How green are small businesses?

A snapshot of environmental awareness
and practice in small and medium
sized enterprises (SMEs)

ENVIRONMENT AGENCY

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NetRegs is a unique new website developed by the Environment Agency, SEPA, EHS Northern Ireland and the Small Business Service, to help small and medium sized businesses navigate the maze of environmental legislation. It offers general management guidelines that apply to most businesses and sector specific advice tailored by industry.

The site explains complex environmental legislation using plain language and includes good practice advice. It is free to use and anonymous - there is no need to register.

Visitors to the site can also view primary and secondary environmental legislation in full, broken down by country, for England, Scotland, Northern Ireland and Wales. Clicking on the More Resources button provides links to business support and other helpful organisations.

www.environment-agency.gov.uk/netregs

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Looking at the big picture

Big business is often the focus when discussing the environmental impact of the working world, while the role of smaller businesses can be overlooked. Yet 99% of the UK's 3.7million businesses are SMEs (small and medium-sized enterprises, defined by having less than 250 employees) and they combine to generate around 43% of the nation's wealth and up to 60% of the nation's commercial waste.

This report was commissioned for the new environmental website **NetRegs** to assess the environmental issues faced by small and medium sized businesses today. Some of the key questions that the report sought to answer were:

– What impact do small businesses have on the environment?

– How great is the environmental awareness of small businesses?

– What are small businesses doing to improve their environmental performance?

Some of the results make stark reading. The smallest businesses have a poor awareness not only of their legal obligations but also of the substantial business benefits in going green. They have a long way to go to catch up with larger businesses, which have better environmental performance in almost every respect.

The challenge thrown up by this survey is to improve the availability of information and bring small businesses up to best practice levels.

Encouragingly, the survey reveals that businesses are increasingly seeing the environment as a mainstream commercial issue, rather than simply a matter of Public Relations. Informing and persuading the businesses who are lagging behind is critical not only to ensure the future of the environment, but also the competitiveness of UK industry. We're on the right path, but there's a long way still to go.
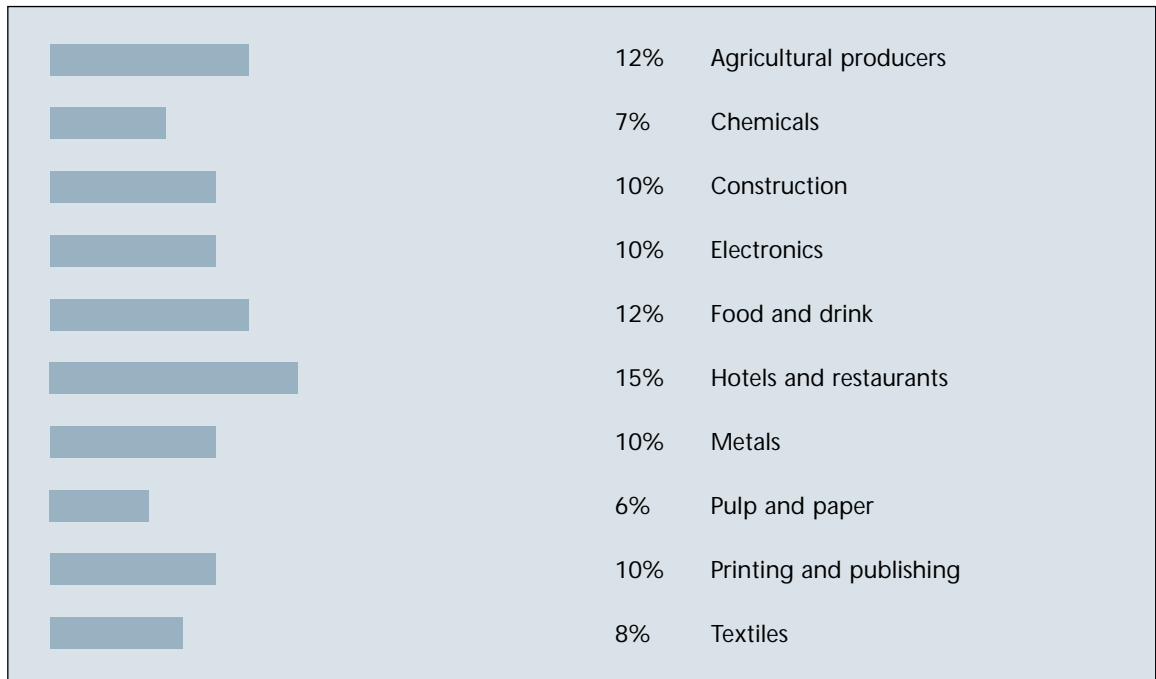
Survey methodology

The survey was conducted for the NetRegs Project
- 1,175 small to medium sized businesses from all
parts of the UK were interviewed by telephone
during 2002.

Results were stratified by geographical area,
business sector and size of business to provide a
nationally representative sample.

Sizes of businesses completing the survey

Size of business	Number of businesses	%
0 – 9 employees	450	38
10 – 49 employees	432	37
50 – 250 employees	293	25
Total	1,175	100

Percentage of businesses surveyed by sector

%	Sector
12%	Agricultural producers
7%	Chemicals
10%	Construction
10%	Electronics
12%	Food and drink
15%	Hotels and restaurants
10%	Metals
6%	Pulp and paper
10%	Printing and publishing
8%	Textiles

Changes over time

This report makes reference to three previous surveys for comparison with environmental business policies and perceptions in earlier years. They are abbreviated where mentioned; the full details are shown below.

Survey	Details
Groundwork	*Small Firms and the Environment 1998, A Groundwork Report.* The Groundwork Trust. www.groundwork.org.uk
ETBPP	*Attitudes and Barriers to Improved Environmental Performance 1998.* Environmental Technology Best Practice Program. IEM Magazine.
Envirowise	*Attitudes 2000. A survey to assess attitudes and barriers towards improved environmental performance.* HM Government. www.envirowise.gov.uk

Are businesses harming the environment?

Small and medium sized businesses often work under the misconception that they have little or no impact on the environment.

Perhaps the most revealing result of the survey was the 'head in the sand' attitude among many SMEs.

The majority of businesses questioned – a massive 86% – did not believe their activities were harmful to the environment.

Size of business was an important factor in accepting environmental responsibility – 22% of the largest businesses thought they had an impact on the environment compared with just 6% of those with 0 – 9 employees.

This is a significant increase from previous years, when Envirowise reported the following percentages saying they had no impact on the environment:

Businesses saying they did not have an impact on the environment

Year	1995	1998	2000
	22%	33%	48%

In 2002, when SMEs were prompted with specific examples of hazardous activities, the picture changed considerably:

– 58% acknowledge conducting activity potentially harmful to the environment

– 69% store chemicals, fuels or oils

– 35% store waste

– 29% have high energy consumption

The breakdown was similar across the different industrial sectors, with the exception of the food and drink sector, whose main harmful activity was high energy consumption (49%) and the metal sector where 41% mentioned emitting smoke and fumes.
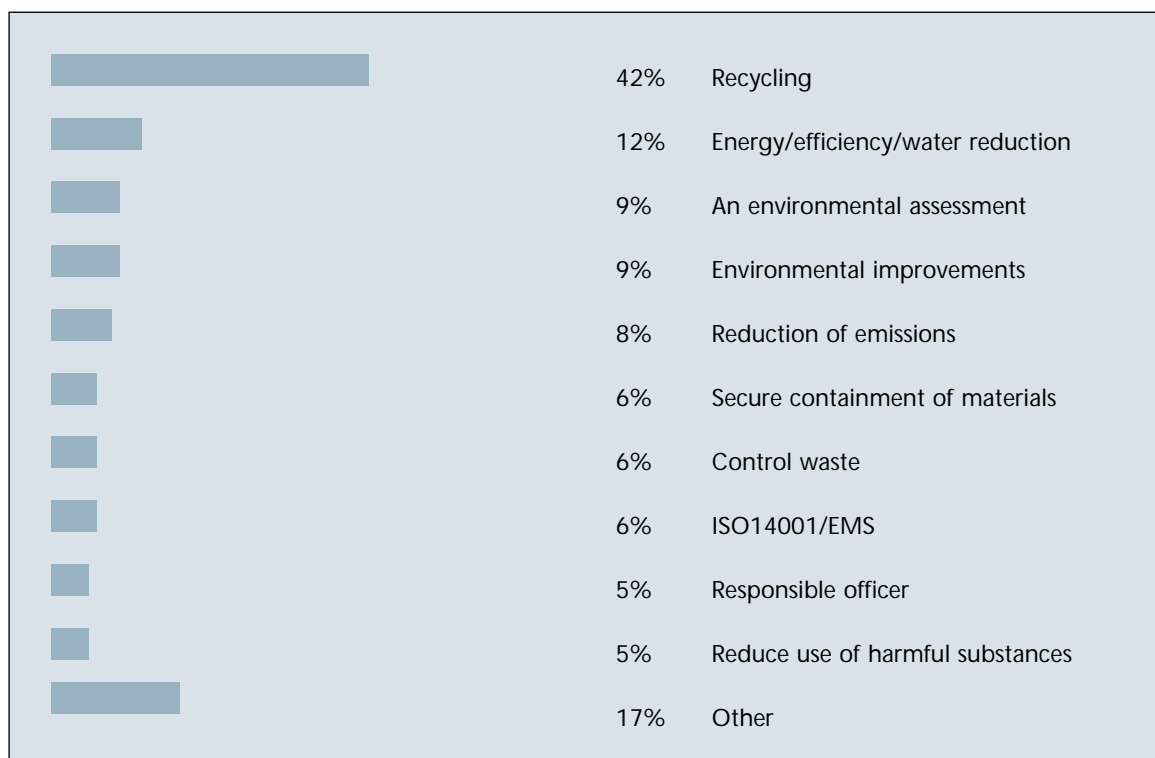
What are businesses doing to improve things?

There has been some progress in implementing environmental policies, especially in larger SMEs. Many now have a member of staff responsible for environmental issues.

Businesses were asked what practical measures they had taken to reduce their impact on the environment. Without being prompted with specific activities, half of all businesses said that they had measures in place aimed at preventing or reducing harm to the environment.

Recycling (42%) heads the unprompted list of environmental activities by a big margin. Energy efficiency and water use reduction are the next most common practices, but were only mentioned by 12% of businesses questioned. Less than one in ten claimed to have carried out some form of environmental assessment.

Percentage of businesses with practical environmental measures in place

42%	Recycling
12%	Energy/efficiency/water reduction
9%	An environmental assessment
9%	Environmental improvements
8%	Reduction of emissions
6%	Secure containment of materials
6%	Control waste
6%	ISO14001/EMS
5%	Responsible officer
5%	Reduce use of harmful substances
17%	Other

When businesses were prompted with a list of possible environmental measures, the figures improved somewhat - 52% of SMEs said they had undertaken at least one measure.

The most common was to appoint a member of staff responsible for environmental issues (65%).

Respondents in all sectors said that nominating a responsible staff member was their main environmental measure, except agriculture where environmental assessment came top (63%). On prompting, energy efficiency/water reduction also leapt up from 12% to a more encouraging 38%.

Of all businesses surveyed, 22% said they were involved in a business forum or similar group where environmental issues are discussed.
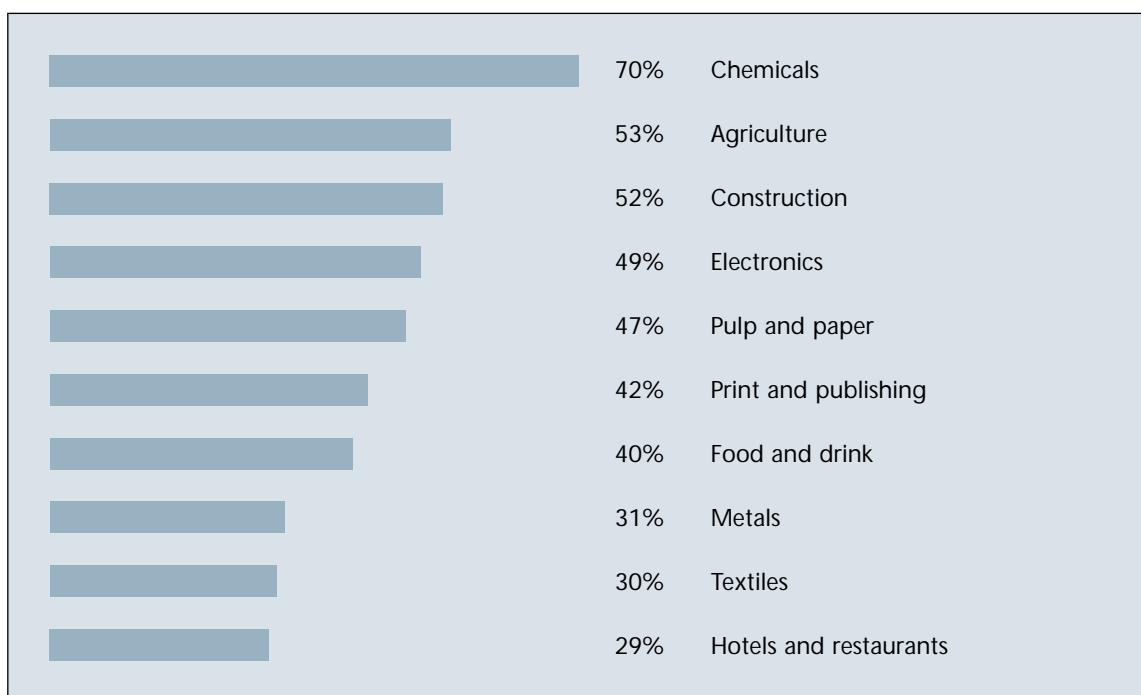
Overall, whether or not a business had an environmental policy depended critically on size. Smaller businesses were least likely to have introduced practical measures to safeguard the environment.

Percentage of businesses taking environmental measures by size

0 – 9 employees	28%
10 – 49 employees	51%
50 – 250 employees	77%

Sector was also important. Heading the list is the chemical sector, with 70% of companies claiming some form of environmental policy. At the other end of the scale is the hotel and restaurant sector, in which only 29% of businesses asked had measures in place.

Businesses who have an environmental policy by sector

	%	Sector
	70%	Chemicals
	53%	Agriculture
	52%	Construction
	49%	Electronics
	47%	Pulp and paper
	42%	Print and publishing
	40%	Food and drink
	31%	Metals
	30%	Textiles
	29%	Hotels and restaurants

Environmental Management Systems

The majority of smaller businesses have no Environmental Management System and no plans to introduce one.

The survey asked businesses if they had or were planning an Environmental Management System* (EMS). Only 17% of businesses surveyed currently have an EMS system, while another 11% are considering introducing one.
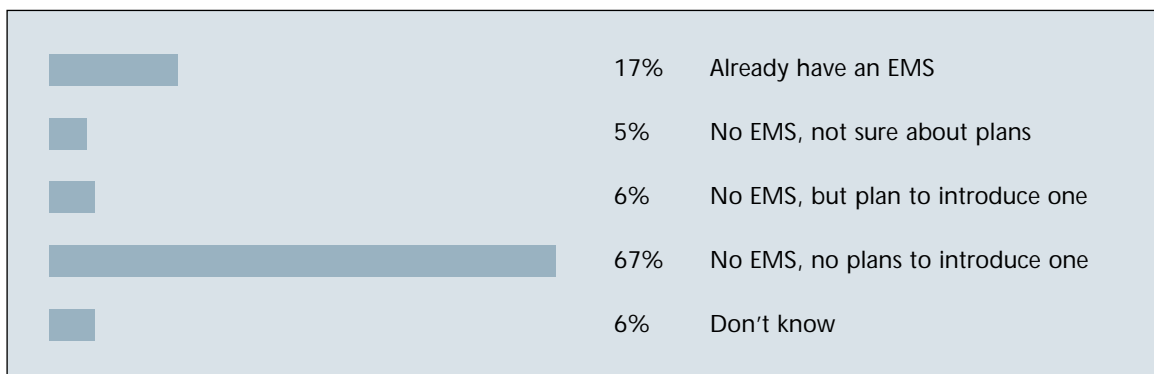
The 17% figure is similar to the Groundwork survey's 1998 finding, although Envirowise found a slightly higher 23% in 2000. It doesn't appear that businesses are responding quickly in setting up an EMS. Perhaps the most discouraging figure is that 67% of respondents still have no plans to introduce one.

Larger businesses are more likely to have an EMS (38% for businesses with 50-250 employees versus just 4% for the smallest SMEs). Smaller businesses are also far less likely to be planning to introduce a system in the future.

There are regional variations as well. Scottish businesses lead the field, with 21% of them already boasting an EMS system, compared to 18% in England, 12% in Northern Ireland and 11% in Wales.

Unsurprisingly, the chemical industry was most likely to have an EMS system in place (40%). The hotel and restaurant sector was again near the bottom of the list at 10%, although printing and publishing fared even more poorly at 8%. Electronics at 16% was the sector most likely to be planning to introduce an EMS in the future.

Businesses with an Environmental Management System

17%	Already have an EMS
5%	No EMS, not sure about plans
6%	No EMS, but plan to introduce one
67%	No EMS, no plans to introduce one
6%	Don't know

* An Environmental Management System is a system of policies that inform and regulate behaviours that focus on how an organisation manages obligations and duties in respect of its activities and their effect on the environment.

How many businesses know their obligations?

Ignorance of environmental regulations is widespread, with many businesses unable to name any relevant ones.
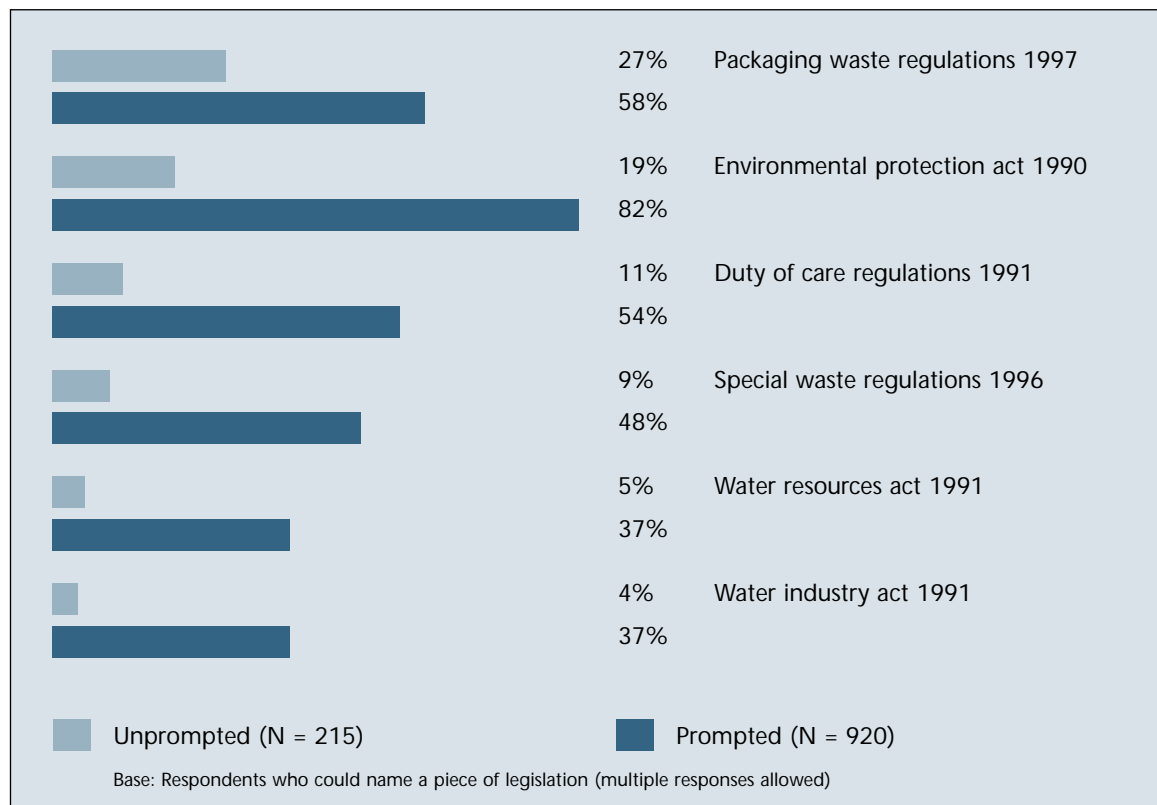
Worryingly, only 18% of all businesses questioned could name any environmental legislation that applied to them without being prompted.

Packaging and waste regulations were most likely to be mentioned – by 27% of businesses which could name a piece of legislation.

Prompting respondents improved the situation markedly: 78% had heard of some of the named regulations although details of what they entailed were vague. While 54% of businesses had heard of the Duty of Care regulations, only 17% of them could name three of its requirements.

Size of business was again important. The Environmental Protection Act 1990 was named by 32% of the largest respondents against just 5% businesses with 0 – 9 employees.

Awareness of specific regulations among businesses that could name at least one piece of legislation

27% / 58%	Packaging waste regulations 1997
19% / 82%	Environmental protection act 1990
11% / 54%	Duty of care regulations 1991
9% / 48%	Special waste regulations 1996
5% / 37%	Water resources act 1991
4% / 37%	Water industry act 1991

Unprompted (N = 215)   Prompted (N = 920)

Base: Respondents who could name a piece of legislation (multiple responses allowed)

Why deal with environmental issues?

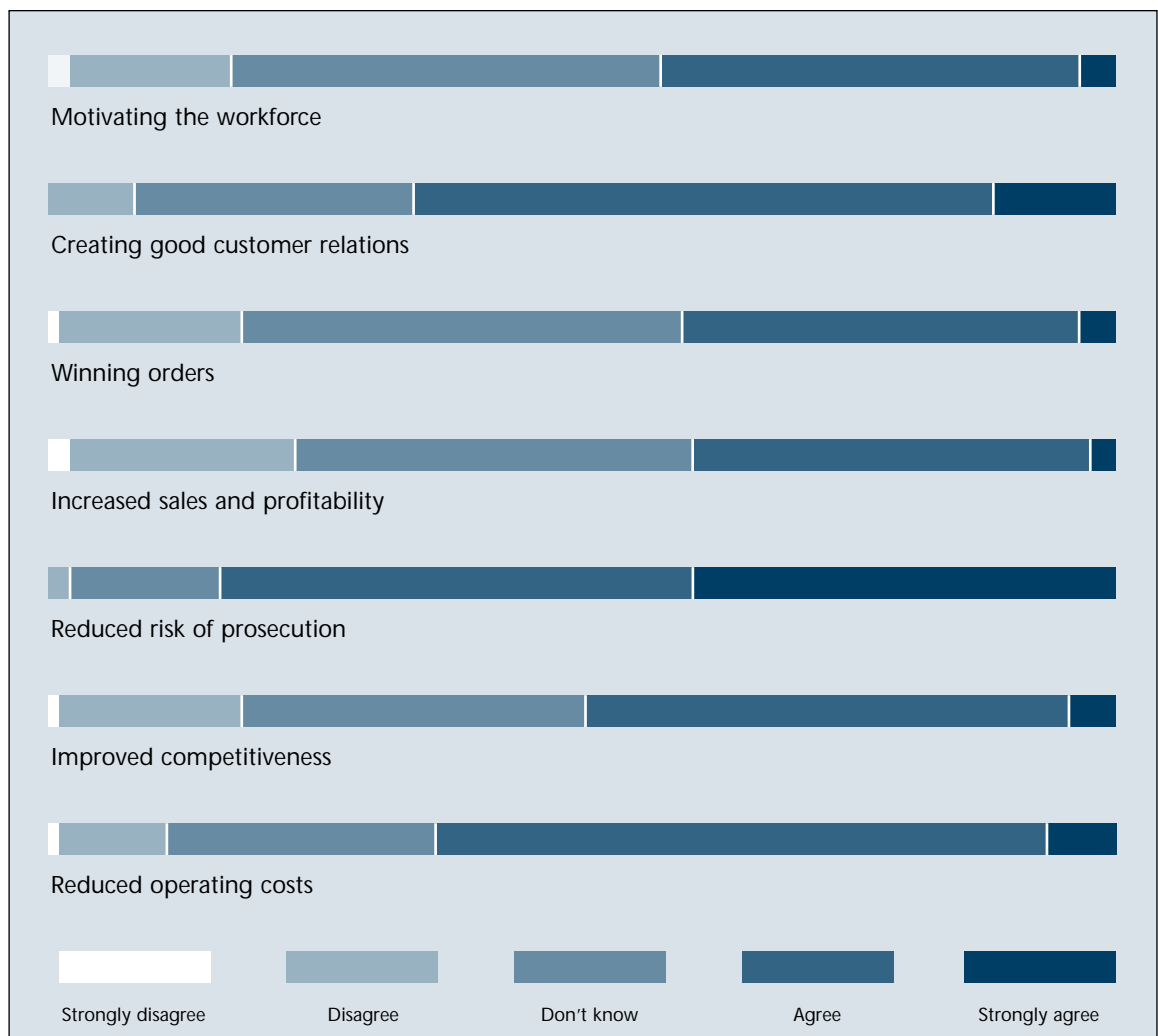**Concern for the environment goes hand in hand with an understanding of business benefits.**

If a business was actively addressing environmental issues or planning to do so, the survey asked why.

Encouragingly, 51% of those businesses said that action was motivated by a general concern for the environment. This is up from less than 15% in the 1998 Groundwork survey. A third of businesses felt the need to comply with legislation and 17% were required to act by a parent business.

When prompted, most businesses make the link between good environmental practice and commercial benefits, although risk of prosecution is still the number one motivator.

Proportion of businesses relating good environmental practice to commercial benefits

Motivating the workforce

Creating good customer relations

Winning orders

Increased sales and profitability

Reduced risk of prosecution

Improved competitiveness

Reduced operating costs

Strongly disagree   Disagree   Don't know   Agree   Strongly agree

The survey asked SMEs to assess specific benefits of putting environmental measures in place, such as motivating the workforce and gaining a competitive edge in winning orders.

Reduced risk of prosecution was mentioned by 83% of businesses as the greatest benefit of good environmental practice. Next most important were good customer relations (66%) and reduced operating costs (64%).
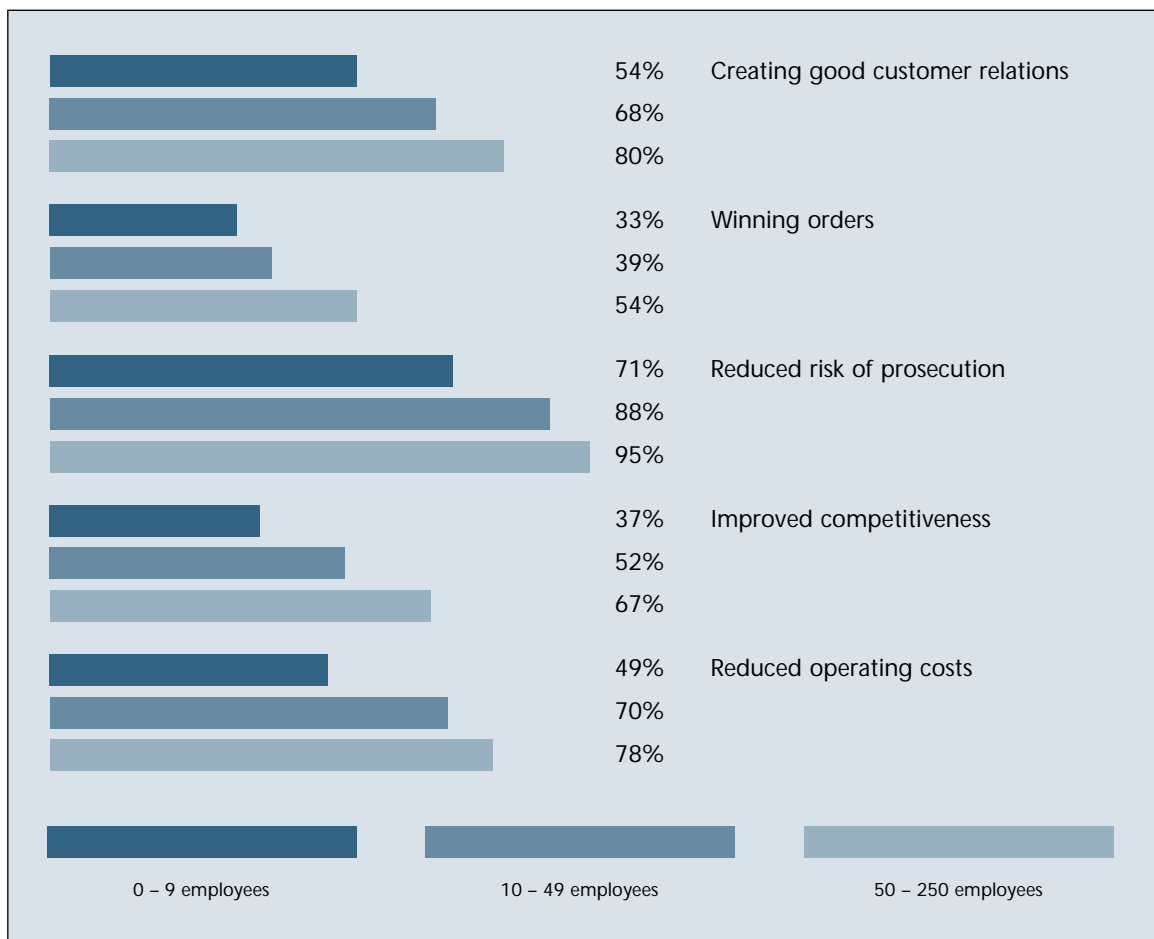
The results (shown on previous page) also reveal a reduction in the number of businesses that recognise no commercial benefits in taking environmental measures. Less than a quarter saw no benefits for sales and profitability and only 18% thought it would not influence winning orders. This result has improved considerably over the last four years – both Groundwork and ETBPP found in 1998 that around half of all businesses saw no commercial benefits.

Larger businesses are more likely to see the positive effects of environmental good practice - 78% of businesses with 50 to 250 employees cite reduced operating costs as a benefit, compared with 49% of the smallest businesses.

Hotels and restaurants together with the print and publishing sector once again find themselves at the bottom of the environmental list – they are least likely to see any benefits in taking environmental action.

Percentage of businesses agreeing that good environmental practice has commercial benefits, by size

54%	Creating good customer relations	
68%		
80%		
33%	Winning orders	
39%		
54%		
71%	Reduced risk of prosecution	
88%		
95%		
37%	Improved competitiveness	
52%		
67%		
49%	Reduced operating costs	
70%		
78%		

0 – 9 employees   10 – 49 employees   50 – 250 employees

Where do businesses go for help?

Businesses want more support in dealing with environmental issues.

Waste businesses, local authorities and the environmental regulators are the leading sources of help that businesses turn to at 63%, 62% and 46% respectively. Asked to assess which were the most useful, ratings for all three were very similar.

Businesses said very clearly that they need more assistance – 40% said they would welcome more guidance from the government and its agencies. Agriculture was the sector most in need of better support, with 58% asking for more help.

The following media are currently used by businesses to access environmental information: 84% printed materials, 56% face-to-face meetings and 55% the internet.

Businesses with access to the internet

0 – 9 employees	58%
10 – 49 employees	79%
50 – 250 employees	86%
Total	73%

Businesses ranked printed material and the internet equally (at 37%) as their preferred method for receiving information on environmental issues in the future. Preferences were broadly similar across different business sizes.

1998 results were very different – Groundwork revealed 90% of businesses preferring printed materials against 40% for the internet. Envirowise in 2000 also found a preference for print. Given this trend, the internet is likely to overtake print as the preferred medium in the near future.

How would businesses prefer to receive environmental information?

	37%	Internet
	37%	Printed material
	15%	Face-to-face visit
	7%	Telephone helpline
	4%	Seminars and conferences
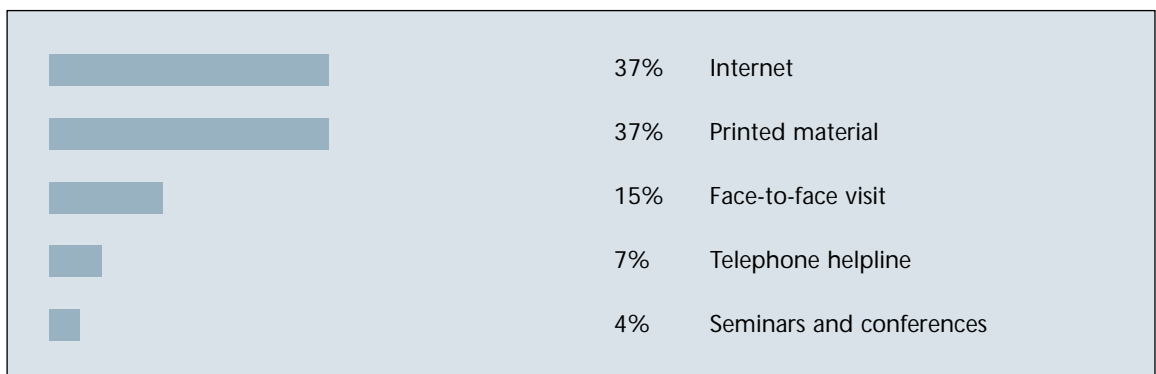
The next step

The results of this survey demonstrate that many smaller businesses are still simply not aware of the impact they have on the environment or the potential benefits of adopting environmental policies.

It is encouraging that two-thirds of businesses questioned have appointed a member of staff to be responsible for environmental issues but the fact is that few of them have practical environmental measures in place.

Ignorance of environmental regulations is also widespread - only 18% of smaller businesses can name any environmental legislation applying to them without prompting and only 17% have an Environmental Management System.

Unsurprisingly, it is generally the smallest businesses that score worst on environmental issues and the less regulated industry sectors also fare badly.

Information is key – nearly half of businesses would appreciate more help, with the internet fast becoming the preferred medium for environmental guidance.

Those that do not think they need more help may be those who are unaware of their environmental impact and most in need of guidance.

The challenge is three-fold:
- To make smaller businesses aware of their environmental responsibility
- To increase awareness of the commercial benefits of adopting environmental policies
- To offer user-friendly guidance on improving environmental practice

Risk of prosecution is still the greatest motivator for businesses to improve their environmental performance, but increasingly SMEs are recognising the benefits for sales and profitability and acting out of general concern for the environment. Raising this awareness is crucial for real changes to take place.

The NetRegs website address is www.environment-agency.gov.uk/netregs

Note: NetRegs will conduct follow-up surveys in 2003 and 2004 to measure the evolution of views on the preceeding years. Results of these surveys will be published in the summer of each year.

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