



Environment and Sustainability Research Summary – May 2011

THIS RESEARCH, commissioned by Peninsula Enterprise, explores the awareness and experience of environmental business support schemes in Cornwall and the Isles of Scilly, Devon and Somerset.

EXECUTIVE SUMMARY

Despite substantial media coverage of the issues and the existence of numerous organisations dedicated to assisting businesses to improve their environmental performance, good environmental business behaviour is not widespread. Barriers exist in the form of accessing finance, lack of understanding of the actions that could be taken and commitment from senior managers to instigate change. Opportunities exist for public and private sector organisations to provide support which reinforces the benefits that could be achieved, and is aligned to specific business needs.



RESEARCH BACKGROUND

In November 2010 Peninsula Enterprise commissioned Databuild Research & Solutions Ltd to explore awareness, experience and effectiveness of environmental and sustainability business support schemes in Cornwall and the Isles of Scilly, Devon and Somerset.

The study took the form of desk research, plus telephone and face-to-face interviews with 10 consultants and stakeholders involved in delivering Business Link's Environmental Service and with 61 businesses that a) had received support through the service, and b) those who had not received support through the service.

OBJECTIVES

- Explore the perceptions and beliefs of businesses to the way the green agenda is marketed
- Look at experiences of the services offered
- Identify the best way of engaging businesses
- Review the processes and relevance to SMEs when it comes to measuring energy/waste or reductions.

KEY FINDINGS**Segmentation**

The key factors which determine a businesses need and ability to adopt environmental improvements are:

- Industry sector
- Business size
- Evidence of senior management commitment to environmental improvement action
- Customer pressure to improve environmental performance.

Based on these criteria, most businesses fall into one of five broad categories, each with different requirements and capabilities:

1. Large businesses with a strong sustainability vision and resources to implement recommendations (e.g. large engineering firm)
2. Large or medium sized business with little vision or commitment to environmental improvement (e.g. manufacturer)
3. Medium sized business with an environmental champion or personal commitment to improve environmental performance (e.g. construction firm)
4. Small businesses where use of energy, fuel and raw materials – and their production of waste – has a very obvious impact on profit (e.g. small manufacturer)
5. Small businesses where 'people' are the key resource (e.g. call centre).

Perceptions and beliefs of businesses to the way the green agenda is marketed

The most commonly cited obstacle to implementing environmental performance improvements was finance, despite most companies recognising that action can lead to cost savings. Many businesses would, they claim, be willing to do more, but cannot afford the associated upfront costs and cannot borrow or obtain grants. The current economic climate is compounding these difficulties.

Across all business sectors and sizes, cost savings are the principal motivator to improve environmental and sustainability performance.

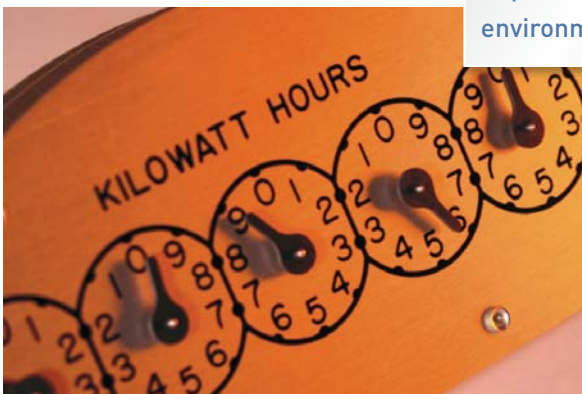
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As a result, the expression: *'cost savings through energy saving and environmental improvement'* was universally popular, with respondents saying that it would always get their attention.

At the other end of the spectrum *'eco-'*, *'green'*, *'greener business'* and *'business and the environment'* were all felt to be misused or woolly and consequently meaningless. *'Resource efficiency'* appears to be poorly understood, and *'carbon reduction'* and *'low carbon'* considered ill-defined with too many possible meanings.

From the words and phrases respondents were asked about, the one which was clearly the least acceptable was *'climate change'*, with most reacting negatively towards it. It felt less relevant to them, referring to bigger issues which were not specifically business-related.



Those surveyed also refer to the South West's credentials as a region which looks after the environment. They see themselves operating in this context, where it is both assumed and important that businesses will do their best to minimise their environmental impact. This was particularly relevant for those in hospitality (often category 5 businesses), where customers expected them to perform well, and good performance could be used as a marketing angle.

The most valued support is from a business adviser who looks at the whole business and identifies areas for improvement incorporating environmental performance.

Experiences of the services offered

It was felt that there is too much overlap in the business support available and it is difficult for businesses to identify what support can help them.

The provision of isolated support in particular areas is ineffective, resulting in an inefficient process where businesses are inundated with offers of help which they do not have the time and resource to consider.

A co-ordinated approach would be more attractive, whereby a business was assigned a mentor or adviser who could look at their whole operation and identify areas for improvement.

Businesses that have used support have principally done so from public sector organisations. They perceive that there may be finance available through public sector sources of support, which in part explains their preference for this.

Lack of money tends to be the principal barrier for action for small and medium sized businesses that use energy, fuel and raw materials (businesses in categories 3 to 4). Claimed motivations and barriers point to the importance of providing compelling data to show which action will help businesses to save money, how much, and how.

A lack of understanding of what they can do and the benefits they could achieve is the principal barrier to action amongst businesses where 'people' are the key resource (businesses in category 5).

Frustrations were noted where key energy users are not eligible for support programmes or where the grant funding could not be accessed because the programme was coming to an end, so continuing a brokered progression is important.

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Engaging businesses

Around half of the organisations surveyed are receptive to using external help

with regards to environmental issues; approximately a quarter were actively seeking help in this area. Businesses require different levels of support dependent on their needs and capabilities, experience of undertaking environmental improvement measures and their personal preferences.

Face to face support was overwhelmingly the most popular method. Businesses in categories 3, 4 and 5 prefer 1:1 support as it can be tailored to their business. However, some want simple online tools or a combination of methods. Often businesses need a diagnostic audit to identify the most appropriate and worthwhile areas to take action. Following the audit they value signposting to support that can help them take action and realise potential benefits.

Recipients of the Environmental Service spoke very positively about local seminar-type events, geared to businesses in a similar field of operation, where there was an opportunity to learn from others.

It is important to ensure that external help engages the right individual. They could be the implementer of environmental and sustainability action, the decision maker, or neither. However, action is more likely where there is a champion of environmental and sustainable behaviour (as in businesses in category 3).



Measuring energy/waste or reductions

Few businesses have a rigorous system of environmental and energy performance measurement; even those who had either achieved or were working on ISO14001.

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There were a number of reasons:

- Businesses cited a lack of time; which indicates it is not seen as a priority
- Energy and raw materials use was not a major part of their expenditure and therefore did not excite much interest or action in the company
- Businesses did not know how to do this.

CONCLUSIONS AND RECOMMENDATIONS

Amongst businesses, substantial market barriers currently prevent considerable levels of investment

in environmental improvement activity. The proposed government Green Deal for businesses is likely to change the market structure for the utility industry, removing some of the barriers to improving energy efficiency. However, there still remains an opportunity for public or private sector interventions to correct or overcome market barriers not addressed through the Green Deal for business and to address other environmental support needs, such as waste and fuel consumption.

Businesses are looking for environmental support which provides:

i) assistance with finance

The Environmental Service addressed this in three ways:

1. By funding the diagnostic audit; making it more attainable for organisations. The audit identifies environmental improvement and energy efficiency opportunities for the business.

2. Through presenting the business case for implementing measures; the audit helps secure internal budget for investment in environmental performance.
3. Providing financial assistance to implement measures through match funding the identified improvement activity.



organisation which had no commercial interest and could therefore offer truly unbiased support and advice. This aspect of the brand was important in gaining credibility with businesses. Overall, most businesses are entirely indifferent to the source of the support, provided it had no commercial interest in the advice, and nothing to sell.

Despite the offer of financial support, this was not taken up by a substantial number of businesses. One of the reasons for this is the balance between the value of the support, the effort required to obtain the support and the need to raise the capital to match fund a project.

iii) credibility for proposed activity to improve environmental and energy performance

For example, through confirming the suitability of energy efficiency measures that the business was already considering.

The funding needs to be substantial enough to warrant the time investment from business owners in accessing the funding. However, the higher the level of funding, the more difficult businesses find it to raise the capital for match funding. The Green Deal for business offers an alternative funding solution for energy efficiency improvements that addresses these issues. There is an opportunity to identify similar financing models for other environmental improvement activity.

Funding needs to be substantial enough to warrant the time investment from businesses accessing the funding. However, if the grant amount is too large, organisations may struggle to find the required match funding.

Often businesses understand the environmental improvement action they could take. However, they need help in prioritising those actions; business support tools can assist with this. Where there is a lack of senior management commitment to environmental improvement activity – external support can help make a credible case to management.

Businesses need help in prioritising environmental improvement actions.

ii) endorsement for investment in energy efficiency and environmental improvement opportunities

The fact the Environmental Service was delivered through Business Link demonstrates that this is an area with government support and helps to raise awareness among others in an organisation.

iv) expertise and knowledge to improve energy efficiency and environmental performance

- expertise and knowledge that businesses do not have. The Environmental Service model of conducting an environmental audit is a good way of engaging businesses and identifying areas where a business can benefit. However, the ultimate success of the programme depends on the business following up the report with action. This requires further support to encourage businesses to implement recommendations.

Respondents talked frequently of the Business Link service delivered by Peninsula Enterprise credibility, as the support and advice is impartial and unbiased.

Respondents who had received support through Business Link talked frequently of the credibility of Business Link as an

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As a resource intensive mode of delivering support, audits should be targeting those companies who have significant environmental impact such as manufacturing and transport companies and large companies, as these

provide the greatest opportunity to make an impact.

For most impact, effort is better directed at companies which have not undertaken significant improvement activity already. For instance, it might be appropriate to exclude from any survey programme those companies who already have or are working towards ISO14001. Although it could still be effective to offer finance to this segment in order to facilitate the continuous improvement which the standard demands.

vi) provides information or addresses misinformation

There is still an opportunity to raise business awareness and understanding of:

- The opportunities available to them to improve their environmental performance
- The benefits of improving environmental performance
- The importance of energy and waste management and monitoring.

There is a need to continually reinforce messages of good environmental behaviour. Aligning the messages with the potential cost savings that businesses can benefit from through adopting good environmental behaviour appears to be the most universal message.

There are still huge opportunities as good environmental business behaviours are not widespread.

Peninsula Enterprise is committed to supporting the economic and social development of the South West. Based in the heart of the region, we work in partnership with the public and private sectors to develop solutions and deliver services that inspire change and drive growth. In Cornwall and the Isles of Scilly, Devon and Somerset, Peninsula Enterprise delivers a range of Government and EU funded business support services.

Peninsula Enterprise has delivered specialist environmental business advice and support through dedicated teams of environment professionals under the Convergence (Cornwall and Isles of Scilly) and Competitiveness (Devon and Somerset) programmes, funded by the European Regional Development Fund (ERDF).



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convergence
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