



Summary Report

INTERNATIONAL FORUM ON GREENING OF SMALL AND MEDIUM-SIZED ENTERPRISES

In May 1998, the Greening of Industry Network held its Spring meeting in Manchester, UK. As part of its meeting, it took part in a Forum on the *Greening of Small and Medium-sized Enterprises* organised by two Manchester-based organisations, the National Centre for Business and Ecology (NCBE) and the Centre for Research on Organisations, Management and Technical Change (CROMTEC).

Over 100 people — businesspeople, academics and policy-makers from the North West of England — discussed the role of economic incentives, regulations and supply chain pressures in persuading SMEs to adopt better environmental management practices, joined by GIN members from 12 countries in Europe, North America and South East Asia.

The NCBE is financed by the Co-operative Bank and co-ordinates and funds research projects on environmental management between local companies and the four Greater Manchester universities. You can contact the NCBE through its Web site <http://www.ncbe.co.uk>, by phone (+44 161 295 5276) or fax (+44 161 295 5041).

CROMTEC is a research centre in the Manchester School of Management at the University of Manchester Institute of Science and Technology (UMIST). It conducts research on environmental technology and management for companies, government agencies and research councils. You can contact CROMTEC via its Web site http://www.umist.ac.uk/UMIST_Cromtec, by phone (+44 161 200 3400) or fax (+44 161 200 3505).

Students presented their work to the Workshop on the successes and problems of Manchester SMEs in achieving financial and environmental success in waste minimisation — part of the NCBE's Business and Ecology Demonstration Project. Greater Manchester has businesses in every sector of the manufacturing and services, and substantial efforts are being made to improve the environmental performance of these industries. Particular efforts are being made to help SMEs. Erik Bichard, NCBE's director, told the Workshop that "there is real concern about the lack of environmental awareness among SMEs. Our work has shown how these businesses can improve environmental performance and cut costs. I believe it is an example the other countries should follow."

The student presentations dealt with "How SMEs can financially benefit from a

systematic approach to waste minimisation" (Janet Brooks, Salford University), "From law-breaking to compliance" (Carolyn Abbot, Manchester University), "Design for the Environment — the part SMEs can play" (Hannah Curtis, Manchester Metropolitan University). These were followed by presentations from GIN members: Alois Geisslhofer (UMBERA, Austria) on "Greening of SMEs in Austria", Arne Remmen/Eskild Nielsen (Aalborg University, Denmark), "Greening of SMEs in Denmark", Ann Smith (University of Hertfordshire, UK) "Environmental Improvements in New Zealand".

The Forum sought to challenge delegates to address the following questions:

- Do SMEs with sound environmental practice have better financial performance than companies who do not address environmental issues?
- Can economic incentives (subsidies and tax concessions) encourage smaller businesses to improve their environmental performance?
- How can regulations be more focused to encourage SMEs compliance?
- How can environmental improvement become part of everyday working life for SMEs?
- How can SMEs be persuaded to share best practice?
- Is the best way of greening SMEs for large companies to exert pressure down the supply chain?
- How can SMEs become more *sustainable*, rather than just eco-efficient?
- What role (if any) can academic research and advice play in helping SME greening?
- What lessons can SMEs learn from the greening of SMEs in other countries?

The workshops that took place in the afternoon session discussed the implications of the cases presented in the morning and provided answers to the above questions through shared experiences. A summary of the responses recorded at the plenary session included:

- Most small companies have a lack of environmental awareness, motivation and time to develop sound environmental practice;
- There is often an assumption by SMEs that the business does *not* have an impact on the environment;
- Legislation and fines/penalties are not an incentive for change in SMEs, because of minimal contact with the regulators; regulators are seen as

police, rather than people that can provide support and advice;

- Economic instruments such as taxes and regulations are not affecting SMEs because of the financial and bureaucratic burdens they impose;
- Competition for participants between the providers of advice often leads to confusion and initiative fatigue;
- Development of a full environmental management system and/or registration to an environmental standard are seen as a burden on the business. Many companies that have not adopted the ISO 9000 quality standard are still in business. This is a disincentive to consider the environmental management standard ISO 14001.

WHAT CAN SMEs LEARN FROM OTHER COUNTRIES?

The following points were observations made by the overseas delegates attending the forum. Some of the thoughts on these issues were supplemented by those working with SMEs in the UK.

Economic Incentives

Economic instruments, such as pricing/taxes, only work when set high enough. Their value as a mechanism for change is questioned because they can reinforce the negative ideas that environmental management is costly. Taxes, linked with awareness raising, education and PR, or used to differentiate between waste types and therefore promoting awareness, are far more effective.

Regulations

They can be used to force SMEs to do the 'right thing', but if they are not followed up by the regulatory bodies, they become ineffective.

Trade Associations in Europe

Fewer trade associations for each industrial sector, and sector approach funding, provides a stronger more uniform system to encouraging and effecting environmental and sustainable development. Policing the networks and working closely with the regulatory bodies is also effective.

Cultural Attitude

A holistic attitude towards the environment is more readily embraced, particularly in countries such as Denmark and the Netherlands. Environmental issues are very much integrated into working life. Change and improvement is seen as a journey and not a destination. It is a long-term solution.

Services Industries

Service industries (including hospitals), and not just manufacturing, are very much

part of environmental support programmes.

Every Company is Unique

Cleaner production is also 'good housekeeping', but there is not one best way of introducing cleaner production technology or environmental management systems. SMEs are very different regarding experiences with pollution prevention, traditions and company culture, focus and commitment of the management, degree of employee participation. A more pragmatic approach is required depending on the preconditions. The easiest steps should be taken first, followed by investments in cleaner technology, implementation of a certified management system, or even life cycle assessments much later.

Financial Performance

Case study evidence shows without doubt that SMEs with sound environmental practice have financial advantages over those who do not, because ultimately, they improve the bottom line.

RECOMMENDATIONS

Size of Sector

There is enormous diversity of the sector in designing strategies for greening SMEs. Analysis of the relative environmental impact and risk of individual sectors should be carried out in order to target those companies with highest environmental impact and provide the support and assistance required. Trade Associations could play a valuable role in promoting bench-marking exercises within their sectors, generating motivation and competition. However, there are hundreds of trade associations in the UK (31 just for hairdressing!) and rationalisation is required.

Funding and Assistance

Greater co-ordination of the European Structure Fund programmes and domestically funded regeneration programmes is required to avoid the current competition clashes, information fatigue and confusion taking place. A sector approach to funding should be considered, with Trade Associations or Regional Development Agencies (RDAs) providing a unified initiative. Sharing best practice in the sector is important.

Green Business Clubs

Suffer from lack of interest after the initiative has finished and funding dries up. Companies are targeted because they have been interested or involved in previous initiatives, but there is little motivation beyond taking the grant. Support strategies and continued training and motivation should emphasise the self-interest motive for environmental action, to establish environmental responsibility as an opportunity rather than a threat.

Green Industrial Estates

Could be considered, as a means of generating economies of scale for environmental services, segregation and collection of waste and recyclables, purchase of electricity and gas and even stationery and other equipment. Too often, businesses on industrial estates ignore each other instead of talking and reaping collective benefits. Responsibility also lies with estate management companies to understand the environmental impacts of their estates and how improvements can be made.

Supply Chain Pressure

The role played by larger companies can be a strong catalyst for change among SMEs. Purchasers, whether the larger company or the consumer, will always have a lever. However, more supply chain dialogue is important in order to avoid a prescriptive approach and impractical environmental standards being imposed.

Education and Training

The bottom line is a selling point and main driver to interest SMEs in 'going green'. SMEs need to see the financial benefits, but education and training is a critical component to long term change and should be a compulsory part of any assisted project.

Sustainable Development

SMEs are part of a bigger system and their route to sustainability could be through understanding not only their ecological responsibility but also social responsibility. SMEs are often much closer to their local community than larger companies and should exploit this by disseminating their good practices.

Taxes

Taxes can be an incentive for change, where the charges are higher than the cost of for instance, treating/disposing of waste, because it can persuade a company to make a better decision. However, any revenue raised through taxes must be channelled back to make further environmental improvements.

Regulations

There is a need to be sensitive to SME capabilities in terms of finances, human resources and information needs, as well as taking account of the diversity of the sector. Simple enforcement is not enough — education and awareness raising is paramount.

Change of Attitude and Culture

Some countries, particularly Denmark and Holland have a long history of embracing a more holistic attitude towards the environment than the UK. Environmental and economic benefits are inextricably linked and there is greater

co-operation between businesses. A 'foreign exchange' for one or two members of staff on assisted projects, to visit comparable companies in Europe, could go a long way to changing attitude and culture. First hand experience can be very beneficial.

Organisations Represented at the Forum

Environmental Groups/Policy Forums

CEST

Business in the Environment

Environmental Technology Best Practice Programme

Groundwork Manchester

Groundwork St Helens, Knowsley & Sefton

Groundwork Wigan & Chorley

Merseyside, Cheshire & Deeside Energy Efficiency Advice Centre

Sustainability North West

The BOC Foundation

Trafford Park Business Forum

UK Round Table on Sustainable Development

WasteBusters

Universities/Education

Cardiff University

UMIST

Durham University

European Business Management School

Manchester Metropolitan University

The University of Sheffield

University of Bradford

University of East Anglia

University of Hertfordshire

University of Huddersfield

University of Manchester

University of Salford

Business Advisers

Business Link Bedfordshire

Business Link South & East Cheshire

Cheshire Chambers Environmental Ltd

Manchester Training & Enterprise Council

Local Authorities/Government

Blackburn & Darwen Borough Council

Bolton MBC

Cheshire Country Council

Contributions Agency

Environment Agency

Ellesmere Port & Neston Borough Council

Lancashire Country Council

Preston Borough Council

International Organisations

Austria, UMBERA

Canada, University of Western Ontario

Denmark, Aalborg University

Denmark, Technical University of Denmark

Italy, Avanzi and Bocconi University

Lithuania, Kaunas University of Technology

Netherlands, University of Twente

Netherlands, Free University of Amsterdam

Swiss Federal Institute of Technology

Thailand, Chulalongkorn University

USA, CERES

USA, Clark University

USA, General Motors

Companies

CEWTEC

CIPS

Envirotech

National Centre for Business & Ecology

NIMTECH

Quality of Life

Small Business Research Centre

The Co-operative Bank plc

The Furniture Resource Centre

The Ryalux Group

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