

Bridging the governance divide: The role of SMEs in urban sustainability interventions

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ABSTRACT

Private sector actors play important roles in urban governance systems, including by supporting innovation, responding to new opportunities, and exercising control over a significant proportion of resource consumption and environmental degradation. Yet, there is a dearth of knowledge regarding the role of small- and medium-sized enterprises (SMEs) in urban sustainability governance. Responding to this gap, this study examines how SMEs are mobilized in sustainability initiatives in the Greater Toronto Area (GTA), Canada. The paper does so by presenting analysis of a database of 130 initiatives and 53 interviews. The results demonstrate limitations of existing governance strategies in enrolling SMEs in sustainability governance – a problem which we conceptualize as a ‘governance divide.’ This divide consists of three interconnected phenomena: 1) practical barriers related to engaging SMEs in sustainability-oriented policy-making and programs; 2) cognitive barriers created by differences in approach, language, and modes of operation between the public sector and SMEs; and 3) normative barriers produced by viewing SMEs as performing predominantly economic functions in society. We conclude that increasing the inclusion of SMEs in local sustainability efforts may unlock greater opportunities for transformative change.

1. Introduction

Contemporary sustainability challenges are characterized by complexity, fragmentation across sectors and borders, and inextricable interconnections between social and environmental concerns (Agyeman et al., 2003; Bulkeley & Newell, 2015). In post-industrial society, no sustainability domain remains the realm of any single actor, as a diversity of groups and interests shape policy discourses, adopt collective objectives, and implement solutions (Bäckstrand et al., 2010; Newell et al., 2012).

The private sector is one group of actors engaged in collective efforts to address socio-environmental issues. Businesses are expected to play a crucial role in advancing technological innovation and facilitating the shift towards a green economy (Schaper, 2010). Corporations are also advancing sustainability goals through public-private partnerships (UN, 2015), and enhancing the visibility of social and environmental affairs through sustainability-oriented coalitions (e.g. the World Business Council for Sustainable Development). In addition, collaboration across traditional sectoral divides, including private-public cooperation, is essential to accelerate transformative sustainability solutions (Wamsler, 2013). These concerns are especially

pronounced in urban areas, where socio-environmental issues concentrate and where most private sector activities are located.

While the role of large corporations in environmental governance constellations is widely documented (e.g. Jagers & Strippel, 2003; Kolk et al., 2010; Levy & Newell, 2005), less attention has been directed towards small- and medium-sized enterprises (SMEs). SMEs have been comparatively marginalized in business sustainability research (Jenkins, 2004; Spence, 1999), in part because of their vast numbers and widely varying economic, social, and environmental impacts. SMEs continue to be depicted as dragging behind their larger counterparts in mobilizing resources for sustainability action (del Brío & Junquera, 2003; Lepoutre & Heene, 2006), adopting CSR agendas (Perrini et al., 2007), and exhibiting less ability to create a business case for sustainability (Revell & Blackburn, 2007). Yet, excluding SMEs from sustainability efforts will seriously constrain opportunities to enhance social and environmental wellbeing. In economies across the world, SMEs are the most common form of business. In Canada, SMEs account for 98% of the business population, contribute approximately a third of national GDP (Government of Canada, 2019), and produce approximately 200,000,000 t of greenhouses gases annually (Climate Smart Businesses, 2018). Further, while conventional approaches to corporate

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sustainability are criticized for producing incremental improvements or even cementing the status quo (Könnölä & Unruh, 2007; Young & Tilley, 2006), emerging sustainability-oriented small business models are demonstrating the ability to advance potentially transformative solutions (Burch et al., 2016).

A growing body of literature is documenting forms of sustainability engagement championed by SMEs (e.g. Jenkins, 2006; Revell et al., 2010; Williams & Schaefer, 2013). Yet, few studies focus on how SMEs shape processes of change at the urban level. Research on SME sustainability is often conducted within the realm of business management, which rarely theorizes SMEs as actors with ability to influence policy, contribute to healthy communities, and protect local ecosystems. To advance the literature on SMEs as place-based actors with social and political agency (Shrivastava & Kennelly, 2013; Westman et al., 2019; Wickert, 2016), we analyse their role in and perception of sustainability interventions in Toronto. Our aim is to map SME involvement in urban sustainability governance, thus creating a deeper understanding of the multiple forms of interactions that occur between public sector actors and SMEs, and barriers that prevent effective engagement. To do so, we draw on data collected through an examination of 130 sustainability interventions and 53 interviews. Our results demonstrate the limitations of current governance strategies in their ability to support participation among this group of actors, a problem which we conceptualize as a ‘governance divide’.

The paper is organized as follows. Section 2 discusses the role of businesses in sustainability governance, focusing on the role of SMEs. Section 3 presents the methodology of the study. Section 4 outlines ways in which SMEs participate in and are targeted by sustainability initiatives in Toronto. Section 5 elaborates on the notion of the governance divide and employs this concept to explain the exclusion of SMEs from sustainability governance. Section 6 concludes with suggestions for how the potential of SMEs can be more effectively harnessed in future urban policy.

2. SME involvement in sustainability governance

The concept of governance emerged through observation of how public sector actors rely on interaction with non-state actors to formulate and enforce public objectives (Pierre, 2000). Through the materialization of ever more complex policy landscapes, the role of non-state actors in environmental governance has evolved. This is partially an outcome of the fragmented nature of contemporary environmental issues, which calls for polycentric, multi-actor arrangements (Jordan et al., 2015). It is also the result of a shift towards a deliberative environmental governance paradigm, which places emphasis on process and participation (Bäckstrand et al., 2010), as much as outcomes. Addressing complex environmental challenges, such as climate change, requires interactions that stretch across geographical scales and boundaries (Bulkeley et al., 2014). At the local, national, and international level, public sector actors govern sustainability issues through collaboration with private sector actors and civil society (Kern & Bulkeley, 2009; Pattberg et al., 2012).

Engagement in sustainability is, today, an indispensable component of the operations of many large corporations. Senior executives from some of the world's leading firms “are actively seeking to transform their business to respond to sustainability issues”, in response to growing markets, pressures from regulation and stakeholders, and opportunities produced through innovation (Benn et al., 2014: 4). Due to the significant political power wielded by corporations in a globalized world (Ruggie, 2004; Scherer et al., 2014), large firms play a central role in formulating (Jagers & Striiple, 2003; Kolk et al., 2010) and in resisting (Gaither & Gaither, 2016; Schlichting, 2013) environmental policy. Private environmental governance brings both opportunities and risks: while the burden sharing and innovation that private sector participation may bring are tantalizing, it may also cause reduced transparency, equity concerns, and questions regarding democratic

performance (e.g. Bäckstrand, 2008).

Over the past decade, a body of research on sustainability in SMEs has emerged, primarily conducted from a business management perspective. As confirmed by a review of the literature (Aykol & Leonidou, 2015), the scholarship presents consolidated evidence on the enabling and inhibiting factors related to the uptake of environmental practices in SMEs. These factors include managerial attitudes, stakeholder pressures, and opportunities for enhanced performance (e.g. Garay & Font, 2012; Lewis & Cassells, 2010; Mir, 2008). In this area, non-economic rationales – such as ideology and lifestyle – stand out as drivers that are particularly important for small businesses (Ateljevic & Doorne, 2000). Another segment of the literature has documented environmental measures adopted by SMEs, including interventions related to energy, water, and waste (e.g. Bohdanowicz, 2006). There is also a focus on environmental management, including environmental strategies and their impact on performance (Bagur-Femenias et al., 2013; López-Gamero et al., 2009), and sustainability management and reporting practices (Shields & Shelleman, 2015).

By contrast, a limited number of studies explain how SMEs influence environmental policy. There is some evidence that the inclusion of SMEs in policy networks can facilitate the formulation of sustainability visions. Based on a study of a public-private business networks in Denmark, for instance, Lehmann (2006) shows that a bottom-up approach provides opportunities for SMEs to advance collective goals. Sustainability-oriented small businesses engage in traditional and informal policy-making processes at the urban level (Westman et al., 2020), as well as in global supply chains (Egels-Zandén, 2017). Wickert (2016) categorizes the political participation of SMEs in terms of collective action (e.g. advocacy on standards) and participation in networks. However, previous research also points to difficulties associated with engaging SMEs in policy formulation. A study on transport planning, for instance, described limited interest or capacity of SMEs to participate (Setzer & Biderman, 2013). This reluctance has been linked with a broader resistance against sustainability, associated with prioritizing business survival and minimizing or denying the environmental impact of small firms (Chassé & Boiral, 2017; Dewhurst & Thomas, 2003).

Attention to governance strategies that facilitate sustainability action among SMEs constitutes a minor share of the overall literature (Aykol & Leonidou, 2015). Regarding traditional management tools, regulation can function as a driver of environmental action (Bramwell & Alletorp, 2001; Mir, 2008), although it may be less important than other policy instruments (Sirakaya & Uysal, 1997). Economic incentives can help SMEs overcome limitations related to resource shortages (financial capital, time, staff), which constitutes a major barrier to sustainability-oriented action (Clement & Hansen, 2003; Revell & Blackburn, 2007). Enabling strategies, such as capacity building and provision of information, can also support environmental progress. The importance of training may be associated with the strong role played by the knowledge of owners and managers in implementing sustainable practices (Boiral et al., 2014; Mir, 2008; Williams & Schaefer, 2013). Another enabling strategy consists of construction of networks, collaborative arrangements, and clusters, which can provide expertise, enable promotion, create access to technology and markets, and realize risk sharing (Burch et al., 2013; Green et al., 2018; Halila, 2007; von Weltzien Høivik & Shankar, 2011). Indeed, progress towards sustainability is not a single task undertaken by any individual actor, but a collective project that relies on the skills and capacities of many. Furthermore, the combination of economic incentives and enabling strategies may be more effective than relying on a single policy instrument (Bradford & Fraser, 2008; Granek & Hassanali, 2006).

Yet, this burgeoning field leaves questions unresolved regarding the involvement of SMEs in urban governance. To what extent do urban sustainability interventions involve, target, and represent SMEs? Are SMEs contributing to the collective formulation of sustainability agendas? How do SMEs perceive existing support systems? We ask these

questions in light of the specific attributes of SMEs that make them distinct from large corporations. This relates to their higher degree of informality, flexibility and spontaneity, the strong influence of personal beliefs and values (Jamali et al., 2009; Jenkins, 2006), and nimble organizational structure, which can favor implementation of sustainability measures (Baumann-Pauly et al., 2013). This also relates to the important function SMEs play in local economies. SMEs are crucial to economies as a whole (European Commission, 2019; Roland, 2018), but their centrality to local economic development also relates to their ability to stimulate stagnant economic sectors (Walzer, 2007). Beyond economic functions, SMEs also contribute to other forms of wellbeing, such as community resilience and reducing vulnerability to natural disasters (Linnenluecke & Smith, 2018).

A related set of considerations is the social embeddedness of SMEs and their close connections to communities. Shrivastava and Kennelly (2013) highlight the illusion of ‘placelessness’ plaguing business research, and argue for the need to understand how enterprises operate in specific locations imbued with meaning. They propose that ‘place-based enterprises’ have a stronger inclination to engage with local socio-environmental issues, as they are “firmly rooted in and interdependent with place and practice an ethos of sustainability” (Shrivastava & Kennelly, 2013: 91). This argument resonates with SMEs, which less often operate in a transnational, multi-context fashion. Lawrence et al. (2006: 254) make a case for the ability of small businesses to engage in community issues, suggesting that “enterprises are an integral part of civil society”. Westman et al. (2019) similarly portray SMEs as social actors, deeply influenced by individual values, internal and external social relations, as well as their social environment.

These arguments are gaining importance with the ascent of sustainability entrepreneurship. In comparison with conventional CSR, sustainability entrepreneurship may be better placed to capitalize on environmental solutions and propel fundamental change throughout industries (Cohen & Winn, 2007; Parhankangas et al., 2014). While firms of different sizes engage in sustainability entrepreneurship, small business have a key role to play in opening new markets and advancing disruptive innovation (Hockerts & Wüstenhagen, 2010). Small, ‘eco-preneurial’ ventures may be, in the words of Rodgers (2010, 131–132), “a vehicle for social change” – a new form of organization that requires “fundamental personal, social and institutional transformation”.

In view of these considerations, SMEs are likely not only to play an important role in urban governance, but also to play a *different* role than large corporations, which is worthy of deeper study. Understanding that role can ultimately inform the design of more effective and inclusive urban sustainability governance approaches. This prospect guided our exploration of the participation of SMEs in sustainability interventions in Toronto.

3. Method

As the role of SMEs in urban sustainability governance is an emerging research topic, we adopted an exploratory, mixed methods research design that aimed to capture both the broad policy landscape and thick descriptions of specific interventions. Following previous

studies of environmental governance with a database design (e.g. Pattberg et al., 2012), we compiled 130 initiatives to analyse the engagement of SMEs in sustainability programs in Toronto. To explore actor perceptions and mechanisms of interaction in further depth, we complemented the database with 53 stakeholder interviews. The aim was to capture trends in participation, as well as in-depth accounts of SME involvement in sustainability policy.

3.1. Case study selection

As the phenomenon under examination in this study (urban sustainability governance) is complex, and involves multiple actors and diverse perspectives, we chose to focus on dynamics unfolding in one specific city. We selected the Greater Toronto Area (GTA) as a case study as it represents a major economic hub in Canada; it accounts for a fifth of national GDP and houses almost 270,000 firms (Statistics Canada, 2016). Local authorities have adopted several ambitious sustainability programs, for example in relation to sustainable energy and climate adaptation (e.g. CoT, 2008, 2009), making the city an important case from a sustainability governance perspective. We selected this case study to generate a deep understanding of urban governance processes in a major city in Canada, but also with the purpose of potential analytic generalization (Yin, 2013). By linking our empirical findings to insights in previous research, our intent was to contribute to the theorization of the involvement of SMEs in urban sustainability governance processes.

3.2. Database design

The first step of compiling the database consisted of identifying a diversity of interventions led by different actors. 250 initiatives were compiled and reviewed. Next, we narrowed down the selection to 130 initiatives by removing baseline measures required by all municipalities and adding projects of particular relevance to SMEs. Each record included data in seven categories, including: (1) Name; (2) Qualitative description; (3) Sector; (4) Year of launch; (5) Actor leading the initiative; (6) Collaboration with other actors/partnerships (if applicable); (7) Involvement of SMEs. The largest share of initiatives were related to sustainability and climate change, infrastructure and transport, and air and water (Fig. 1).

The GTA is comprised of the City of Toronto (CoT) and four surrounding regions (Durham, Halton, Peel, and York), which encompass cities, towns, and townships. Most of the initiatives in our database were led by regional and local government (56), followed by partnerships (43), and civil society (31). Many initiatives were championed by the City of Toronto, likely reflecting advantages in terms of size, resources, and commitment to sustainable development. With regard to year of implementation, most initiatives took place in the past decade, possibly reflecting the increase in urban climate responses in this period (Castán Broto & Westman, 2020). Involvement of SMEs was recorded in two columns, with the first containing a qualitative description and the second categorizing involvement according to three categories (initiatives where SMEs participate in policy formulation, initiatives which

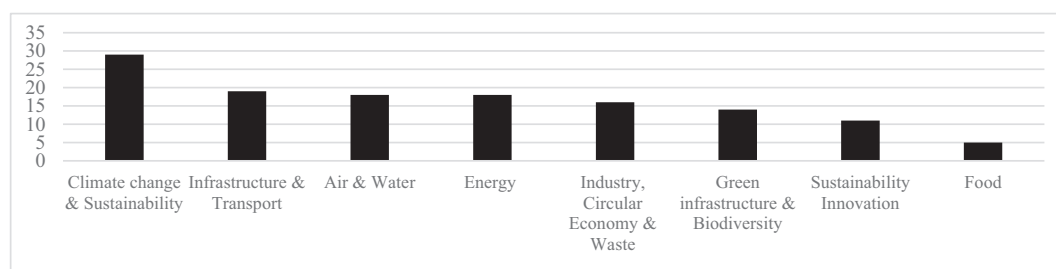


Fig. 1. Distribution of initiatives per sector.

directly target SMEs, and initiatives where SMEs were not mentioned at all).

3.3. Semi-structured interviews

We conducted 53 semi-structured interviews between January and May 2018. The respondents included individuals from 27 firms, selected for a known involvement in sustainability. The rationale was to unearth the role of policy and collaboration with government or other stakeholders in their socio-environmental efforts. We compiled a diverse sample in terms of company size, sector, location, and form of sustainability engagement. Further, we interviewed 26 organizations working on business sustainability in the GTA. This included local government authorities, business networks, partnerships, and civil society groups (see Appendix A). We selected respondents based on organizations in charge of interventions in the database, in combination with a snowball sampling strategy.

We conducted all interviews as face-to-face conversations of 30 minutes to one hour duration. The questions evaluated the nature of sustainability engagement, the role of policies and programs, forms of interaction between actors, and motivations and barriers to action. All interviews were recorded, transcribed, and coded using the software Nvivo. The codes were analysed using a qualitative and semi-quantitative approach, which consisted of scanning the transcripts for trends (such as code frequency and persistence), searching for cases that illustrate the role of policy, and, finally, linking these cases with the concept of a 'governance divide'.

4. Results: SME engagement in sustainability interventions in the GTA

As shown by Fig. 2, our database included 11 initiatives in which SMEs were engaged in policy-making efforts, 39 initiatives in which SMEs were directly or indirectly targeted, and 80 initiatives where SMEs were not involved or recognized. Forms of engagement and actor perceptions, as presented in data from our database and interviews, are discussed below.

4.1. Initiatives that involve SMEs in policy-making

In our database, only 11 initiatives involved direct decision-making participation of SMEs. This included eight business networks, ranging from novel initiatives supporting business sustainability (e.g. Durham EcoBusiness Network) to traditional networks with an acquired environmental profile (e.g. Mississauga Board of Trade Climate Action Program). Through these networks, member organizations promote sustainability by providing information and networking, sharing success stories, and advocating for policy change. We also identified three policy coalitions (e.g. the Green Infrastructure Coalition), which provide opportunities for businesses to advance sustainability-related policy. However, most members listed by these networks and coalitions are large corporations rather than SMEs.

Our interview data provided a mixed impression of the importance of these coalitions in supporting SMEs. Two firms were engaged in business networks with the purpose of shaping industry standards (I50; I42). An organic grocery business described how being part of a trade association enables contribution to the formulation of organic standards

in Canada ("while I can't independently influence policy, I can by being part of a larger organization" (I50)). A transportation and storage business represented an association that has raised work safety standards. We also identified two SMEs that were members of policy coalitions, working to shift ways of thinking within the conservative building industry and to develop an international non-GMO standard (I30; I44). In all four firms, the socio-environmental profile is a core component of the business model and stringent standards may bring competitive advantages for their business.

On the other hand, the majority of SMEs in our sample displayed a lack of engagement with public policy dialogues. Most SMEs either did not participate in business networks or described them as irrelevant to their operations. An architecture firm confirmed that small firms are less likely to participate in traditional membership organizations, due to limited resources and low client demand for such engagement (I45). An energy management firm and a grocery business described similar difficulties, including struggles in competing for influence with large firms and finding sufficient time for engagement:

They say their mandate is to get all the stakeholder interest, and they have all these programs. But, it comes down to the big players, and if you can associate with one of those big players, that is fantastic. So, that has been our way, to piggyback on top of their power and their place in the market, but that is very hard. I think it is very hard for small businesses to make a difference (I35).

The problem is engagement. Trying to find time to have small businesses engage with policy-makers is difficult. Even myself, I have been on the board now for four years and I am stepping down ... I don't have the time to do it properly... It is hard for small business people to stay engaged, just because they are running a business (I47).

Statements from representatives of business networks and policy coalitions mirrored these difficulties, while confirming the dominant role of large corporations. A manager of a sustainability-oriented network explained that their activities involve predominantly large firms, due to sponsorship from large corporations, pre-existing relationships, and resources to execute prestigious sustainability projects (I3). A board of trade representative noted that while the organization has members of all sizes, larger corporations are overrepresented in high-profile activities, such as government relations (I9). Two business network representatives pointed to lack of time and resources of SMEs (I5; I12), while another referred to prohibitively high membership fees (I15). A local public official (I10) expressed similar concerns regarding organizational abilities to engage businesses in policy-making processes. Overall, our data suggests that while sustainability-oriented SMEs are engaged in industry associations and policy coalitions, the activities of large corporations overshadow their contributions.

4.2. Initiatives that target or address SMEs

In our database, we identified 39 initiatives that targeted or addressed businesses, out of which some were SME-specific. These initiatives involved multiple policy instruments, including regulation, economic incentives, and enabling measures (Table 1).

In terms of regulative strategies, authorities in Toronto have introduced bylaws that encourage firms to adopt more sustainable



Fig. 2. Number of database initiatives involving, targeting, or overlooking SMEs.

Table 1
Strategies for targeting or addressing the needs of SMEs in our selected initiatives.

Category	Initiative type	Function	Examples
Regulative	Bylaw	Regulating behavior, e.g. construction standards or emission reporting	Environmental reporting and disclosure bylaw (CoT)
Economic	Incentive/rebate	Incentive/rebate for sustainability action	Energy Efficiency Incentives (CoT) Water for Tomorrow (York) Partners in project green
Enabling	Training/information	Training, technical support, information	Durham sustainability water smart peel
	Cluster-building/promotion	Support network formation/coalition-building/business promotion	Toronto green cluster program Live green (CoT)
	Start-up spaces	Provision of funding/mentoring/space for start-ups	MaRS Center for social innovation

practices. Toronto City Council has been a pioneer in this regard, by introducing the Toronto Green Standard (adopted in 2006), a Green Roof Bylaw (adopted in 2009), and an Environmental Reporting and Disclosure Bylaw (adopted in 2008). We also identified economic incentives for businesses to implement resource conservation measures. Through the CoT Better Buildings Partnership, for example, energy efficiency incentives are available for the construction of new developments. A number of programs support water conservation in commercial and industrial units, such as the CoT Capacity Buyback Program (a free audit and cash rebate) and York Region Water for Tomorrow program (incentives for water efficiency retrofits). These bylaws and incentives target the entire business population (or businesses and households), and we identified no regulatory or economic strategies supporting sustainability specifically in SMEs.

In our database, the most common form of intervention targeting SMEs were enabling measures. One such initiative is Partners in Project Green (PPG), which provides training, peer learning, and support for the formulation of sustainability strategies in businesses, including SMEs. Another example is the Toronto Green Cluster Program, which supports the establishment of intra-industrial networks in strategic sectors (e.g. green buildings and bio-products) and contributes to coalition building and branding. Further enabling strategies included provision of information (e.g. Peel Region's Water Smart program) and promotion (e.g. CoT Live Green, promoting local, eco-friendly firms). Alongside these efforts, private or civil society organizations promote business sustainability. For example, Green Economy Canada supports SMEs in establishing sustainability targets, disseminating best practice, and celebrating champions. Finally, we identified incubators supporting sustainability-oriented start-ups. For example, MaRS specializes in investment into early stage start-ups, which includes clean-tech firms, while the non-profit space Centre for Social Innovation provides funding and training for social impact ventures.

Our interview data demonstrated that existing support measures facilitate sustainability measures in SMEs. Yet, this support varies significantly in importance and function across firms. Among the 26 enterprises, five had received support from a public organization. This included training for energy efficiency through PPG workshops (I42) and securing a public procurement contract, linked with expectations of increased and more stable demand (I33). One enterprise had received publicly funded summer interns (I41) and two had benefited from support from incubator spaces (I35; I40). This included an energy management enterprise, which received support for start-up and expansion, and an urban agriculture business, which benefited from grants and mentoring. Two firms (I35; I42) had also profited from federal energy programs, including energy efficiency incentives and a feed-in-tariff for solar power. Overall, the most significant policy support consisted of incubator programs for start-ups, which the two SMEs described as crucial to business viability.

At the same time, the policy landscape displays a number of limitations. Seven SMEs in our sample perceived policy frameworks as a barrier to their business. Representatives of six of these enterprises

explained that policy elements inhibit the process of scaling up socio-environmental solutions. This related to the introduction of sustainable design solutions in buildings (I37; I30), sewage management systems (I38), plastic-free food distribution (I41), and green infrastructure (I39; I31). Specific barriers included building codes, hygiene standards, and urban planning guidelines. In these cases, the respondents described the policy environment as unable to adapt to new products and services, which prevents the expansion of new markets. Similarly, seven SMEs pointed to the need for *further* regulation to support new products and services, such as carbon taxes, legal ownership structures for B-corporations, and enhanced organic standards.

In addition, six firms referred to problems in policy design, especially concerning economic incentives. An energy management business described incentive programs as confusing, complex, and time consuming (I35). Most industrial enterprises remain unaware of their existence, according to this respondent. Another firm explained that while grants are available, “the red tape and the bureaucracy” involved in finding them and submitting applications exceeds the resource availability of small firms (I41). Eleven SMEs referred to government support as irrelevant to their operations. When probed, these firms were unable to think of ways in which policy could be helpful to their business. Statements to this effect included: “I don't even know what they would be” (I29), “that's a ... daunting task going through government regulations and all of that” (I32), “I didn't think about that kind of stuff” (I47), or “[w]e do it on our own” (I49). In this context, local officials were described as conservative and with limited ability to understand SME needs. Our respondents explained that public officials “often get stuck in a rut and they can't think of anything outside of what their usual day to day is” (I31), or “what we think of is further ahead than where we would like them to be” (I39). These enterprises communicated a sense of detachment from the public sector, in terms of perceptions of lack of responsiveness of policy frameworks, limited communication with public officials, and lack of interest in policies and public programs.

This disconnect was mirrored by perceptions of local authorities and civil society in terms of difficulties to engage with SMEs. A local public official referred to significant difficulties associated with engaging this large, heterogeneous business population under conditions of a limited budget and limited staff (I13). An environmental organization working with local authorities stated that “it's a huge gap... it is something we have struggled with and I know our municipalities really battle with. The municipalities have very limited reach into businesses” (I1). The same respondent characterized existing strategies by a lack of coordination and referred to great difficulties for SMEs to apply for incentives:

I do not believe there is a single place they can go to and just find out [these programs] ... They cannot write 10 applications nor should they have to. So again, we're not making it easy for them. We're not giving them that single window to a more efficient future for themselves. We are asking too much (I1).

A representative of a business network similarly explained that there are too few officials working specifically with businesses, that SMEs do not know where to turn, and that public sector actors lack the hands-on approach necessary to engage with SMEs (I9). A representative of another network depicted this issue in terms of fragmentation of support, difficulty for firms to learn about existing programs, and “a disconnect with private sector” actors, associated with the bureaucratic character of government (I12). A public official similarly described the difficulty for government representatives to establish relationships with SMEs as a discrepancy in trust and experience:

Why aren't those programs successful? ... There is a gap of approach and a gap of experience... So, when we come in as business conveners and conduits for that work, well, automatically there is this perception of us like ... ‘oh I don't like those guys’... you are the regulators. And so, that gap in approach and experience is limiting. It becomes a limiting factor of access and buy-in at the same time ... (I10).

4.3. Initiatives with no involvement of SMEs

In our database, we identified 80 initiatives where SMEs were not involved, recognized, or targeted. A share of these were sector-based measures led by government actors and/or directed towards public activities, such as municipal energy management plans, clean air programs, and nature conservation projects. This also included measures targeting individuals and households – which could benefit SMEs but where they were not mentioned – such as cycling and walking plans, recycling programs, and electric vehicle support. In cases where businesses were involved, it typically consisted of large corporations providing infrastructure, such as EV charging stations.

The most notable trend in terms of absence of references to SMEs emerged in municipal sustainability and climate documents (our database encompassed 29 such plans). In these strategies, we observed distinct efforts to include the public and relevant stakeholders. Much of this engagement occurred through partnerships with civil society organizations or business associations, and community participation through consultations. For example, the formulation of Transform TO engaged around 2000 residents. Yet, such collaborative strategies frequently overlooked SMEs. Exceptions included ambitions to support ‘greening’ and energy actions in small business communities (CoT climate action plan) and build on partnerships with SMEs to realize climate protection (CoT Ahead of the Storm). Other references that related to businesses included statements to attract socially and environmentally conscious investment (Township of King), promote green business development (City of Markham), support eco-business (Town of Caledon), and support firms against flooding (City of Burlington). These references point to an emerging recognition of the role of firms in building sustainable communities; however, this tendency is nascent and rarely focused on SMEs.

By contrast, there was a clear focus on small businesses in economic development and innovation strategies, which typically concentrate on how to support firms and improve the business environment. For example, the City of Oshawa's strategic development plan (Plan 20Twenty) recommended creating a space for SMEs and family-owned businesses to support the local economy. The formulation process involved over forty stakeholders, ranging from business owners, developers, and the business improvement area. This constituted a level of business representation generally not matched in the development of urban sustainability or climate plans.

A similar tendency emerged in our interview data. Government departments in charge of urban planning and sustainability often displayed limited or no engagement with SMEs. Four officials observed that economic departments or boards of trade address SME concerns (which means they are not considered in spatial planning or sustainability planning) (I6; I8; I11; I19). One official explained that SMEs are

not part of the community or the corporate sector – therefore, they are beyond the remit of local sustainability initiatives (I19). Another official identified no connection between their department's work and SME communities (I18). These accounts suggest that SMEs often are invisible in local sustainability planning. Local economic development departments are directly concerned with small business communities, but their perspective on sustainability is largely oriented towards traditional growth agendas. For example, two officials engaged in economic policy stressed the importance of innovation in strategic sectors, strategies to attract investment, and promoting entrepreneurship (I13; I24). A board of trade representative displayed a similar focus, in terms of supporting firms to develop export strategies (I12). While a couple of respondents working with economic development described programs that encompass social innovation and environmental performance (I9; I25), the emphasis remains on classic concerns of economic expansion and technological innovation.

5. Discussion: mapping the governance divide

Our results point to the existence of a governance divide, which explains the lack of engagement of SMEs in urban sustainability interventions. We propose that this divide is constituted by deeply interwoven practical, cognitive, and normative dimensions.

The practical aspect of the governance divide is the most visible and therefore the most well documented in previous research. It encompasses, first, difficulties encountered in the process of reaching out to and engaging SMEs in policy-making processes and sustainability programs. Here, our results support findings from other contexts, demonstrating a lack of interest or capacity of SMEs to participate in policy-making processes (Setzer & Biderman, 2013). This relates to lack of time and limited resources to engage in activities beyond core business operations (c.f. Collins et al., 2010; Revell et al., 2010 on resource barriers) and a low take-up of public programs (Curran, 2000). In our study, public sector actors, intermediaries, and businesses testify to the inability of public initiatives to reach the fragmented SME sector. Consequently, many SMEs are not aware of, or lack capacity to engage with, existing programs. While networks and policy coalitions provide opportunities for input for large corporations and sustainability-oriented forerunners, there is still a limited inclusion of SMEs in formulation of sustainability policies. In other words, SMEs are rarely engaged as co-creators of policies from their inception. This may constrain urban sustainability policy, in the light of the documented benefits involved in mobilizing private sector actors (Lehmann, 2006; Loorbach & Wijsman, 2013; Pattberg et al., 2012). Further, strengthened dialogue with small business communities could possibly address issues in policy frameworks revealed in our interviews, such as regulation that prevents social and technical innovation, lack of coordination among existing support programs, and time-consuming administrative procedures to apply for public support.

The cognitive dimension of the governance divide consists of established rationalities within the public and private domains. Governance theories assume that public officials construct and implement goals through collaboration with non-state actors (Pierre, 2000). However, this requires government representatives to build knowledge about how to conduct such interactions. In other words, it requires a specific set of rationalities or cognitive skills, or “ways in which governments and other social actors draw on knowledge to construct policies, actions, and practices, especially those that regulate and create subjectivities” (Bevir & Rhodes, 2016: 10). Our interview data suggests that within the public sector, there is a lack of experience and knowledge about engagement with SMEs, including a common language, which contributes to exclusion. This issue materializes through the ‘bureaucratic’ character of public programs, lack of experience in private sector engagement, and inability of public officials to engage with a ‘hands-on’ approach required for SME concerns (c.f. Mir, 2008). These constraints make it difficult for public officials to build personal

connections and sustain communication with SMEs. Lack of institutionalized channels causes engagement to be ad-hoc and dependent on the efforts of motivated individuals. In comparison, our data suggests that relationships with corporations have been built and strengthened over time, and that dialogue with these actors consequently is part of normalized policy processes.

Likewise, from the perspective of SMEs, the cognitive gap is visible as a limited interest in public programs and activities, perceptions of public actors and programs as unresponsive to SME concerns, or even viewing government activities as detrimental to business. Here, our conclusions resonate with Morrison et al. (2003, 424), who identify “a strong cultural gap” and “resistance to external assistance intervention” in relation to public support for SMEs. Curran (2000, 44) similarly reports perceptions among SMEs that “the support provider ‘does not understand’ the owner’s business”. Apart from the practical barriers outlined above, this lack of buy-in, understanding, and common language may be part of the explanation for why SMEs are not routinely involved in public policy initiatives. Cognitive barriers may also be part of the explanation for why existing programs do not explicitly target SMEs, even though an increasing number of regulative and incentive-based initiatives are directed towards households and the broader business population.

Finally, the normative dimension of the governance divide exists of deep-seated values attached to the role of private sector actors in society. It builds on long-standing notions of the need for businesses to propel economic growth, provide employment, attract investment, and spur technological progress. This perspective is pervasive across world regions, and it appears both in policy documents and academic research (e.g. European Commission, 2019; Hanadi & Aruna, 2013; Morrison et al., 2003; Roland, 2018). In our data, this normative orientation is illustrated through a dichotomous divide between departments and strategies that address economic growth and innovation (which stress the importance of small businesses) and departments and measures that aim to enhance the ecological or social integrity of the city (which often overlook the role of small business communities). This tendency is particularly visible in the marginalization of SMEs in sustainability planning departments and documents, despite an overarching discourse of community and stakeholder participation. This gap suggests that SMEs continue to be predominantly viewed as economic actors, rather than social actors embedded in the institutional and cultural fabric of communities (Westman et al., 2018).

6. Conclusions

To enhance the understanding of how urban sustainability programs involve SMEs, we reviewed a set of interventions in the Greater Toronto Area. Our results reveal a ‘governance divide’ between small business communities and traditional governance actors, which consists of practical, cognitive, and normative barriers to engagement. While our conclusions relate to the governance context in Toronto, studies in other settings point to similar constraints (Curran, 2000; Mir, 2008; Morrison et al., 2003; Setzer & Biderman, 2013). The contribution of our analysis consists of framing existing barriers as a set of mutually reinforcing structures and processes, which explains an institutionalized form of marginalization of SMEs from urban sustainability governance. At the same time, further research in a greater number of contexts (e.g. urban areas in other world regions, secondary cities, or rural areas) is required to understand the prevalence of these barriers across geographical and socio-political settings.

Of the three barriers, the practical dimension is likely to be most straightforward to tackle, although the possibility of doing so is constrained by finite resources. Routinely consulting small business representatives on sustainability-related policy issues could address the exclusion of SMEs from decision-making processes. The challenge here lies in realizing formats of communication that overcome resource shortages of both public bodies and SMEs, and which can institutionalize over time. Our data suggests that capacity restraints of

SMEs can be ameliorated by incentive programs (especially for start-ups), provision of technical advice, and access to government contracts. Regarding fragmentation of existing support programs, respondents in our study called for “one-stop-shops” providing resources directly to SMEs. However, it remains unclear to what extent such enabling measures are advancing deep, transformative approaches to sustainability, rather than the more common, incremental variety of action.

By contrast, the cognitive and normative dimension relate to entrenched routines and deep-set ways of thinking only likely to change over time. Addressing the cognitive dimension will likely require time-consuming efforts to build trust, understanding, and social networks between SMEs and public officials. Collaboration, collective visioning, and meaningful participatory processes may gradually serve to co-create a common language and set of values that form the foundation of more effective multi-actor sustainability governance. Another solution may be to provide recognition and resources for non-public actors that fill the gap between public and private ways of thinking and doing. Our data suggests that sustainability-oriented business networks, civil society organizations, and non-profit incubator spaces sometimes exhibit ability to navigate the public-private boundary space. Public officials that wish to support SMEs may therefore consider strengthening initiatives led by such intermediaries.

Regarding normative barriers, a complex but powerful role for government could be to legitimize the value of socially focused businesses and advance narratives that link the benefits of environmental actions to progress in social and economic domains. This would require a fundamental rethinking of the role that SMEs can play in building resilient and healthy communities, which breaks free from assumptions about purely economic rationales of private sector actors. Our analysis shows that such thinking is beginning to permeate public operations. However, mainstream urban sustainability planning has yet to place enterprises as key players in the collective realization of socio-environmental ambitions. This oversight may act as a significant barrier to deep societal change. For interventions to trigger systems transformations, they need to be embedded in multiple sectors, levels of agency, and domains of knowledge (Wamsler, 2013; Wolfram, 2016). Initiatives that fail to engage the most important actor in the economy are unlikely to meet these requirements. Rethinking the role of SMEs in enhancing social justice, building community cohesion, and protecting ecosystems may therefore be an essential first step to create urban sustainability programs that advance transformative change.

CRedit authorship contribution statement

All authors: Conceptualization, Methodology, Writing.

Sarah Burch: Funding acquisition.

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Declaration of competing interest

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Appendix A. List of respondents

Table 2
List of interview respondents.

#	Date	Organization type
1	2018.02.01	Civil society
2	2018.02.05	Civil society
3	2018.02.06	Civil society
4	2018.02.08	Government
5	2018.02.08	Civil society
6	2018.02.09	Civil society
7	2018.02.09	Civil society
8	2018.02.09	Government
9	2018.02.12	Business network
10	2018.02.13	Government
11	2018.02.15	Government
12	2018.02.22	Business network
13	2018.02.23	Government
14	2018.02.23	Civil society
15	2018.03.02	Civil society
16	2018.03.06	Civil society
17	2018.02.15	Government
18	2018.02.21	Government
19	2018.03.05	Government
20	2018.03.06	Government
21	2018.02.16	Business (funded by city of Toronto)
22	2018.03.16	Civil society
23	2018.03.21	Civil society
24	2018.03.20	Government
25	2018.03.21	Government
26	2018.03.27	Business
27	2018.03.29	Business
28	2018.04.02	Civil society
29	2018.04.04	Business
30	2018.04.03	Business
31	2018.04.03	Business
32	2018.04.04	Business
33	2018.04.06	Business
34	2018.04.09	Business
35	2018.04.10	Business
35	2018.04.13	Business network
37	2018.04.30	Business
38	2018.05.01	Business
39	2018.05.01	Business
40	2018.05.03	Business
41	2018.05.07	Business (managed by non-profit)
42	2018.05.07	Business
43	2018.05.11	Business
44	2018.05.15	Business
45	2018.05.22	Business
46	2018.05.25	Business
47	2018.05.28	Business
48	2018.06.05	Business
49	2018.05.22	Business
50	2018.05.23	Business
51	2018.05.23	Business
52	2018.05.16	Business
53	2018.05.16	Business

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