the volume of material going to landfill. We like to look at things differently with property searches. When we were setting up our own office we wanted to find a space we could reclaim. We found an unused building services plant room half way up in a high rise CBD office tower and brought it to life in a really sustainable way"*, says Paul Mead, Director, Kernel Property

Many SMEs are also committing to reduce their waste and increase levels of reuse and recycling through bold public-facing commitments. Erika Martin says ELK is aspiring to become a zero-waste business, *"We follow the principles of refuse, reduce, reuse and recycle, and our aim is that nothing from our business should go to landfill."*

If zero waste is the aspiration for many SMEs, then naturally rethinking the materials and products they use is too. Winya Indigenous Furniture focuses on the whole life of their product, *"We design a lot of our own product and that's why we're diligent about what we make and produce so that nothing goes to landfill. We're the only company in Australia that has a recycling program for melamine. We turn old desks into new furniture"* says Greg Welsh.

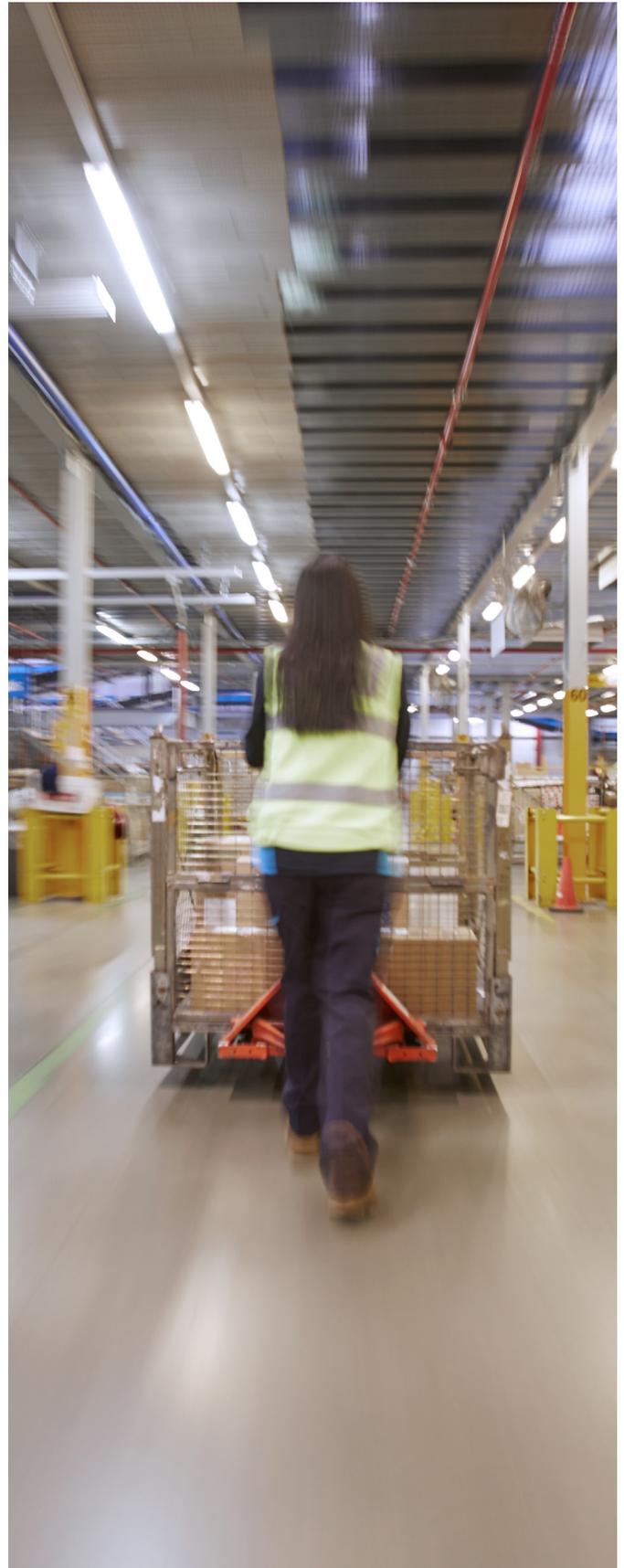
2. Sustainable packaging

Over the last four years one of the most pressing issues that has emerged for SMEs - particularly in the eCommerce sector, is sustainable packaging. For SMEs with a strong online presence, the impact of their packaging can be significant and many are now committing to reusable or recyclable packaging for their products, or packaging that is made from recycled content. According to our research, today 31 per cent of SMEs have adopted sustainable packaging practices.

Bioflex Nutrition is a member of the Australian Packaging Covenant Organisation (APCO) and has committed to achieving Australia's four 2025 National Packaging Targets - focused on - reducing the environmental impacts of packaging. *"We've always had an internal desire to ensure we're not being wasteful, through our processes and materials and how we contribute to the waste stream in general. Through our membership with APCO we're particularly focused on ensuring the packaging of our products is 100% recyclable. We're also partners with REDcycle, so all our packaging can be recycled at the supermarket. We aim to fully close the loop by purchasing products from Replas, a manufacturer that turns REDcycle materials into a range of recycled products including indoor and outdoor furniture, bollards, and signage"* says Jess Crowley, from Bioflex Nutrition.

Jill Saunders says sustainable packaging is a key focus for Beauty & The Bees, but affordability and local options for sustainable materials are a challenge, *"It costs us more to have sustainable packaging, but we do it because at the end of the day packaging is the thing that produces the most waste. We only use aluminium, glass and cardboard for our products. And we also take waste cardboard that is supplied by local businesses and put it through our cardboard web machine to create packaging to wrap our products. There is labour involved in shredding, but it means we're not creating any more waste."*

Thousands of SMEs partner with Australia Post on the provision of packaging and delivery of products to customers. Also a member of APCO, Australia Post has been overhauling its packaging materials in recent years. *"Today, all of our paper and cardboard packaging is FSC certified, and the majority of our plastic satchel range is made from 80 per cent recycled content. All of Australia Post's packaging is recyclable - either in Council recycling services or via REDcycle's soft plastic drop-off points,"* says Susan Mizrahi, Chief Sustainability Officer, Australia Post.



Unpacking some of the issues around packaging

The amount of packaging options on the market is increasing every day, and many SMEs are looking to use the most environmentally friendly option. However it can be challenging to determine what that is in a market that has become increasingly subject to ‘greenwashing’¹⁷.

In reality, all packaging options have impacts, from the original material used, through to disposal. It is important to take a holistic ‘life cycle’ view to get a complete picture of the product’s impacts, from greenhouse gas emissions, to fresh water and land use. Ultimately we want to minimise materials used, extend their life, reuse what we can and ensure there are available schemes to recycle materials at the end of their life.

Labelling can help in this complex space, but packaging often contains a myriad of symbols, which can be confusing at times.

Key symbols relating to sustainable packaging include:



Forest Stewardship Council (FSC)



The Australian Recycling Label (ARL)

What about plastic packaging?

In recent times, there has been increased focus on plastic and its impacts - particularly single-use, unnecessary sources and litter.

While plastic is made from non-renewable resources and can have devastating effects through litter, it is important to evaluate the overall environmental impact of alternatives in order to choose the best product.

In 2019, Australia Post commissioned research that compared the total environmental impact of several satchel types (virgin plastic, recycled content plastic, compostable) and cardboard boxes over their lifecycle.

That is why the majority of Australia Post’s plastic satchel range is made from 80 per cent recycled content, and Australia Post has committed to this being their full range by end of 2021.



In 2018, the Australian Government established the 2025 National Packaging Targets to create a new sustainable pathway for the way we manage packaging in Australia. The four targets, to be achieved by 2025, are:

- 100 per cent reusable, recyclable or compostable packaging.
- 70 per cent of plastic packaging being recycled or composted.
- 50 per cent of average recycled content included in packaging.
- the phase out of problematic and unnecessary single-use plastics packaging.

SMEs concerned about packaging can consider [becoming a member of APCO](#) and commit to reducing the environmental impact of their packaging.



The REDcycle Program is a recovery initiative for post-consumer soft plastic-making it easy for Australians to recycle their soft plastic packaging via collection bins at Woolworths and Coles. REDcycle collects and processes the plastic, before delivering it to the group’s Australian manufacturing partners Replas, Close the Loop, and Plastic Forests. The plastic is then transformed into a range of products, including indoor and outdoor furniture, bollards, signage, and asphalt.

Since the program launched it has collected over 1 billion pieces of plastic - or enough pieces of post-consumer soft plastic packaging to circle the world over 6.5 times.

[Learn more about REDcycle.](#)

3. Supporting local communities

SMEs play an essential role in the fabric of local communities. They provide access to essential goods and services and employment, and contribute to local economic growth. It is therefore not surprising that 38 per cent of responding SMEs consider community support to be at the heart of their approach to sustainability.

Our interviews with SMEs revealed a key focus on support for local communities in the form of philanthropic giving, sponsorship, and local employment initiatives.

Victorian micro-dairy farmer and Founder of How Now Milk, Cathy Palmer, has built a relationship with The Father Bob Maguire Foundation, which enables families facing hardship to access healthy food at no cost, *“We have a high nutritional value in our milk, so I always make sure Father Bob’s community pantry gets milk every second week”*. However Cathy says her community giving is motivated by an act of kindness, and she doesn’t tend to communicate it to her customers, *“I don’t talk about it much. I think people can misinterpret charity,”* she says.

At Winya Indigenous Furniture, sustainability is as much about preserving Aboriginal history, place and culture, as it is about doing things from an environmental perspective, *“From a cultural perspective we deliberately engage with remote communities. Jobs need to exist there. Otherwise culture dies. We focus on remote community employment and we use local designers too”* says Greg Welsh.

Supporting local employment is also a key focus for Bioflex Nutrition, and Jess Crowley says the business is heavily involved in the local migrant resource centre in Southern Tasmania, *“We’ve got a culturally diverse workplace and we encourage new migrants to work with us. A lot of our migrant staff members are from African countries where they have had to transition from war and terror to a new life here in Australia. We develop and work with these staff members so they have opportunities to grow with the company. Some are now members of our management group. Everyone has a chance to progress through to other roles in our business.”*



2. Building resilience

The sudden emergence of COVID-19 has disrupted the way we do business like never before. During the crisis, 74 per cent of SMEs were forced to change how they operate, and those operating under modified conditions experienced decreased revenues as a result¹⁸.

COVID-19 has highlighted weaknesses in our supply chains and a lack of contingency planning among many SMEs. If there is one lesson SMEs can take from this global pandemic, it is the need for greater resilience so we are better prepared to respond to future crises, and adaptable to the changing and often unstable economies we operate in.

1. Rethinking supply chains

As overseas markets ground to a halt during the early stages of the COVID-19 pandemic, Australian businesses and governments alike braced themselves for the impact on local supply chains, many of which are heavily reliant on a single-source supplier or country.

In the wake of COVID-19, many SMEs are rethinking the resilience of their supply chains. Rather than focusing solely on efficiency, many SMEs say they are now considering how they can build diversity and potentially 'reshore' production.

Greg Welsh from Winya Indigenous Furniture has spent the last five years building a diverse supply chain with manufacturing in every state, *"We do it deliberately for two reasons. The first is so we can reduce our carbon footprint, transport costs and damage risks. And secondly, it gives us diversity so that if one factory is disrupted we've got others we can rely on. Manufacturing locally also places Winya in the best place to win state and local government work too."* Despite a focus on local procurement, Greg says Winya still relies on some overseas suppliers, *"We're still immensely exposed to supply chain issues because of our suppliers overseas. All the electrical parts of our sit-stand desks come from China and Taiwan. When that region shut down for a month and half, we were lucky we had a lot of these in stock."*

While Australia's manufacturing sector has been shrinking for decades¹⁹, COVID-19 has thrown a spotlight on the potential for local growth.

Julie Mathers from Flora & Fauna says finding local suppliers is often a real challenge, *"One of the products we sell is reusable make-up pads, and we get them from a supplier in China that makes 30,000 at a time. Recently a local supplier contacted us to see if we would be interested in purchasing from them, but they can only make a tiny proportion each week. This is the real challenge. We're desperate to support more local manufacturers, but there needs to be some serious investment into local manufacturing to boost capacity and make products at a price the customer is happy to pay. And I think the perfect time to do it is now."*

2. Transitioning to a circular economy

In the face of declining natural resources and supply chain disruption, one of the biggest opportunities for SMEs is a transition to a circular economy. In simple terms, a circular economy aims to design-out waste and pollution, keep products and materials in use and regenerate natural systems²⁰. It is the opposite of our existing linear consumption-oriented approach of taking materials, making things and disposing of them at end of life²¹.

While still emerging, 24 per cent of leading SMEs that participated in our research are currently committing resources to sourcing more sustainable products or materials. Our conversations with SMEs leaders revealed the opportunity to build resilience through new business processes, new connections and new ways of linking different parts of the supply and manufacturing chain.

One SME that is empowering other businesses across Australia to exchange waste as a resource is ASPIRE - an online marketplace for the circular economy founded by CSIRO and Data61. ASPIRE's CEO, Cameron McKenzie says ASPIRE is fundamentally about creating local supply chains, *"When looking at waste and the circular economy, it has to be a local solution. When you transact on the ASPIRE platform, it recommends that you work with those businesses closest to you. There was one business on the platform that was importing a lot of stuff from an Asian country and there were always delays. But through ASPIRE they found the material they needed pretty much across the road and they only had to put a few hours in to get it. So, essentially they got the supply chain for free. It ticks all the boxes – localised solution, profitable, saves time and stress and there's less of a carbon footprint."*

Cameron says the impact of COVID-19 has changed the way SMEs are thinking about sustainability and the circular economy, “I think some people saw sustainability as a “nice to have” – something that would be great to do, but perhaps a bit too hard. But now it’s like we need to do it. Sustainability can be a massive economic upside to your business. When businesses use ASPIRE they start to see more value. It’s about finding new sustainable ways to source materials or different waste solutions. We’ve got SMEs with as few as two employees on board, to larger ones with 400 employees. When a business joins ASPIRE it’s a two-way street. They can list materials they want to get rid of and source materials they need.”

As many SMEs look to diversify their supply chains in the wake of COVID-19, the circular economy has the potential to reinvigorate Australia’s manufacturing sector and solve some of the country’s challenges around waste and recycling capacity.

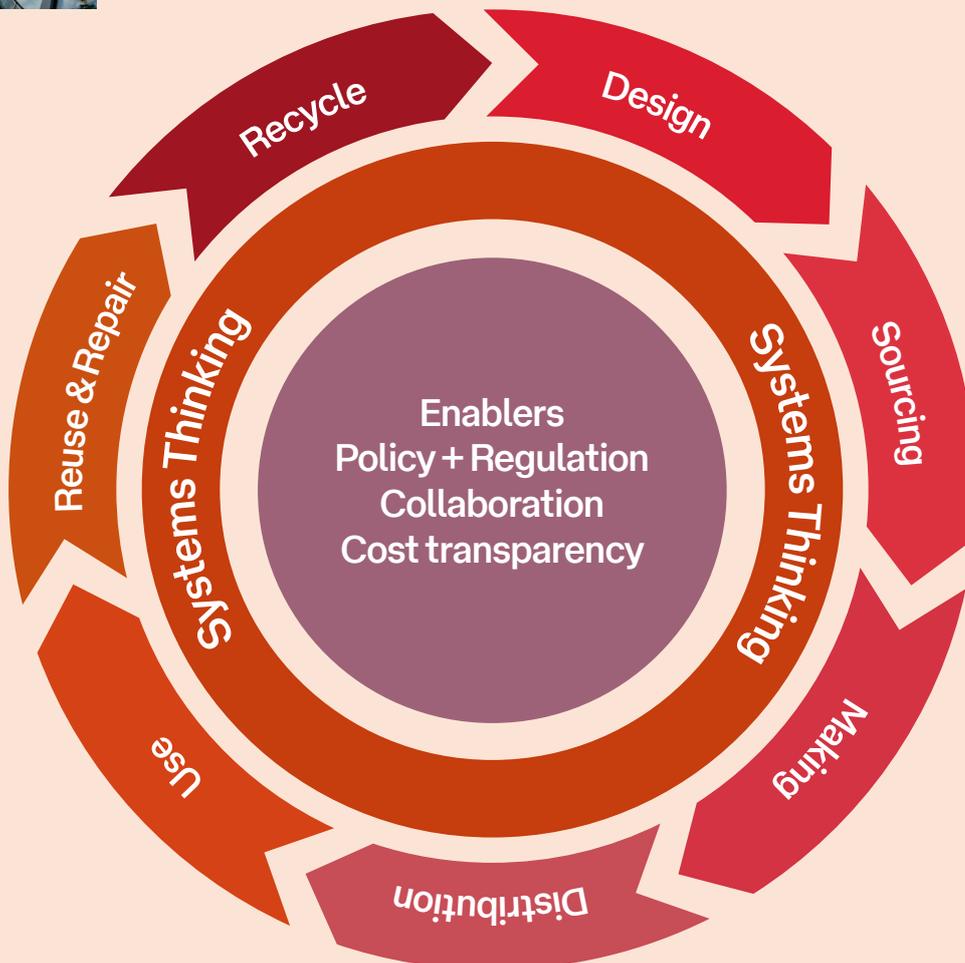
“Finding viable recycling options has been really hard for textiles and other materials. I understand there are challenges around economies of scale and having collection infrastructure in place, but ideally we would have more circular systems in Australia - the sorting, the manufacturing, and turning products into materials that are then sold and used here” says Erika Martin from ELK.



Circular economy

A circular economy has no net effect on the environment; rather it restores any damage done, while ensuring little waste is generated throughout the production process and in the life history of the product.

Check out [Australia Post’s whitepaper](#) on this topic to find out more about the activities that can help the transition to a circular economy, as well as areas of ongoing debate.



ASPIRE – an online marketplace for the circular economy

ASPIRE member Casafico is an Australian-owned building business that creates high-quality building products from waste paper and polystyrene, in collaboration with Wrapco and Kingston City Council.

Upon finding Casafico on the ASPIRE platform, Wrapco now sends 5 tonnes of their paper waste to Casafico every year,

which in turn provides Casafico with a reliable stream of resources for use in their Melbourne factory.

Casafico utilises these waste products for their innovative building products such as plasterboards, base coats for concrete and marble finishes.

Find out more about [ASPIRE](#)



3. Digital disruption

Social distancing, self-isolation and the closure of bricks and mortar stores has completely disrupted the way people shop²². As online shopping has become the next normal, SMEs have been forced to adapt to a new way of trading.

This year we have seen more people shopping online than ever before. Since COVID-19, the number of online shoppers grew by 31 per cent, as 200,000 new shoppers entered the market and purchased something online for the first time²³. Though it is likely that this level of growth will start to steady into the future, it is clear that new buying behaviours have been established, and this new way of trading is here to stay.

The majority of the SMEs we spoke with said they had strengthened their online presence in some way as a result of COVID-19.

Cathy Palmer from How Now Milk says going online has transformed her business, "As soon as people went into lockdown they started ordering online. I reinvented part of the business and offered home delivery. COVID-19 has played a really interesting role for small producers like us. People who usually go into a produce store might see my milk but think "it's a lot of money to pay for milk".

Whereas more people have been buying online during isolation and that means they're willing to buy How Now milk because they know where the money goes. It has been a huge opportunity. And now I'm looking at more ways to do things even better." Cathy says the changes brought about by going online have sparked further ideas and conversations with other local producers, "We can go crazy with ideas, because the world's a new place."

Nick Antonopoulos, General Manager SME at Australia Post says SMEs are well placed to capture the significant new growth of eCommerce that has been fuelled by the pandemic. "COVID-19 has delivered years of eCommerce growth in just a few months, and many store retailers are questioning whether to re-open their stores and if their customers will return in person. SMEs that have weathered and prospered during the pandemic are the ones that embraced online quickly - to meet the increased demand. Going forward, successful SMEs will need an omni-channel approach by embracing both online and retail store. Consumers prefer more options than less, and the growth we've seen in online shopping is definitely the new normal."

3. Regeneration in a world impacted by COVID-19

As we look to the future through a post-COVID lens, what is the role of SMEs in rebuilding and restoring our economies, communities and planet? What are the emerging issues and opportunities for SMEs? These are some of the pressing questions many of our interviewees raised during conversations about the future of small business sustainability.

A global blueprint for regeneration

The SDGs provide a global blueprint for how the world needs to regenerate. Achieving the goals would create a world that is comprehensively sustainable: socially fair, environmentally secure, economically prosperous, inclusive, and more predictable²⁴. With just 10 years left to achieve these global goals, 2020 has sparked a rallying cry for a decade of action to deliver on the 2030 promise²⁵.

Businesses both large and small have a crucial role to play in ensuring the global goals are achieved. But beyond a responsibility to do so, there is a compelling commercial reason too. According to the Business and Sustainable Development Commission, meeting the global goals in just four sectors (food and agriculture, cities, energy and materials, and health and wellbeing) could open up market opportunities worth up to US\$12 trillion a year in the lead up to 2030²⁶.

Most of the SMEs we spoke to said they have used the SDGs at some stage to inform decisions about their business. Cameron McKenzie says there are six SDGs he has prioritised that intersect with ASPIRE's business strategy, *"I'm always thinking about how I can align what we're doing with our six SDGs. They help guide decisions about the future direction of the company. Our key driver is how we can impact these goals and create more value. I have an app that I refer to almost daily called the SDGs in Action. You can follow specific goals and be alerted to developments and updates as they occur."*

SUSTAINABLE DEVELOPMENT GOALS



Small business sustainability roadmap

So how can your business become more sustainable? In this section, we outline a practical roadmap and checklist that can be applied by any small business looking to improve their approach to sustainability.

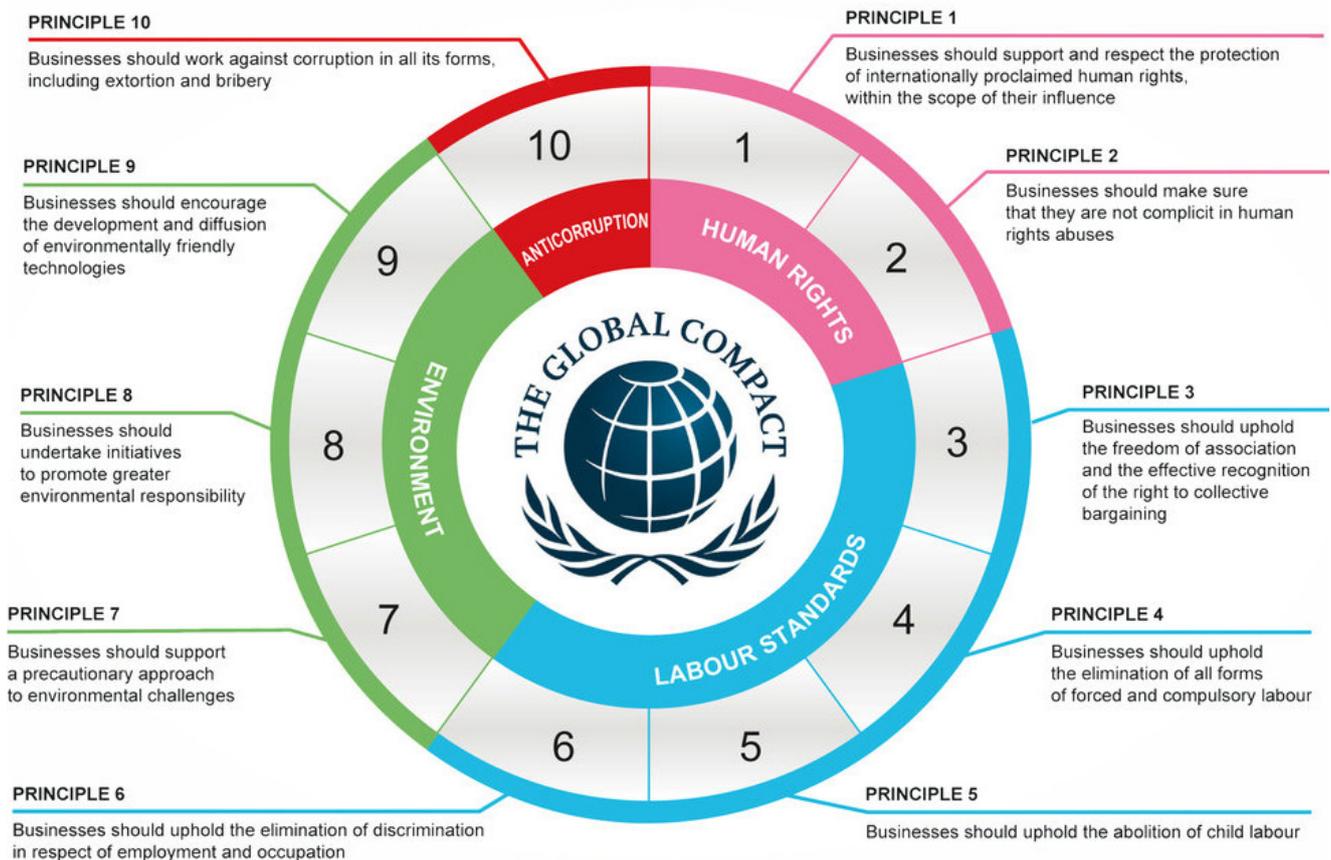




1. Adopt a principles-based approach to doing business

This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption²⁷. [The 10 Principles of the UN Global Compact](#) provide a guide to sustainable business behaviour.

Over 9,000 businesses globally have signed up to these principles - including Australia Post.



Source: UN Global Compact

2. Consider your impacts

The SDGs you touch on directly or indirectly can also be a source of inspiration and design criteria for developing new products and services that address a clear social or environmental need. For example, a food producing company has a strategic opportunity to contribute to Goal 2: to end hunger, achieve food security and improved nutrition, and promote sustainable agriculture. While a technology business can help advance Goal 9: to build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

[Download the SDGs in Action app](#) for more information about each goal, as well as news and updates about projects that are happening across the globe.

Find out more about how to map your business against the SDGs by accessing the [SDG Compass](#), a free online tool.



3. Prioritise what matters

Have you ever stopped and asked your customers and other key stakeholders how your business can be more sustainable?

Engage your stakeholders by asking them to share their views on the sustainability issues they think you should be addressing.

Additionally, a stakeholder survey can assist in prioritising important topics for your business to focus on and guide your sustainability strategy and reporting process. The exercise also provides a mechanism to address any concerns that may arise from stakeholders.

4. Assess your existing practices

By going through the sustainability checklist in Appendix 3, you can conduct a quick assessment of your sustainability practices to identify opportunities for improvement.

Those SMEs deeper into the journey may want to consider undertaking a more rigorous assessment of your practices. Many SMEs that we interviewed suggested the [B Impact Assessment](#), a free tool designed to help holistically measure business performance and impact across five pillars:

1. Governance - overall mission, ethics, accountability and transparency.
2. Community - positive impact on the external communities in which the company operates, covering topics like diversity, economic impact, community engagement, and supply chain impact.
3. Environment - overall environmental stewardship, including how the company identifies and manages general environmental impacts, its management of air and climate issues, water sustainability, and impacts on land and life.
4. Workers - contribution to its employees' financial, physical, professional and social well-being.
5. Customers²⁸ - value to their direct customers and consumers of their products or services.





5. Measure and communicate progress

We all know what gets measured gets done, and sustainability is no different. By setting sustainability metrics and tracking progress, you can improve your practices and performance.

At the same time, conscious consumers are demanding greater levels of transparency and asking brands the hard questions about their environmental footprint, supply chain and products. Although SMEs are not legally required to report on many of these issues, it makes sense to get on the front foot.

The risk of not communicating about your sustainability is that customers will fill in the gaps – either rightly or wrongly.

It is also valuable to share progress as a mechanism for change in your industry and among peers. You don't have to be perfect, but by talking about your targets and progress, you can show other businesses that they can do things better too.

Find out more about sustainability reporting for SMEs with the [Global Reporting Initiative's Guidance Booklet](#)

[Check out ELK's Transparency Report](#) as a great example.

6. Commit to sustainable packaging



[APCO](#) provides a framework and resources to increase packaging sustainability within your business and along the entire supply chain - from design to distribution, retail and recovery.

Signing the Australian Packaging Covenant (the Covenant) means your business makes a public declaration to work collaboratively to achieve common goals.

By signing the Covenant, your business becomes a member of APCO. You join a group of committed organisations, including brand owners, packaging manufacturers, waste management and recycling organisations, to connect, collaborate and drive industry-led change.

You will receive support to meet your regulatory obligations, and agree to measure, track and constantly improve your sustainable packaging performance.





7. Build eCommerce capability

There is no doubt the pandemic has created a new normal for the way people shop. SMEs need to ensure they have a strong online presence to meet changing customer needs and secure financial sustainability into the future.

Australia Post has four tips to help you tap into the full potential of your eCommerce store:

1. **Improve your customers' shopping experience** - Considering prospective customers won't be able to touch, feel and smell your products online, you should compensate for this by including photos from multiple angles, a magnifying tool, detailed descriptions, customer reviews and, if possible, product videos.
2. **Learn from customer data insights** - One of the great benefits of selling online is the amount of data you can collect about customer behaviour, which you can use to refine your website and improve your customers' shopping experience. For example, your analytics tools might show that your customers put products in the cart, but leave before completing their purchases. You might then see what you can do to streamline your purchasing process, perhaps by letting customers create a customer account that stores their payments and shipping details which will allow for a quick and easy checkout in the future.
3. **Convert potential sales into completed sales** - You can also draw on customer information to show previous visitors advertisements that contain products and services that they viewed but didn't buy. Known as dynamic remarketing or retargeting, it is an effective way of prompting customers to buy a product you know they're interested in.
4. **Extend your reach** - When you're happy with the way you're selling products from your own website, it is worth considering online marketplaces, especially those in Asia. By extending your reach via eCommerce marketplaces like eBay or Amazon, you can attract new customers who might not have seen your products before.

Check out further insights from Australia Post's [Inside Australian Online Shopping: 2020 eCommerce Industry Report](#)

8. Partner up for financial sustainability

Financial sustainability is the primary goal for all SMEs, and having a trusty financial partner can help with some of the day-to-day financial challenges in your business.

A financial advisor or your bank's business partner can help you identify your break-even point, and provide guidance around cash flow forecasts and financial buffers. They can also provide important advice around managing debt, making a profit and planning for tough times.

[NAB's SMEs Financial Health Check](#) and [ANZ's Business Planner](#) are online tools you may wish to explore to help you review and identify areas of focus for your business.





9. Access government support and guidance

[The Australian Government's Business website](#) provides information, grants, services and support to help your business succeed.

The site is a central repository for information, support and resources related to:

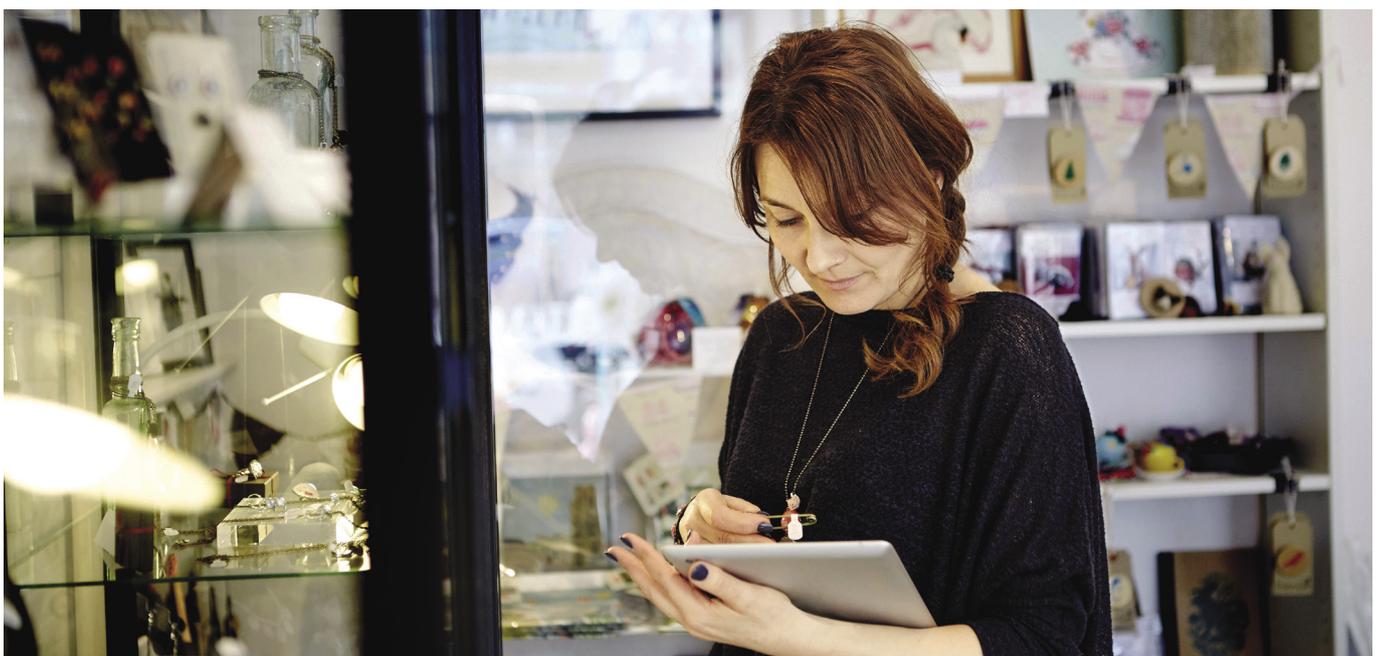
- Businesses affected by the Australian bushfires.
- Continuing your business during the COVID-19 pandemic.
- The registrations, licences and permits you need to start or run your business.
- Starting a business.
- The events, training and tools available in every State and Territory.

10. Be recognised



Benchmark yourself against others and apply for recognition through awards programs like the [Banksia Awards](#).

The Banksia Awards recognise individuals, communities, businesses and government for their innovation and excellence in environmental and social stewardship. The small business award category, sponsored by Australia Post, asks entrants to demonstrate how they are addressing the SDGs. All applicants receive feedback, and finalists gain recognition that can help with promoting their business.



Appendix 1

Participants in the interviews held by Australia Post on small business sustainability.

- **Nick Antonopoulos**
General Manager Business & Government, Australia Post
- **Jess Crowley**
Manager, Bioflex Nutrition
- **Andrew Davies**
CEO, B Lab Australia & New Zealand
- **Baden Kirgan**
Managing Director, Jeffries Printing
- **Erika Martin**
Ethics and Sustainability Coordinator, ELK
- **Julie Mathers**
CEO & Founder, Flora & Fauna
- **Cameron McKenzie**
CEO, ASPIRE
- **Paul Mead**
Director, Kernel Property
- **Susan Mizrahi**
Chief Sustainability Officer, Australia Post
- **Cathy Palmer**
Founder, How Now Dairy
- **Jill Saunders**
Founder, Beauty & The Bees
- **Graz van Egmond**
CEO, Banksia Foundation Director
- **Greg Welsh**
Director, Winya Indigenous Furniture

Appendix 2

Methodology

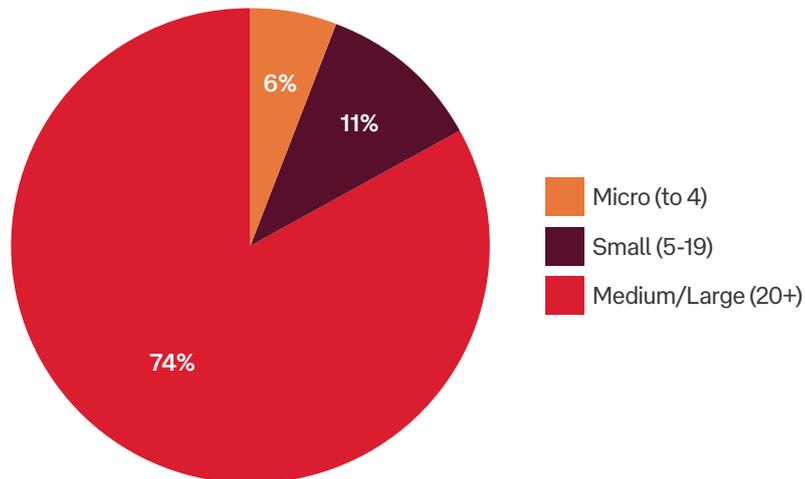
This white paper brings together insights from a two-phased research project, conducted between June and August 2020:

- An online survey with 614 qualified Australian Small Business Enterprises to examine attitudes towards sustainability and focus areas.
- Thirteen in-depth interviews with recent Banksia Sustainability Award finalists and winners as well as Australia Post customers and sustainability experts to explore examples of sustainability in practice and insights into how businesses can successfully integrate sustainability.

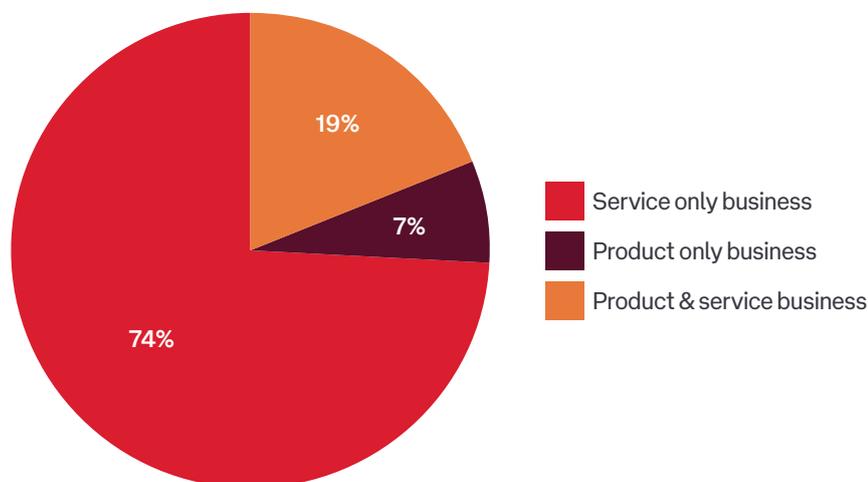
Survey respondents

Survey respondents included Australian small businesses presenting the following characteristics:

Business size



Business type



Appendix 3

Sustainability checklist

Conduct a quick assessment of your sustainability practices to identify opportunities for improvement.

Sustainability practice	Y/N	Unsure	Notes
Health and safety standards - including in the supply chain			
Fair labour rights, human rights and no child labour - including in the supply chain			
Equal opportunities, diversity and flexibility in the workplace			
Local community involvement and philanthropic support			
Reducing or offsetting carbon footprint			
Reducing waste, water and energy used in operations			
Reusing and recycling materials			
Commit resources to developing sustainable products			
Commit resources to sourcing more sustainable products or materials			
Commit to sustainable packaging			
Develop sustainability targets and ways to measure progress			
Leverage sustainability of existing products to reach new customers or markets			
Good governance and accountability			
Code of ethics and transparent reporting processes			
Compliance and risk management			

References

¹Business and Sustainable Development Commission, “Better Business, Better World”, 2017

²Australian SMEs and Family Enterprise Ombudsman, “SMEs Counts - SMEs in the Australian economy”, July 2019 <https://www.asbfeo.gov.au/sites/default/files/documents/ASBFEOSmall-business-counts2019.pdf>

³John Elkington, “Green Swans: The Coming Boom In Regenerative Capitalism”, April 2020

⁴United Nations “Our common future”, 1987

⁵United Nations Global Compact “10 Principles of the Global Compact” <https://www.unglobalcompact.org/what-is-gc/mission/principles>

⁶B Lab Australia & New Zealand, State of the B Corp, 2019

⁷Deloitte and Network of Executive Women (NEW), “Welcome to Gen Z”, 2019 <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/consumer-business/welcome-to-gen-z.pdf>

⁸Accenture Strategy Global Consumer Pulse Research, 2018.

⁹The Innovation Group, J. Walter Thompson, “The New Sustainability -Regeneration”, 2018

¹⁰2015 Nielsen Global Corporate Sustainability Report <https://www.nielsen.com/us/en/press-releases/2015/consumer-goods-brands-that-demonstrate-commitment-to-sustainability-outperform/>

¹¹The Innovation Group, J. Walter Thompson, “The New Sustainability -Regeneration”, 2018

¹²The Innovation Group, J. Walter Thompson, “The New Sustainability -Regeneration”, 2018

¹³Deloitte 2020 Millennial survey

¹⁴Deloitte 2030 Purpose Report, 2017 <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-2030-purpose-report.pdf>

¹⁵On 1 January 2019, the Modern Slavery Act 2018 (Cth) (Commonwealth Act) commenced, requiring businesses in Australia with a minimum annual consolidated revenue of \$100 million, to report on the risk of modern slavery in their operations and supply chain, as well as the steps they have taken to respond to the risks identified. At its broadest, the term ‘modern slavery’ refers to any situations of exploitation where a person cannot refuse or leave work because of threats, violence, coercion, abuse of power or deception <https://www.nortonrosefulbright.com/en/knowledge/publications/06a565ee/modern-slavery-act-what-businesses-in-australia-need-to-know>

¹⁶Australian Government, National Waste Report, 19 NOVEMBER 2018

¹⁷Greenwashing is the process of conveying a false impression or providing misleading information about how a company’s products are more environmentally sound. Greenwashing is considered an unsubstantiated claim to deceive consumers into believing that a company’s products are environmentally friendly. <https://www.investopedia.com/terms/g/greenwashing.asp>

¹⁸Australian Bureau of Statistics (ABS) survey on Business Impacts of COVID-19, 28 May 2020

¹⁹Australian Industry Group, Australian Manufacturing in 2019 Local and Global Opportunities, May 2019

²⁰Ellen Macarthur Foundation, <https://www.ellenmacarthurfoundation.org/circular-economy/concept>

²¹Australia Post, “Transitioning to a circular economy – insights from the frontline”, November 2017

²²Australia Post, “Inside Australian Online Shopping: 2020 eCommerce Industry Report” https://auspost.com.au/content/dam/auspost_corp/media/documents/2020-ecommerce-industry-report.pdf

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²⁴Business and Sustainable Development Commission, “Better Business, Better World”, 2017

²⁵United Nations, “Decade of Action on the Sustainable Development Goals” 2020 <https://www.un.org/sustainabledevelopment/decade-of-action>

²⁶Business and Sustainable Development Commission, “Better Business, Better World”, 2017

²⁷United Nations Global Compact “10 Principles of the Global Compact” <https://www.unglobalcompact.org/what-is-gc/mission/principles>



Contact Us

- 📧 Email corporateresponsibility@auspost.com.au
- 🌐 Website: auspost.com.au
- 📘 Get in touch on Facebook: facebook.com/australiapost
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