

## SME-nvironment 2003

### A survey to assess environmental behaviours among smaller UK businesses

SME-nvironment 2003 was undertaken for NetRegs, a unique web resource designed to help small and medium-sized enterprises (SMEs) to navigate the environmental legislation that affects them. The site – [www.netregs.gov.uk](http://www.netregs.gov.uk) – has been developed by the Environment Agency, the Scottish Environment Protection Agency and the Environment and Heritage Service (N. Ireland), in conjunction with the DTI's Small Business Service. NetRegs includes general management guidelines that apply to most businesses and sector specific advice; guidelines for at least 100 industry sectors will be online by March 2004. SME-nvironment 2003 is the largest ever UK-wide study into the environmental behaviour of SMEs.

#### INTRODUCTION

Despite recognising the business benefits of going green, many smaller UK businesses are failing to take practical measures to reduce their impact on the environment and less than a quarter have an environmental policy in place.

Until recently, the drive to reduce the impact of business on the environment had been primarily focused on large companies with more than 250 employees but all businesses, however small, have an impact on the environment. Over 99% of the 3.7 million businesses in the UK are small and medium-sized enterprises (SMEs) and it is estimated that they generate about 60% of commercial waste and as much as 80% of pollution incidents in England and Wales alone.

Generally speaking, the smaller the business the less time and resource will be available to address environmental issues. The SME-nvironment 2003 survey of more than 8,000 small and medium-sized UK businesses reveals that many of them have a poor understanding of the effects of their activities on the environment and want more information and advice on green issues.

Table 1 - Percentage of businesses surveyed by size of business			
Size of Business	Number of Businesses	% of Businesses Surveyed	Actual Distribution of Businesses %
0-9 Employees	5,873	68	78
10-49 Employees	2,030	24	18
50-250 Employees	701	8	3
Total	8,604	100	99

#### METHOD AND RESPONSE

The **SME-nvironment 2003** survey, carried out by WS Atkins on behalf of NetRegs, covered 8,604 SMEs (businesses with less than 250 employees) in 28 industries across the UK:

Agriculture; Basic Metals; Chemicals; Clothing; Construction; Electricity/Gas/Steam; Electrical Machinery; Electronics; Fishing; Food and Drink; Forestry; Hotels and Restaurants; Land Transport; Leather; Machinery Miscellaneous; Metal Products; Mineral Products; Mining and Quarrying; Motor Vehicles; Optical and Medical; Printing and Publishing; Pulp and Paper; Retail of Vehicles and Fuels; Rubber and Plastics; Sewage and Refuse; Textiles; Water Transport; Wood and Wood Products.

The survey was conducted by telephone interview with businesses in Scotland, N. Ireland, Wales and the nine Government Office Regions in England. Nearly half of the respondents (45%) either owned the business or were the managing director; the remainder included operations and technical managers and administrative staff.

For the purposes of this survey SMEs have been broken down into three business size brackets:

Micro: 0-9 employees  
 Small: 10-49 employees  
 Medium: 50-250 employees

The approach to sampling was to try to reflect the distribution of business size group within each sector. Table 1 illustrates the number of businesses interviewed in each size sector compared to the actual distribution of SMEs within the 28 sectors in the UK.

Between 104 and 369 businesses were interviewed from each sector. The results were then weighted to exactly represent the size and sector distribution of UK SMEs within the 28 sectors.

## ENVIRONMENTAL ACTION

The majority of SMEs have yet to introduce any practical measures to limit their environmental impact. Only 23% of all respondents had implemented any measures aimed at reducing harm to the environment – although there were significant differences depending on the size of business asked.

- Forty-four percent of medium-sized businesses had taken positive steps
- Thirty-two percent of small businesses had taken positive steps
- Only 20% of micro businesses had taken positive steps.

Those businesses that had taken positive steps to reduce harm to the environment (N=1,948) were presented with a list of four practical environmental measures and asked whether they had introduced one or more of them.

Practical measures undertaken by businesses by size				
Practical Measure	0-9 Employees %	10-49 Employees %	50-250 Employees %	Total %
A responsible officer	40	65	61	48
A programme of environmental improvements	34	34	40	35
Energy efficiency/ water reduction measures	32	21	39	30
An environmental assessment	25	25	43	26
N=1,702 Base: Respondents that have introduced practical measures (multiple responses allowed)				

Appointing a member of staff to be responsible for environmental matters was the most common measure amongst businesses with environmental measures in place – nearly half of respondents (48%) had an environmental officer in place.

- Businesses with 10-49 staff were most likely to have an environment officer but least likely to have implemented energy efficiency or water reduction measures and fared no better than the smallest businesses when it came to having had an environmental assessment or introducing a programme of environmental improvements.

Not surprisingly, there are significant differences between industry sectors in introducing practical environmental measures.

- Businesses from the Forestry and Mining and Quarrying sectors, where environmental impact is intrinsic to the nature of the industries, were most likely to have implemented practical measures to reduce environmental damage – 62% of respondents in the Forestry sector and 58% in Mining and Quarrying.
- At the other end of the scale, only 18% of Construction businesses asked had implemented any measures and only 22% of those in the Textiles industry, despite the relatively high environmental impact of these industries.

## HIGH RISK ACTIVITIES

The low rate of implementing measures to reduce harm to the environment is in part a reflection of the fact that many businesses are failing to recognise that their activities may pose an environmental threat. When asked, only 6% of businesses thought that they undertook any activities that could be damaging to the environment.

Yet when presented with a list of six activities with a high potential to cause harm to the environment, 27% of respondents (N=2,299) stated that they undertook one or more of them.

Examples of activities with potential to cause environmental damage:

- Storing waste
- Storing chemicals, fuels or oils
- Discharging to sewage or watercourse
- Emitting smoke or fumes to air
- High energy consumption
- High water consumption

Broken down by business size, nearly a quarter of the smallest businesses with less than ten employees recognised that they carried out at least one of the listed activities (24%), compared to 35% of businesses with between 10 and 49 employees and 42% of those with 50 to 250 employees.

- Businesses surveyed in all three size bands report storing chemicals, fuels or oil as the most common of these potentially damaging activities - mentioned by 63% of those who admit carrying out at least one of the activities.
- The only industry sector of the 28 surveyed in which storage of chemicals, fuels or oil was not the most frequently given response was Hotels and Restaurants, where high water consumption came first.
- Emissions to air, high water consumption and waste storage were each mentioned by 18% of those respondents who acknowledged conducting at least one potentially harmful activity.
- Seventeen percent said they had high energy consumption and 8% said they discharged to sewers or watercourses.



## ENVIRONMENTAL POLICY

Having an environmental policy in place is a key indicator of a business's attitude towards environmental improvements. Of those businesses surveyed, only 24% had an environmental policy, although again there are stark differences depending on business size.

- More than half (54%) of medium-sized businesses have an environmental policy
- 34% of small businesses have a policy
- Only 20% of micro businesses have a policy

Of the total number of respondents with an environmental policy in place, only 27% had a stand-alone written policy, another 27% included the policy in their overall business plan and the majority (41%) have an informal management aim to address environmental issues.

Again there is significant variation between sectors in how many businesses have an environmental policy in place.

- The top five sectors are: Mining and Quarrying (58%), Chemicals (48%), Sewage and Refuse (46%), Water Transport (46%) and Forestry (42%).
- The bottom five sectors are: Textiles (12%), Leather (14%), Clothing (17%), Construction (17%), Land Transport (18%) and Printing and Publishing (18%).

Not surprisingly, there is a clear correlation between having an environmental policy in place and implementing practical environmental measures. The top five sectors and the bottom five sectors are the same for both of these questions.

## ENVIRONMENTAL MANAGEMENT SYSTEMS

A formal Environmental Management System – such as the international ISO 14001 or European EMAS standard – identifies and quantifies the impact of a business on the environment and helps to ensure legislative compliance and improved management control. An EMS addresses waste minimisation and improved energy efficiency and puts the business in a better position to reduce environmental risks and exploit market opportunities.

A tiny 3% of businesses asked across all sizes and sectors have an accredited environmental management system (EMS) in place and only a further 1% has any plans to introduce one. The low uptake may partly be a result of ignorance about what an EMS is and the potential benefits and costs entailed.

- The larger the business the more likely they were to have introduced an EMS. Fourteen percent of businesses with 50-250 employees have an EMS compared with 3 per cent of businesses with 0-9 employees.
- The Mining and Quarrying sector is most likely to have implemented an EMS - 22% of businesses asked had done so. The sectors that are least likely to have implemented an EMS are Construction (1%), Land Transport (1%) and Printing and Publishing (1%).

### DID YOU KNOW?

All fuel, chemicals and oils should be stored within a bunded area that can contain 110% of the volume of the largest container stored within it in case of leaks or spills.

Only 30% of businesses regularly storing chemicals, fuels or oil, had ever bunded a chemical store or oil tank.

Larger SMEs who store chemicals were more likely than smaller SMEs to have bunded a chemical store or oil tank. Fifty-two percent of businesses with 50-250 employees have bunded a tank or store compared with 26% with 0-9 employees.

## LEGISLATIVE AWARENESS

All businesses face increasing amounts of environmental legislation – with more in the pipeline from Brussels, yet only 18% of all respondents could name any environmental legislation unprompted.

This ranged from 17% of micro businesses asked to 23% of small businesses and a quarter of those with between 50 and 250 employees.

However, when prompted with a list of eight pieces of environmental legislation, 77% of all businesses had heard of at least one. Seventy-five percent of micro businesses were aware of at least one piece of existing legislation, compared to 85% of small businesses and 92% of medium-sized businesses.

Level of Awareness of Legislation by Size				
Legislation	0-9 Employees %	10-49 Employees %	50-250 Employees %	Total %
Environmental Protection Act 1990	50	63	65	53
COSHH	43	61	72	47
Packaging Waste Regulations 1997	25	33	47	27
Special Waste Regulations 1996	26	29	46	27
Duty of Care Regulations 1991	22	29	43	24
Water Industry Act 1991	14	17	27	15
Water Resources Act 1991	13	13	21	13
IPPC/IPC	4	8	12	5
N=8,604				

The most frequently recognised piece of legislation, by 53% of businesses of all sizes, was the Environmental Protection Act. This is probably because it is broad in scope and was heavily promoted on a sector-specific and generic basis when launched.

Only 24% of businesses across the board had heard of the Duty of Care Regulations, which are applicable to all UK businesses.

The Mining and Quarrying sector has the highest awareness of environmental legislation, with businesses in this sector being most aware of four of the eight pieces of legislation. Businesses in the Textiles and the Retail of Vehicles and Fuels sectors showed the lowest levels of legislative awareness.

### KEY LEGISLATION

**Environment Protection Act 1990**  
Includes the IPC regime (see below), duty of care for waste (see Regulations below), waste management licensing, and the identification and remediation of contaminated land. Most businesses will be affected by this Act.

**COSHH (Control of Substances Hazardous to Health Regulations) 1999**

Control the exposure of employees to toxic and harmful substances (including gases, vapours, liquids, dusts and solids). Any workplace which contains such substances will be affected including those within Agriculture, Chemical, Waste and Cleaning industries.

**Packaging Waste Regulations 1997**

Require those with a specified turnover/quantity of packaging to register and achieve recycling targets. A business will be affected by the Regulations if it manufactures, packs, sells or imports more than 50 tonnes of packaging per year and has a turnover of more than £2m per year.

**Duty of Care Regulations 1991**

Control the storage, handling and disposal of waste. Applies to all businesses which produce or dispose of waste.

**Special Waste Regulations 1996**

Control the storage, handling and disposal of waste that is hazardous or dangerous. Those potentially affected include the Chemical, Agricultural, Waste and Construction industries.

**Water Industry Act 1991**

Relates to the appointment and duties of sewerage undertakers. Those affected include water companies and sewage treatment works.

**Water Resources Act 1991**

Relates to the provision of discharge consents, abstraction licensing and flood defence. This Act potentially affects all those who make discharges into water or abstract water including the Construction, Agricultural and Fishing industries.

**IPPC/IPC**

These regimes control emissions to air, land and water from industrial processes. Those potentially affected include the Construction, Agricultural, Chemical, Waste and Food and Drink industries.

## DRIVERS FOR CHANGE

Recognising that good environmental management equals good business management is key to changing the environmental behaviour of smaller businesses. All businesses (N=8,604) were prompted to consider whether they felt a link existed between environmental good practice and seven key business benefits.



Complying with legislation is the key driver - overall most businesses felt the strongest links existed between environmental good practice and reduced risk of prosecution (75% agreed). However, more positive business benefits also scored well.

- Sixty-five percent of respondents agreed that good practice benefited customer relations.
- Fifty-three percent agreed that good practice could help to reduce operating costs.
- Only 27% of businesses did not feel that there was a link between environmental good practice and increased sales and profitability and only 26% didn't feel there was a link between good practice and winning orders.

The smaller businesses were less likely to recognise the business benefits of good environmental practice in all cases.

There was generally a high level of agreement between sectors that a link exists between environmental good practice and a reduced risk of prosecution. The level of agreement ranged from 63% in the Leather sector to 87% in the Fishing and Mining and Quarrying sectors. There was less agreement between sectors that a link exists between environmental good practice and motivating the workforce. The level of agreement on this issue ranged from 30% of businesses in the Clothing sector to 50% in the Electricity/Gas/Steam sector.

## ENVIRONMENTAL MOTIVATORS

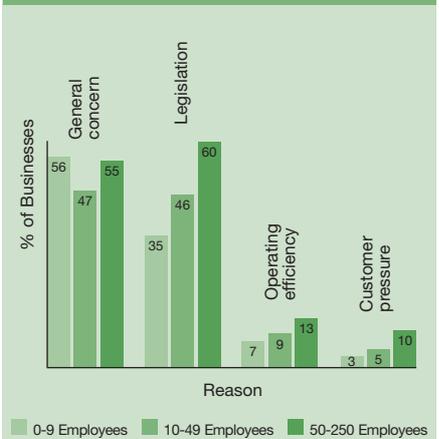
Legislative pressure and a general concern for the environment both play a big part in motivating businesses to implement positive environmental measures according to those asked, but few name potential business benefits as a reason for doing so. Supply chain or customer pressure is also still slow in taking effect.

Those respondents who had taken some form of positive environmental action (e.g. having a policy/EMS in place and/or implementing practical measures to reduce environmental damage) were asked what motivated them to make the changes (multiple responses allowed).

- 54% were motivated by a general concern for the environment
- 39% were motivated by legislative pressure
- 8% were motivated by potential business benefits
- 4% were motivated by customer pressure

Micro businesses asked were least likely to be affected by legislative or customer pressure or to seek to achieve operating benefits from going green. The largest SMEs (50-250 employees) were most likely to be influenced by legislation (60%), which is not surprising as they are the group most directly affected by environmental regulations.

## Reasons for addressing environmental issues by size



## GETTING HELP

Local Authorities are most likely to be asked for assistance on environmental matters by small businesses. Of the 37% of businesses that had sought help on at least one occasion, 60% had contacted their Local Authority, 35% had contacted the environmental regulator and 35% had contacted a waste company. Overall, the larger businesses were more likely to contact a wide range of sources than the smaller businesses.



## INTERNET ACCESS

- Currently, 60% of all respondents have internet access. This figure varies widely between the smallest SMEs (55%), those with 10-49 employees (76%) and those with 50-250 employees (92%).
- Thirty-five percent of respondents have had internet access for more than three years; the remainder have gained access more recently. This reflects the rapid establishment of the internet as a core business tool since the start of the new millennium.
- While 93% of respondents in the Electronics sector have internet access and 89% of Print and Publishing businesses surveyed, only 51% of respondents from the Hotel and Restaurant sector and 48% asked in the Agriculture sector can say the same.

Forty-one percent of businesses asked said they would like more information and advice on environmental issues. This result was very similar across all sizes of business.

Businesses were asked how they would prefer to receive information on environmental issues in the future.

The internet is the most popular method to receive information among businesses with 50-250 employees (45%). Printed material remains the most popular with businesses with less than 50 employees, although this is likely to change as ever-increasing numbers of smaller businesses gain access to the internet.

Priority order for receiving information by size			
Top priority for receiving information	0-9 Employees %	10-49 Employees %	50-250 Employees %
Via the internet	23	32	45
Via telephone helpline	14	11	6
Printed material	54	48	40
Via seminars/conferences	1	1	2
Via face-to-face visits	8	8	8
N=7,824 Base: Respondents who provided a priority for each of the medium			

Size of business:  
micro 0 – 9 employees; small 10 – 49 employees; medium 50 – 250 employees



## CONCLUSION

The SME-nvironment 2003 survey reveals how few smaller businesses are implementing practical measures to reduce their environmental impact, particularly in the case of the smallest businesses with less than ten employees that make up 90% of the UK business community.

While more than half of medium-sized businesses (50-250 employees) have an environmental policy in place, only a fifth of the smallest businesses can say the same. And it's a similar picture when it comes to introducing practical environmental measures, with 44% of medium-sized businesses having taken positive steps compared to only 20% of micro businesses.

The lack of action may be largely a result of the low awareness of environmental obligations among small businesses. The survey reveals the scale of SMEs that do not recognise the potential effects of their activities on the environment and have a poor knowledge of environmental legislation. Again, this is particularly true of the smallest businesses.

There are also significant differences between sectors. Often, the most tightly regulated businesses with the largest potential environmental impact will demonstrate the greatest environmental awareness and improvements, but not always. The Textiles and Retail of Vehicles and Fuel sectors are least aware of legislation, yet both carry out a number of potentially damaging practices that are bound by legislation.

Time and resource pressures on small businesses, compounded by the slow-down in the economy, also contribute to the low priority given to environmental matters. Although environmental improvements could be just what are needed to reduce operating costs and give them a competitive edge, businesses who have implemented environmental measures still name legislation and a general concern for the environment as the main reasons for doing so.

However, when asked to consider the association between good environmental practice and real business benefits, the majority believe that environmental good practice and business success are linked. This is particularly true of the larger businesses.

So why are more positive environmental measures not being taken? Many smaller businesses want to improve their environmental performance but don't know where to begin. Communication with SMEs is probably the single most critical factor – raising awareness about the regulations that govern their activities and further promoting the potential business benefits of good environmental practice. Increasing supply chain pressure is also key – few businesses currently feel compelled to alter environmental practices to win orders.

Ultimately, environmental issues are unlikely to take precedence over day-to-day running of the business or winning orders but if they can be addressed as an intrinsic part of these activities then improvements can be made that have a positive effect on the bottom line.

Smaller businesses are clearly asking for more information and advice on environmental issues in order to make positive changes. The NetRegs website – [www.netregs.gov.uk](http://www.netregs.gov.uk) – offering small businesses clear regulatory and good practice advice on environmental issues tailored for their industry sector, is part of the solution. It is essential that this resource is underpinned by a campaign to persuade small businesses of the risks of failing to confront environmental issues and the real business benefits of making improvements.

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# [www.netregs.gov.uk](http://www.netregs.gov.uk)

Guiding small businesses through environmental regulations

NetRegs is a partnership between



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