

## Chapter 4

### Information-based instruments and improved messaging around SMEs' environmental requirements

*This chapter looks at how the type of information and the way it is conveyed can support environmental compliance by SMEs and encourage green business practices. Packaging the information and formulating the right message is crucial for the effectiveness of communication tools. Small businesses have particular needs, with significant heterogeneity across and even within sectors. Information-based instruments are more effective when messages are tailored to the nature and needs of small businesses. Explaining the economic benefits for SMEs of improved environmental performance is an important component of environmental outreach.*

*In this chapter, the experiences of different OECD countries and EaP countries are documented. The role of environmental management systems (EMSs) with varying degrees of complexity and lower administrative burdens, as well as sectoral green label schemes, are discussed in terms of their attractiveness to small businesses, in contrast to formal ISO 14001 certification. Sector-specific green certification (of business practices) and eco-label schemes (for products) also contribute to an increased demand for green business practices.*

## Introduction

SMEs, particularly micro-businesses, often do not have substantive resource or expertise devoted to environmental compliance. The same regulatory approaches that might work for large companies may be challenging for SMEs to interpret and respond to. Businesses are told that they have a duty to act in an environmentally responsible way, but it is often unclear what this actually means, how a business can do it and at what cost. Going beyond compliance represents an even bigger challenge, where the lack of awareness of cost-effective opportunities is the key bottleneck.

Governments, in collaboration with business groups, can address these challenges by providing SMEs with information on green practices. Among information dissemination tools, one can distinguish between advice and guidance. Advice is active, direct engagement with a business face-to-face during inspection visits or audits, answering telephone, e-mail or website help requests, as well as addressing business representatives at seminars and similar events. Guidance is the provision of information to regulated entities, typically in the written (printed or electronic) form. Guidance includes, among others, e-mail updates, website free-access guidance pages, leaflets, brochures and other publications.

## Designing effective messages

The majority of European SMEs act to become more resource-efficient in order to reduce costs (63%), while 23% are driven by the customer demand. The growing number of SMEs taking resource efficiency actions says that their production costs have decreased as a result: 42% in 2013 compared to 35% just a year earlier. More than two-thirds of SMEs are satisfied with the return on their investments in resource efficiency (EC, 2013).

In addition to financial benefits (Table 4.1), implementing green practices may result in commercial benefits (new business opportunities, preferred supplier status, etc.), organisational benefits (derived from improvements in the quality of management), communication benefits (positive public image, better relationships with customers, investors and regulators), and increased employee motivation and morale. These benefits are confirmed by small businesses

Table 4.1. **Cost savings from environmental improvements in SMEs**

Areas of improvement	Sources of savings
Process efficiency	Optimising the performance of existing processes (or introducing more efficient new ones) minimises the use of raw materials, energy and water and the production of waste. Proper maintenance of equipment minimises costly downtime and resource waste associated with shutdown and start-up periods.
Product design	It may be possible to re-design a product so as to reduce the amount of resources it contains while still maintaining the level of service it provides.
Waste disposal	Improving process efficiency reduces the amount of waste that a process produces. Once waste has been generated, it is often possible to reuse it or pass it on to other companies that can use it, and thus avoid the costs of its disposal.
Source of raw materials	Changing the source of raw materials in a particular process by switching to recycled materials can result in cost savings.
Infrastructure	It is possible to generate savings by making efficiency changes in the company's infrastructure: installing energy-efficient lighting, insulating buildings, improving the efficiency of heating systems.
Packaging and transport	The reduction of packaging volume and finding local suppliers and customers to decrease transportation distances can be major sources of cost savings.

Source: Starkey, 1998, *Environmental Management Tools for SMEs: A Handbook*.

themselves: Scottish SMEs named reduced operating costs, a more motivated workforce, reduced risk of prosecution or fines, and improved customer relationships as key business gains from improving their environmental performance (NetRegs, 2009).

For micro-businesses, improved local image, increased number of customers and staff morale appear to be the main incentives for better environmental practices (Defra, 2011b). At the same time, most small businesses are concerned that improved image or increased sales are unlikely to result from compliance with environmental requirements because customers are not aware of a business's operational practices and, therefore, this does not influence their customer choice.

Despite numerous empirical studies which have demonstrated that improving the environmental performance of a firm also improves its financial performance, many SMEs are concerned about the short term costs of enhancing their environmental performance, and there is an inherent conflict between protecting the environment and the need to keep down costs and run a successful business. The challenge is to ***convince SMEs that green practices actually reduce costs and make for better business.***

Since by far the biggest concern of SMEs is short-term financial profitability, the fact that environmental management can save money, reduce costs and increase efficiency is usually well received by business owners. Thus, regardless of whether the objective is to improve compliance, influence the uptake of environmental technologies or increase the adoption of EMSs, environmental information targeting small businesses should make the “business case” and illustrate the financial benefits of environmental improvements.

Most small businesses seek clear and consistent information on the minimum requirements for compliance. Interpretation of text-heavy guidance can be difficult for an SME. ***There should be a simple message about the problem, its solution (step-by-step guidance) and where to go for more information.*** The most efficient way of providing advice and guidance to businesses is to take into account the full suite of regulations that apply to them, not just environmental regulations. Regulatory requirements that are communicated to small businesses should be well co-ordinated across government.

To avoid excessive or unnecessary costs for businesses, ***guidance should clearly state the minimum legal requirements.*** As the volume and complexity of both mandatory and voluntary (good practice) guidance grow, businesses are concerned that it is becoming more difficult to differentiate between the two and that voluntary guidance can sometimes be treated as mandatory in practice. Misleading advice could lead to over-compliance and an unnecessary increase in the regulatory burden. To avoid this, ***compliance and good practice guidance should be clearly distinguished.***

Businesses like compliance guidance to be legally defensible (exonerating them of potential sanctions if the guidance is accurately followed). Poor guidance which is not adapted to the needs of small businesses leaves business owners worrying that they are doing something wrong and that when they try to do the right thing, they can be penalised for not getting it absolutely right. On the other hand, too much advice and guidance may restrict innovation in finding solutions that are cost-effective for the operator's specific circumstances, potentially putting smaller businesses at a competitive disadvantage.

It is crucial to emphasise that what is good in environmental terms may also be good for the financial bottom line. For example, the best practices guide for garages produced by the Irish EPA's National Waste Prevention Programme is called “Smart Garage Guide: Save money and improve the performance of your garage”. Using the same approach, the EPA's Green Business Initiative ([www.greenbusiness.ie](http://www.greenbusiness.ie)), launched in 2006, seeks primarily

to enable businesses to use web-based audit/assessment tools to assess their own resource use efficiency, particularly with respect to waste and water. The Green Business web pages also offer tips and case studies on how to save money by reducing resource use.

In making the “business case”, it may be particularly useful to present examples of other similar companies receiving commercial benefits as a result of the environmental management improvements in question. Case studies should preferably be local in order to increase the acceptance of their conclusions by small businesses. However, the experience shows that case studies lose their importance as the promotion programme matures.

How such information is packaged, what message it presents, and how and who delivers it, is critically important to its positive impact. The key sector-specific factors affecting the choice and implementation of promotional tools include the following:

- the degree of uniformity in size and management practices of the industry – the greater the diversity, the greater the need to develop different strategies and instruments for different sub-categories of businesses
- the level of technological sophistication in the industry, which may determine the need for detailed guidance
- the existence of a well-organised industry association representing the sector, which affects the mode of communication with individual businesses
- the public profile of the industry, which may determine the extent to which SMEs may be susceptible to public pressure.

The most appropriate communication channels are likely to be sector-specific, reflecting the different business models and activities within different sectors. Public authorities tend to be best suited to delivering “one-way” information, whereas hands-on support is better delivered by business associations or private organisations (the institutional aspects are further discussed in Chapter 6). When guidance comes from a private sector organisation, it is generally perceived by small businesses as reliable, while information received from governmental bodies is often regarded with suspicion. At the same time, encouraging as many businesses as possible across all sectors to access centrally available web-based resources can contribute to the cost-effective, consistent delivery of regulatory guidance.

To make sure the information directed at SMEs is relevant, ***working with industry in formulating sector-specific guidance and codes of practice is of primary importance.*** Giving businesses a say in the structure and content of environmental guidance increases the likelihood that the material is understandable and resonates with business owners. The extent to which SMEs are willing to participate in the design of information tools and other incentives largely depends on the existence of established business organisations.

It may be difficult to persuade SMEs to act upon environmental information, even when it is obviously in their own financial interest. Information generally has an impact on companies which already have an environmental interest, but may struggle to reach those who are not already interested in green practices. Evidence from the literature suggests that raising business awareness by providing them with more information on their environmental impact will not automatically lead to changes in behaviour (Defra, 2011b). Other considerations are at least as critical, primarily the need to strengthen market incentives for environmental improvements by directly (supply chain pressure, green public procurement) and indirectly (green certifications and eco-labels) increasing the demand for environmentally friendly products and services.

## Proactive information dissemination

The simplest tool to disseminate regulatory information is a “*regulatory watch*” – a (paid or free) subscription service sending regular e-mail or mobile phone updates on relevant legislative developments and new applicable regulatory requirements. One example of such a service, usually established by trade or business support organisations, is *Enviroveille* in France, managed by the Assembly of French Chambers of Commerce and Industry.

Several environmental authorities organise *help desks* to respond to compliance questions from businesses and other stakeholders. The Swedish EPA operates a so-called “legal support service” available by telephone for two hours every working day, which offers advice and interpretation on legal issues. The US EPA’s Asbestos and Small Business Ombudsman answers technical and regulatory questions coming from small businesses on a toll-free hotline, in addition to developing other compliance assistance tools. Some agencies in OECD countries are exploring the possibility of tapping into social networks to provide compliance assistance.

Many regulators find providing *direct compliance assistance to operators during inspection visits* to be an effective strategy for dealing with particular types of regulated entities, particularly SMEs that are generally willing to comply but who are not aware of the regulatory requirements or who lack the organisational capacity to comply (SNIFFER, 2011). The aim is for operators to see the regulator as not only a “good policeman” but as a “good advisor” and to save on costs of working out what they are supposed to do and how. Such “advise and assist” visits can be formally distinguished from compliance inspections in an enforcement agency’s plan of activities. In Finland, inspectors have regular discussions with operators on existing and potential compliance problems and possible solutions; and the results of such discussions are recorded in the electronic compliance monitoring system (OECD, 2009). However, this instrument has an associated risk of “capture”, as inspectors may start to see the world through the eyes of the firms they are advising. Such advisory visits are also quite resource-intensive.

*Industry magazines, newsletters and business or community events* are seen to be helpful methods of advertising regulatory requirements and enforcement cases,<sup>1</sup> particularly to some small or rural businesses which may not have access to the internet. *Workshops, training seminars and industry fairs* (particularly those organised by trade organisations and other business groups) can also be effective in conveying information or generic advice on how to comply with the requirements. They can facilitate positive relations between regulators and regulated businesses, help share good practices and foster co-operative approaches to addressing environmental issues.

Non-governmental organisations such as Cleaner Production Centres can also provide information on green practices, targeted at specific audiences – industry as well as national and local governments. Other tools that the Centres can use include seminars, workshops and conferences focusing on information dissemination and exchange. However, it may be difficult to attract SME operators to attend such sessions, as they usually do not have dedicated environmental personnel. In addition, these events are not necessarily helpful in seeking meaningful feedback on the content of environmental guidance.

On the other hand, *targeted, concise, user-friendly guides* can be very useful in delivering a message that adhering to environmentally friendly practices (and thereby complying with the law) is a smart way to do business. *Such guides should illustrate the “business benefits first” approach to promoting good environmental behaviour.*

The dissemination of compliance assistance information to the regulated community is best achieved in partnership with multiple stakeholders. For example, the pocket-size “Small Environmental Guide for Construction Workers” prepared jointly by the Scottish EPA and the Construction Industry Research and Information Association targets professional contractors working on all types of construction sites. It advocates that “working in an ‘environmentally friendly’ way can help to improve business performance and save you money in the process. “Getting it right ... helps you to stay in business”. There are also examples of cross-sectoral guides for SMEs, including the “Environment and Energy Guide for SMEs” issued by the Assembly of French Chambers of Commerce and Industry (ACFCI, 2010).

### Web-based guidance tools

The key feature of comprehensive information-based assistance programmes is that enterprises can get advice, informational and methodological materials in one place. Over the last decade, in many OECD countries there has been rapid proliferation of *government-sponsored business advisory websites, especially targeting SMEs*. Government authorities like online guidance tools because they offer regulatory consistency of advice, time and cost savings on face-to-face advice as well as anonymity which facilitates communication with the regulated community.

Environmental guidance can be delivered through environmental regulators’ own websites, specialised sites funded by governmental authorities (those could also be ministries of economies, industry or agriculture) and generic business portals which direct users to information on environmental compliance and good practices. However, the development and operation of such programmes require significant funding.

The US EPA’s online National Compliance Assistance Centers ([www.assistancecenters.net](http://www.assistancecenters.net), created in 1998) deliver information through websites for 16 manufacturing and services sectors, federal facilities and local governments. The EPA also runs a Small Business Gateway ([www.epa.gov/smallbusiness](http://www.epa.gov/smallbusiness)) which, among others, provides information on environmental assistance and technical help available from the Agency. In addition, the US Small Business Environmental Home Page ([www.smallbiz-enviroweb.org](http://www.smallbiz-enviroweb.org)) is intended to be a “one-stop shop” for small businesses and assistance providers who seek information on a wide range of environmental topics. It directs users to compliance information (including links to state websites), fact sheets on environmental best management practices in ten SME sectors (bakeries, service stations, retail stores, etc.), key small business publications, information on upcoming events, etc.

NetRegs (Box 4.1), a web-based tool created in partnership between the UK environmental regulators (for England and Wales, Scotland, and Northern Ireland), provided between 2002 and 2011 free environmental guidance to small and medium-sized businesses throughout the country. Since 2012 this service has been run in Scotland and Northern Ireland only by the Scottish Environment Protection Agency (SEPA) and the Northern Ireland Environment Agency (NIEA). Sector guidelines are tailored to provide specific guidance on environmental legislation and as well as good practices applicable to the processes in each sector, while distinguishing between the mandatory and the voluntary. A library of environmental topics contains practical explanations of issues such as packaging, waste, clean air and effluent management which are relevant to all businesses regardless of their industry sector. The distinct customer service focus of the tool was developed in part through regular surveys of user businesses, supported by a Business Advisory Group comprising business representatives.

#### Box 4.1. NetRegs: An internet-based compliance assistance tool in the UK

NetRegs, launched in 2002, is a web-based tool created in partnership between the UK environmental regulators (for England and Wales, Scotland, and Northern Ireland), now running in Scotland and Northern Ireland only, provides free environmental guidance to small and medium-sized businesses. The content is developed jointly by the regulatory authorities but is customised for Scotland's and Northern Ireland's context. NetRegs includes:

- guidance by business type for 112 sectors in agriculture, construction, offices, etc.
- a searchable library of environmental topics
- guidance on existing and forthcoming national and EU legislation and a free e-update service, which provides regular updates on changes in the environmental legislation
- a self-assessment questionnaire that enabled businesses to discover more about what they must do to fully comply with environmental legislation
- interactive learning modules (e.g. on more complex pieces of legislation)
- video case studies illustrating good practice
- a postcode-driven “waste directory” containing a matrix of waste recycling and disposal contacts
- links to trade associations and other sources of environmental guidance and business support.

NetRegs undertakes biennial telephone surveys to understand how SMEs perceive their environmental performance and the assistance they get in improving it. In the last UK survey (2009), a total of 7 000 businesses were interviewed across the four UK countries and 10 business sectors. According to the survey, small businesses' reasons for using NetRegs were: to find out how to comply with the law (56.4%), to find all the relevant information in one place (23.4%), to build the business's green credentials (10.2%), and to find out how to reduce waste (7%).

NetRegs had over 470 000 unique monthly visitors in 2011, about 60% of which were SMEs (the rest being larger businesses, consulting firms, local authorities, etc.) It was estimated that by using the NetRegs service, UK SMEs were saving an estimated GBP 58 million annually, an average of GBP 2 600 per business. The project's start-up costs were GBP 3.5 million and the operating cost for the UK-wide service was about GBP 1 million per year (it is now GBP 250 000 per year).

Source : NetRegs (2011), [www.netregs.org.uk](http://www.netregs.org.uk).

As part of the UK Transformational Government Agenda, England's Environment Agency had to withdraw from the NetRegs partnership as well as move its own website to a single gov.uk portal. The idea was to facilitate user navigation to different types of business-related advice and to save government resources. However, much of the environmental content has been removed in the process.

Environmental assistance to European SMEs is also available from the European Commission (EC). An SME portal created on its DG Environment website ([ec.europa.eu/environment/sme](http://ec.europa.eu/environment/sme)) provides access to relevant legislation, information, tools and available training. The Environmental Compliance Assistance Programme (ECAP) established in 2007 maintains a website which offers an online best practice database which helps businesses implement European environmental legislation and minimise the environmental impact of their activities. The EC also supports the recently created GreenEcoNet green practice information platform (Box 4.2).

#### Box 4.2. GreenEcoNet: The first pan-European website for SME greening

Launched in June 2014, GreenEcoNet is the first pan-European website aiming to connect SMEs and support them in finding green business solutions and tools as well as sources of finance. It displays real life case studies from SMEs across Europe that have successfully gone “green”, profiles a library of tools and guidance, and supports discussion forums and news updates tailored for smaller businesses.

Funded by the European Commission, the website is part of a wider programme of workshops and networking opportunities co-ordinated by the GreenEcoNet consortium, including the Green Economy Coalition (London), Stockholm Environment Institute, Ecologic Institute (Berlin), Centre for European Policy Studies (Brussels), and others.

Source : GreenEcoNet (2015), [www.greeneconet.eu](http://www.greeneconet.eu).

Designing and launching an online guidance tool is not enough: *there needs to be an effective communication strategy to ensure that businesses continue to use and benefit from it*. Web-based tools should be supplemented by other instruments (such as mailings, brochures, workshops) which can add significant value. At the same time, while mail and face-to-face contact may continue to be an important route for outreach to small businesses in the short term, improving access to, and use of, the internet among small businesses is likely to be a more sustainable and cost-effective form of communication in the longer term.

#### **Direct capacity building**

A recent review of SME support initiatives on resource efficiency in EU member states (EC, 2014a) identified about 230 technical assistance programmes supporting businesses in the identification and implementation of resource efficiency measures. Over half of those programmes provide general access to information, self-assessment tools, case studies, etc. Others offer tailored, face-to-face services to individual companies. While general programmes also provide assistance with resource efficiency audits and setting up EMS schemes, these tend to operate mostly on one-to-many basis (for example, through workshops or training events) and address general approaches and methodologies rather than deal with individual companies.

The role of government authorities in providing technical assistance to businesses is not as extensive as in the implementation of other policy instruments. The practical implementation of these activities is mainly carried out by special business support organisations established by the government (Box 4.3). NGOs such as Cleaner Production Centres as well as consulting companies may also play this role, while the government may provide them with financial support.

Hands-on, direct resource efficiency support programmes seek to bridge the gap between providing general knowledge and applying it to specific circumstances of individual businesses by assisting companies to identify both opportunities and means for implementing resource efficiency measures, as well as their potential costs and benefits.

Non-government actors such as National Cleaner Production Centres can provide *face-to-face advice to businesses through audits of different aspects of their environmental management*, demonstration projects and their follow-up. Capacity building and support for enterprises may also cover activities such as *development and dissemination of methodological materials and case studies, as well as the implementation of training programmes*.



### Box 4.3. Green Offer by Enterprise Ireland

Enterprise Ireland is the government organisation responsible for the development and growth of Irish enterprises in world markets, with particular emphasis on SMEs. In addition to efforts to enhance environmental awareness and improve performance in Irish industry through its environmental information portal, Envirocentre.ie, Enterprise Ireland's Green Offer aims to increase the adoption of green business principles by its clients. The Green Offer comprises three programmes:

- The Green Start programme helps SMEs, at no cost to them, to establish a simple environmental management system by conducting a site audit and providing advice on regulatory compliance issues, green market positioning, preparation of an environmental policy, etc.
- Green Plus is meant to build on Green Start and to assist companies to develop products and services to a level where they comply with specific green procurement requirements. This may involve the implementation of an accredited EMS, improvements in products or processes or applying for eco-labels.
- Finally, Green Transform is designed to further improve the competitiveness and market access of those companies who have maximised their energy efficiency or reduced their carbon footprint.

Source : Enterprise Ireland (2015), [www.envirocentre.ie](http://www.envirocentre.ie).

To ensure sustainable application of resource efficiency and other green practices, there is a need to educate company managers. Long-term on-the-job training, combined with train-the-trainer courses, is the most effective way to build professional capacity among small businesses. Senior managers may be targeted through short sessions focusing on the basics of environmental management and its benefits and challenges, enabling them to motivate their staff. An overall aim of such training programmes should be to integrate environmental concerns into the mainstream business strategy.

An innovative way of advising small businesses has been developed by the Green Business Partnership (Scotland), whose popular Bright Green Placements programme has been organising for already over 15 years two-three month student placements in SMEs to follow up on environmental audits and work with the company's management to implement the recommended measures (and achieve related savings). A similar initiative was to offer an "ad hoc environmental manager" for one day per month to a small business that cannot afford a dedicated environmental manager in order to help it with environmental management activities.

The number of firms likely to engage in implementing good practices as a result of direct, hands-on capacity building activities, as well as the potential economic and environmental benefits that may arise from these programmes are likely to be influenced by the following factors:

- ***Involving multiple public sector organisations and industry associations*** in programme design, implementation and strategic oversight can provide a broader perspective and better co-ordinated support to SMEs. For example, the Danish Green Network is run jointly by public and private sector representatives. The regional *Performance Bretagne Environnement Plus* (PBE+) programme in France is funded jointly by the Regional Council, the central government, the local employers' union and the Chamber of Commerce and Industry.

- **Affordability** of the support services has a major influence on their uptake by SMEs. The services should be provided free of charge or at reduced fee rates (subsidised by grants, see Chapter 5).
- Programmes that provide **long-term support** allow fine-tuning of their services and have a longer-lasting impact.
- **Consideration of economic impacts** of green practices (on companies' profitability, employment, competitiveness, etc.) can be expected to increase the uptake of the programme.
- **Promoting the programme's achievements**, including by publicising success as case studies, can encourage other companies to implement green practices.
- **Using local delivery partners** enables capacity building programmes to gain local knowledge, credibility and accountability.
- **Regular, independent and impartial evaluation** of the programme as a whole and the benefit to individual companies can lead to continual improvement.

## Recognition of green practices

### *Simplified environmental management systems*

A recent EU-wide study (Calogirou et al., 2010) has shown that despite government incentives (Chapter 3) only 0.4% of European SMEs have a formally certified EMS. According to a British survey (NetRegs, 2009), just under 4% of the SMEs surveyed stated that they had an EMS in place. Around a quarter of all businesses had an environmental policy, and the likelihood of this increased with the size of the business. Just about one-tenth of small businesses considered that an EMS would be “quite useful” or “very useful”, and the fewer employees they had, the less favourably they viewed the benefits of such a system. Although supply chain pressure in some sectors is a powerful driver for some SMEs to adopt an EMS, small businesses face serious obstacles, including a lack of resources, knowledge and technical capacity, the fact that most EMS-related costs are upfront and benefits are medium-term, as well as low public visibility.

The challenge is to tailor EMSs, both in terms of their content and delivery, to the particularities of SMEs. The key, at least for smaller businesses, is to focus on simple, accessible improvements in management practices, rather than the introduction of a formal, administratively complex EMS.

There are initiatives in several OECD countries, mostly coming from the private sector, to design simplified EMSs suitable for small businesses. *Econcertive* is an Irish company which provides environmental support to businesses and organisations in all sectors, primarily by means of the EcoCert scheme ([www.ecocert.ie](http://www.ecocert.ie)). The requirements for achieving EcoCert certification are the same core requirements as for any recognised EMS standard, but the paperwork is minimal. In addition, the certification process includes the identification of energy, waste and water-related savings (with a money-back performance guarantee).

The Association of French Chambers of Commerce and Industry (ACFCI) leads two initiatives on “EMS-light”, with substantial technical, methodological and financial assistance from the public Environment and Energy Management Agency (ADEME). The “1.2.3 Environment” programme is designed to facilitate step-by-step ISO 14001 certification. *EnVol* is a special environmental management programme for small businesses (with less

than 50 employees) that do not aspire fully fledged ISO 14001 certification but would like to get recognition for their basic EMS, which roughly corresponds to the first level of “1.2.3 Environment” (ACFCI, 2010).

The “green tick” logo launched by Scotland’s Green Business Partnership in February 2011 is another example of making corporate environmental management accessible to SMEs. One tick demonstrates that the company has an environmental policy, assessed its legal compliance and is committed to making continual environmental improvements. The accreditation with two ticks means that the business, in addition, manages its compliance and has an environmental action plan. Three ticks signify the existence of a fully-fledged environmental management system.

There are also examples of SME-focused national environmental certification programmes conducted with active involvement of local governments, such as the Eco-Lighthouse Programme in Norway (Box 4.4).

#### Box 4.4. Environmental certification of SMEs in Norway

The Eco-Lighthouse Programme is a programme for environmental certification of SMEs in Norway. With this programme, companies are supposed to reduce their impact on the environment, reduce costs and make use of an environmental profile in their marketing. The Programme is supported by the Norwegian Ministry of the Environment.

The Eco Lighthouse Office is responsible for marketing at the national level and the continuous development of the programme (including developing and improving trade demands in co-operation with consultants, companies and branch organisations). The office also arranges training courses for consultants who conduct environmental audits and local government staff responsible for certifying companies.

The municipalities recruit new companies, establish contacts between consultants and companies, make use of the media and carry out inspections before the environmental certificate is awarded. The municipalities also issue the certificates when the companies have implemented the action plan to satisfy the established requirements.

Source : Eco-lighthouse Foundation (2017), [www.miljofyrtarn.no/eindex.htm](http://www.miljofyrtarn.no/eindex.htm).

Improved environmental management is also in line with the concept of corporate social responsibility (CSR), which is defined by the European Commission as “the responsibility of enterprises for their impacts on society”. To fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders. CSR guidelines are part of the ISO 26000 standard, which was published in 2010.

SMEs may have lower business incentives to engage in CSR, mainly because there are typically smaller reputational risks for SMEs than for large companies. Still, SMEs have many of the same reasons for engaging in CSR that large companies have. The CSR process for SMEs will depend on the size of the enterprise and the nature of its operations and is likely to be informal.

A brief guidance, based on these best international practices, on adapting EMSs to the needs of SMEs has been elaborated as part of a pilot project in Armenia (Chapter 7).

### *Sector-specific green certifications*

The primary goal of green certification programmes is to increase the market share of their members. In order to make environmental management credentials more relevant to specific economic sectors, business associations in many OECD countries collaborate with environmental authorities to develop green certification brands, many of which target SMEs. The environmental regulator (and, sometimes, local authorities) work jointly with trade bodies to produce **“green standards” for the sector as well as guidelines on how businesses may “earn” the right to display appropriate signs** (stickers, posters, etc.) to highlight their environmental practices to their customers. Examples of such programmes can be found in a very wide range of economic sectors, most of which are characterised by direct interface between business and retail customers, allowing SMEs to benefit directly from their improved environmental image.

For example, Ireland’s Green Hospitality Programme (under the National Waste Prevention Programme) has been developed to act as an umbrella brand for hospitality-related environmental initiatives, including the Green Hospitality Award, Green Restaurants, and Green Festivals. Formal resource efficiency audits, resource consumption benchmarks, workshops, training and guidance are provided to each participating hotel or restaurant to enable them to develop their own environmental programme and prepare for the different levels of award. Hotels pay for membership, but the fee is partly subsidised by the government. This and other examples of best practices were used to develop a brief guidance on green certification in the hospitality sector in Georgia (Chapter 10).

A similar programme for print shops has been quite popular in France. Created in 1998 by a regional Chamber of Trade and Crafts and since rolled out nationwide, the *Imprim’Vert* label has been awarded to over 1 800 print shops that adhere to a set of good environmental practices such as not using toxic products and secure storage and appropriate disposal of waste. However, environmental compliance is not among the label award criteria.

A “green standard” can also be part of a larger self-regulatory business initiative. One such initiative, the Red Tractor Assurance scheme in England and Wales, is administered by Assured Food Standards – a company owned by the UK farm unions and several agro-industry trade bodies. Originally focused on the food safety issue, Red Tractor Assurance has been extended to cover many environmental aspects of food production (management of pesticides, fertilisers, manure runoff, etc.) across about 80 000 participating farms. Under the “environmental compliance module” for pig and poultry producers, certification bodies collect data on compliance with environmental permits when carrying out audits for the Red Tractor scheme. This helps to decrease the number of Environment Agency visits to farms (to just once every three years) and to cut annual permit charges for farmers.

***The green certification scheme should be designed in a way that the business benefits to SMEs outweigh its costs:*** both the direct costs in terms of fees that must be paid to obtain certification and the indirect costs of staff time to be spent complying with their requirements. It is important to communicate to a broad audience to raise the recognition of the certification, starting at a very early stage of the scheme’s development. Trade associations should design marketing and promotional materials which a business could use to display to its customers its “green credentials”.

### *Eco-labels*

Whereas green certifications apply to businesses, eco-labels have the same function with respect to products. ***Eco-labelling schemes seek to enable producers to harness consumer demand for environmentally friendly goods*** by displaying a legally protected symbol or logo. If the label has this effect, other producers may respond by improving the environmental performance of their products in order to obtain a label in an attempt to regain the market share. This results in a reduced environmental impact from the products within the product group. The impact of reputational incentives among SMEs is typically lower than among larger enterprises, but they can be effective if they are relevant to local supply chains or customers.

Eco-labelling schemes are generally voluntary: a firm that wishes to have an environmental label awarded to its product may apply to the labelling scheme, and the label will be awarded if the product meets the relevant criteria. ***Eco-label criteria can be based on a single parameter or on studies that analyse the environmental impact of a product or service throughout its life cycle.***

As part of its ISO 14000 series of environmental standards, the International Standards Organisation has drawn up a group of standards specifically governing environmental labelling. The ISO 14020 family covers three types of labelling schemes: Type I is a multi-attribute label developed by a third party; Type II is a single-attribute label developed by the producer; and Type III is an eco-label based on a full life-cycle assessment. Environmental product declarations (EPD) providing quantitative information about a product in a standardised form may also be considered a form of eco-labelling. EPD systems are relatively costly to establish and operate, making SMEs' participation in them unlikely.

Single-attribute labels represent an environmental declaration by an enterprise about a particular environmental characteristic of a product, which in some schemes has to be verified by a third party. Such eco-labels can be related to energy efficiency (for example, the US “Energy Star”), sustainable management of a particular natural resource (e.g. forestry eco-labels), the percentage of recycled material in a product, etc. The simplicity of single-attribute eco-labels makes them particularly attractive to SMEs.

A key feature of lifecycle eco-labels is that an independent third party is involved in assigning the eco-label. Since a product is assessed against a number of approved criteria, the producer is forced to collect and analyse a lot of information that could be used to improve product characteristics through the entire life cycle. The EU Ecolabel, the Scandinavian “Nordic Swan” and the German “Blue Angel” are examples of lifecycle eco-labels.

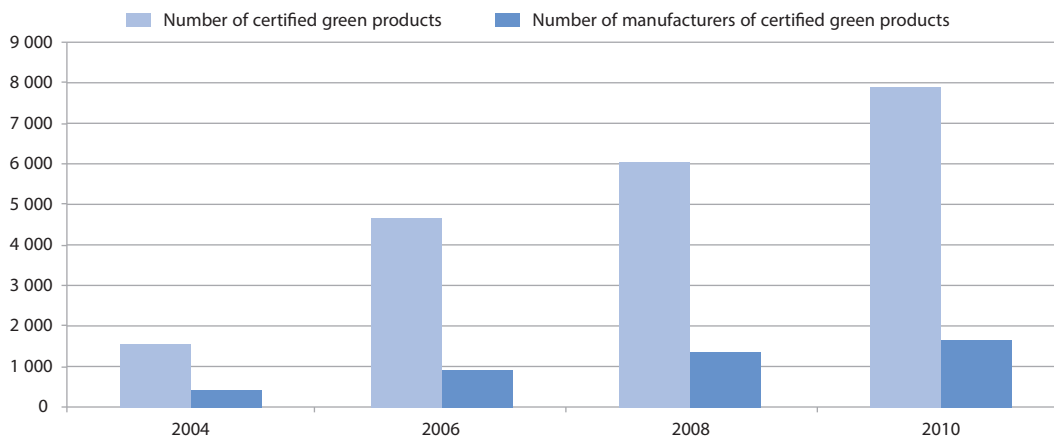
The effectiveness of eco-labels in motivating enterprises to improve environmental performance depends on criteria defined for a particular product group. ***The environmental criteria need to be updated and made more stringent regularly so that only best products are able to meet them***, thereby ensuring that the eco-label remains a mark of excellence within a product group. Labelling schemes should combat misleading claims by manufacturers about their products.

The proliferation of green labels may create confusion among firms and consumers, particularly since the verification of claims of environmental friendliness is difficult. Sometimes industries create eco-labelling schemes simply to sell themselves to customers, which leads to significant “greenwashing”. Therefore, ***the criteria and process for determining whether a product merits an eco-label or green certification should be transparent.*** It is necessary to ensure that labels are not awarded too easily, without rigorous scrutiny of each company's practices.

Eco-labelling schemes are usually run by non-profit organisations (including governments) without commercial interests. To cover their costs, scheme operators commonly an application fee as well as an annual charge, depending on the turnover of the labelled product. The EU Ecolabel scheme, managed by the European Commission since 1992, provides preferential treatment for SMEs, with considerably reduced application and annual fees.

National eco-label schemes may, however, be costly for SMEs to participate in. In Korea, for example, the number of eco-certified products is very large and continues to grow, but the growth of the number of companies producing such products is much slower, which demonstrates the predominant share of larger firms and not of SMEs in the green products market (Figure 4.1). An SME should consider applying for an eco-label if it feels that the expected benefits of doing so (maintaining or increasing its market share) outweigh the costs (those of meeting the eco-label criteria and the scheme charges).

Figure 4.1. Manufacturing of certified green products in Korea



Source: Ministry of Environment of Korea, responses to the OECD questionnaire, February 2012.

Another point that should be stressed is that establishment of national eco-label schemes in small countries often does not pay off because of a limited market and relatively high cost for companies. However, it could be economically and practically feasible to establish a simplified national product certification scheme for particular products widely produced in the country.

### ***Environmental recognition awards***

Governments can also use positive public relations incentives to promote environmentally friendly business behaviour. ***Environmental awards help raise environmental awareness through businesses and the community and help companies gain recognition for their good environmental performance.*** For example, the “Vision in Business for the Environment of Scotland” (VIBES) initiative recognises businesses of all sizes and sectors employing environmental best practices in their daily activities. The award programme is supported by the Scottish Environment Protection Agency and run in partnership with other government bodies. It is supported financially through private sponsorship and has in-kind support from a number of business associations. There are several award categories, including Best Environmental Management, Best Environmental Product or Service, Best Co-operation

for the Environment, and Best Micro-business Award. A case study is produced for each winning business and published on the VIBES website. The VIBES awards are also used as a mechanism for providing direct advice to applicants via site visits, and further environmental improvements are encouraged via feedback and wide information dissemination.

*To be effective, environmental awards need to be widely promoted in business and industry media.* However, some SMEs may not have the financial or labour resources to enable them to complete the application process, which may dissuade them from entering environmental awards.

*Environmental awards can also recognise the role of different stakeholders in greening small businesses.* The US National Steering Committee for the Small Business Ombudsman/Small Business Environmental Assistance Programs has established four Small Business Recognition Awards. Among them, the Trade Association Environmental Leadership Award recognises exemplary performance and leadership by an industry trade organisation in enhancing members' compliance with environmental regulations. There is also an award for a small business environmental assistance programme. The European Enterprise Promotion Awards recognise public bodies and public-private partnerships that support the development of green markets and resource efficiency (EC, 2014b).

## Conclusion

Effective communication is a vital component of any greening strategy. To be compliant, SMEs need to know what the regulations are in the first place, and what tools are at their disposal to green their enterprise and be consistent with or exceed their requirements. Both what the message is and what channels are used to communicate needs to be carefully calibrated. The business case for greening SME practices should be emphasised, including the potential commercial benefits (new business opportunities, preferred supplier status, etc.), communication benefits (positive public image, better relationships with customers, investors and regulators), and increased employee motivation and morale. It also needs to be clear who can be contacted for more information – especially important when multiple agencies are involved in different aspects of environmental regulation.

How that information reaches SMEs is as important as what is conveyed. Although internet-based communication is cost-effective, it may not always reach SMEs depending on the sector they are in or the level of technology penetration. Regulatory Watch newsletters can be an effective channel, as can mailings, brochures, and workshops.

The difference between compliance and good practice needs to be clear in the instructions, so that SMEs are aware of both their obligations and the potential to go beyond. Sector-specific communication and training, through public authorities and business associations, is generally much more effective than communication broadly aimed at SMEs as a whole. To be successful, this requires collaboration with industry, gaining credibility and insight into challenges. Non-governmental organisations can also be valuable channels of information and training delivery where appropriate.

Environmental awards, sector specific green certifications and ecolabels all provide ways to recognise and encourage good environmental practices and motivate positive behavior. SMEs benefit as well from potential access to green value chains and broadening market share. Simplified EMS systems also provide a means of recognition and certification, while supporting the SMEs in environmental compliance. To ensure uptake, the cost of certification needs to be less than the potential economic benefits.

Chapter 8 of this Toolkit describes a proposal for the implementation of these instruments in an EaP country-specific context, through an Information Scheme on green practices for SMEs in Moldova. This pilot project was developed at the stakeholders' request. The Scheme involves the Ministries of Economy and Environment, other government agencies, business support organisations and general and sector-specific business associations. It defines the roles and responsibilities of each institutional actor, types of information products to be developed and their general description and target audience, mechanisms of their delivery to the SME community, and procedures for co-ordination between different institutional actors.

## Note

1. Businesses acknowledge the value of hearing about enforcement action taken against other businesses in their sector (Defra, 2011a).

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