



Made in Minnesota 2010: Strategies for Growing Sustainable Small Businesses

Lee Egerstrom
Minnesota 2020 Economic Development Fellow

with research assistance from

Mina Bakhtiar, Natalie Camplair and Elizabeth Nelson
Minnesota 2020 Undergraduate Research Fellows

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EXECUTIVE SUMMARY

Green movement demands have forced business leaders, consumers and public policymakers to popularize a term many environmentalists have been using for generations: sustainability.

Terms such as sustainable jobs, sustainable economic development, sustainable food sources, and environmental sustainability get tossed around in both casual conversations and serious policy discussions, sometimes with little understanding of what sustainable practices entail.

From multinational corporations to Main Street coffee shops, it seems everyone is talking about striving for sustainability. That's an excellent goal.

As an effort to promote awareness of and access to sustainable business practices, this report—which accompanies www.MN2020.org's fourth annual Made in Minnesota Gift Guide—focuses on how small, locally-owned companies can “meet today's present needs without compromising the ability of future generations to meet their own needs” (EPA).



Small businesses have been a main driver in the recent sustainability movement.

Locally owned and ecologically conscious businesses provide a basis for community development, social responsibility, and environmental legislation.

Small and medium-sized enterprises (SMEs) make up roughly 90 percent of the businesses in industrialized nations. These entrepreneurs and inventors largely drive innovation and job growth. However, some scholarly estimates peg their cumulative impact at 70 percent of the world's pollution. In most cases, no individual firm is a major polluter; therefore, SMEs typically face less environmental and regulatory scrutiny (Hillar, 2000; Tilley, 1999). Also, these firms have the least capacity to tap information and capital to make eco-friendly business investments and adopt eco-friendly business practices.

For sustainability to become the social, political and economic norm, it is essential that SMEs are made aware of their environmental impacts and connected to resources that will improve sustainable business practices. Furthermore, these businesses comprise a significant portion of Minnesota's economy, directly impacting Minnesota's economic future as well as its environment.

On a positive note, small businesses have been a main driver in the recent sustainability movement. Locally owned and ecologically conscious businesses provide a basis for community development, social responsibility, and environmental legislation.

This is indeed Minnesotans, Americans, and consumers' challenge throughout the entire developed world: How do we encourage and support entrepreneurs who enhance quality of life while also boosting our economies?

Academic studies have found five drivers to encourage and induce sustainable development (Mir and Feitelson):

- Regulations and public incentives
- Community or social pressure
- Market pressures or opportunities
- Access to infrastructure
- Micro-enterprise and owner-manager characteristics and capabilities

Narrowing this down for Minnesota and its entrepreneurs, consumers and public policy makers, Minnesota 2020 combines these driving forces into two categories:

- Public Policy (the first and fourth drivers)
- “Political” Consumers (the second and third drivers)—Danish researchers describe this as consumer-led market behavior (Larsen et al.).

The fifth driver becomes more complicated, crossing back and forth between the two categories, as it differs among industry sectors.

In researching this report, Minnesota 2020 surveyed merchants and manufacturers from its online Made in Minnesota Gift Guide about their sustainability practices and products (see Appendix). Responses ranged from coincidental sustainable strategies to conscious business decisions.

Based on these surveys and scholarly research, this report highlights:

- Sustainability success stories at the SME level;
- Best practices locally owned business can adapt to improve sustainability;
- Guides for consumers looking to make sustainable purchases;
- A working definition of sustainability;
- Public policy recommendations to support entrepreneurs;
- Recommendations for future sustainability research.

Moving Minnesota forward toward becoming a more sustainable state takes a coordinated effort:

- Consumers must make conscious decisions to buy products and services that are good for society on multiple fronts.
- Policy makers should support research that promotes sustainability awareness and smart environmental enforcement.
- Taxpayers must support state and local government efforts to help entrepreneurs—who in many cases are neighbors—become more sustainable.
- Businesses must be aware of their footprint in every aspect of their supply and distribution chain.

All of these efforts will strengthen Minnesota’s economy while improving quality of life.

INTRODUCTION

Four years ago, Minnesota 2020 introduced its Made in Minnesota Gift Guide, an online listing for consumers looking to support merchants and manufacturers in their communities year round. Just prior to the holiday season, the organization releases an accompanying report focused on a different issue facing local businesses.

With such an emphasis on the environment and economic equity recently, Minnesota 2020's report for 2010 focuses on sustainability. Specifically, what are small and medium-sized (SMEs) firms doing to make their products and business practices more sustainable? And what adaptable best practices do these firms provide?

This expands on the buy local idea and examines greater paybacks for consumers, manufacturers and merchants who try to make Minnesota more "green," or sustainable.

As noted in earlier reports, buying locally from independent retailers keeps 68 cents of the consumer dollar at home, working in our communities, while only 43 cents stay behind on each dollar spent at chain stores not headquartered in the state (Andersonville). The 2009 report that looked at Minnesota growth opportunities for its apple, beer and wine industries, showed that more than 90 cents of the consumers' dollar can be kept at home, multiplying in value as it ripples through the economy, and generating even more business for local suppliers.

In that spirit, Minnesota 2020 looks at the added socio-economic dimensions of sustainability in this report, recognizing that greater societal benefits become apparent – when one looks for them – even when they aren't easily measured in convenient, available matrixes that fit all industries.

Moving Minnesota forward sustainably requires a two-pronged effort:

- 1) Benefits have to be real, not imaginary.
- 2) Benefits must be made apparent simultaneously to consumers and business people serving consumers. One side of the market supports the other; information supports both sides.

PAST REPORTS:

2007: "**Made in Minnesota**" looked at the basic economics of keeping consumer dollars in Minnesota communities.



2008: "**Boosting Minnesota's Economy in Tough Economic Times**" examined the recession's impact on Minnesota's economy and provided a way forward by highlighting value-added production's benefits.



2009: "**Homegrown Holidays**" featured local food and beverages unique to Minnesota and the economic multiplier effect when consumers purchase these products over imports.



In advancing the idea that consumers play an important role in making Minnesota’s economy stronger and more sustainable, one must look at countries that have already applied this marketing philosophy. While North American states and provinces conduct extensive research in sustainability marketing, Denmark has emerged as the world leader.

The ‘Political’ Consumer

Arising in the mid-1990s, Danish researchers began using the term “political consumer” to describe anyone making purchasing decisions based on perceived values that trumped competitive prices (Larsen, et al).

Danes use the term “political” in a broad, international context that reflects personal behavior and decisions to achieve a greater public good. That’s an important distinction for Americans to understand. Typically, U.S. citizens subconsciously believe “political” to mean “partisan” or dealing with the electoral process. However, effective sustainability marketing requires Minnesota and U.S. businesses to view consumers in the Danish “political” context:

“Consumer demand is not just based on price and quantity considerations, but increasingly on a critical assessment of [a] company’s values, attitude and behavior in relation to societal development. ...

“The rise of non-material values can be traced back to the high level of affluence in the Western world. We can afford to do more than simply satisfy our basic physical needs and functions. We can afford to have attitudes and this in turn has given rise to a growing demand for products and producers offering non-material values such as self-realization, social conscience and quality of life” (Larsen, Svendsen and Beck).

From the boulevards of Copenhagen, the Danish have again supplied Minnesota’s Main Streets with a key business strategy: Political consumers exist. Someone or some company will cater to those consumers’ interests. Whoever fails to respond to those consumers—albeit niche buyers—misses a market opportunity.

Learning from Danes

Minnesota’s food and agriculture industries learned of the political consumer concept in 1996 when Danish agriculture groups pooled resources to study the evolving world markets. One of these parallel reports, *The Cooperative Enterprise – Perspectives of Development Toward the Year 2010* by the Federation of Danish Cooperatives, cited political consumers among external influences changing the business environment among agricultural cooperatives (Gerber and Egerstrom).

Consumer demand is not just based on price and quantity considerations, but increasingly on a critical assessment of [a] company’s values, attitude and behavior in relation to societal development.

What Do We Want?

Minnesota's long history of conservationists, environmentally conscious citizens, and economic equity supporters provide the state's local retailers with a significant and specific political consumer base. Many residents already make the social decision to support—through purchasing power—producers and retailers who uphold their values. A personal commitment to sustainability may also cross and combine several different criteria, such as “buy local” campaigns in various parts of Minnesota and the nation.

The University of Minnesota conducts some of the best research identifying consumer interests. Much of that, however, focuses on the food industry (Senauer, Asp and Kinsey, for example) and may not be reflective of other local industries considered in this report.

In the vast research on political consumers in the food sector, some studies have found contradictory signals from shoppers. A political consumer might want a good supply of locally grown organic foods in his or her supermarkets but also wants fresh strawberries 12 months of the year or other foods impossible for local producers to grow (Hughes).



Many residents already make the social decision to support producers and retailers who uphold their values.

Such contradictions probably exist across all industry sectors at work in Minnesota. But that doesn't mean opportunities don't exist or are limited for merchants and manufacturers who want to be more “green.”

Consumers have enormous market power to drive Minnesota forward toward greater sustainability, stronger local business activity, and a more economically robust state. Much work remains ensuring these consumers understand their role in making Minnesota a better place to live, work, play, launch new businesses and grow. Policy makers also have a role helping entrepreneurs who would be green attract these political consumers.

DEFINING “SUSTAINABILITY” FOR CONSUMERS AND SMES

From policymakers to media members, researchers to business leaders, most define “sustainability” with their own nuance to fit everything from a narrow industrial usage to broad societal commentary. It’s left most people confused or cynical.

Given that this report looks across several Minnesota industry sectors, the most general and yet concise definition becomes the most useful. That definition comes from the U.S. Environmental Protection Agency (see EPA in references):

“The traditional definition of sustainability calls for policies and strategies that meet today’s present needs without compromising the ability of future generations to meet their own needs.”

It is simple, to the point, not burdened with verbiage. It opens a big umbrella over the topic that serves this report’s purposes because it points to both public and private obligations for sound behavior. This is amplified in supportive paragraphs from the EPA:

“Over the past 30 years, the concept of sustainability has evolved to reflect perspectives of both the public and private sectors. A public policy perspective would define sustainability as the satisfaction of basic economic, social and security needs now and in the future

... From a business perspective, the goal of sustainability is to increase long-term shareholder and social value, while decreasing industry’s use of materials and reducing negative impacts on the environment.

“Sustainable development reflects not the trade-off between business and the environment but the synergy between them.”

Sustainable development reflects not the trade-off between business and the environment but the synergy between them.



*Gooseberry Falls
by C. Chase Taylor, creative commons*

That is the concept behind this report. However, research shows it takes far more information to move different players in the supply chain from concept to practice.

Each public policy research unit plays an important role directing its industry and collaborating with researchers from other industrial subsets. In Minnesota, they include:

- The University of Minnesota;
- The Minnesota Departments of Agriculture, Employment and Economic Development (DEED), Health, and Natural Resources;
- Minnesota State Colleges and Universities (MnSCU);
- Agricultural Utilization and Research Institute (AURI);
- The American Planning Association; and
- EPA from a national perspective.

Equally important, consumers need to recognize their own role in the supply chain. Again, it will take institutional and organizational support to raise consumer awareness. But consumers will also need to make sustainability choices to support other players in the supply chain. A more sustainable Minnesota depends on them.

“Policies and strategies that meet today’s present needs without compromising the ability of future generations to meet their own needs.”



MINNESOTA ENTREPRENEURS: SUSTAINABILITY BY DEGREES

There are three principal reasons why small Minnesota businesses consider adapting sustainability objectives.

- 1) Foremost, many businesses adapt “eco-efficient” practices because they increase efficiency or profitability. While this method promotes a classic approach to profit maximization, it often inadvertently brings in social responsibility aspects of environmentalism that have greater appeal to consumers and thus generates more business.
- 2) When Minnesota companies adapt sustainable practices it seems to reflect the age of the business owners and managers. This appears to be a generational phenomenon that is addressed in a call for research in the Conclusion and Recommendation section that follows.
- 3) Other businesses have a flat-out commitment to social responsibility. Many owners said that sustainable practices present a greater cost up front, but they were willing to pay that cost in order to incorporate social responsibility into their mission (see Common Roots Café, page 13).

Eco-efficiency and Resources

Eco-efficiency often means a better use of resources or cheaper supplies for Minnesota entrepreneurs. It is not always the case that the most economically efficient resources are the most environmentally degrading.

Under many circumstances, it is coincidentally the same practices that protect the environment that ultimately serve to maximize efficiency and thereby turn a greater profit for the business. In some cases, surveyed businesses reported a growing consumer base as a direct result of their decisions to go sustainable. But others doubted the cost of environmentalism was outweighed by increased support from new customers.

- Mina Bakhtiar

To gauge sustainability awareness and strategies among Minnesota’s SMEs, Minnesota 2020 surveyed local companies featured in its online Gift Guide. While these business owners represent extremely different industry sectors and lines of work, they were asked questions shaped by the EPA’s broad sustainability definition. The three central questions focused on whether or not business owners made “conscious” operating decisions based on long-term sustainability.

Sustainability Survey

- 1) How often do you seek suppliers meeting [the EPA’s sustainability] definition?
Never—Occasionally—Always
- 2) How often do you make conscious sustainability decisions regarding the shipping, packaging disposal, and energy use of your product or business system?
Never—Occasionally—Always
- 3) Do sustainable business practices contribute to your profitability?
Never—Occasionally—Always

See Appendix

This survey yielded a wealth of responses, with some respondents fully engaged in a broad sustainability strategy as a driving business model. Others characterized their sustainability practices as sourcing locally but with little emphasis on other environmental factors. Some businesses were unaware of good sustainability practices beyond recycling, and therefore didn't make conscious sustainability decisions.

Minnesota 2020's motivation for conducting the survey was not to single out those who aren't consciously making sustainable business decisions. Instead, it aimed to identify easily adaptable green business practices local firms already implement, impediments to going green and gaps in sustainability awareness.

The following section outlines survey results by industry.

What Minnesota Businesses Say

Before looking at individual industrial sectors, one main obstacle confronts a broad range of small businesses interested in going green: Sometimes, sustainability costs more. While that's not always the case, small businesses and consumers hold the common perception that green is costlier, especially in the short term.

A significant challenge to implementing cost-beneficial, eco-friendly practices includes competition from larger firms. Statistics show "most small businesses fail within the first three years" (Smallbone and North, 1995). With a struggle to break even, "micro-enterprises may be reluctant to invest in environmentally friendly technologies without anticipating economic benefits, such as increased efficiencies or avoiding penalties, and larger firms are more likely to anticipate these benefits" (Mir and Feitelson).

Restaurant and Entertainment Sectors

In this broad category of local businesses, many owners could point to sustainable practices built around recycling and composting. This was especially so for companies involved in the related food and beverage industries.

EPA: Minnesota Success Story: Inexpensive Solutions for Reducing Waste

Grand Rapids, Minnesota's Herald Review / Itasca Shopper is a small newspaper and advertising printing operation. By encouraging all departments to efficiently use materials—and by recycling and reusing materials whenever possible—the company realized huge savings by reducing the volume of solid and hazardous waste, landfill disposal fees, and raw materials costs.

Newsprint rollends that were originally thrown away were saved and sold to a local ceramics company as packing material. Waste ink was reused by adding different colors to black inks with no reduction in print quality. The company reused film-developing chemicals and extended its use with additives. The layout department reused page pasteup sheets, and the composing staff reused and refilled toner cartridges three times before buying new cartridges. Overall, the company reduced solid waste by 97 percent and saved 250 pounds of ink per year.

Total savings:

- Reduced waste hauling and disposal costs saved \$18,000 per year.
- Reused ink saved \$2,600 per year.
- Reused film developer saved \$240 per year.
- Reused pasteup sheets saved \$570 per year.
- Reused toner cartridges saved \$900 per year.
- Rollend sales paid for yearly newsprint costs.
- Cost to implement the waste reduction measures - NOTHING!

excerpt from EPA.gov's Small Business Pollution Prevention website: <http://www.epa.gov/p2/pubs/assist/sbg.htm>

Many companies, however, went further, consciously turning to renewable energy sources and biodegradable materials in packaging and production. They sought suppliers known for doing the same.

At Common Roots Café in Minneapolis, owners stated 88 percent of their food last year was locally grown. They consistently seek local, organic foods and those with Fair Trade certification.

Common Roots also composts organic waste and changes its menu depending on local foods' availability. Restaurants from St. Paul to Montevideo apply similar practices, with chefs who are plugged into local farms and food suppliers.



Freshly harvested vegetables at Common Roots Cafe

Beyond the food sector, Minneapolis-based Milkweed Editions, an eclectic publisher of regional literature, tends to focus on sustainability at many points of the production chain. While mass-producing paper books may at first appear to be a non-sustainable concept, Milkweed Editions uses

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a variety of eco-friendly methods to bring print books to politically conscious consumers.

Milkweed uses only vegetable and soy-based ink and recycled paper to print books. Moreover, the publisher has earned Forest Stewardship Council certification. The nonprofit certifies businesses practicing sustainable strategies that account for environmental, social and economic impacts.

Do It Green! Minnesota, the volunteer organization of green producers and retailers in Minneapolis, uses many of the same sustainable printing practices to publish its Do It Green! Minnesota Magazine.

Clothing, Jewelry, and Arts and Crafts Sectors

Within jewelry, arts and clothing, there were several types of business practices that could be considered “green.”

First, product materials could come from a natural, renewable, or waste-minimizing source, such as silk, bamboo, wool or recycled material. Many family-owned farms turned animal wool into clothing and small jewelry businesses sold recycled metal pieces.

Second, an art or jewelry studio could reuse and recycle packaging and equipment used to transport artwork. These practices also help the business save money and become more profitable.

Third, the business could buy from a supplier within Minnesota, the immediate region or the United States. This appeared to be a big motivator for businesses that were not aiming for sustainability, but at patriotism.

Finally, a business could design a product to last generations and be easily passed along to others rather than disposed in landfills after initial or short-term use. An example would be Caleigh Capes, which creates “heirlooms,” instead of products “planned for obsolescence.”

For many artisans and entrepreneurs in these sectors, there are some key barriers to becoming or even wanting to become more sustainable. For many, specific chemicals are required to achieve a particular artistic effect and there are no clean substitutes. Some business owners acknowledged that causing some harm to the environment was unavoidable and not worth attempting to mitigate. In short, sustainability was incompatible with the product sold.

Several business contacts seemed surprised, confused or repelled by the use of the word “sustainable.” This reaction came from people in businesses who nonetheless consciously seek out local suppliers or use natural materials. This suggests that there is a lack of knowledge about what sustainability means and whom it benefits.

Specialty Products, Specialty Retailers Sectors

As mentioned previously (in *What Minnesota Businesses Say*), small firms believe they’re at a competitive disadvantage compared with larger companies in keeping costs down while striving for sustainability. Sustainable options frequently require more upfront investment. Larger businesses have the ability to invest in substantial capital and input, but frequently won’t. This makes the selling point even more competitive and impractical for small businesses to match.

Women Entrepreneurs

Conversations with business owners revealed several preliminary conclusions about the nature of these Minnesota industry sectors. For starters, many of the people contacted were women who used their skills to generate supplementary income for themselves and their families. Other individuals, such as Ruth McGrath of Arbor Gardens Studios, previously used their small business as a primary source of income but have taken part-time positions in other companies since the recession.

Meanwhile, businesses such as Harding Design Studio and Caleigh Capes are family operations that provide a primary income source for two or more people.

Handmade jewelry, arts and clothing are most often considered luxury goods. That means the demand for these goods is elastic and small businesses in these sectors are likely affected more by recession and weak business cycles than businesses in other sectors.

— Natalie Camplair



Felicia Parsons of Green Fuse Metal Works uses recycled and reclaimed materials in her jewelry

These factors play an enhanced role for specialty products and retailers. For this category, Minnesota 2020 surveyed the following sectors in the Gift Guide:

- Bath and Bed
- Indoor/Outdoor
- Pets
- Specialty Toys, Educational Tools, and Gifts for Kids

What Would Become of This Wood

Despite start-up investment challenges, many Minnesota small businesses innovatively move sustainability forward. In the woodworking sector, for instance, individuals produce everything from Minnesota-made furniture to decorative loons to children's toys from reclaimed wood. Conscientious candle, soap and bath producers constantly search for the most earth-friendly and carbon-neutral ingredients available.



Custom Creations in Tamarack offers FSC and True North Woods certified products

While buying local puts more money back into the regional economy, buying local and sustainable signals to producers and retailers their efforts are valued.

For instance, the Forest Stewardship Council (www.fsc.org) certifies responsibly sourced lumber by tracking lumber through the supply chain and maintaining the biodiversity of an area after wood is harvested. Custom Creations in Tamarack uses only FSC-certified wood suppliers to make custom furniture.

Small Businesses' Green Advantage

In contrast to profitability concerns, some small businesses may be attracted to eco-friendliness as a means to generate a "green" image. These businesses are most likely able to charge more for the products because of the value attached to environmental consciousness. There is a clear incentive to be sustainable if there is an economic advantage, but in that situation it is tempting to emphasize the marketing of greenness and forgo investment in deeper sustainability.

— Elizabeth Nelson

Quality, Durability

Tom Oliphant, a Minneapolis furniture maker, views the artisan as vital to a sustainable community on more than just an environmental level. Local artisans are focused on the production of heirloom quality goods, he said.

That makes the markup on their products well worth the extra initial cost. The underlying quality of the product is important to consider because furniture should be reused and passed down through generations.

Regardless of an "eco-friendly" stamp of approval on a disposable low-quality good, a concern for lasting quality will leave more for the next generation. That makes buying from a local artisan all the more practical than buying a disposable product, more often than not manufactured overseas.

— Elizabeth Nelson

In the Twin Cities, Wood from the Hood reclaims the metro area’s fallen trees, tracking the down lumber back to its original Zip Code. This venture embodies all that is green and sustainable by turning discarded yard waste into lumber and art material. This wood supplies local businesses such as Pete’s Hardwood Floors, the Original Tree Swing and Natural Built Homes (see references and further reading section). Similarly, St. Paul-based True North Woods Association assists Minnesotans in woodworking and forestry with services from tree farming to wood product finishing.

Not as Green as Advertised

Probably no area of commerce gives as much lip service to sustainability as the bath and beauty products sector. Minnesota entrepreneurs offer leading examples of how this comes about even though national news reports point to a lack of regulation about what “green” labels mean (NPT).

A clear leader in sustainability, however, is the now-large Aveda Corporation, with product sales reaching 29 countries (Aveda.com).

“I witnessed incredible waste, misleading labeling, and vast amounts of synthetics, petrochemicals and fillers going into our environment and the bodies of consumers,”

Eco-friendly and sustainability-conscious inventors keep creating new companies in Minnesota’s bath and beauty sector. In 2007, chemist Teresa Andrys started Waconia-based SunLeaf Naturals. SunLeaf’s website explains how Andrys’ experience working for other personal care and home fragrance manufacturers inspired a fresher direction. “I witnessed incredible waste, misleading labeling, and vast amounts of synthetics, petrochemicals and fillers going into our environment and the bodies of consumers,” Andrys explains.

Other examples of entrepreneurs with sustainable goals range from the unusual Soft Bums diaper company in Andover to All Things Herbal in Pequot Lakes. The latter started in 1998 as a 4-H Club project, and products emerged when the family began looking for ways to use all the spices from the kitchen herb garden.



Products made by SunLeaf naturals feature minimal packaging and eco-friendly ingredients.

Becker-based Simplyneutral, meanwhile, uses only 100 percent post-consumer plastic bottles “because they use less energy to produce.” This process, while more expensive, requires 80 percent less energy than the production of virgin plastic. It sources locally supplied materials and uses plant-based oils. Neither volatile organic compounds (VOCs) nor artificial fragrances are used.

A similar commitment to sustainable business practices governs behavior at Moss Envy in Minneapolis. This store sells “eco-gifts” and products that are natural, organic, reclaimed, and local when possible. It offers low and no VOC finishes, fixtures are 90 percent secondhand, and countertops are made from recycled materials. Ryan North, co-owner, describes Moss Envy’s commitment to sustainability this way:

“It’s not just a part of what we do; it’s all of what we do.”



The wide variety of eco-friendly items available at Moss Envy in Minneapolis includes this line of hair care products.

CONCLUSION

Moving Minnesota forward toward more sustainable business practices takes an approach that includes enlightened public policies, proprietors and consumers' cooperative efforts.

While Minnesota 2020's research shows many small businesses and their customers already headed in a more sustainable direction, several barriers continue holding others behind. They include:

- Lack of awareness to sustainable business practices;
- Lack of access to capital that would support sustainability investments; and
- Lack of incentives to be sustainable.

Evidence suggests Minnesota's economy is heavily dependent on small and mid-sized enterprises (SMEs) to start up, grow jobs and generate economic activity. Firms younger than 10-years-old created 64 percent of new jobs in 2007, according to a Kaufman Foundation study cited by the Star Tribune (Wieffering). Moreover, the article states, U.S. Census Bureau data show similar firms created 55,000 Minnesota jobs in 2005.

Minnesota has a strong base of entrepreneurs deeply committed to sustainability

At the same time, studies at home and abroad indicate that SMEs may account for a disproportionately high amount of global pollution. Scholarly estimates peg SMEs' pollution output as high as 70 percent. Compounding the dilemma is the fact that these firms have the greatest difficulty accessing capital, technology and information to improve sustainability practices (Mir and Feitelson; Tilley, Hillary).

The good news is that Minnesota has a strong base of entrepreneurs deeply committed to sustainability, which provides the state a solid platform on which to build, as Minnesotans seek to grow and strengthen the state and local economies. In addition to raising capital and awareness, one key factor in promoting a more sustainable economy is identifying and building Minnesota's political consumer base—those buyers motivated to purchase a good or service because of a perceived societal value over a competitive price.

RECOMMENDATIONS

Public Policies: Public policymakers should look for ways to implement the following recommendations in an effort to promote awareness of and access to sustainable and energy efficient business practices:

- ✓ State agencies and regional economic development planners should consider helping artists and similar entrepreneurs to band together or rent public space in what could be called “sustainable studios” (Camplair, N.). This would provide an eco-friendly learning lab to address common issues such as green resource acquisition, distribution and waste disposal. While at least one attempt along these lines is being made in Minnesota, extensive models exist abroad (see Danish innovation centers) (Gunderson).
- ✓ Appropriate state departments (DEED, Agriculture, Natural Resources) have helpful programs for entrepreneurs transitioning to sustainable or “green” strategies and practices. These programs need greater funding, public support, and better coordination with nonprofit organizations such as the Alliance for Sustainability, the Forest Stewardship Council and True North Woods.
- ✓ More research funds should be provided to scientists in the appropriate disciplines at University of Minnesota campuses and laboratories, other public research groups such as AURI, and the Minnesota State Colleges and Universities (MnSCU) system to compile and provide research findings and technical information to entrepreneurs. The latter is the primary provider of small business development center services throughout the state.
- ✓ Improve food distribution systems, as outlined in “Minnesota Food Production Sector: Growing Green Jobs” (AURI).
- ✓ Most public policies that promote businesses at any level involve incentives and/or tax subsidies. The state should examine which of these would be effective in attracting political consumers.
- ✓ In the future, Minnesota needs to use research called for in this report to assess the importance of upstart entrepreneurs and SMEs for growing the state’s economy. If substantial, as suspected, the state should consider ways to use its access to inexpensive capital to seed sustainable innovation. It should also consider policies on sourcing public supplies from Minnesota SMEs (Walker and Preuss).

Research: Minnesota's state officials, regional economic development planners, local mayors and councils would greatly benefit from more public policy research on these matters:

- ✓ How have Minnesota's SMEs fared compared with larger companies in the 2008-2009 recession? Was there any significant difference for firms with clearly focused sustainability strategies?
- ✓ What are the multiplier effect benefits for communities generated by smaller, less studied industries such as jewelry, arts and crafts, and specialty clothing? (Simpson et al.).
- ✓ Are there generational problems apparent in investments to make firms more sustainable? (Jensen and Meckling).
- ✓ What are the capital formation problems for SMEs that desire to be more sustainable?

While University of Minnesota researchers have conducted several studies on the sustainability of food and agriculture systems and on forestry and forest products, little similar research has been conducted to help other specialty products manufacturers and specialty retailers. Such information would help planners and developers.

APPENDIX

I. The Minnesota 2020 Survey

The telephone survey used for research in this report is not scientific and cannot be tabulated to provide concrete evidence of sustainability by Minnesota small and mid-sized enterprises (SMEs). Rather, responses were informative for our research purposes, and will continue to serve that purpose going forward. It is not too late to share survey information from business owners, operators and entrepreneurial managers of firms listed in the Minnesota 2020 online Gift Guide. Please copy the following survey and send responses to Minnesota 2020: info@mn2020.org.

- 1) How often do you seek suppliers meeting [the EPA's sustainability] definition?
Never—Occasionally—Always
- 2) How often do you make conscious sustainability decisions regarding the shipping, packaging disposal, and energy use of your product or business system?
Never—Occasionally—Always
- 3) Do sustainable business practices contribute to your profitability?
Never—Occasionally—Always

II. Sustainable Strategies for Small Business

Hadley and Herren (see References) have compiled a list of “Environmental Actions Taken” by SMEs in the Durham, North Carolina area in order to minimize their environmental impacts. Their list includes the following:

Solid Waste Reduction

- ✓ Recycling glass, aluminum, plastics
- ✓ Re-use of material and paper
- ✓ Strict use of electronic documents
- ✓ Compost waste
- ✓ Compostable to-go food ware
- ✓ Double-sided printing

Energy Efficiency and Renewable Energy

- ✓ Energy management systems
- ✓ Variable drive hot water boilers
- ✓ CFL, LED and other energy efficient lighting
- ✓ Efficient HVAC
- ✓ Solar thermal hot water heater
- ✓ Passive solar
- ✓ Occupancy sensors

Use of Green Products

- ✓ Low volatile organic compound (VOC) paint
- ✓ Purchase of organic cotton
- ✓ Biodegradable cleaning supplies
- ✓ Recycled carpet
- ✓ Green supply chain management tracking

Transportation Emissions Reduction

- ✓ Purchase local food and other items
- ✓ Employee public transport incentive systems
- ✓ Tele-commuting and video conferencing

Water Efficiency and Water Quality Improvements

- ✓ Gray water systems
- ✓ Rain gardens
- ✓ Cisterns and rain barrels
- ✓ Native and drought tolerant landscaping
- ✓ Low-flow toilets and faucets
- ✓ Automatic toilets and faucets
- ✓ Timed drip irrigation
- ✓ Pervious concrete parking lots

REFERENCES AND FURTHER READING

Agricultural Utilization and Research Institute (AURI). "Minnesota Food Production Sector: Growing Green Jobs." This study, submitted to the Minnesota Legislature, was published Jan. 15, 2010. It can be accessed at: <http://www.auri.org/research/>

Alliance for Sustainability. This Minneapolis-based nonprofit organization is the most comprehensive organization promoting sustainability in Minnesota. It's website can be found at: <http://www.afs.nonprofitoffice.com>.

All Things Herbal. Pequot Lakes, Minn. In true Minnesota entrepreneurial form, this family-owned and operated maker of soaps and related skin products started in 1998 as a 4-H Club project. For information: <http://allthingsherbal.com>.

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Beka Toys. St. Paul. A maker of durable toys and other natural wood products. For information: <http://www.bekainc.com>.

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Camplair, Natalie. The co-researcher of this report coined the "sustainable studios" phrase for a targeted small business development center, or incubator, to assist artisans. In such a development, she envisions shared recycling of hazardous chemical and mineral wastes, an enrichment environment for entrepreneurs and artists with similar interests, and perhaps as a destination point to drive consumer traffic. She is an undergraduate student at Macalester College and a Fall Semester 2010 undergraduate research fellow at Minnesota 2020.

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