

Considering the Potential of Small and Medium-Sized
Enterprises to Accelerate Urban Sustainability Transitions:
A Case Study of Toronto's Restaurant Industry

by

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Abstract

Until recently, the role of small and medium-sized enterprises (SMEs) in urban sustainability transitions has been under examined despite their collective potential to address sustainability issues. This paper aims to explore whether SMEs can accelerate urban sustainability transition. Using the multi-level perspective, this study analyzes the ability of SMEs to impact urban sustainability transitions through niche-innovation. Furthermore, it considers how the leadership of sustainability-oriented entrepreneurs (SOE) supports systemic change. Lastly, it explores the involvement of SMEs in the governance of municipal sustainability initiatives. To answer these questions, the author conducted seven interviews with sustainability-oriented actors in Toronto's restaurant industry. This study finds that SMEs in Toronto's restaurants industry do not exhibit characteristics of niche-innovation. However, when led by SOEs, SMEs support niche-innovation beyond their business and increase community well-being. Lastly, this study reveals that SMEs are not engaged in traditional urban governance processes and suggests that increasing involvement could support swifter urban sustainability transitions.

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Chapter 1

Introduction

1.1 SMEs and Urban Sustainability Transitions

We are currently experiencing a global climate crisis. Despite a well-developed understanding that we need to curb warming, anthropogenic activity continues to drive a rise in greenhouse gas emissions (IPCC, 2018). If we proceed on this trajectory, we threaten to trigger critical earth system tipping points (Steffen et al., 2018). To avoid the devastating consequences of crossing these thresholds, the global community must act swiftly to transform the way our socio-technical systems influence earth systems (Paris Agreement, 2015). When exploring different approaches to sustainable transformation, the concentration of intellectual and economic resources and an abundance of creative energy has led policymakers and transformation discourse to focus on the urban landscapes' potential to generate change (Burch et al., 2014; McCormick et al., 2013; United Nations, 2016).

This collaborative effort to transform our cities must mobilize actors in all sectors from a global to local scale. Sustainability transition theories, aimed at explaining the processes and actors that will support sustainability transformation, recognize that the private sector will have a significant role to play in transforming our cities (Burch et al., 2016). However, policy tools developed to support firm-led transition initiatives have been predominantly geared towards larger firms (Blundel, et al., 2013; Jenkins, 2006, del Brio & Junquera, 2003). More recently, attention from the international community (OECD, 2010) and a growing body of research (e.g. Burch, et al., 2016; Gomez, et al., 2015; Hoogendoorn, et al., 2015; Klewitz & Hansen, 2014) has led to increased interest in the potential of small and medium-sized enterprises (SMEs) to contribute to urban sustainability transitions.

The growing interest in SMEs' role in addressing today's climate issues appears to be twofold. First, there is increasing recognition that collectively SMEs make up a substantial percentage of the private sector. Canada classifies small businesses as those having less than 100 employees and medium businesses as those having between 100 - 499 employees (Innovation Science and Economic Development Canada, 2019). In Canada, SMEs compose 99.8% of the businesses;

generate 54.9% of gross domestic product generated by the private sector; and account for 89.7% of private sector employment (ISED, 2019). Therefore, their cumulative efforts have the potential to critically influence the sustainability of urban socio-technical systems (Morsing & Perrini, 2009; OECD, 2010). Secondly, and requiring greater discussion, are the unique characteristics of SMEs that provide them with an opportunity to identify and enact solutions to sustainability issues (see Chapter 2.2). As such, the argument is being made that an intentional effort to harness SMEs collective power and mobilize their distinct qualities has the potential to accelerate urban sustainability transitions (Burch et al., 2016).

The potential for SMEs to accelerate urban sustainability transitions is even further extended in circumstances when their actions are guided by sustainably oriented entrepreneurs (SOE) (Burch et al., 2016). SOEs are business leaders who are motivated to conduct business more sustainably and have made an effort to integrate sustainable practices into their business model. SMEs provide SOEs with a vehicle to address sustainability issues through business activity (Rodgers, 2010). Henceforth, the term sustainability-oriented SMEs will be used to refer to SMEs led by SOEs. Sustainability-oriented SMEs are driven to identify and address sustainability issues associated with their sectoral systems and have the potential to see solutions based on their unique position that may not be visible to other actors participating in their system.

1.2 Research Objective

The purpose of this study is to better understand the potential of SMEs to accelerate urban sustainability transitions. If applicable, it aims to illustrate the benefit of including SMEs in urban sustainability governance processes. Current research - seeking to theorize the involvement of SMEs in urban sustainability governance processes - has found that there exists "a governance divide" a concept referring to the limited ability of current governance strategies to include SMEs in urban sustainability governance processes (Westman et al., 2021, p.6). The lack of engagement of SMEs in urban sustainability interventions has been attributed to such governance divides (Westman et al., 2021).

This study will work to highlight what engagement with SMEs might add to conventional governance processes that exclude them; and make a case for greater collaboration between

SMEs and the public sector. Exploration of this topic is warranted because despite SMEs' critical percentage of economic activity, employment power and favourable qualities, their potential to act as change agents in the urban realm has been relatively under-examined (Burch et al., 2016; Westman, et al., 2021). With the goal of building on literature examining the role of SMEs in urban sustainability transitions this study will take an industry focused approach – using SMEs in Toronto's restaurant industry as a case study.

1.3 Case Study Background and Justification

1.3.1 Restaurants

Food systems are viewed as one of the key domains that need to undergo a fundamental transformation to address today's sustainability issues (FAO, 2017). Due to the globalized and the input-intensive productionist approach of the industrialized food system, most of the world's population eats food that is inherently unsustainable (Ericksen, 2008). At each node in the food system there are changes that can be made to build sustainability. Furthermore, changes made in one node have the potential to ripple up and/or down the system, subsequently increasing sustainability at other nodes (Chiffolleau et al., 2016). Urban food service providers occupy a highly interconnected node in the food system, operating as an interface between consumers and producers (Higgins-Desbiolles & Wijesinghe, 2019). This study will specifically focus on small and medium sized restaurants in the food service industry. Use of the term restaurant will encompass restaurants as well as bars and breweries that serve food.

The consumption of food that takes place in restaurants is a significant cultural activity that is central to tourism, hospitality, and entertainment (Hu, et al., 2013). Eating establishments also play a critical role in shaping urban areas as they can attract office-based businesses (Kowalczyk & Marta, 2020) and influence the neighbourhoods in which people choose to spend their time (Sasaki, 2014). Additionally, restaurants are a major employer in Canadian cities (Pageau, 2016) offering entry level positions with on-the-job training and a high potential for internal growth (Susskind & Maynard, 2019). Despite the social and economic value restaurants bring to urban spaces they are notoriously unprofitable particularly independent (unfranchised) restaurants (Pageau, 2016).

Operating a restaurant requires an immense amount of resources. In addition to food, beverage and labour, restaurants typically require a significant amount of energy and water. Restaurants also generate large quantities of solid waste (Hu, et al., 2013). In 2017, the average pre-tax profit for Ontario food service businesses were \$26,8389 or 3.8% of operating costs (Restaurants Canada, 2019). With such narrow profit margins, restaurants are often driven to rely on unsustainable practices in an effort to remain economically viable. Restaurants are businesses that impact significant urban sustainability issues related to food systems, energy, water, waste, and labour. As such, the restaurant sector has immense potential to collectively operate more sustainably.

1.3.2 The City of Toronto

Toronto is Canada's largest city and the country's economic center. The city of Toronto is known for its robust food scene. Boasting one of the largest food industries in North America, the city's accommodations and food services sector employs over 125,000 people (City of Toronto, 2019a), is home to approximately 7500 restaurants (City of Toronto, 2021a) with the number of SME in the industry steadily growing (Donald & Blay-Palmer, 2006). The city of Toronto was selected as the site of this study because of the size of the industry; the importance of food culture; its entrepreneurial atmosphere; and its progressive green policy.

Toronto has a rich history of innovation and progressive policy with respect to the food sector. In 1991, the Toronto Food Policy Council (TFPC) was formed (Toronto Public Health, 2018). The TFPC was one of the first urban food policy councils in any major city globally (Toronto Public Health, 2018). In 2010, in partnership with the TFPC, the city of Toronto launched the Toronto Food Strategy initiative with the promotion of health and sustainability as its guiding forces (Toronto Public Health, 2010). The project's vision is to transition towards a "food system that nourishes people and the environment, protects against climate change, promotes social justice, creates local and diverse economic development and builds community" (City of Toronto, 2018). Since then, the city has suggested that many of its sustainability goals can be realized by addressing issues central to the food system. However, there is little information that directly considers the potential of businesses in the city's foodservice industry to contribute to the city's sustainability transition. This suggests great potential for increased engagement.

The City of Toronto is also a site of interest in evaluating the role of SMEs in urban sustainability transitions due to its commitment to climate action demonstrated by its TransformTO Net-Zero strategy. Approved in 2017 and adopted by Toronto City Council on December 15, 2021, the Net-Zero strategy focuses on actions that will achieve the city's ambitious target of reducing the city's greenhouse gas emissions to zero by 2040 (City of Toronto, 2021b). Most SMEs generally-and restaurants specifically-directly engage with two of the key areas of emissions reduction the city is focused on: *waste* and *energy*. Additionally, the strategy outlines a set of principles that guided the design of the climate action strategy with the overarching aim of creating benefits to the community. Taking into consideration the value that restaurants add to cities the case can be made that based on the Net-Zero strategy principles of:

- Enhancing and strengthening the local economy
- Creating and maintaining good quality local jobs
- Create community resiliency and infrastructure

...that the city's climate action investments should necessarily include involvement of and support for SMEs in Toronto's restaurant (City of Toronto, 2021b, p.24).

1.4 Thesis Outline

The research paper outline is as follows. Chapter 2 provides a review of the prominent literature on the research topics establishing the value of the research and a framework for guiding and evaluating its results. Chapter 3 outlines the methods used to collect and analyze data. In Chapter 4 the study's findings are presented. Lastly, in Chapter 5 the findings are explained and evaluated in relation to the literature review supporting the overall conclusion.

Chapter 2

Literature Review

This study relies on schools of thought founded in work on sustainability transitions, sustainable entrepreneurship, and urban sustainability governance to establish the importance of looking at the role of SMEs in urban sustainability transitions and encouraging engagement between the public sector and SMEs. Such theories provide critical insight into the value of seeking solutions to sustainability issues at the community level. They also provide this study with a framework for designing a research project to explore these topics.

2.1 Sustainability Transitions

Increasing the sustainability of our cities will require transforming the complex socio-technical system of urban areas. Socio-technical systems are “the linkages between a multitude of elements (such as artefacts, knowledge, capital, labour, cultural meaning, etc.) all of which are necessary for society to function” (Burch et al., 2014, p.469). System innovations that lead to socio-technical transformation focus not only on transforming the technical products but also the social structures within which they are embedded. Examples include situated consumer practices, policy, infrastructure, business models and symbolic meaning (Geels, 2006; Geels, 2019).

2.1.1 Defining Sustainability

What do we mean when we say cities must become more sustainable? Sustainability has a history of being a term used by different actors to serve many different purposes (Robinson, 2004). A popular approach to the concept of sustainability in relation to development, first introduced by the United Nations in the 1987 Brundtland Report and more recently interpreted in an IUCN report (2006), is that sustainability consists of three overarching dimensions: economic, social and environmental. Essentially, sustainability goes beyond addressing environmental issues and instead encapsulates the interdependence of society, ecological systems and economic viability. As well, sustainability emphasizes the importance of the need to think of the implications each dimension has on the other. Traditionally, there has been an emphasis on technical solutions to issues related to the environment in our movement towards more sustainable cities. However, John Robinson (2004) argues “[i]f sustainability is to mean

anything; it must act as an integrating concept,” necessarily integrating social and biophysical dimensions (p.378). The United Nations' (2020) 17 sustainable development goals further recognize and institutionalize sustainability as a multi-dimensional concept. The development goals call for the international community to take up action against key issues related to climate change, social inequality, and uneven economic development under the banner of sustainable development.

The concept of sustainability used in this study will be grounded in the multidimensional understanding of sustainability and the emerging interpretations that have built on the narrative of sustainability further evolving its meaning. Recently, the concept of regenerative sustainability has been introduced in light of the predominant approach in sustainable development discourse that frames sustainability as causing less harm, an inherently negative approach (Robinson & Cole, 2015). Regenerative sustainability reframes sustainability as a process which inherently builds resiliency and simply makes things better (Holden et al., 2016; Robinson & Cole, 2015). This study will employ the concept of sustainability throughout this paper as a regenerative process with the aim of improvement. Furthermore, what constitutes improvement will depend on the situation within which the concept of sustainability is being applied (Robinson & Cole, 2015). Although challenging to evaluate (Holden et al., 2016), for the purpose of this study the process of improvement with respect to sustainability is a collaborative pursuit of net-positive outcomes in social and environmental dimensions while maintaining economic viability in reference to a particular context. This framing of sustainability is particularly fruitful in the study of urban sustainability transitions because it substantiates sustainability as a multi-stakeholder process that is favorable to the study of transition at a local scale (Robinson & Cole, 2015).

2.1.2 Transition Studies

The question of how we will activate processes of societal transformation is large, looming and increasingly important. In response to this complex issue, transition studies work to understand the different pathways to improvement that will support ongoing, successful processes of socio-technical transformation. Markard et al. (2012) define sustainability transitions as a “multi-dimensional, and fundamental transformation processes through which established socio-technical systems shift to more sustainable modes of production and consumption” (p.956).

These processes are expected to engage with a variety of stakeholders over a considerable period of time. As such, understanding how change processes are governed is often a key focus of transition studies (Smith, et al., 2005). Transition frameworks have primarily been developed through the study of innovation and the introduction of new technological products with a focus on energy, transportation and buildings (Geels, 2006; Geels, 2012; Gibbs & O’Neil, 2014). However, each framework's distinct approach to identifying and understanding processes of innovation and governance and analyzing the role of different actors at different scales, makes their findings applicable to a wider range of systems transitions (Geels, 2005; Burch et al., 2014; Smith et al., 2005).

Part of the conceptual tool kit that transition studies provide are analytical concepts delineating different levels of social organization. These tools aid in understanding dynamic system’s innovation processes (Geels, 2006; Rotmans et al., 2001). Rotmans et al. (2001) offer a succinct outline of the divisions of social organization:

The *socio-technical landscape* relates to material and immaterial elements at the macro level: material infrastructure, political culture and coalitions, social values, worldviews and paradigms, the macro economy, demography and the natural environment. The second level, that of *regimes* (meso level), relates to dominant practices, rules and shared assumptions. At the meso level are the interests, rules and beliefs that guide private action and public policy - for the most part geared towards optimising rather than transforming systems. The *niche* level (micro level) relates to individual actors and technologies, and local practices. At this level, variations to and deviations from the status quo can occur, such as new techniques, alternative technologies and social practices. (p.19)

The nuances of these concepts may differ based on the analytical context within which they are applied. However, the above definition provides a basic introduction to their use in the realm of transition studies. Different approaches to transition studies identify different configurations of the dynamics between these levels as important to sustainability transition. Within the field of transition studies, four overarching theoretical frameworks have been proposed: *technological innovation systems*, *transitions management*, *strategic niche management* and the *multi-level perspective* (Markard et al., 2012, p.955). Of the four frameworks, the multi-level perspective lends itself well to the exploration of the role of bottom-up pressure from firms in transition

because it identifies innovation from pioneering actors within the niche level as the most likely arena for change (Burch et al., 2014; Seyfeng & Smith, 2007).

The multi-level perspective (MLP) provides an analytical tool that emphasizes the critical role of niche-innovations while also perceiving transitions as driven by multiple social groups participating in multiple activities situated in the context of specific rules and institutions (Geels, 2019). Geels & Schot (2007) characterize niche-innovation as: novelties developed by a small group of actors, through co-construction, with the aim of integrating different system elements¹ into a seamless web. Geels & Schot (2007) outline the MLP's argument that transitions emerge as a result of multilevel dynamics that create a "window of opportunity" for the niche-innovation to break out of the niche level as follows:

(a) niche-innovations build up internal momentum, through learning processes, price/performance improvements, and support from powerful groups, (b) changes at the landscape level create pressure on the regime and (c) destabilization of the regime creates windows of opportunity for niche-innovations. The alignment of these processes enables the breakthrough of novelties in mainstream markets where they compete with the existing regime. (p.400)

This conception of a transition pathway highlights the need for a change in social dynamics at all levels but sees niches as the level in which transition driving innovation emerges. More specifically, MLP asserts that "[r]adical innovations tend to emerge in small niches at the periphery of existing systems, through pioneering activities of entrepreneurs, start-ups, activists, or other relative outsiders," (Geels, 2019, p.190; Kemp, et al. 1998). In other words, pioneering niche actors are viewed as a critical factor in applying pressure on the present regime. Therefore, policy and research should be directed at stimulating and encouraging activities that could lead to innovation (Kemp, et al. 1998; Seyfeng & Smith, 2007). In an urban context this view provides a prescriptive role for local government; calling for greater effort to mobilize the transformative potential of innovative niche actors. As such, MLP's multi-level, multi-actor approach to theorizing sustainability transitions with an emphasis on change driven from the bottom-up,

¹ "Elements" refer to the elements of various socio-technical systems including but not limited to artefacts, market shares, infrastructure, regulations, consumption patterns, public opinion.

provides a useful framework for exploring the potential of SMEs to contribute to transition at the community-level.

2.2 Framing SMEs as Agents of Change

It has been argued that SMEs possess distinctive qualities that conjointly make them promising change agents. In terms of the benefits of their scale of operation, the condensed organizational structure of SMEs has been found to remove bureaucratic barriers (Bos-Brouwers, 2010). This allows SMEs to swiftly integrate new practices and gives them an advantage in proactive and reactive operationalization of sustainability measures in comparison to larger corporations (Bos-Brouwers, 2010). Tied to their flexibility and adaptability, SMEs are seen as, “creativity pools where new ideas, concepts and even business models are first tested and explored” (Burch, et al. 2016). Explicitly, SMEs offer a fruitful arena for experimental innovation that can then be diffused. Opportunity for unique innovation is also attributed to SMEs specifically operating at the local level as this position provides them with a situated perspective and greater concern for addressing the issues affecting their community (Luederitz et al., 2021; Wells, 2016; Westman et al., 2018). Together these qualities have been highlighted as particularly compelling reasons to see SMEs as harbouring the potential to contribute to sustainability transitions in a significant way.

Despite their dynamicity and potential for innovation, it is widely understood that there are also factors that hamper SMEs’ ability to conduct business in a sustainable manner. Constrained access to critical resources in the form of finance, and skilled personnel are key challenges affecting SMEs’ ability to embrace sustainable practices (Bos-Brouwers, 2009). Additional obstacles include SMEs’ lower status as sustainability actors; relatively less power to influence the supply chain; and a general lack of knowledge of sustainability issues (del Brio & Junquera, 2003). In the face of such barriers, there is a consensus among researchers that SMEs will likely require support from external actors to realize their potential to accelerate urban sustainability transitions (Bradford & Fraser, 2008; Gibbs & O’Neil, 2014). Blundel et al. (2013) highlight the “win-win” aspect of providing support for SMEs. Simultaneously, the environmental agenda is progressed while SMEs receive the resources needed to realize their goals (p.257). Though Blundel et al.’s (2013) discussion stems from a study on wind technology -with a focus on

environmental factors - it is plausible to see a parallel regarding the public sector's support of urban SMEs' sustainability initiatives and how it can have mutually beneficial outcomes for both parties.

2.2.1 SMEs and Sustainable Entrepreneurship

In the study of SMEs and their ability to contribute to sustainability transition, consideration of entrepreneurs and the ethos of entrepreneurship is inherently important. Entrepreneurs have been identified as critical pioneering actors capable of introducing radical innovations which drive sustainability transitions (Kemp, et al., 1998). Entrepreneurs play a dominant role in the functioning of SMEs (Bos-Brouwers, 2010). Walley and Taylor (2002) define the entrepreneur as, "an individual who earns his or her livelihood by exercising some control over a business activity, intentionally producing more than can be personally consumed in order to profit from such enterprise" (p.33). Additionally, Michael Schaper (2002) integrates creativity into the foundation of what it means to be an entrepreneur by claiming that, "entrepreneurship arises when enterprising individuals identify an unsolved problem, or an unmet need or want, which they then proceed to satisfy" (p.38). As such, entrepreneurs are attuned to finding creative approaches to addressing issues and generating capital through their solutions. Gibbs and O'Neil (2014) argue that through sustainable practices, entrepreneurs have the potential to act as "system builders" because their efforts influence and create change in the broader systems within which they are embedded (p.1096). As noted, socio-technical transition calls for innovation beyond artifacts (Geels, 2006). In addition to creating sustainable products and services, entrepreneurial activity influences systems by introducing novel business models and affecting formal (rules and regulations) and informal institutions (social norms) (Schaltegger et al., 2016; Woolthuis, 2013). Since they are the leaders steering the decision-making process within an SME, understanding the motivations of the entrepreneur guiding a SMEs' actions is critically important.

Motivations to invest in environmental measures can be viewed strictly as attempts to increase profitability by accessing new consumer markets; to achieve cost reductions and benefits associated with more efficient resource use; to access government incentives; and so forth (Bos-Brouwers, 2010; Walley and Taylor, 2002). However, though profitability is a commonly cited motivating factor for investment in sustainable operations, research has found that entrepreneurs'

choices are guided by more than economic gain. Due to an increased awareness of environmental and social issues, there has been a rise in sustainably oriented entrepreneurship (Gast et al., 2017; Luederitz et al., 2021; Masurel, 2007; Westman et al., 2018). Guided by SOEs, sustainability-oriented SMEs are businesses that actively work to realize "unique approaches to delivering social, economic and environmental value" (Burch, 2020, p.3). In this sense, SOEs view their business not only as a means of generating income but also a vehicle to enact social change (Rodger, 2010; Luederitz et al., 2021). In a study framing SMEs as social actors, Westman et al. (2018) provide a framework to explain the sustainability actions of SMEs:

- Individual beliefs and values: the personal convictions of the manager guiding a SMEs' choices are critical drivers in their adoption of a sustainability agenda.
- Internal social relations: sustainability-oriented SMEs attach importance to their internal social dynamics, viewing employee well-being and an inclusive work environment as important issues.
- External social relations: sustainability-oriented SMEs value relational social capital. Relationships with external actors enhance the firm's social networks and support SMEs' decision to build on personal relationships in the construction of sustainable supply chains, relying on intangible assets like trust and personal knowledge.
- Embeddedness in social environment: sustainability-oriented SMEs are often engaged in sustainable action at the local level in an effort to build a good community reputation.

Understanding SMEs as social actors with the desire and potential to drive social change supports the argument that SMEs have the potential to offer valuable insight that urban sustainability governance should work to harness and mobilize.

2.3 SMEs and Urban Sustainability Governance

Urban sustainable transformation will require a multidimensional approach that includes various actors (McCormick et al., 2013). A city's opportunity to encourage and access transition supporting innovations by periphery actors will be largely based on its governance approach (Gorissen et al., 2016). The concept of governance considers, "the interplay between state and society and the extent to which collective projects can be achieved through a joint public and private mobilization of resources" (Pierre, 2011, p.5). As established, sustainable transition is necessarily a collective project; therefore, urban governance processes are central to its direction

and pace. The private sector is an essential player in the governance of sustainability transitions. In addition to being a well spring of innovation, the private sector is a key arena where transition needs to take place as private sector activity plays a major role in many of today's sustainability issues (Burch et al., 2016).

Academic and political attention is typically focused on political engagement with sustainability issues related to large corporations (Wickert, 2014). Despite receiving relatively less attention, SMEs have been found to take part in political processes through membership in policy coalitions, involvement in activism and engagement with informal issue networks (Westman et al. 2020). However, such studies also suggest that SMEs involvement in formal processes are modest, demonstrating, "the need for decision-makers to seek engagement of progressive SMEs to accelerate sustainability innovation" (Westman et al., 2020, p.7).

Through a study examining the governance process of sustainability initiatives in Toronto, Westman et al. (2021) identified a governance divide between SMEs and traditional governance actors. This was due to practical, cognitive and normative barriers to engagement (p.7). Practical challenges were related to unaccommodating policy frameworks. As well, a lack of available time on the part of SMEs hindered their ability to engage in the policy-making process based on the avenues of engagement offered. Furthermore, the authors found that traditional governing bodies were uninterested in consulting SMEs. This led to cognitive barriers, which subsequently created and reinforced normative barriers. By viewing SMEs solely as economic actors - without recognizing their role as social actors - SMEs are relegated to the margins of urban sustainability initiatives. These insights indicate that thus far, the potential of SMEs to contribute to sustainable urban transition has been largely neglected by municipal governments. At this time when swift collective action is being called for it is essential to consider what opportunities are being missed.

2.4 Research Questions

This study considers the role of SMEs in the process of urban sustainability transitions with a focus on their potential to accelerate system change. As such, it aims to understand if sustainability-oriented SMEs in Toronto's restaurant industry have the potential to act as "system

builders"(Gibbs and O'Neil, 2014). To realize these aims, this study explores the following set of questions:

1. Do SMEs in Toronto's foodservice industry exhibit the characteristic of niche-innovation?
2. How does the leadership of sustainability-oriented entrepreneurs contribute to urban sustainability transitions?
3. How are SMEs in Toronto's foodservice industry involved in sustainability initiative governance processes?

This study hypothesizes that sustainability-oriented SMEs in Toronto's restaurant industry have valuable insight and innovative solutions to the industry's sustainability issues that have the potential to accelerate the sustainability transition process. However, realizing these solutions will likely require support from external actors. By gathering evidence supporting the potential of SMEs to provide unique solutions to urban sustainability issues, this study intended to support the argument for greater engagement with SMEs in the urban sustainability governance processes and further explore the ways in which such engagement can be encouraged. This study fills a gap in the academic literature by enhancing our understanding of SMEs' potential to accelerate sustainability transitions in cities, by focusing on the foodservice industry.

Chapter 3

Methodology

This research project took an exploratory qualitative interview approach combined with data analysis. The decision to take this approach to support answering the research questions was based on the review of the popular methods used in similar studies included in the literature review. This decision was further supported through discussion with Dr. Mark Hunter, Professor of the Human Geography Core Course and this research project's Supervisor, Dr. John Robinson. These methods were deemed appropriate to collect the evidence needed to achieve this study's aims. To ensure the health and safety of all parties involved, interviews were conducted virtually using the Zoom application. Additionally, supporting texts were researched and collected virtually. A Human Ethics Protocol was submitted to The University of Toronto's Social Sciences, Humanities and Education Research Ethics Board and approved on June 25th, 2021.

3.1 Description of Sample Selection

Research participants were situated within Toronto's food service industry and were perceived as being able to provide insight into the process of sustainability transition in the industry and SMEs involvement in the governance of sustainability initiative. It was anticipated that participants meeting this criterion would be able to provide valuable insight that would support the research objectives. Three types of research participants were approached: SOEs in Toronto's food service industry, City of Toronto representatives, and food service industry organization representatives. Once an individual agreed to participate an information and consent letter was provided: both documents were approved by the Education Research Ethics Board (see Appendix A). See table 3.1 for a summary of research participants.

Table 3.1 List of Research Participants

	Name	Business/Organization	Job Title
Sustainability Oriented Entrepreneurs			
SOE 1	Brad Long	Café Belong	Owner & Chef
SOE 2	Max Meighan	Redchurch Brewing LP (dba Avling)	Director
SOE 3	Kelsey Ramage	The Trach Collective Inc.	Owner & Operator
SOE 4	Sophie Jacazio	the Goods	Business Manager
SOE 5	Anonymous	Restaurant	Co-Owner

CR	Kim Montgomery	Montgomery's (Closed)	Co-Owner
Organization Representative			
OR	Anna Pham	LEAF	Executive Director
City Organization Representative			
CR	Kim Montgomery	TFPC	Co-Chair

3.1.1 Sustainability Oriented Entrepreneurs

First, an inventory of sustainability-oriented SMEs in Toronto's foodservice industry was taken. Sustainability-oriented SMEs in Toronto's foodservice industry are businesses (restaurants, cafes, pubs, etc.) that are motivated to conduct business more sustainably and have tried to integrate sustainable practices into their business model. The SOE representatives that participated in the interview on behalf of the sustainability-oriented SME are recognized as being in a position of authority in the business. They are the business owner, the general manager, or the head chef. They identified themselves as leaders of sustainability initiatives in their associated business. SOEs were interviewed as it was believed they would be able to provide evidence regarding whether Toronto's foodservice industry SMEs exhibit the characteristic of niche-innovation and how the leadership of SOEs contributes to urban sustainability transitions. Additionally, they could provide experiential insight into how SMEs in Toronto's foodservice industry are involved in sustainability initiative governance processes.

Sustainability-oriented SMEs in the Toronto food service industry were identified through the Canada's Leaders in Environmental Accountability certification list and a Google search for foodservice businesses' promoting sustainable business practice. Of the businesses initially contacted, four responded and participated in the interview process. Additionally, I spoke with Geoffrey Robinson, a Global Brand Ambassador focused on social sustainability at Bacardi. He referred me to a fifth SOE involved in the Toronto foodservice industry.

3.1.2 Food Service Industry Organization Representatives

The original food service industry organization representatives included a member of the Toronto Restaurant Regional Board of Directors and a representative from the private, national, sustainable restaurant certifying body LEAF. These individuals were identified as potentially having the ability to discuss the role of SMEs in Toronto's restaurant industry. They both brought a focus on sustainability and involvement in City of Toronto sustainability initiative

governance processes. Anna Pham, Executive Director of LEAF was interviewed. Toronto Restaurant Regional Board of Directors did not respond to the request for an interview. Additionally, non-profit Canadian food service association, Restaurants Canada was contacted for an interview. However, they did not respond to the request.

3.1.3 City of Toronto Representatives

The original City of Toronto representatives identified for interview were a member of the TFPC and a member of the Toronto Health Division (which traditionally oversee the city's food sector). They were identified as being able to provide insight into SOEs contribution to Toronto's urban sustainability transition. They could also provide valuable information regarding Toronto food service SMEs participation in the sustainability initiative governance process. Kim Montgomery, co-chair of TFPC and restaurateur, was interviewed. As Montgomery also has experience as an SOE operating restaurant in Toronto her insights were also taken into consideration as an SOE representative. The Toronto Health Division was contacted but did not respond to the request for an interview. In the interview with Montgomery, she explained that there is currently no food system representative working with the Toronto Health Division and that the division's resources have been largely redirected to support the city's response to the COVID -19 pandemic. Efforts to contact the Toronto Food Strategy unit and academics with insight to the governance of Toronto's food system were made. However, they did not respond to the request for an interview. Or they felt they could not provide information that would be valuable to the project.

3.2 Research Instrument Description

The semi-structured interview question guides were developed using the five-phase framework outlined by Kallio et al. (2016). The five phases of developing the interview guide were as follows: (1) identifying the prerequisites for using semi-structured interviews; (2) retrieving and using previous knowledge; (3) formulating the preliminary semi-structured interview guide; (4) pilot testing the guide; and (5) presenting the complete semi-structured interview guide (p.2959). Semi-structured interviews were deemed appropriate because the data being collected included participants' "intentions" and "values" (p. 2959). As such, this approach allowed participants to focus on the issues that were most "meaningful" to them (p. 2959). The second phase was

undertaken through the literature review which then supported the third phase, shaping the interview guide questions. The question guides underwent internal testing through evaluation of the preliminary interview guide by project supervisor John Robinson. Lastly, the question guides have been included in this paper to support understanding of how and what data was collected from participants (see Appendix B). Three question guides were created using this framework. A different interview guide was developed for each research participant type².

3.2.1 Administration of Research Instrument

The participants did not receive the questions prior to the interview. At the time of the interview, the primary investigator read the questions to participants. When necessary, the primary investigator would ask follow up questions to clarify or increase the depth of the information being shared. Research participants were given the option to skip any questions they did not feel equipped to answer. At the end of the interview research participants were given the opportunity to share any additional information they believed to be relevant and important to the study. The interview length ranged from 37 minutes to 104 minutes for an average of 62 minutes over seven interviews.

3.3 Data Analysis

A thematic approach to analyzing the collected data is appropriate for this research project because it allows for the interpretation of information in the form of experiences. This approach provides the opportunity to detect “patterns of meaning” such as similarities, differences, and overarching themes (Braun & Clarke, 2006, p.86). This research project relied on Virginia Braun and Victoria Clarke’s (2006) five step guide for doing thematic analysis (p.87). As this research project was seeking to find answers to specific questions, a theory-driven approach to coding and theme identification was taken.

² As Kim Montgomery had insight as a city representative and an SOE, a hybrid research guide was created to gather relative information from both experiences.

3.3.1 Coding and Theme Identification

The first step of thematic analysis, “familiarizing yourself with data” was achieved through the process of transcribing the recorded interviews. At this time, initial observations were noted to support the secondary step of “generating initial codes.” Codes were manually identified through a process of reading and rereading the transcripts. Guided by the research objectives and theoretical lens outlined in chapter 2, words, sentences, and paragraphs that were relevant to the research questions were sorted into a table with two columns: one for the selected codes and the other, participant’s name. During the third step, the initial codes were reviewed with the aim of identifying border themes.

Defined by Braun and Clarke (2006), a theme, “captures something important about the data in relation to the research question and represents some level of patterned response or meaning within the data set” (p.82). Themes were identified at the semantic level, considering what participants explicitly shared. In the fourth step, a description of the information shared is organized, and summarized by the emergent patterns. The results of this step in the data analysis process can be found in Chapter 4. Data found through grey literature research (using the search engine Google) with a focus on City of Toronto websites, is also included in these discussions. This helps to provide additional context to the participants' experiences. The final step of thematic analysis is completed in Chapter 5 where an interpretation of the patterns is made in an effort to theorize the patterns significance in relation to the literature review.

Chapter 4

Findings

4.1 SMRs and Niche-Innovation

4.1.1 Identifying and Addressing Sustainability Issues

Toronto's sustainability-oriented small and medium-sized restaurants (SMRs) are concerned with the impact of unsustainable practices in the food service industry and are committed to addressing them by integrating sustainable practices into their businesses (CR; SOEs 1-5). Sustainability-oriented SMRs are aware of the multiple sustainability issues in Toronto's restaurant industry. The main sustainability issues associated with running a restaurant business identified by SMRs are outlined in table 4.1. Sustainability-oriented SMRs agree that restaurants typically rely on unsustainable practice and that running a restaurant sustainably requires a concerted effort by the business's decision makers (CR; SOE 1; SOE 3; SOE 5). There is evidence that when a sustainability-oriented SMR identifies a sustainability issue, an effort is made to address the issue through a change in practice (CR; SOE 1-5) (see table 4.1).

Summary of sustainability issues and efforts to address them

Sustainability Issues	Identified Issue	Addressed issue through alternative business practices	Niche-innovation
Unsustainable Food System			
Conventional Agriculture	CR, SOE 1, SOE 2, SOE 3, SOE 4, SOE 5,	CR, SOE 1, SOE 2, SOE 3, SOE 4, SOE 5,	SOE 2 SOE 2
Distance food distance travels	CR, SOE 1, SOE 2, SOE 3, SOE 4, SOE 5	CR, SOE 1, SOE 2, SOE 3, SOE 4, SOE 5	SOE 2
Using out of season food	CR, SOE 1, SOE 2, SOE 3, SOE 4, SOE 5	CR, SOE 1, SOE 2, SOE 3, SOE 4, SOE 5	
Waste			
Food Waste	SOE 1, SOE 2, SOE 3, SOE 4, SOE 5	SOE 1, SOE 2, SOE 3, SOE 4	SOE 3
Packaging/ Plastics	SOE 1, SOE 3, SOE 4, SOE 5	SOE 1, SOE 3, SOE 4	SOE 3
Energy	CR, SOE 1, SOE 4, SOE 5	CR, SOE 4, SOE 5	

Water	CR, SOE 1, SOE 2	CR, SOE 1, SOE 2	SOE 2
Employee Well Being	SOE 3, SOE 5	SOE 3, SOE 5	

When SMRs are interested in addressing a sustainability issue it is common practice to consult relevant businesses and organizations (CR; SOEs 1-5). SMRs establish informal information sharing networks with other actors involved with or related to the foodservice industry in an effort to learn about and develop solutions to sustainability issues (CR; SOEs 1-5). For example, through her travels educating bars about more sustainable approaches to making cocktails, Kelsey Ramage, the owner and operator of the Trash Collective, describes the value of information sharing between businesses.

I've got a fairly big network... I don't think I'd be able to do this [educate bars about more sustainable practices] alone... I think this work very much requires, not only like a community and having constant conversations... maybe somebody has found a solution for chemical packaging somewhere in the US and I don't know about those solutions. So, like as much research that can be done on Google, you know, sometimes people have different ideas from you and, and I think that that's a hugely important part of this conversation.

In addition to other foodservice operators, relationships with suppliers are a key avenue SMRs use to learn and build a network that supports increasing the sustainability of their business (CR; SOE 1-5). SOE 5, co-owner of a restaurant in Toronto, developed a strong relationship with one of the farms they source food from. As a result, for the past five years the restaurant has had the opportunity to farm a three-quarter acre plot of land using the same regenerative farming practices³ employed by the farm. SOE 5 explains that although they can only produce a small portion of the food they require to operate their business on the land the project is, “a big sense of pride for us. And it's a great source of education and culture for our restaurant and for our guests.” SMRs acknowledge that these relationships create the opportunity to access valuable experiential insight and opportunities for growth that can only be sourced through discussion with other practitioners.

³ Regenerative agriculture is a practiced based approach to farming with the aim of improving soil health.

4.1.2 Instances of Niche-Innovation

The SMRs' process of researching, developing, and integrating sustainability practices featured components of niche-innovation: working with a small network of actors (CR; SOE 1-5), process of co-creation (CR; SOE 2, SOE 3, SOE 4), effort to integrate different system elements (SOE 2; SOE 3) and upscaling and diffusion of novel ideas (SOE 2, SOE 3). However, there were few examples of initiatives that brought together all the characteristics of niche-innovation (SOE 2, SOE 3). The SMRs associated with SOE 2 and SOE 3 were the only SMRs that appeared to have developed solutions that address sustainability issues that feature the characteristics of niche innovation. Table 4.2 outlines the details of the projects that indicated the characteristics of niche-innovation. Based on these findings there is reason to believe that development of niche-innovation from SMRs is possible. However, such projects appear to be the exception rather than the standard approach SMRs take to addressing sustainability issues in Toronto's foodservice industry.

Table 4.2 Initiatives that feature characteristics of niche-innovation

Research Participants and Initiatives	Standard Practices	Innovation	Developed a by small group of actors	Process of co-construction	Signs of effort to integrate different elements	Efforts to upscale and diffuse
NI 1) SOE 2 Rooftop Farm	-Using a large wholesaler (e.g. Sysco, Bondi) -Using local food wholesaler -Buying direct from farmers	-First purpose-built roof top farm in TO -Using regenerative farming practices	-Worked with the Redchurch Brewing team -Green roof installation company	-Went to New York to learn from one of the largest roof farming operations -Information exchange with Ryerson University -Accessed Green Roof Incentive	-Physically created the green roof -Use of the green roof challenges social norms regarding the food system -Use green roof as a marketing tool -Financially productive	- Approached by multiple restaurants for support with developing their green roof
NI 2) SOE 2 Commodifying Cover Crops	-Sourcing brewing malt from wholesale suppliers	-Purchasing malting grains used as a cover crop on farm (typically not a cash crop but grown to improve soil health)	-Worked with a pig farmer they were purchasing meat from - Working with urban agriculture consultants Raised Roots	- Idea generated by farmer and SOE 2 -Raised Roots brought in as experts to improve project	-Created a good out of a waste product -Changing perception about what grain can be used in brewing	-In the process of refining the system but aim to increase use of practice beyond own business

NI 3) SOE 3 Trash Collective Cocktails	-Using out of season nonlocal products -Generating large amounts of food waste for a small amount of ingredients	-Approach to making cocktails that use local, seasonal products and use the whole product -Developed a sustainable bar education program	-Created the Trash Collective ⁴ made up of hospitality representatives interested in reducing waste in bars	-In constant consultation with other bar managers about best bar practices and how to make sustainable bartending economically viable	-Change social norms about what ingredients can be used in cocktails -Efforts to make sustainable practice more affordable than standard practices	-Travelled across the US and to international destinations doing pop ups in major bars -Piloting bar education consulting program with the goal of upscaling
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4.1.3 Barriers to Niche-Innovation

SMRs face a number of challenges that affect their ability to generate solutions that bear the characteristics of niche-innovations. Developing new practices in-house to address sustainability issues is often beyond the capacity of SMRs (see section 4.1.3) (CR; SOE 1; SOE 4). Sophie Jacazio, manager at the Goods restaurant explained, “[o]ne of the issues as a small independent business is that embarking on projects such as reusable boxes for food that can be taken out, used, and then taken back... it can be a big investment for businesses to embark on these projects... when starting new.” Instead, SMRs partner with intermediary organizations that are explicitly focused on addressing sustainability issues (CR; SOE 2; SEO 5). Furthermore, when SMRs do establish innovative practices, they often can’t expend the effort it takes, or are not aware of pathways for sharing or upscaling them (OR). Anna Pham, Executive Director of LEAF explains, “so many people are doing little things in their own way... you know a restaurant operator, creating his own compost program. But no-one's really talking about it or amplifying it or understanding why or collectively moving them [people interested in sustainability in restaurants] together and making them into a community.” More generally though, the majority of SMRs cannot expend resources in the form of time or money to establish even basic sustainability practices and that the COVID-19 pandemic has only exaggerated these issues (CR; OR; SOE 3; SOE 4; SOE 5).

⁴ The Trash Collective was formally the called Trash Tiki.

4.2 How the Leadership of SOEs Contributes to Sustainability Transitions

4.2.1 SMEs as Social Actors

SOEs are motivated to operate their business sustainably by their personal beliefs (CR; SOE 1; SOE 3; SOE 4; SOE 5); observing the current environmental and social destruction of business as usual (SOE 1; SOE 3; SOE 5); and the better-quality food produced by sustainable practices (SOE 1; SOE 2; SOE 4; SOE 5). The increased market value of sustainability as a brand was cited as a motivation (SOE 2). However, it is also the case that SOEs will take a cut to their potential profit to run their business more sustainably (CR; SOE 4; SOE 5). Kim Montgomery, co-chair of the TFPC and co-owner of the now closed Montgomery's restaurant, explains the approach that she and her partner took when they were operating an SMR:

[W]e tried to do the most sustainable path for us, and it was definitely not motivated by what would generate the most income for us... We knew we were taking a hit [financially] by doing what we considered a more sustainable path, but I will also say we were still able to garner a profit.

SOEs are willing to sacrifice profit to operate in a way that reflects their personal values (CR; SOE 4; SOE 5). Despite this approach, SOEs are still able to maintain their economic viability, allowing them to continue building sustainability into urban systems and challenging social norms regarding the goal of business to maximize profit at whatever cost.

SOEs are aware that they not only offer a service to the public but are themselves consumers of products with purchasing power (CR; SOE 1-5). SOE 5 explains, “[w]e just realized that we're consumers and consumers of what and how are we consuming it? What are the consequences of this consumption?” By asking these questions, SOEs consciously make choices to support other actors that are increasing the sustainability of systems. These efforts have an effect at a local level, primarily because SOEs in the restaurant industry deviate from standard practice by purchasing sustainably produced local goods (CR; SOE 1-5). Brad Long, Owner of Cafe Belong describes how his consumption choices reinforce sustainable practices.

I paid more for it [ingredients] and know that it will be there next year when I need to go and buy it... So, I know the person, the family and people who are stewarding the land are going to be there next year stewarding the land because I paid them a proper living wage. Furthermore, SOEs become advocates for regulation that increases access to businesses that share their values (CR; SOE 2; SOE 5). Montgomery explains:

“[W]hat if the backyard gardener, who could do a small market garden, does something that's 100% organic. It is 100% local, but doesn't have the opportunity to market itself as such, because... there are laws right now that... the only way you can sell your own food is... if it's from your gate. So, you can sell from your backyard gate. You can't sell [your produce] by delivering it to the restaurant down the street legally. If the person showed up at your gate, you could hand it off to them. So, there could be some manipulation of that [regulations] and then you would totally change the local economy. You would allow people to grow; to make money; to help support local businesses. Local businesses could, you know, find better sources, a lot more local sources. And then again, the neighborhood community is strengthened.”

The choices that SOEs make for their business support and encourage proliferation of sustainability-oriented SMRs in cities within and beyond their industry.

SOEs increase social well-being in their community through their SMR (CR; OR; SOE 1; SOE 4). SOEs' relationship with their community is reciprocal. The community values the measures SOEs take to conduct business more sustainably and in turn they support the business (CR; SOE 4; SOE 5; CR). COVID has emphasized the importance of SMRs as community hubs (CR; OR). Pham explains, “I feel like with COVID, we've come to realize that the hospitality industry is in fact, the nucleus of a community.” Reinforcing this claim, Montgomery describes the role her SMR was playing in her community during COVID.

[W]e were feeding the groceries for like a lot of essential workers and making the prepared meals... if they came to pick up their food, for people who were in isolation, we were the one person that they saw all week... we would have this chat at the doorway when we were like handing off this box and we would have tears in our eyes. We were so emotional about how important a role that like as a business that we were being able to stay in business to offer these people really healthy food and that they appreciated it. We could see it like this tactile thing.

Montgomery goes on to explain that typically with the “everyday hustle... you don't have time to think about that kind of role you play within the food system.” Though it is not always obvious, the value SOEs attribute to relationships with their local community create the potential for their SMR to act as a hub of social cohesion (CR; OR; SOE 4).

Not all SOEs necessarily perceive their businesses as a vehicle to enact social change (SOE 2; SOE 3; SOE 5). Although they use practices that increase social well-being, they view their business as a platform to amplify important sustainability work that is being done by other organizations (SOE 2; SOE 5). Max Meigan, Director of Avling Kitchen and Brewery explains that his business:

certainly wasn't conceived, uh, primarily as a sort of means to, to enact social or sort of economic change. However,... we work with groups that we support, in fundraising capacities or as workshop partners that we bring in to teach on the roof. We're always looking for people who are very much rooted in and come from a sort of honest perspective of social change, and trying to, um, push things forward. For us, we sort of highlight specifically people who are working in food justice, food sovereignty, equity, and Aboriginal issues. And so, in the stories that we try to tell from the business side, it connects to those wider themes in the sort of partnerships that we try to enact. We look to... support people who are doing it explicitly.

SEOs increase the exposure of organizations committed to addressing sustainability. They spread their message and increase collective exposure to the ways to engage with and support sustainable transition within their community.

4.2.2 Research and Education

SOEs perceive research and education as critical tools for supporting the transition to more sustainable practices (CR; SOE 1-5). SOEs invest time in researching the issues they are working to address and the different pathways for addressing those issues (CR; SOE 1-5). Then they take what they learned and apply it in their businesses (CR; SOE 1-5). Knowledge is transmitted as SOEs share the importance and understanding of how to address sustainability issues with their employees (SOE 1-5). SOE 5 shares:

[W]e employ 50 people here... and if our staff [members] continue to grow in this industry and become chefs and general managers and leaders in their own right, maybe

they will want to buy food and create menus and pay people the way that we're doing here as well.

SOE 5 acknowledges that their efforts are on a very small scale. However, by training staff in this environment there is potential for their efforts to transcend their business.

Not only are SOEs committed to educating those within their business, they use their platform to educate and successfully influence the behaviour of other entrepreneurs in their industry. Long explains that in the eighties, chefs Jamie Kennedy and Michael Stadlander inspired him to incorporate sustainability as a guiding principle in his business models.

“[T]hey're not out there stomping... to try and make more people do it [use sustainable practices in their restaurants]. They just did it and explained it and had a few events around it. And we showed up and went oh, yeah. Yes.”

By sharing their passion and insight, SOEs have the potential to increase the number of entrepreneurs integrating sustainable practices into their businesses. SOEs not only raise awareness of the sustainability issues in their industry but provide the means to address them.

By committing to sustainability practices, SOEs provide an opportunity to test and prove the market value of these practices. This happens as consumers committed to sustainability practices choose to support businesses that share their values (see Chapter 4.1.1) (CR; SOE 4; SOE 5). SOEs demonstrate the benefits of doing business in a more sustainable manner (CR; SOE 1-5). They do this directly, through their staff, customers, networking, and promotion (CR; SOE 1-5). They do it indirectly by attracting attention as a result of their success (CR). Support for sustainability-oriented business practices is only expected to grow. As Pham shares, “it’s pretty evident that Millennials and Gen Zs are very aware of their buying power and brand visibility you know, the power of their appetite... [a survey found] 75% Millennials would rather pay more money if they know the story and the source behind the dish they're eating” (GreenPrint, 2021). The potential for operating sustainably and staying economically viable is growing and SOEs showcase that potential to other businesses.

4.3 SMRs, the City of Toronto and Sustainability

4.3.1 Engagement of SMRs in Urban Governance Processes

The City of Toronto directly engages with SOEs that are prominent in their industry in urban sustainability initiatives (CR). Montgomery explains, “[I]f you're being proactive and you're being vocal, that you're active then you become turned to for it. But they're [small businesses] not at first being reached out to, to get their input.” As co-chair of the TFPC, Montgomery has been sought out by the city to share her insight. However, she is quick to note, “I'm just one person. It would be awesome to have many more voices participate in the discussion.” Additionally, Long, a well-established advocate for sustainable food systems in Toronto, is contacted by politicians as well as institutions inviting him to speak about his work. Meighan experienced some contact with the city when he accessed the city’s Eco-Roof Incentives Program. Meighan describes his experience in the following way, “[W]ith the city, it was a sort of flurry of interest, right when the grant was made. And then, sort of nothing thereafter.” Constructing Toronto’s first purpose-built rooftop farm and accessing their funding attracted the attention of the city but a line of communication to share feedback and insight was not established.

The City of Toronto does provide passive opportunities⁵ for community members to participate in urban sustainability initiatives. Jacazio shared that two or more years ago the owner of the Goods attended a city-led meeting on food waste management that was related to restaurants. However, at the time of the interview, she had not received any further notifications about ongoing discussions⁶. From June 28th-August 4th, 2021 the city ran a community engagement campaign as part of the TransformTO Net Zero strategy design process (City of Toronto, 2021c). The goal of the campaign was to collect community feedback. However, none of the SOEs reported taking part in the community engagement initiative despite its outcomes being connected to SMRs in multiple ways (City of Toronto, 2021c, p.29). Passive opportunities for SMRs to participate in the governance of sustainability initiative with the City of Toronto are not reaching or are not accessible to SMRs.

⁵ Not soliciting feedback from parties directly.

⁶ Jacazio suggested the lack of notifications regarding such events could be due to COVID-19 pandemic.

The TFPC offers another opportunity for SMRs to participate in the governance of urban food system initiatives (CR; SOE 1; SOE 2). The TFPC is a subcommittee of the Toronto Board of Health that facilitates engagement between its members and the City of Toronto. SMRs engage with the TFPC in an effort to increase their knowledge of Toronto's food system; increase their network of actors in the food system; and advocate on the behalf of the SMRs in Toronto's food service industry (CR). The TFPC provides a pathway for proactive SMRs to influence discussion around food policy which is typically focused on issues of food justice, food sovereignty, food security and food system sustainability (CR; SOE 1; Toronto Public Health, 2018). However, Montgomery explains the TFPC is currently restructuring because municipal funding "has been cut for the TFPC, for the one person that would be a representative of Toronto Public Health [on food related issues]." Participation in the TFPC is voluntary. A key focus of the TFPC at this time is to ensure that not only is there a funded position representing food working with TPH but to ensure they have a "voice," so that issues around food stay relevant and continue to be part of the discussion (CR).

It is uncommon for SMRs to experience efforts by the city of Toronto to engage them in sustainability initiatives in their industry (CR; SOE 2; SOE 3; SOE 4; SOE 5). As such, SMRs do not perceive the city as a foundational source of support for their efforts to increase sustainability in their industry (CR; SOE 2; SOE 3; SOE 4). However, sustainability-oriented SMRs are interested and willing to make the time to contribute to city-led sustainability initiatives (CR; SOE 2; SOE 3; SOE 4; SOE5). Additionally, sustainability-oriented SMRs believe they could offer the city experiential insight that would be valuable to advancing sustainability in their industry (SOE 3; SOE 4; SOE 5). Ramage shares, "I do think that [based on] the amount of immersive research that I do on a day-to-day basis, that I would be able to provide a lot of information to help." By not engaging SMRs, the city is failing to access a wealth of information (4.2.2). Sustainability-oriented SMRs shared that they would be able attend meetings outside peak business hours (SOE 2; SOE 3; SOE 4; SOE 5) and Ramage suggested industry specific focus groups would be particularly valuable. At the same time, sustainability-oriented SMRs also acknowledged that these approaches are not feasible for all SMRs (CR; SOE 2; SOE 4; SOE 5).

Sustainability-oriented SMRs felt that their availability to engage with city-led initiatives was unique for SMRs (CR; SOE 2; SOE 4; SOE 5). Sustainability-oriented SMRs believe that creating avenues for engagement that reach, attract, and provide the means for SMRs beyond those already committed to addressing sustainability issues to participate is important if the city is interested in understanding how to establish an industry wide shift to more sustainable practices (CR; SOE 4; SOE 5). Jacazio emphasizes:

[Y]ou know, for some people they have so many things to worry about that sustainability within their businesses is just simply not there. So, it's also about giving people a chance to be able to think about that [sustainability] because the opinions of those people who don't have the time, don't have the interest are some of the most important opinions because they don't have the time and they don't have the interest. So, there should be like an invested commitment into finding out how they feel and think too - which might be more lengthy and a bit more of a struggle - but their opinions matter so much, specifically because they may not want to participate.

Pham echoes this sentiment:

[I]n terms of just small mom and pop, having them, you know, talk about waste initiatives and all that you're right. Time, time, time, and money is not something that they have that is fruitful, you know. And if there's any way that you can approach a conversation about sustainable practices, but in return has operational value and return, then their ears will perk up.

Proposed pathways for engagement that would increase potential participation of SMRs included polls (SOE 3) and multiple-choice questions surveys (SOE 4) with the option of providing comments, but not requiring them as part of the process (SOE 3; SOE 4). Another element of increasing engagement that interviewees stressed is incorporating and clearly defining the value of participating in city-led initiatives to SMRs (OR; CR; SOE 4)

4.3.2 City Supported Uptake of Sustainability Practices in SMRs

There are publicly funded incentives to support the ability of SMRs to increase the sustainability of their businesses (CR; OR; SOE 2). However, SMRs are often not aware of these programs (CR; OR; SOE 3). As mentioned, Montgomery and her partner were dedicated to creating the most sustainable restaurant they could within their means. However, Montgomery only learned of a province wide energy incentive program (IESO, 2021), that she ended up accessing, because

she was invited to speak on behalf of small businesses about what it means to be sustainable at a Restaurants Canada Conference:

[T]he only reason why I learned about the hydro rebates is that someone who was at the conference talking, walked up to me specifically and said, ‘did you know that you have access to this?’ And I had no idea.

Pham shared a similar experience regarding a federal challenge to encourage innovation in food waste solutions. An entrepreneur she thought could have won the challenge and put the \$100,000 of grant money to good use, had never heard of the opportunity. The City of Toronto does offer online sources summarizing general and sustainability focused support for SMEs (City of Toronto, 2021e; City of Toronto, 2021f; City of Toronto, 2021g; City of Toronto, 2021h). Despite these resources, SMRs are unaware of the incentives available to them.

There is a general lack of awareness of both the negative impacts of standard business practices, the benefits of operating more sustainably and the incentives available to support the uptake of sustainability practices (CR; OR; SOE 3; SOE 5). However, the city has an opportunity to increase every SMRs awareness of the sustainability related grants, mentorship, and practices that add operational value by sharing information with SMRs at already established points of interaction. Restaurants are heavily regulated and must meet a number of standards to operate (CR; City of Toronto, 2021c). The aforementioned information could be summarized and shared directly with new establishments when they submit their business plans to TPH for approval. Such information could also be shared at the time of DineSafe health inspections that happen in every Toronto food business at least once a year (City of Toronto, 2019b). In terms of making information more easily available for proactive SMRs, Montgomery highlights the opportunity to develop Enterprise Toronto, a municipal service that offers support for small business start-ups, into a more robust resource for SMEs looking to increase the sustainability of their business. Pham also shared that LEAF provides an inventory of funding opportunities, from municipal to federal, that help restaurants establish more sustainable practices. Currently, the organization is working to “amplify” these programs (OR). It is not suggested that the city require SMRs to take up sustainability practices that may affect business viability due to associated costs (CR; SOE 3; SOE 4). Instead, the recommendation is to increase awareness of, and accessibility to, resources and information that support the uptake of sustainable business practices.

Chapter 5

Discussion and Conclusion

5.1 Discussion

The objective of this research is to understand the potential of SMEs to accelerate urban sustainability transitions: through niche-innovations; when guided by SOEs; and through engagement in the governance of urban sustainability initiatives. As discussed in the literature review, the theory of change that this study engaged to investigate such potential is transitions studies' MLP framework. The MLP framework argues that systematic change is generated by niche-innovation that competes with the current regime (Geels, 2006). This study found that although niche-innovation is present in Toronto's food service industry, the predominant approaches that SMEs take to address sustainability issues do not represent the characteristics of niche-innovation. The challenges that SMEs cited, namely a lack of capital and subsequently a lack of time, to enacting niche-innovation are in line with those found in previous studies (Bos-Brouwers, 2009). As the profit margins of SMEs are narrow, they have to prioritize economic viability over investing money and time into experimental projects. This is despite being able to see the potential for improvements to be made. However, the results indicate that when led by SOEs, SMEs overcome these barriers to participation in the process of innovation by supporting and partnering with organizations that are explicitly focused on addressing the sustainability issues they care about. The results support Luederitz et al., 2021, findings regarding the important role collective agency plays in developing sustainable practices in small business. This is a key insight for municipal governments. It encourages the development of infrastructure that supports co-creation opportunities between SMEs.

The findings of this study emphasize the importance of SOEs in increasing sustainability in their industry and suggest multiple ways they contribute to sustainability transitions. These findings are consistent with the literature which states that when SMEs are led by SOEs they are not only acting out of economic interest but are also working to add social value in their communities (Burch, 2020; Luederitz et al., 2021; Rodger, 2010; Westman et al., 2018). In contrast to the popular perception that businesses are most significantly focused on economic pursuits, this study finds that SOEs will sacrifice profits in order to run their business in a way that is

consistent with their values of sustainability. Even though they choose to sacrifice profits, they are still able to stay in business. Therefore, SOEs provide an important example for other businesses by demonstrating that it is possible to operate sustainably and be economically viable. SOEs attributed this success to their relationship with their community. Through their commitment to social and environmental well-being, SOEs attract a following that, in return, allows them to continue to invest in sustainable business practices. This study found that the COVID-19 pandemic exposed and exaggerated the important role of sustainability-oriented SMEs as community hubs. This is important because it demonstrates the value of SMEs in their communities and suggests that municipal incentives that increase the ability of SMEs to operate has value beyond the business.

SOEs provide a wealth of knowledge to their SME and their industry. The literature cites a lack of skilled personnel and knowledge as barriers to SMEs ability to operate in a more sustainable manner (Bos-Brouwers, 2009; del Brio & Junquera, 2003). This study found that although SMEs may not have the resources to hire expert support, SOEs have the potential to close the gap in knowledge. SOEs are committed to increasing their understanding of the sustainability issues and how to address them. They do this through a process of constant learning by means of their networks and personal research. This knowledge is then transmitted from SOEs to their staff and fed back into their networks. This collectively increases the industry's tools to address sustainability issues. However, SOEs knowledge is not being mobilized to its full extent. Consistent with Westman et al. 's (2020) suggestion of a, "governance divide" between SMEs and traditional governance actors, it is uncommon for SMEs to participate in the governance of urban sustainability initiatives that affect their industry. However, this study finds that SMEs are interested in, and willing to make the time to support city facilitated sustainability initiatives in their industry. As such, they are an untapped source of local knowledge that, if engaged with, could support the City of Toronto's aim of transition to a more sustainable system.

An additional issue that emerges from these findings is that the investment the City of Toronto is making in developing incentives to increase sustainability practices in SMEs is not being used to its full potential. This finding has important implications for the City of Toronto's Net Zero climate action strategy because providing support and resources that encourage adoption of sustainable practices or enhancements is a recurring action in their Short-term Implementation

Plan (City of Toronto, 2021b). However, establishing incentive programs is ineffectual if they are not accessed by the target users. Further engagement with SMEs could provide valuable insight to support the development of processes that successfully promote and ease access to incentives. This, in turn, increases the city's potential to achieve their desired outcomes.

5.2 Limitations of the Study

Although this study contributes to the literature specifically by focusing on the potential for SMEs in the food service industry to accelerate sustainability transitions, the unique challenges associated with the restaurant industry makes it so these findings may not be clearly applicable to SMEs in other industries. Furthermore, this study was unable to obtain information from a leader working within the city. As such, drawing conclusions regarding the ways the city provides value to SMEs in progressing urban sustainability transitions can only be deduced from the experience of the SMEs.

Due to the small sample size, caution must be applied; the findings might not be representative of the experience of all sustainability-oriented SMRs in Toronto. Furthermore, the study only engaged with sustainability-oriented SMEs. This must be emphasized because although it revealed how the leadership of SOEs contributes to sustainability transition, the majority of SMEs are not sustainability-oriented. As such, the experiences shared are specific to a minority of SMEs that are invested in sustainability issues.

5.3 Conclusion

This study supports the call for more focused research exploring the relationship between SMEs and sustainable transition in different industries. Furthermore, a review of case studies in which municipalities have collaborated with SMEs to advance urban sustainability initiatives would be of value. Research questions that could be asked include: What was the process of engagement? What were the outcomes of the project? Did both SMEs and the municipality benefit from the project? This line of inquiry would build on this study's hypotheses that increasing engagement with SMEs has the potential to accelerate urban sustainability transitions.

This research has demonstrated that the potential of SMEs to contribute to urban sustainability transitions is not being fully realized. Although SOEs advance sustainability in their industry the

support of other actors will be required to enact systematic transformation. As such, this study has implications for municipalities. SMEs constitute a critical percentage of the private sector and as a result their collective business practices have a significant impact on the economy, the environment and society. Engaging SMEs in urban sustainability initiatives governance processes would provide cities with a valuable opportunity for affect positive change. Through the development of such relationships, the city could learn about what investments best encourage SMEs to integrate more sustainable practice into their business. Such a commitment has the potential to activate the ability of SMEs to contribute more significantly to urban sustainability transitions.

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Appendices

Appendix A. SOE Information Letter and Consent Form



Dear [Name],

This letter is an invitation to consider participating in a research study I am conducting as part of my Master's degree in the Department of Geography and Planning at the University of Toronto under the supervision of Professor John Robinson. I would like to provide you with more information about this project and what your involvement would entail if you decide to take part.

A global effort to transition to more sustainable systems is critical to future social and environmental well-being. Due to the concentration of intellectual and economic resources and an abundance of creative energy cities have been identified as sites of change. Transitioning to more sustainable cities is a complex task and it has been recognized that it will require solutions from multiple actors including government, NGOs, local communities, and businesses. Although the need for a multi actor approach to addressing sustainability issues is well understood the role of small and medium sized enterprises or SMEs has received relatively attention. This despite SMEs in Canada composing 99.8% of businesses; generating 54.9% of gross domestic product for the private sector; and accounting for 89.7% of private sector employment. The purpose of this study, therefore, is to better understand the potential of SMEs to accelerate the transition to more sustainable cities. If applicable, it aims to illustrate the benefit of including SMEs in urban sustainability decision making processes. As such, I hope to highlight what SMEs might add to decision making processes that exclude them; and make a case for greater collaboration between SMEs and the public sector. I have selected Toronto's foodservice industry as a case study to explore these topics.

SMEs possess unique characteristics that make them well suited to identifying solutions to their industry's sustainability issues. This study will focus on the innovations of SMEs' that address sustainability issues in Toronto's foodservice industry. There are a growing number of SMEs with leaders that are committed to running their businesses more sustainably, such as yours. Therefore, I would like to include your business as one of several businesses to be involved in my study. You have been identified as taking on a lead role in addressing sustainability issues in your business. As such, I believe that you are suited to speak to various topics, such as solutions to sustainability issues your business has enacted, what motivates your efforts to establish more sustainable practices and your engagement with the public sector in a collective effort to address sustainability issues in Toronto's foodservice industry. Participation in this study is voluntary. Participants will not be compensated for their participation. It will involve an interview of approximately 30-45 minutes in length to take place virtually using the Zoom application. You may decline to answer any of the interview questions if you so wish. Further, you may decide to withdraw from this study at any time without any negative consequences by advising myself. The interview will be audio recorded to facilitate collection of accurate information. Shortly after the interview has been completed, I will send you a copy of the interview and give you an opportunity to confirm the accuracy of our conversation and to add or clarify any points that you wish.

Unless otherwise stated your identity and the identity of the business you represent will not be concealed. You do have the option of anonymity. If you participate anonymously a gender-neutral pseudonym will be utilized when referring to you and the business you represent in any thesis, reports, or publication resulting from this study, however, with your permission anonymous quotations may be used. Data collected during this study will be retained for at least one year. Only researchers associated with this project will have access. There are no anticipated risks to you as a participant in this study. However, if

you allow yourself to be identified you must understand that any information you provide has the potential to be shared publicly in connection with you unless otherwise stated.

This study has been reviewed and received ethics clearance through a University of Toronto Research Ethics Board (protocol number). If you have questions about your rights as a participant, you can contact the University of Toronto Research Oversight and Compliance Office – Human Research Ethics Program at ethics.review@utoronto.ca or 416-946-3273.

For all other questions or if you would like additional information to assist you in reaching a decision about participation, please contact me by email at jaimie.cryder@mail.utoronto.ca.

I hope that the results of my study will be of benefit to SMEs directly involved in the study, other SMEs not directly involved in the study, as well as to the broader research community. If desired either an electronic or hard copy of the research report will be made available to you upon completion of the project.

I look forward to speaking with you and thank you in advance for your assistance in this project.

Yours sincerely,

Jaimie Cryder

CONSENT FORM

By signing this consent form, you are not waiving your legal rights or releasing the investigator(s) or involved institution(s) from their legal and professional responsibilities.

I have read the information presented in the information letter about a study being conducted by Jaimie Cryder of the Department of Geography and Planning at the University of Toronto. I have had the opportunity to ask any questions related to this study, to receive satisfactory answers to my questions, and any additional details I wanted.

I am aware that my interview will be audio recorded to ensure an accurate recording of my responses. I am also aware that excerpts from the interview may be included in the thesis and/or publications to come from this research, with the understanding that anonymity will be granted if desired.

I was informed that I may withdraw my consent at any time without penalty by advising the researcher. This study has been reviewed and received ethics clearance through a University of Toronto Research Ethics Board (protocol number). If you have questions about your rights as a participant, you can contact the University of Toronto Research Oversight and Compliance Office – Human Research Ethics Program at ethics.review@utoronto.ca or 416-946-3273.

For all other questions contact Jaimie Cryder at jaimie.cryder@mail.utoronto.ca

I have read and understood the study information letter. I have been able to ask questions about the study and my questions have been answered. With full knowledge of all foregoing, I agree, of my own free will, to participate in this study.

YES NO

I agree to have my interview audio recorded.

YES NO

I wish to conceal my identity and the identity of the business I represent.

YES NO

If I have requested to conceal my identity, I agree to the use of anonymous quotations in any thesis, reports or publication that comes of this research.

YES NO NA

Participant Name: _____ Participant Job Title _____

Name of Associated Business: _____

Participant Signature: _____ Date: _____

Appendix B. SOE Interview questions and relationship to research questions

SOE Interview Guide		
Research Questions	Objectives	Interview Questions
<p><u>Guiding RQ</u> Do SMEs in Toronto's foodservice industry exhibit the characteristic of niche innovation?</p>	<p>Empirically demonstrate the potential of SMEs accelerate urban sustainability transitions.</p>	<ol style="list-style-type: none"> 1. What are the sustainability issues in your industry that you are working to address? 2. What are the standard practices in place? 3. Have you identified and enacted alternative solutions to these sustainability issues? 4. These solutions: <ol style="list-style-type: none"> a. Were any other business or people involved in the development of this new approach (network of actors)? b. If so, what was the process of collaboration? c. Were they upscaled through diffusion or imitation of the novel design?
<p><u>Guiding RQ</u> How does the leadership of sustainability-oriented entrepreneurs contribute to urban sustainability transitions?</p>	<p>Analytically describe what drives SOEs to enact sustainability initiatives in their business.</p>	<ol style="list-style-type: none"> 5. What motivates your efforts to establish more sustainable practices? <ol style="list-style-type: none"> a. Was sustainability a key focus in the development of your business model? b. Do you see the business as a means to enact social change? c. Is employee well being a part of sustainability you consider d. Do you see relations with others in the industry as important? e. Do you see relations with the community as important?

<p><u>Guiding RQ</u> How are SMEs in Toronto's foodservice industry involved in sustainability initiative governance processes?</p>	<p>Conceptualize how the city engages SMEs the governance of their industry and how to increase collaboration between the city and SMEs.</p>	<p>6. Has the public sector made an effort to engage you in a collaborative approach to addressing sustainability issues in your industry? 7. Are you interested in participating in the governance process of developing sustainability initiatives in your industry? 8. What approaches to engagement would make your participation in urban sustainability governance processes more accessible?</p>
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