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Westman, L. orcid.org/0000-0003-4599-4996, Luederitz, C., Kundurpi, A. et al. (3 more authors) (2019) Conceptualizing businesses as social actors: A framework for understanding sustainability actions in small- and medium-sized enterprises. *Business Strategy and the Environment*, 28 (2). pp. 388-402. ISSN 0964-4733

<https://doi.org/10.1002/bse.2256>

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Conceptualizing businesses as social actors: A framework for understanding sustainability actions in small- and medium-sized enterprises

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Funding information

Social Sciences and Humanities Research Council of Canada; Social Sciences and Humanities Research Council (SSHRC)

Abstract

Small- and medium-sized enterprises (SMEs) can play a crucial role in advancing environmental and social well-being. Yet various—often conflicting—explanations have been offered to clarify why SMEs pursue sustainability. Some arguments foreground possibilities of profit maximization, whereas others emphasize individual values and convictions. Research supporting such contradicting explanations is often biased towards large enterprises or small, innovative frontrunners. In this article, we examine the underlying drivers of social and environmental interventions of SMEs by exploring empirical data from a survey of over 1,600 Canadian SMEs and complementary in-depth interviews. We argue that sustainability actions of SMEs can be understood by viewing these firms as social actors—organizations that are shaped by individual values, internal and external interpersonal relationships, and are embedded in a social environment. This conceptualization directs attention to the full range of factors that shape sustainability engagement of SMEs and highlights frequently overlooked forms of sustainability-oriented actions.

KEYWORDS

business sustainability, embeddedness, SMEs, social actor, social relationships

1 | INTRODUCTION

Small- and medium-sized enterprises (SMEs) can play a crucial role in creating prosperous communities and significantly contribute to environmental and social well-being. This potential derives, first, from the position of SMEs as a major contributor to economic growth, employment, and technological innovation (OECD, 2010). Second, these businesses have the ability to address environmental and social concerns in communities (Gomez, Isakov, & Semansky, 2015) and accelerate transformations towards sustainability (Burch et al., 2016). Yet public debate, research, and environmental policy systematically emphasize

the role of large, multinational corporations in sustainability agendas (Jenkins, 2006; Spence & Rutherford, 2003). SMEs, by comparison, are often perceived to drag behind large firms in implementing sustainability measures (Perrini, Russo, & Tencati, 2007), adjust practices in a way that is slow and incremental (Johnson & Schaltegger, 2016), or associate sustainability with prohibitively high costs (Revell, Stokes, & Chen, 2009; Simpson, Taylor, & Barker, 2004).

Conversations about SMEs commonly depict these firms as rational actors. This perspective, which is rooted in neoclassic economic theory and principles of utility maximization, assume that businesses are organizations that calculate costs and benefits in deliberate pursuit

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of profits (Storey, 2016). Such assumptions have given rise to what Bridge and O'Neill (2013) call the "conventional wisdom" of SMEs, implying that growth is their "natural state" and that their overarching purpose is profit maximization. Explanations for sustainability-oriented behavior of SMEs tend to be fixed in these assumptions, and therefore associate voluntary social and environmental action with pursuit of economic benefits. Thus, SMEs are understood to seek enhanced revenues through environmental measures that result in cost reductions, such as energy efficiency measures (Bos-Brouwers, 2010; Brammer, Hojmosse, & Marchant, 2012). Pursuit of sustainability measures is also perceived to provide competitive advantages by creating access to new markets and aligning activities with shifting customer preferences (Jansson, Nilsson, Modig, & Hed Vall, 2017; Moore & Manring, 2009). Further, firms may capitalize on innovative solutions and fill market gaps that are produced through market failure and disequilibria (Cohen & Winn, 2007). Through acceleration of green business models, SMEs are thus expected to play a crucial role in the transformation of markets (Schaltegger, Lüdeke-Freund, & Hansen, 2016) and a "transition towards a more sustainable business paradigm" (Schaper, 2010, p. 11).

However, understanding the motivations of SMEs to engage in sustainability from the perspective of neoclassic economic rationales carries the risk of overlooking the complex relationships that exist between businesses and their social environment. Alternative conceptualizations of SMEs that complement the "notion of self-interested amoral utility maximization" are comparatively underdeveloped (Manning, 2012, p. 113). Related concerns have been repeatedly raised, asserting that factors beyond financial performance need to be better incorporated into theories of sustainability-oriented business behavior (Margolis & Walsh, 2003) and that conceptualizations of social and environmental engagement of businesses requires consideration of a broader set of factors (Brown, Vetterlein, & Roemer-Mahler, 2010). In response to these observations, this paper seeks to offer a novel perspective on sustainability-oriented actions of SMEs that recognizes the complex factors that shape their social and environmental agendas. We build on previous studies pointing to the importance of social drivers of sustainability in SME, including ethical convictions of owners and managers (Evans & Sawyer, 2010; Revell et al., 2009; Williams & Schaefer, 2013), relationships with and care for employees (Masurel, 2007), and a comparatively strong engagement in local communities (Lawrence, Collins, Pavlovich, & Arunachalam, 2006; Moyeen & Courvisanos, 2012; Shrivastava & Kennelly, 2013). The aim of this paper is to tie these factors together into a coherent framework based on the concept of social actors. Building on insights from sociology (King, Felin, & Whetten, 2010; King & Whetten, 2008; Whetten & Mackay, 2002) and previous applications of the social actor concept (in particular Brown et al., 2010), we understand social actors as organizations that receive influences from personal beliefs and aspirations, are shaped by interpersonal relationships, and are deeply embedded in a social environment. To empirically explore how SMEs are captured by this conceptualization, we set out to answer the research question: What factors shape sustainability actions of SMEs? We seek to answer this question by reviewing empirical material collected through a large-*n* survey and in-depth interviews with firms operating in Toronto and Vancouver (Canada).

In Section 2, we explain how SMEs can be defined as social actors and review a set of studies that propose "social" explanations for business sustainability. Section 3 lays out the methodology of our research. In Section 4, we present our results and revisit the research question of the paper. Section 5 discusses the theoretical implications of the social actor framework, and Section 6 reflects on future avenues for policy and research.

2 | CHARACTERIZING SMES AS SOCIAL ACTORS

According to research within the sociological literature, a social actor implies an organization with the capabilities of self-definition, formulation of intentions, making decisions, acting on decisions, and being accountable for their actions (King et al., 2010; Whetten & Mackay, 2002). King and Whetten (2008) draw on identity theory to analyze organizational legitimacy and reputation. Here, the social actor perspective explains how organizations develop social identities by constructing group memberships, interpersonal relations, and personal characteristics, which determines social standards that the organization needs to meet to build reputation and enjoy legitimacy.

Social actors have also been defined as organizations that are able to respond to and follow social rules, occupy social roles, and establish relationships (Li & Li, 2014). Brown, Vetterlein, and Roemer-Mahler (2010) apply the social actor concept to explain corporate social engagement using four interrelated dimensions: external structures (norms and institutional landscape), internal structures (organizational and corporate culture), external actors (pressure from stakeholders), and internal actors (managers' and employees' beliefs and values). This definition draws attention to the interconnectedness between companies and their social environment and the role of individual values in shaping business operations.

Building on this research, in particular the conceptualization developed by Brown et al. (2010), we propose that a definition of SMEs as social actors be based on the following four dimensions:

- Internal actors' intentions and motivations, building on Brown et al. (2010). As social actors, SMEs are constituted of individuals whose actions and decisions are guided by personal intentions, identities, beliefs, and aspirations.
- Internal social relationships, building on Brown et al. (2010). As social actors, SMEs are shaped by their organizational culture as well as interpersonal relationships within the firm.
- External social relationships, building on Brown et al. (2010) and King and Whetten (2008). As social actors, SMEs are shaped by networks of social relationships, which play a central role in their day-to-day operations.
- Social environment, building on Brown et al. (2010), King and Whetten (2008), and Li and Li (2014). As social actors, SMEs are embedded in a socioenvironmental setting, and their actions are shaped by their material environment, institutional landscape, and social norms.

In the sections below, we explore how these dimensions can explain the sustainability engagement of SMEs.

2.1 | Individual beliefs and values

There is a long-established understanding that entrepreneurs launch enterprises in pursuit of diverse objectives, such as independence, recognition, and self-realization (Carter, Gartner, Shaver, & Gatewood, 2003). The importance of personal preferences is reflected in research on sustainability-oriented behavior in SMEs. Values and beliefs of owners and managers are identified as an extremely significant factor explaining sustainability engagement of SMEs (Evans & Sawyer, 2010; Murillo & Lozano, 2006; Revell et al., 2009; Williams & Schaefer, 2013). Jamali, Zanhour, and Keshishian (2009, p. 358) identify philanthropic considerations of owners and managers as a key driving force behind social engagement in SMEs, expressed through individualistic convictions, such as faith and perceptions of social responsibility. Further, personal convictions are understood to be able diffuse more readily through small organizations. Although large firms perform better in communication of CSR engagement (López-Pérez, Melero, & Sese, 2017), small firms have an advantage in implementation because they require less effort to embed values throughout the firm (Baumann-Pauly, Wickert, Spence, & Scherer, 2013). Likewise, the ecopreneurship literature places personal values as a key driver behind establishing sustainability-oriented businesses (Taylor & Walley, 2004). The nascent body of literature on sustainable business models similarly depict entrepreneurs as driven by value propositions that reflect social and ecological priorities (Evans et al., 2017; Schaltegger & Wagner, 2011).

2.2 | Internal social relations

Internal relationships are important to SMEs. In interviews with managers of family-owned SMEs, employees have been described “as an extension of the family” (Jamali, Zanhour, & Keshishian, 2009, p. 366). This intimate and personal involvement is associated with a tendency to adopt employee well-being programs, in spite of SMEs often experiencing no external pressures from stakeholders and limited economic motivations to do so (Lawrence et al., 2006; Masurel, 2007; Moyeen & Courvisanos, 2012). Efforts to improve the work environment and enhance employee well-being are seen as the most important sustainability-oriented actions of many SMEs (Murillo & Lozano, 2006). Spence and Lozano (2000) argue that the close-knit relations within small firms give rise to social agendas, as owners and managers are more likely to pay attention to issues raised by employees.

2.3 | External social relations

Through the maintenance of coexistent relational networks, SMEs are interconnected with the society in which they operate (Fuller & Lewis, 2002; Granovetter, 1973). Social capital—defined as benefits and resources produced through networks and social relations in society (Putnam, 2000)—is of crucial importance to SMEs (Lewis, Cassells, & Roxas, 2015; Spence, Schmidpeter, & Habisch, 2003). Derived and developed from “mutual obligation, reciprocity, and trust” within their day-to-day interactions, social capital enables access to information and multiple support functions (Fuller & Tian, 2006, p. 288).

Interpersonal trust is of critical importance in building long-term loyalty, shared expectations, and commitment between customers and stakeholders (Rus & Iglíč, 2005). Spence and Rutherford (2003, p. 2) observe that “the social relationships and networks in which these owner managers are entwined cannot be separated from the business.” Networks of social relations have been identified as more important than economic considerations (“rhyme and reason”) in decisions such as creation of export strategies for SMEs (Ellis & Pecotich, 2001, p. 126).

2.4 | Embeddedness in a social environment

A sense of attachment to the local community is documented in the literature on social and environmental responsibility in SMEs. Wells (2016, p. 48) refers to the inherent “localism” of small firms as a dimension that explains stronger emphasis on ethical performance and community contributions. Shrivastava and Kennelly (2013) propose that the concept of “place-based enterprises” captures how enterprises develop an attachment to the locale in which they operate, which explains heightened concern for local social and environmental issues. SMEs have been shown to display engagement in a variety of local social concerns beyond the remit of their operations, such as support of homeless people or children with learning disabilities (Jenkins, 2006). This has been described as an inherent will of SMEs to do “local good deeds” (Lawrence et al., 2006, p. 255) or perceiving CSR as an issue of community support (Moyeen & Courvisanos, 2012; Sen & Cowley, 2013). SMEs are also able to actively engage in efforts to build healthy communities and resilient urban environments (Gomez et al., 2015).

3 | METHODS

In the sections below, we explain how data were collected through a web-based survey and in-depth interviews with SMEs in Toronto and Vancouver.

3.1 | Case study selection

Toronto and Vancouver were selected for this study as they represent major hubs of economic activity in Canada. Toronto accounts for approximately a fifth of Canada's GDP (Statistics Canada, 2013) and houses 270,000 firms, whereas Vancouver is home to 184,000 businesses (Statistics Canada, 2016). The cities represent a mix of firms in terms of size and sectors; the survey aimed to capture perceptions and actions among this heterogeneous population of SMEs. By contrast, the qualitative data collection was employed to create insights into actions of business sustainability leaders. The selection of companies in the cities was therefore based on an “information-rich case rationale,” aiming to capture dynamics at the forefront of business sustainability and answer the questions central to this research (Patton, 2015).

3.2 | Large-*n* survey

A tailored sampling strategy was designed to access as many SMEs as possible out of the firms listed in the GTA and in Metro Vancouver. With some notable exceptions (Revell et al., 2009), much of the previous research on sustainability in e.g. SMEs has been conducted through interviews (Baumann-Pauly et al., 2013; Bos-Brouwers, 2010; Evans & Sawyer, 2010; Jamali et al., 2009; Jenkins, 2006; Moyeen & Courvisanos, 2012; Murillo & Lozano, 2006; Williams & Schaefer, 2013) or small-scale and/or single-sector surveys (Brammer et al., 2012; Masurel, 2007). In this study, use of a large-*n* survey of SMEs across multiple sectors enabled exploration of sustainability-oriented behavior in a large set of "ordinary" SMEs (referring to SMEs not based on a sustainability-oriented business model). To implement the survey, we compiled lists of companies using local authority data, records retrieved from an open database, and a panel managed by Asking Canadians. Business population size, number of targeted companies, response rates, and number of responses are summarized in Table 1.

The survey questionnaire, containing 36 questions (see Appendix A), was sent out during July and August 2017. We received a total number of 1,695 responses. The data were analyzed using the software SPSS. The first step consisted of descriptive analysis and search for trends among the response frequencies. Next, we conducted a step-wise regression to determine which subquestions had a significant impact on the question "how important are social and environmental issues for your company?," which was calculated using bootstrapping. The purpose was to determine which variables included in the survey (e.g., personal importance, importance of local relations, and perceived benefits of sustainability) shape attitudes towards sustainability in our sample of firms. Through the regression analysis, we attempted to establish the relative importance of these factors in explaining why businesses perceive social and environmental issues as important, which we understand as a key precondition for businesses acting on sustainability.

3.3 | Semistructured interviews

Semistructured interviews were conducted to provide detailed information about emerging trends in firms with a known sustainability engagement. We conducted 37 semistructured interviews with individuals representing different companies in Toronto and Vancouver between January and June 2018. The selection included firms that have introduced measures to make operations more environmentally

or socially responsible and companies with a sustainability-oriented business model. The selection aimed to uncover explanations for and motivations behind social and environmental efforts, thus seeking to explain trends indicated by the survey results and the literature.

Companies were identified by performing a systematic online search to compile a diverse sample in terms of company size, sector, location, and form of sustainability engagement in terms of diversity of internal and external social and environmental measures (Appendix B). We searched existing online databases in combination with a snowball sampling strategy. All interviews were recorded, transcribed, and coded using the software NVivo. The codes aimed to capture factors shaping sustainability as identified through the literature and survey. The codes were analyzed using a semiquantitative (i.e., how commonly they appeared throughout the transcripts) and a qualitative approach (i.e., how different social factors shape sustainability actions).

3.4 | Methodological limitations

Conducting survey research on business sustainability is associated with challenges. Key problems included the lack of sampling frames (causing a risk that not all types of firms were included), a potential self-selection bias, and a social desirability bias that would reflect a higher interest in sustainability in the sample than in the population (Baumann-Pauly et al., 2013). To deal with the latter issues, we avoided placing emphasis on sustainability in the invitation letter to the survey and instead referred to broader issues, such as local well-being. Further, we complemented the survey with in-depth interviews that revealed insights into the mechanisms under investigation and allowed for following up on dimensions related to the social actor concept.

4 | RESULTS

In this section, we present our empirical findings in relation to the four proposed social actor dimensions.

4.1 | Individual beliefs and values

The results of our survey indicated, first, the perceived importance of sustainability to SMEs in our sample; 83% of businesses responded that environmental and social issues were either important (33%), very important (30%), or extremely important (20%) to their company. Second, the importance of personal values to company sustainability could be confirmed by regression analysis. Our first regression was

TABLE 1 Population size and sample size of each case study city (data on the number of registered firms was retrieved from Statistics Canada, 2016)

City	Number of firm registered in the city	Number of targeted firms	Response rate (%)	Number of responses
Toronto	269,504	Municipal records: 30,000	3.2	815
		Canadian company capabilities: 7,000		423
Vancouver	183,940	Canadian company capabilities: 4,500	4.9	150
		AskingCanadians panels: 4,800	6.4	307
Total		46,300		1,695

TABLE 2 Regression model without (Model 1) and with (Model 2) “personal importance of sustainability”

	Model 1		Model 2		Beta
	Coef.	Sig.	Coef.	Sig.	
Q4_A2: Importance company sustainability					
Q4_A1: Importance personal sustainability			0.62	<0.001	0.58
Q5_C1: Environment at core of business model	0.59	<0.001	0.33	<0.001	0.12
Q6_C2: Benefits: Increasing sales	0.12	0.015	0.150	<0.001	0.06
Q6_C6: Benefits: Becoming field leader	0.37	<0.001	0.22	<0.001	0.08
Q6_C7: Benefits: Align with client demands	0.15	0.001	0.167	<0.001	0.08
Q7_C4: Influence local community	0.20	<0.001	0.127	<0.001	0.05
Q9: <i>Important, waste reduction</i>	-0.25	<0.001	-0.16	0.001	-0.06
Q10: <i>Employee designation, done</i>	-0.18	<0.001	-0.15	<0.001	-0.07
Q11: <i>Change supplier</i>	-0.31	<0.001	-0.14	0.001	-0.07
Q12: <i>Change employee behavior</i>	-0.31	<0.001	-0.15	0.001	-0.06
Q29: Importance of good local relations	0.11	<0.001	0.06	<0.001	0.07
Constant	4.34	<0.001	1.53	<0.001	

Note. Items in italics have a reverse direction of influence.

significant with $r^2 = 0.30$. In a second regression, personal importance of sustainability was added, which increased the value of r^2 to 0.56. As shown by Table 2, the standardized beta coefficient of “personal importance of social and environmental issues” was around five times higher than the second highest coefficient.

Turning to our qualitative data, we found ample evidence for personal beliefs and values acting as key drives of sustainability engagement. In fact, out of the 37 interviewed companies, all respondents referred to personal values as an important factor behind adopting sustainability agendas. Personal convictions acted as a driver behind establishment of sustainability-oriented business models (such as B-corporations) and interventions in regular firms. A variety of ethical principles were mentioned, including aspirations to address climate change (I1; I10; I22; I24), advance social justice and gender equality (I8; I9; I11; I13; I16; I18; I20; I28; I35), reduce waste (I3; I5; I7; I25; I29), and promote sustainable food production (I1; I2; I12; I17; I19; I23; I30; I31; I36; I37). For example, veganism inspired a food service business providing only vegan products (I30), and a marine biologist explained that concern with plastic in the oceans spurred the establishment of a zero-waste grocery store (I7).

TABLE 3 Importance for small- and medium-sized enterprises to address social issues

Please indicate which of the following social measures are important to your company	Percentage that ticked important	Out of companies that ticked important: Percentage that have done it
Foster employee well-being	86	79
Create an inclusive work environment	74	82
Participate in community outreach	70	76
Support social justice through purchasing practices	53	60

Note. $N = 1,690$; Missing = 5.

4.2 | Internal social relations

The results of our survey confirmed the importance that SMEs attach to internal social agendas; 89% of the firms in our survey perceived fostering employee well-being as important, whereas 73% saw creating an inclusive work environment as important (Table 3). Our interviews similarly demonstrated multiple examples of interventions geared towards creating employment that is meaningful, pleasant, inclusive, and empowering (I6; I8; I9; I12; I15; I18; I21; I24; I30; I32; I34).

Further, exploratory analysis of our qualitative material suggested that particular forms of internal interrelationships may be conducive to adoption of social and environmental agendas. For example, close personal connections can create heightened sensitivity to social issues in the workplace. A respondent explained this as follows:

Working in such a close-knit community ... You can sense when something's wrong. I can sense when a co-worker is having a frustration just by their body language, or even just the most minimal things. You pick up on that and the whole team is ready to jump in whenever they can (I6)

Efforts to create a collaborative and inclusive work culture may likewise support introduction of sustainability programs. An explanation for this is that employees that are empowered in decision making processes are more likely to voluntarily propose new solutions. One respondent described the adoption of environmental interventions at his company as having evolved out of employee engagement, as a result of their collaborative company culture (I24).

Similarly, another interviewee associated adoption of innovative social programs with the firm's cooperative culture, stating that “if I come with an opportunity ... I think there is just really good willingness amongst the team to hear it out. So, I know there's a couple of innovative things that have come of that” (I34).

4.3 | External social relations

Our survey results demonstrated the importance to SMEs of local relationships. In response to the survey question “how important is it to

build good relations in your local area?," 75% of the firms stated that this was important (28%), very important (19%), or extremely important (22%). Our regression analysis also demonstrated that attention to local relations was a predictor for perceived importance of company sustainability (Table 2).

Moreover, our interviews illustrated mechanisms through which interpersonal relationships shape social and environmental agendas. The first consisted of engagement of individual employees in local organizations, which can institutionalize by allowing staff to volunteer during paid hours (I6; I34), directing business funding to community groups (I7; I12; I18), and inspiring business arrangement and participation in events, workshops, local projects (I4; I13; I14; I16; I17; I20; I21), and local policy processes (I7; I10; I16; I17; I21; I34; I37; I27). A respondent explained this as follows:

There were definitely some champions in the beginning that were big advocates and wanted to get into that advocacy work, so I think it was a natural progression ... eventually it would be like, "okay, let us write this in to this job description and formalize this as a priority" (I21)

Another interviewee stated that

Our community involvement is really, really heavily employee-driven ... We match their donations and fundraising and volunteering outside of work and we have actually got really good participation ... So, it demonstrates that aspect of our culture (I34)

Another trend was the importance attached to personal connections throughout supply chains and the role of these in ensuring socially and environmentally responsible sourcing. Often, such practices were conducted to ensure that goods were acquired according to customized ethical formulae: production that was local (I12; I14; I32), small-scale (I7; I18; I17), and displayed a decent work environment (I11) and animal welfare (I31; I36). A respondent stated

What [sustainability] means to me is to have a relationship with the people that are raising the animals that we are purchasing. To be able to talk to them about how they are raising the animals ... Being able to have that kind of conversation and then share that conversation with my customer is more important than just sticking a note on the window saying "ethically raised" or "sustainably raised" ... it's important to make sure that we are getting products from producers that I trust (I32)

Another respondent explained this as follows: "honestly, it's not as formal as it probably should be... we have very personal relationships with farmers ... A lot of it's made in that initial kind of feeling it out ... It's pretty quick and easy to figure out if the business is trying to work system or if they're actually a nice farmer" (I12). Building trust, personally getting to know suppliers, reliance on intuition, and long-term collaboration appeared in these cases to be more important than rational-economic considerations in making ethical sourcing decisions.

4.4 | Embeddedness in a social environment

Out of the SMEs that responded to our survey, the most important benefit associated with acting on sustainability was to build a good community reputation (important to 46% of the firms; Table 4). Our regression analysis also indicated that influencing the local community was a predictor for perception of importance of sustainability in our sample of SMEs (Table 2).

Our qualitative data provided indications on connections between socioeconomic context and sustainability engagement. When questioned about sustainability programs, a number of respondents referred to the importance of contributing to the community (I3; I4; I8; I9; I14; I31). One respondent described their neighborhood as highly community-oriented and the company's community engagement as inspired by this engagement and cohesion (I15). In another case, a respondent explained that businesses in their area were supportive because their neighbourhood is inherently community-minded. A respondent similarly explained that their social engagement derived from community spirit:

It's really important to be part of a community ... every month there's something else. It's like "oh, crime happened up there. What are we doing? Get community engagement, talk to law enforcement, how are we going to prevent that?" ... It is a pretty tight knit-group of businesses. So, when the opportunity comes to help out people in need, a lot of the time there's a lot of jumping to attention (I32)

Another mechanism was a tendency of companies to direct social and environmental agendas towards issues that are particularly urgent in their neighborhood. For example, we interviewed companies that operated in neighborhoods characterized by high rates of unemployment, social marginalization, homelessness, and poverty. Owners of these firms communicated an explicit desire to address these issues by providing work for long-term unemployed (I13; I23; I26). We also spoke to firms operating in areas with high rates of immigration, which had adopted proactive approaches towards hiring or building careers for individuals with different ethnic backgrounds (I18; I11; I16; I30; I34; I35), providing support for indigenous community members (I28), or combating racism (I20).

TABLE 4 Benefits associated with small- and medium-sized enterprises (SMEs) making progress on sustainability

Benefits of sustainability action for SMEs	Percentage
Improving our reputation in the community	46
Reducing the costs of operating our business	41
Aligning business with my personal values	40
Responding to customer/client demands	31
Increasing sales	28
Complying with government regulation	22
Retaining/attracting employees	21

Note. N = 1,669; Missing = 26.

5 | DISCUSSION

It is long known that SMEs are characterized by specific organizational traits. As a result, they tend to adopt sustainability agendas characterized by particular attributes, such as informality, spontaneity, and nonstandardization (Jamali et al., 2009; Spence & Lozano, 2000). Adding to this knowledge, we highlight how different forms of sustainability actions and pathways of change are linked with the four social actor dimensions.

In terms of the first dimension (individual beliefs and values), our study relies on quantitative and qualitative evidence to confirm the central role played by personal convictions in sustainability actions of SMEs. Our findings support, first, the conclusion that beliefs of owners and managers are key to introduction of sustainability measures in ordinary SMEs (e.g., Bos-Brouwers, 2010; Revell et al., 2009; Williams & Schaefer, 2013). Second, our findings support the notion that enterprises can serve as a vehicle through which individuals realize social and environmental objectives (e.g., Taylor & Walley, 2004). Here, our framework ties in with the burgeoning literature on social entrepreneurship, which portrays ideological convictions of entrepreneurs as central to establishment of social enterprises. For example, Mort, Weerawardena, and Carnegie (2003, p. 83) identify a social entrepreneur as “one who is socially entrepreneurially virtuous, and whose mission is to create social value.” Similarly, Isaak (2002, p. 43) has referred to the objective of green entrepreneurs as an “existential odyssey” towards a social contribution.

Regarding the second dimension (internal social relations), our results support previous research on the importance attached to employee well-being (Jamali et al., 2009; Lawrence et al., 2006; Masurel, 2007). The findings also reveal mechanisms through which this attention can translate into other forms of sustainability engagement, including close connections among employees encouraging greater attention to social issues and employee empowerment facilitating an active search for social and environmental projects. These examples resonate with previous research indicating a positive connection between an emphasis on social relations and corporate sustainability efforts (e.g., Linnenluecke & Griffiths, 2010; Spence & Lozano, 2000). These results suggest that future research needs to pay greater attention to internal, intangible assets such as emotional engagement and social recognition as they may provide underlying explanations for adoption of different types of sustainability programs in SMEs.

Regarding the third social actor dimension (external social relations), our results confirm the importance of relational social capital to SMEs (Fuller & Tian, 2006; Spence et al., 2003) and emphasize two specific mechanisms. The first is the ability of personal relationships to enhance the social networks of the firm. The second is the inclination of SMEs to build on personal relationships in the construction of sustainable supply chains, relying on intangible assets like trust and personal knowledge. This supports the understanding of sustainability-related actions of SMEs as a means to maintain (informal) social capital rather than catering to formal stakeholders (Sen & Cowley, 2013). Such an approach turns sustainability pursuits away from labels and certification towards personalized codes of ethics and interpersonal communication, a tendency which may characterize external sustainability programs of SMEs more broadly.

In terms of the fourth social actor dimension (embeddedness in a social environment), our results support the notion that SMEs often display an engagement in local affairs (Jenkins, 2006; Lawrence et al., 2006; Moyeen & Courvisanos, 2012; Shrivastava & Kennelly, 2013). They also shed light on specific mechanisms through which this engagement translates into environmental and social programs. This includes a tendency of firms located in areas with high community engagement to be inspired by this environment, as well as the ability of SMEs to address local problems and contribute to a healthy social environment. This suggests that the social and environmental measures undertaken by individual businesses are shaped by the social-historical development of a particular area, such as the existence of comradery, formal channels for engagement of local firms (e.g., business improvement associations), presence of other groups that engage firms in social programs, and the positive effects that emerge from the combinations of these elements. This understanding requires moving beyond the focus on individual firms—and of individuals in firms—and, in addition, considering the socioenvironmental landscapes in which SMEs are embedded. It is a perspective that challenges the traditional synthetic dichotomy between the “social” and “private” sphere, as the social engagement and relationships of SMEs blur the borders between business operations and community engagement.

Finally, our results do not propose that all SMEs are social actors. Rather, the concept constitutes an alternative explanatory framework to the rational-economic model for better understanding and explaining why SMEs pursue sustainability actions. Our empirical data demonstrate that some small firms match the social actor concept reasonably well—their social and environmental engagement is deeply shaped by personal convictions, social relations, and local environment. Yet, the behavior of some SMEs is better characterized by the rational-economic model. As indicated by our regression analysis, factors that influenced perception of importance of sustainability to a firm included benefits resulting increasing sales, becoming a field leader, and responding to clients' demands (Table 2). These are classic rational-economic considerations, which are important to some firms in this sample. The behavior of firms may also be shaped by a combination of social and rational-economic factors. For example, ecopreneurs can be described as being driven by ideological motivations and rational calculations, displaying characteristics of both rational-economic and social actor behavior. Thus, the relevance of the social actor conceptualization lies in opening up the debate and directing attention to the full range of factors that shape sustainability engagement in SMEs.

6 | CONCLUSIONS

This paper departed from the concern that traditional approaches to conceptualizing sustainability engagement of SMEs fail to capture the embedded factors that shape social and environmental agendas in such businesses. Relying on data collected through a large-*n* survey and semistructured interviews, this study explored sustainability interventions of SMEs in Toronto and Vancouver. Using the concept of social actors, we have developed and applied a new framework to

explain sustainability actions of SMEs, which is informed by individual aspirations, internal and external social relationships, and social environment.

An implication arising from this research is the need to shift attention away from economic drivers to the complex set of factors producing sustainability engagement in SMEs. This requires exploration of possibilities beyond the often-emphasized economic incentives for motivating SMEs to pursue sustainability, which could be made possible by mobilizing a broader range of policy strategies that speak explicitly to social dimensions. At the same time, such exploration will open up new directions of research. For example, if sustainability engagement can emerge from close-knit communities, which factors favor construction of social capital important to SMEs? If SME priorities are shaped by local debates, how are sustainability discourses created and diffused at the local level? How can we better recognize and measure intangible assets in an SME context, such as trust, personal relations, and social recognition? And, most importantly, how can such research be leveraged to actively support SMEs to adopt sustainable business operations? We hope that these perspectives may create new entry points to harness the potential of SMEs and accelerate sustainability transformations.

ACKNOWLEDGMENT

This work was supported by a research grant from the Canada Social Science and Humanities Research Council (SSHRC). We would like to thank the businesses that participated in our survey and interviews for contributing to our research. We also thank the reviewers of this manuscript for their contributions to the paper.

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How to cite this article: Westman L, Luederitz C, Kundurpi A, Mercado AJ, Weber O, Burch SL. Conceptualizing businesses as social actors: A framework for understanding sustainability actions in small- and medium-sized enterprises. *Bus Strat Env*. 2019;28:388–402. <https://doi.org/10.1002/bse.2256>

APPENDIX A

LIST OF SURVEY QUESTIONS

Question text	Values
What is the total number of (full-time equivalent) employees at your company?	1 = 1 2 = 2-4 3 = 5-9 4 = 10-29 5 = 30-99 6 = 100-499 7 = 500 or more
Which of these positions best describes your role in your company?	1 = Executive/owner 2 = Partner/co-owner 3 = Manager/supervisor 4 = Employee/staff member 5 = Other, please specify:
What sector/industry does your company operate in? Please select the sector/industry that best applies.	1 = Agriculture, forestry, and fishing 2 = Mining and quarrying 3 = Manufacturing 4 = Electricity, gas, steam, and air conditioning supply 5 = Water supply; sewerage, waste management, and remediation activities 6 = Construction 7 = Wholesale and retail trade; repair of motor vehicles and motorcycles 8 = Transportation and storage 9 = Accommodation and food services activities 10 = Information communication 11 = Finance and insurance activities 12 = Real estate activities 13 = Professional, scientific, and technical activities 14 = Management of companies and enterprises 15 = Administrative and support service activities 16 = Public administration and defense; compulsory social security 17 = Education 18 = Human health and social work activities 19 = Arts, entertainment, and recreation 20 = Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use 21 = Activities of extraterritorial organizations and bodies 22 = Other services activities 23 = Other, please specify:
How important are social and environmental issues to you? To you personally	1 = Not at all important 2 = Not very important 3 = Important 4 = Very important 5 = Extremely important 6 = I am not sure
To your company	1 = Not at all important 2 = Not very important 3 = Important 4 = Very important 5 = Extremely important 6 = I am not sure
Which of the following statements best describes your company's approach to sustainability? Please select all that apply. Addressing environmental issues is at the core of our business model	0 = No 1 = Yes
Which of the following statements best describes your company's approach to sustainability? Please select all that apply. Addressing social issues is at the core of our business model	0 = No 1 = Yes
Which of the following statements best describes your company's approach to sustainability? Please select all that apply. My company attempts to make current operations more sustainable	0 = No 1 = Yes
Which of the following statements best describes your company's approach to sustainability? Please select all that apply. My company engages in sustainability-related projects outside our business (such as environmental or social campaigns)	0 = No 1 = Yes

(Continued)

Question text	Values
Which of the following statements best describes your company's approach to sustainability? Please select all that apply. Not applicable to my company	0 = No 1 = Yes
What benefits do you think will result if your company makes progress on sustainability? Please select the three most important options. Reducing the costs of operating my business	0 = No 1 = Yes
What benefits do you think will result if your company makes progress on sustainability? Please select the three most important options. Increasing sales	0 = No 1 = Yes
What benefits do you think will result if your company makes progress on sustainability? Please select the three most important options. Improving our reputation in the community	0 = No 1 = Yes
What benefits do you think will result if your company makes progress on sustainability? Please select the three most important options. Retaining/attracting employees	0 = No 1 = Yes
What benefits do you think will result if your company makes progress on sustainability? Please select the three most important options. Aligning business with my personal values	0 = No 1 = Yes
What benefits do you think will result if your company makes progress on sustainability? Please select the three most important options. Becoming a leader in my field	0 = No 1 = Yes
What benefits do you think will result if your company makes progress on sustainability? Please select the three most important options. Responding to customer/clients demands	0 = No 1 = Yes
What benefits do you think will result if your company makes progress on sustainability? Please select the three most important options. Complying with government regulation	0 = No 1 = Yes
What benefits do you think will result if your company makes progress on sustainability? Please select the three most important options. Other, please specify:	0 = No 1 = Yes
Which of the following does your company try to influence or change? Please select all that apply. Policy (such as regulations that affect your business)	0 = No 1 = Yes
Which of the following does your company try to influence or change? Please select all that apply. Markets (such as market trends and new products)	0 = No 1 = Yes
Which of the following does your company try to influence or change? Please select all that apply. Business associations (such as agendas and campaigns)	0 = No 1 = Yes
Which of the following does your company try to influence or change? Please select all that apply. The local community (such as local values)	0 = No 1 = Yes
Which of the following does your company try to influence or change? Please select all that apply. User/consumer habits (such as ways of using products and services)	0 = No 1 = Yes
Which of the following does your company try to influence or change? Please select all that apply. None of the above	0 = No 1 = Yes
Please indicate which of the following environmental measures are important to your company: Purchase new equipment and services (such as energy optimized heating and cooling, fleet vehicles, kitchen equipment, or energy auditing)	1 = Important 2 = Not important
Has your company done it?	1 = Not yet, but my company wants to do it 2 = Yes 3 = I do not know

(Continued)

Question text	Values
Reduce your company's waste production	1 = Important 2 = Not important
Has your company done it?	1 = Not yet, but my company wants to do it 2 = Yes 3 = I do not know
Designate an employee or team to address sustainability (such as creating a new position or pursuing training)	1 = Important 2 = Not important
Has your company done it?	1 = Not yet, but my company wants to do it 2 = Yes 3 = I do not know
Please indicate which of the following environmental measures are important to your company (continued): Change your supplier(s) to one that is more environmentally friendly	1 = Important 2 = Not important
Has your company done it?	1 = Not yet, but my company wants to do it 2 = Yes 3 = I do not know
Change employee behavior to be more environmentally friendly (such as working from home, carpooling, turning off lights, or regulating office temperature)	1 = Important 2 = Not important
Has your company done it?	1 = Not yet, but my company wants to do it 2 = Yes 3 = I do not know
Retrofit buildings (such as walls, roofs, windows, and lighting systems)	1 = Important 2 = Not important
Has your company done it?	1 = Not yet, but my company wants to do it 2 = Yes 3 = I do not know
What other environmental aspects do you think are important for your company to address?	Text Answer
Please indicate which of the following social aspects are important to your company: Foster employee well-being (such as providing benefits or creating a comfortable working environment)	1 = Important 2 = Not important
Has your company done it?	1 = Not yet, but my company wants to do it 2 = Yes 3 = I do not know
Create an inclusive work environment (such as promoting social diversity in hiring practices or employee training)	1 = Important 2 = Not important
Has your company done it?	1 = Not yet, but my company wants to do it 2 = Yes 3 = I do not know
Support social justice through purchasing practices (such as sourcing fair trade goods)	1 = Important 2 = Not important
Has your company done it?	1 = Not yet, but my company wants to do it 2 = Yes 3 = I do not know
Participate in community outreach (such as donating time, materials or funds, taking part in community events, or raising awareness of social issues)	1 = Important 2 = Not important
Has your company done it?	1 = Not yet, but my company wants to do it 2 = Yes 3 = I do not know
What other social aspects do you think are important?	Text Answer
Please indicate which of the following aspects have been obstacles for your company in making progress on sustainability: Has lack of funding been an issue for your company in making progress on sustainability?	1 = Not at all a challenge 2 = Not much of a challenge 3 = A challenge 4 = Very significant challenge 5 = Extremely significant challenge 6 = I do not know
Has lack of time been an issue for your company in making progress on sustainability?	1 = Not at all a challenge 2 = Not much of a challenge 3 = A challenge 4 = Very significant challenge 5 = Extremely significant challenge 6 = I do not know

(Continued)

Question text	Values
Has availability of staff been an issue for your company in making progress on sustainability?	1 = Not at all a challenge 2 = Not much of a challenge 3 = A challenge 4 = Very significant challenge 5 = Extremely significant challenge 6 = I do not know
Please indicate which of the following aspects have been obstacles for your company in making progress on sustainability (continued): Has lack of knowledge about which actions to take been an issue for your company in making progress on sustainability?	1 = Not at all a challenge 2 = Not much of a challenge 3 = A challenge 4 = Very significant challenge 5 = Extremely significant challenge 6 = I do not know
Has business culture been an issue for your company in making progress on sustainability?	1 = Not at all a challenge 2 = Not much of a challenge 3 = A challenge 4 = Very significant challenge 5 = Extremely significant challenge 6 = I do not know
What are some other challenges you have faced in making progress on sustainability?	Text Answer
In your opinion, how important is innovation to your company?	1 = Not at all important 2 = Not very important 3 = Important 4 = Very important 5 = Extremely important 6 = I do not know
Please indicate which of the following activities your company has performed/ introduced in the past 12 months? Please select all that apply. Investment in research and development (R&D)	0 = No 1 = Yes
Please indicate which of the following activities your company has performed/ introduced in the past 12 months? Please select all that apply. Introduction of new products or services	0 = No 1 = Yes
Please indicate which of the following activities your company has performed/ introduced in the past 12 months? Please select all that apply. Introduction of new marketing concepts or strategies	0 = No 1 = Yes
Please indicate which of the following activities your company has performed/ introduced in the past 12 months? Please select all that apply. Acquisition of advanced machinery, equipment and software used for innovation	0 = No 1 = Yes
Please indicate which of the following activities your company has performed/ introduced in the past 12 months? Please select all that apply. Introduction of new business practices or new organization of work responsibilities (such as supply chain management, new work teams, or quality management systems)	0 = No 1 = Yes
Please indicate which of the following activities your company has performed/ introduced in the past 12 months? Please select all that apply. Establishment of new forms of external relationships (such as business alliances or partnerships)	0 = No 1 = Yes
Please indicate which of the following activities your company has performed/ introduced in the past 12 months? Please select all that apply. Other key changes in your business activities, please specify:	0 = No 1 = Yes
Please indicate which of the following activities your company has performed/ introduced in the past 12 months? Please select all that apply. None	0 = No 1 = Yes
How important is it for your company to participate in business networks?	1 = Not at all important 2 = Not very important 3 = Important 4 = Very important 5 = Extremely important 6 = I do not know
How important is it for your company to build good relations in your local area (such as neighborhood or community)?	1 = Not at all important 2 = Not very important 3 = Important 4 = Very important 5 = Extremely important 6 = I do not know
How important is it for your company to collaborate with other companies (such as in improving products or services)?	1 = Not at all important 2 = Not very important 3 = Important 4 = Very important

Question text	Values
	5 = Extremely important 6 = I do not know
How important is it for your company to collaborate with other organizations (such as participation in community campaigns, research projects, or government programs)?	1 = Not at all important 2 = Not very important 3 = Important 4 = Very important 5 = Extremely important 6 = I do not know
Which classification best describes your company?	1 = Sole proprietorship 2 = General partnership 3 = Limited partnership 4 = Corporation 5 = Crown Corporation 6 = Joint venture 7 = Cooperative 8 = Franchise 9 = Not-for-profit 10 = Do not know 11 = Other, please specify:
What is the postal code of your workplace?	Text Answer
How long have you worked at your company?	1 = Less than 1 year 2 = 1 year to less than 4 years 3 = 4 years to less than 11 years 4 = 11 years to less than 20 years 5 = Over 20 years
How many years has your company been operating?	1 = Less than 1 year 2 = 1 year to less than 4 years 3 = 4 years to less than 11 years 4 = 11 years to less than 20 years 5 = Over 20 years
How would you describe your company's current growth trajectory?	1 = Growing rapidly 2 = Growing slowly 3 = Neither growing nor declining 4 = Slowly declining 5 = Rapidly declining 6 = None of the above 7 = I do not know

APPENDIX B

LIST OF RESPONDENTS

No.	Business	Date	Location	Sector	Size
1	Urban gardening/forestry	2018.03.27	Toronto	Agriculture, forestry, and fishing	5–9
2	Urban gardening/forestry	2018.03.29	Toronto	Agriculture, forestry, and fishing	2–4
3	Construction	2018.04.03	Toronto	Construction	10–29
4	Urban gardening/forestry	2018.04.03	Toronto	Agriculture, forestry, and fishing	2–4
5	Printing	2018.04.04	Toronto	Manufacturing	100–499
6	Engineering	2018.04.04	Toronto	Professional, scientific, and technical activities	100–499
7	Food retail	2018.04.05	Vancouver	Retail Trade	5–9
8	Courier service	2018.04.06	Toronto	Professional, scientific, and technical activities	30–99
9	Café	2018.04.09	Toronto	Accommodation and food services	2–4
10	Consultancy (energy)	2018.04.10	Toronto	Professional, scientific, and technical activities	2–4
11	Manufacturing	2018.04.16	Vancouver	Manufacturing	5–9
12	Food retail	2018.04.18	Vancouver	Retail Trade	5–9
13	Waste management	2018.04.19	Vancouver	Administrative and support, waste Management and remediation services	10–29
14	Communication/Media	2018.04.20	Vancouver	Information communication	2–4
15	Communication/Media	2018.04.24	Vancouver	Information communication	5–9

(Continued)

No.	Business	Date	Location	Sector	Size
16	Education	2018.04.30	Toronto	Education	30–99
17	Urban gardening/forestry	2018.05.03	Toronto	Agriculture, forestry, and fishing	5–9
18	Café	2018.05.07	Toronto	Accommodation and food services	10–29
19	Food services	2018.05.08	Vancouver	Accommodation and food services	100–499
20	Consultancy (training)	2018.05.11	Vancouver	Management of companies and enterprise	1
21	Food retail	2018.05.15	Toronto	Retail trade	100–499
22	Consultancy (energy)	2018.05.17	Vancouver	Management of companies and enterprise	5–9
23	Urban farm	2018.05.18	Vancouver	Agriculture, forestry, and fishing	10–29
24	Architecture	2018.05.22	Toronto	Construction	10–29
25	Printing	2018.05.23	Vancouver	Manufacturing	100–499
26	Retail	2018.05.23	Vancouver	Retail trade	10–29
27	Transport	2018.05.24	Vancouver	Transportation and warehousing	30–99
28	Hotel	2018.05.25	Vancouver	Accommodation and food services	10–29
29	Manufacturing	2018.05.25	Vancouver	Manufacturing	10–29
30	Food services	2018.05.25	Toronto	Accommodation and food services	10–29
31	Food retail	2018.05.28	Toronto	Retail trade	30–99
32	Retail	2018.05.29	Vancouver	Retail trade	10–29
33	Retail	2018.05.30	Vancouver	Retail trade	2–4
34	Finance	2018.06.05	Toronto	Finance and insurance	100–499
35	Manufacturing	2018.06.06	Vancouver	Manufacturing	5–9
36	Food retail	2018.06.06	Vancouver	Retail trade	5–9
37	Commercial Fishery	2018.06.13	Vancouver	Agriculture, forestry, and fishing	2–4