SWP 1/91 HOW GREEN ARE SMALL COMPANIES? A SURVEY BY CRANFIELD SCHOOL OF MANAGEMENT

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HOW "GREEN" ARE SMALL COMPANIES?

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OBJECTIVE

This study is part of Cranfield School of Management's continuing research into the attitudes, motivation and achievements of small growing firms in the United Kingdom.

It is now very apparent that "green issues" have become more important in both the consumer and industrial market places, and consequently more political attention is being paid to all environmental issues. Green Parties themselves have become politically significant in a number of EC countries. The 1989 European Elections showed that Green Parties and their allies now have electoral support in all twelve countries of the EC.

Until recently environmental law was regarded very much as an academic subject, which, whilst interesting, was not taken seriously by commercial lawyers. But things have changed. In the past eighteen months there have been important alterations to the law on waste management, air pollution and water. Also the Environmental Protection Bill, the so called Green Bill which has completed its passage through the Commons, is going to add more comprehensively to the businessmans problems in keeping up to date.

Pressure for yet more legislation comes from the European Community which continues to produce a constant flow of directives on environmental protection. But the EC lags far behind the United States. There an estimated $85bn a year is spent on pollution control, compared with less than $34bn in the whole EC. The 1990 Amendments to the US Clean Air Act will probably add a further $45bn to the costs of American companies if they are to comply with the new legislation. To put it in perspective US Green policy will cost 2.3% of GNP compared with less than 0.8% in the EC.

The Green problems in Eastern Europe, make those in the West seem positively benign. A recent survey conducted in Romania of 100 new employees at a metal works concluded that while all were healthy when they started work, within a year

every single one had between 80 and 800 times the permissible lead level in their system.

Against this background we felt it was timely to see how far small firms in the UK were concerned about environmental issues. This study is intended to "take the temperature" of small firms awareness and response to Green Issues, and not to do more than that. We were also interested to see if they were more or less aware than managers in big firms. A study in May and June 1990 by Peat Marwick McLintock's consultancy arm questioned senior managers in 63 large chemical companies. Nearly a quarter nad never heard of the Environmental Protection Bill. Future studies may be directed towards specific environmental issues and opportunities that most directly impact on the small business community.

EXECUTIVE SUMMARY

How Green are Small Companies?

Most small companies have no policies or procedures on green issues and only 10% carry out environmental audits within their business to establish levels of pollution and energy waste, according to a recent survey by the Cranfield School of Management. The survey revealed a lack of acceptance by small companies for causing pollution and an unwillingness to put green policies into place. However more companies were taking some measures either to conserve energy or use recycled materials, and most companies believed that "Greenness" was here to stay.

The study is part of a research project into the attitudes, motivation and achievements of small growing companies in the United Kingdom. Two hundred companies, in both the manufacturing and non-manufacturing sectors were surveyed revealing their attitude to green issues.

The key findings were:

- Eighty five per cent of small companies felt they produced almost no pollution of any kind, including air, water or hazardous waste.
- Thirty per cent of those surveyed said that environmental issues would have almost no effect on their business.
- Nearly sixty per cent of small companies make use of recycled materials at work, although less than ten per cent made considerable use of such material.
- Less than fifty per cent of small manufacturing companies make use of recycled materials, compared with over seventy per cent of small service sector companies.
- Forty three per cent of Retailers take almost no steps to conserve energy, this compares with twenty eight per cent of all small companies.
- Very small companies, with turnover below £2m were much more likely than companies with turnover between £2m and £20m, to have implemented energy conservation measures.

Chart 1 Demographics by Business Sector

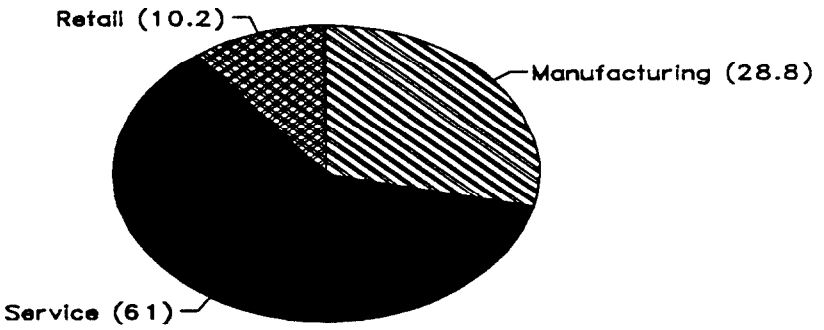


Chart 2 Demographics by Age of Business

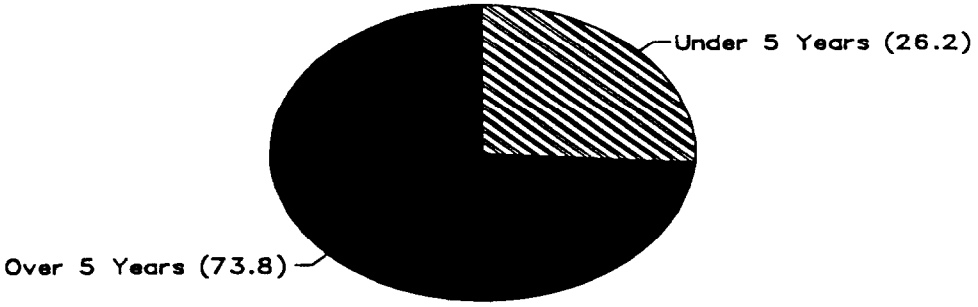


Chart 3 Demographics by Turnover Ba

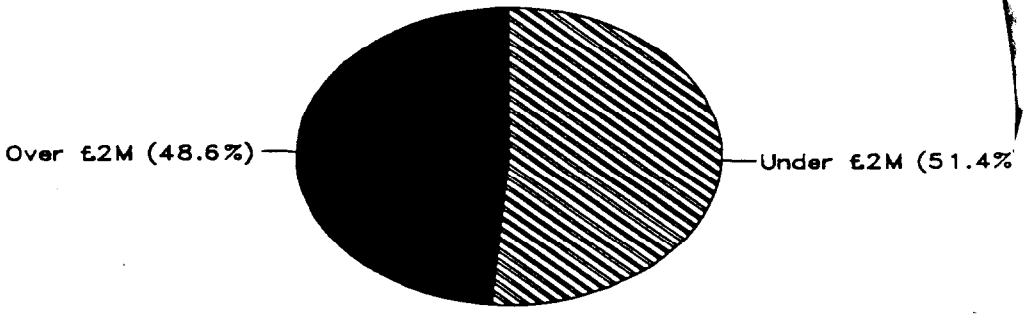
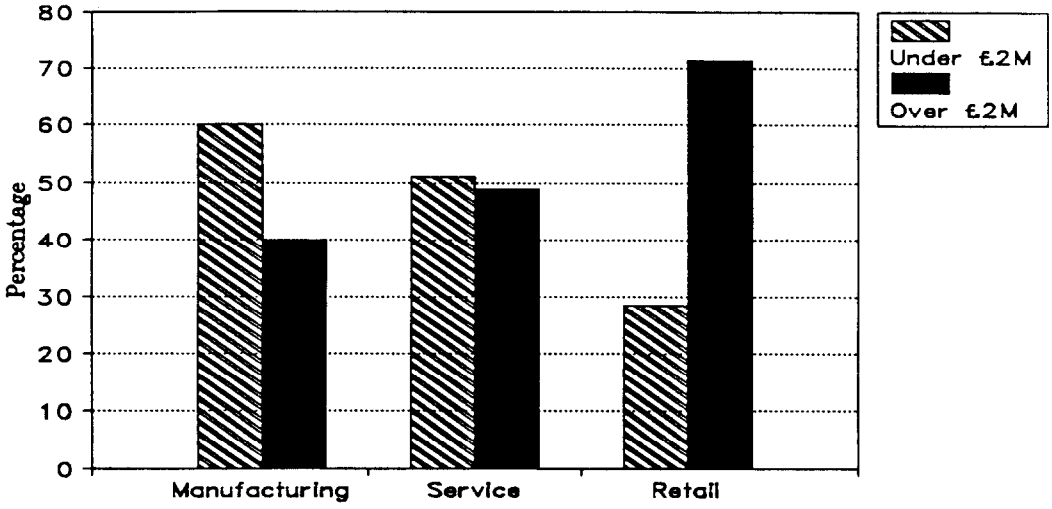


Chart 4 Turnover by Business Sector



The Sample Demographics

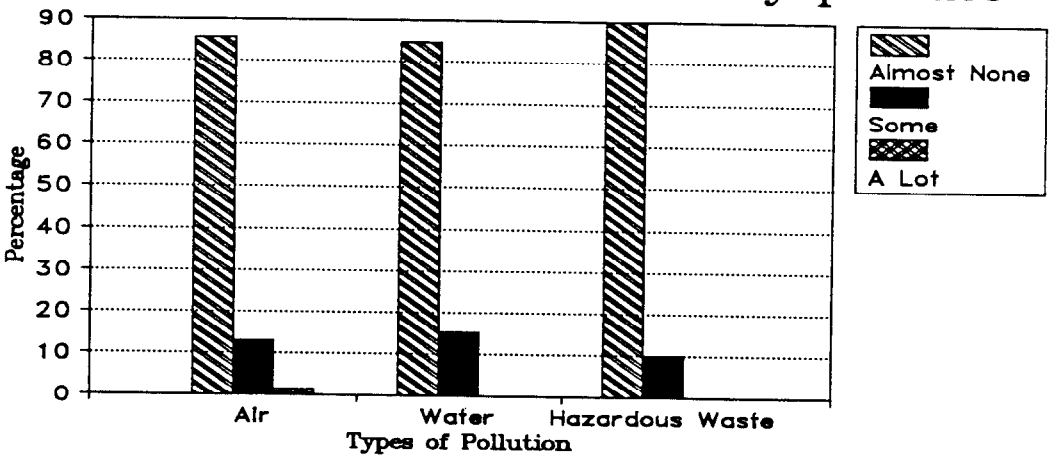
The study covered 200 companies, of whom 28.8% were from manufacturing, sixty one per cent from the service sector and 10.2% from retailing.

Just over a quarter of the firms were under five years old and the vast majority of the remainder were between five and twenty years old.

Almost fifty one per cent of the companies surveyed had a turnover below £2m per annum and forty nine per cent had a turnover above £2m, but below £20m.

There was a reasonable spread of companies across the various sectors, ages and turnover bands. For example sixty per cent of the manufacturing companies surveyed had a turnover below £2m, as did fifty one per cent of service sector firms. This satisfactory spread of respondents made it worthwhile to do an analysis of response by business sector, age of company and turnover band, to identify any differences of behaviour.

Chart 5 Types and amounts of pollution Which small firms believe they produce



The Types and Amounts of Pollution Small Firms believe they are responsible for.

The nature of both the subject and the survey method made it impractical to look for hard figures, in terms of how much pollution small firms produced. Indeed as the answers to a later question on environmental audits reveals, most small firms have no idea themselves how much pollution they are responsible for as they have never measured it.

So our questions were intended to give a feel for pollution levels on a scale from Almost None to A Lot. It can be safely assumed that most respondents will have understated their position.

- Between eight five per cent and ninety per cent of responding small firms felt they produced almost no pollution at all.
- Between ten and fifteen per cent felt they produced some pollution.
- The highest figure was for water pollution where fifteen per cent felt responsible for some pollution.
- Only 1.4% of companies felt they were responsible for a lot of pollution, and that was confined to air pollution alone.

Chart 6 Air Pollution by business sector

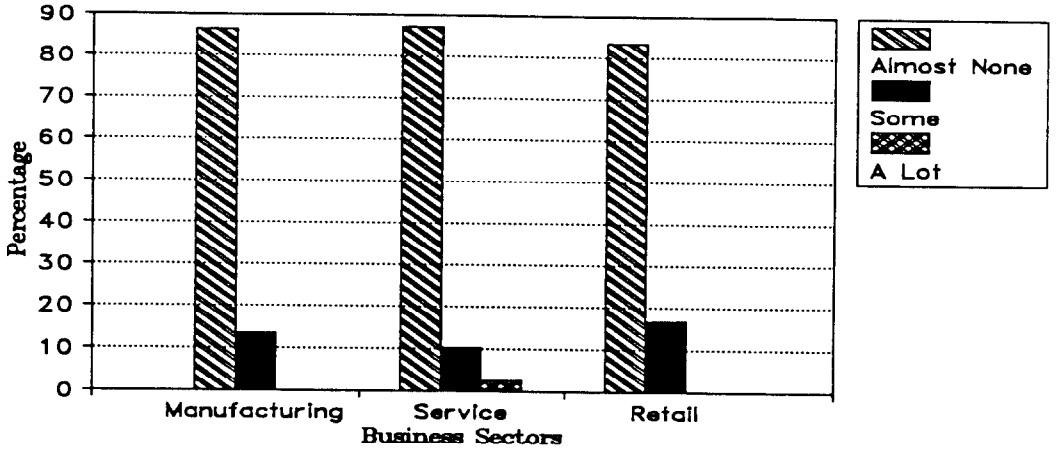


Chart 7 Air Pollution by Age of Business

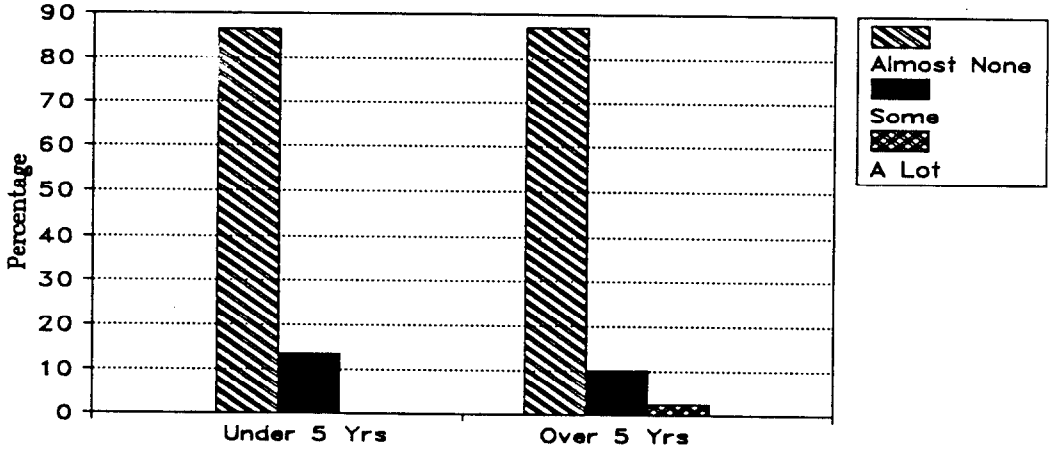
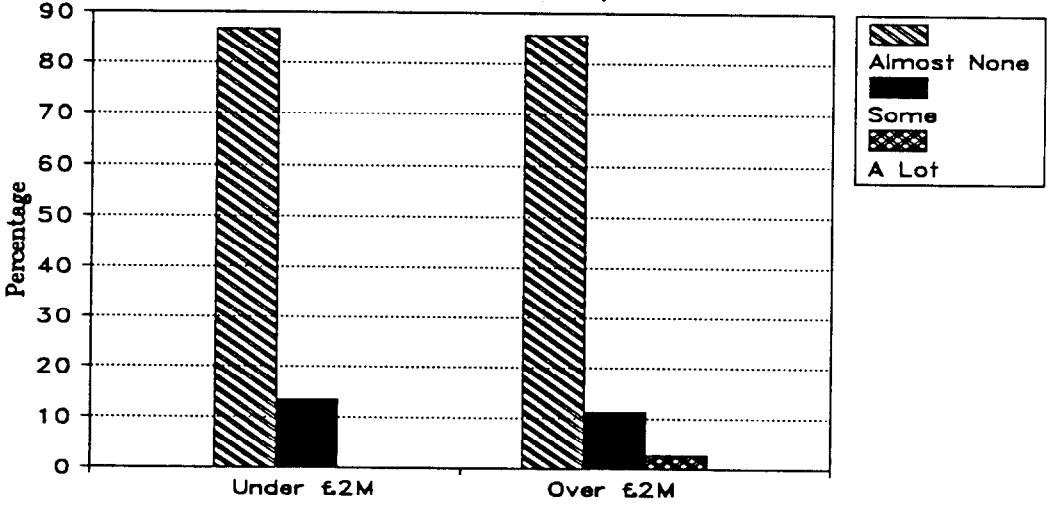


Chart 8 Air Pollution by Turnover Band



Air Pollution

Air pollution was the only type of pollution for which any small firms were prepared to volunteer a significant responsibility.

This will clearly be an area of much future concern. Under the new Environmental Protection Bill, a system will be introduced to oblige the users of about 27,000 industrial processes to seek prior permission for polluting air emissions. For most small firms this will be a new experience. Up until now, the main pollution control on such processes has been retrospective: If they turn out to be noxious, they can then be controlled. Now local authorities will apply a set of rules being draw up by Her Majesty's Inspectorate of Pollution (HMIP).

Air pollution has taken on something of a new dimension since the recent test case in which the Social Security Commissioner ruled that a civil servant suffering from severe chest and lung pains had suffered an industrial accident through passive smoking.

A recent study by Professor James McEwan of Glasgow University, commissioned by the Institute of Personnel Management, revealed that nearly three quarters of British companies had no formal policy on smoking.

In smaller companies with up to 100 employees only ten per cent had written policies. However a quarter of firms without written policies said they had introduced some informal restrictions.

Large companies such as IBM UK, are facing up to this issue. All their 18,000 employees are banned from smoking at work except in designated areas. Smoking is prohibited in the restaurants, lifts, corridors, lavatories and in all open plan and private offices. Smoking rooms are provided. However small companies are unlikely to be able to afford the luxury of separate smoking rooms, and in any case it took IBM ten years to move from banning smoking in meetings to where it is now.

Business Sector Analysis

- Between eight three and eighty seven per cent of all business sectors claimed to produce almost no air pollution.
- The Service Sector had the highest proportion, 87.2% who claimed to produce almost no air pollution, and the highest proportion, 2.6% who admitted to creating a lot.
- The retail sector had the lowest proportion, 83.3% admitting to almost no air pollution and the highest proportion admitting to some.
- No firm in the manufacturing sector admitted to creating a lot of air pollution.

Age of Business Analysis

- There was little significant difference in terms of admitting to creating air pollution, with respect to the age of the business.
- Only firms over five years old admitted to creating significant amounts of air pollution.

Turnover Band Analysis

- There was little significant difference in terms of admitting to creating air pollution, with respect to the turnover size of the business.
- Only firms with turnover between £2m and £20m admitted to creating significant amounts of air pollution.

Chart 9 Water Pollution by Business sector

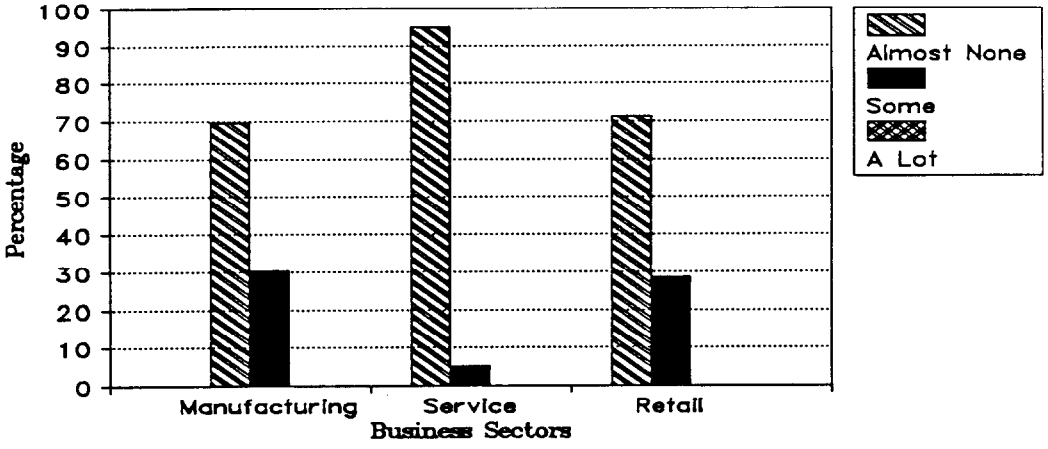


Chart 10 Water Pollution by Age of business

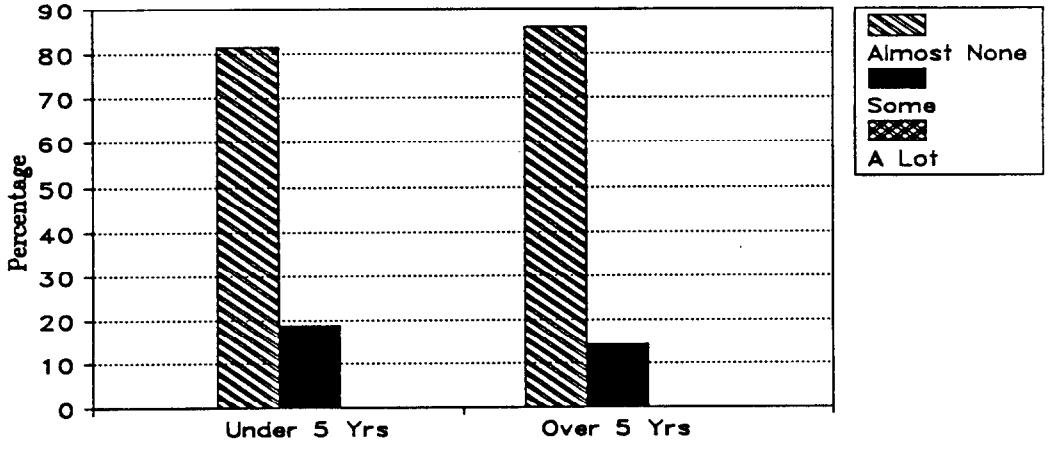
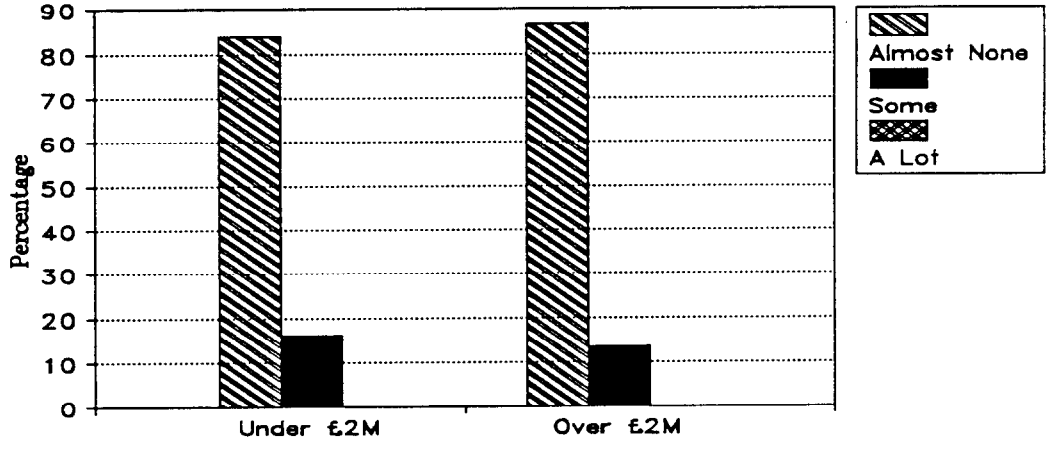


Chart 11 Water Pollution by Turnover band



Water Pollution

Laws governing water pollution have been reinforced in recent years and are to be strengthened still further. An even tighter system of controlling polluting discharges to water to cover all industry has been proposed by the National Rivers Authority. Strictly enforced limits on polluting substances, new automatic monitoring devices and the placing of responsibility for compliance on named individuals in companies are all part of the suggested new schemes. This latter point will be of significant importance for small firms as in nine cases out of ten the individual named will be the owner/manager himself.

Existing water pollution law is already beginning to bite both big companies and small. Courtauld's acetate plant at Spondon, Derbyshire, was fined £15,000 with £1,525 costs for discharging more than 400 gallons of acid into the River Derwent - more than 4,000 fish were killed in just ten hours. At Oxted, Surrey, Blue Prince Mushrooms of Burstow was fined £1,000 with £200 costs for polluting a river with spent compost.

Business Sector Analysis

- Manufacturing industry had the highest percentage of respondents acknowledging responsibility for some water pollution - though none admitted to a lot.
- The Retail Sector ran them a very close second.
- Nearly ninety five per cent of service sector respondents felt they were responsible for almost no water pollution.

Age of Business Analysis

- Businesses under five years old seemed more inclined than older companies to acknowledge responsibility for creating some water pollution.
- Thirty one per cent more younger firms admitted creating some water pollution, than did older firms.

Turnover Band Analysis

- Businesses with turnover levels below £2m were more inclined to accept responsibility for creating some water pollution.
- Twenty per cent more smaller firms admitted creating some water pollution than did the larger companies in the survey.

Chart 12 Hazardous Waste by Business sector

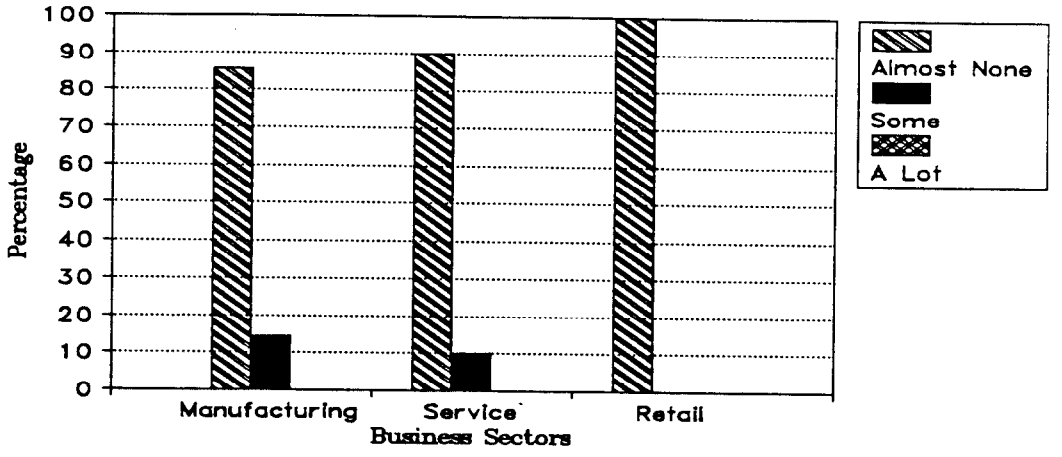


Chart 13 Hazardous Waste by Age of business

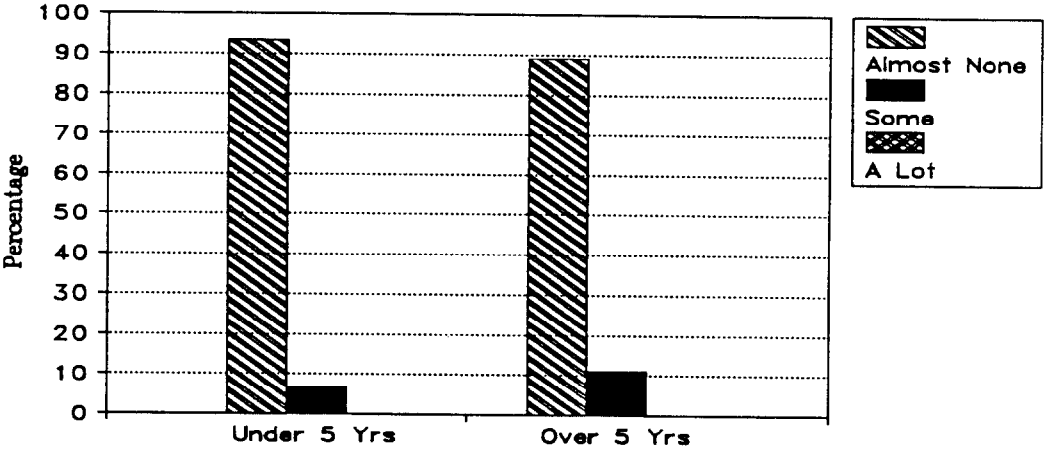
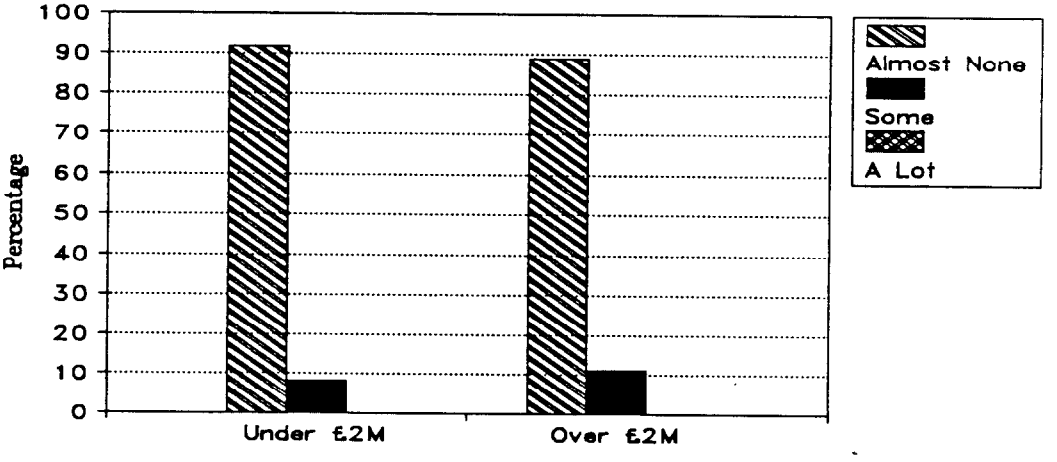


Chart 14 Hazardous Waste by Turnover band



Hazardous Waste

With over 26 million tonnes per year of hazardous waste being produced within the EC alone, it's mildly surprising that so few small firms acknowledge much responsibility for its existence. Small firms in the UK could be in for some unpleasant shocks if the American experience is anything to go by. For example in America businessmen now quite often go to prison for breaking environmental laws - frequently for failing to get a permit for some activity or failing accurately to fulfil its terms, sometimes inadvertently. In a recent case, a Hungarian entrepreneur - a former freedom-fighter - was imprisoned for failing to get a permit to dump used tyres in a bog beside a motorway.

Perhaps of even greater concern is the message that the Superfund legislation may hold for UK small firms. In 1980, in the wake of a public outcry over a toxic-waste dump at Love Canal, in New York state, Congress set up a trust fund (the "Superfund"), financed by taxes on the oil and chemical industries, to clean up toxic-waste sites. Liability for the costs of cleaning up may fall on almost anybody who has ever had anything to do with the site - from the operator, to any company whose waste was ever dumped on the site, to (a recent court judgment suggests) a company's bankers, if they might have influenced its treatment of its toxic waste. Worse, the liability is both strict (regardless of fault or negligence) and joint and several (clean up costs can be assessed on the basis of a company's liability to pay, rather than the volume or toxicity of the waste it has dumped). Worse still, the law is retroactive, so that companies can be held liable for dumping that was perfectly legal at the time when it occurred.

Business Sector Analysis

- No company in the retail sector felt they produced any significant amount of hazardous waste at all.
- Manufacturing companies were most likely to acknowledge responsibility for creating some hazardous waste, but more would admit to creating a lot.

- Ninety per cent of service sector companies felt they produced virtually no hazardous waste.

Age of Business Analysis

- Sixty three per cent more firms over five years old acknowledge responsibility for creating some hazardous, than do younger firms.

Turnover Band Analysis

- Thirty four per cent more firms with turnover between £2m - £20m acknowledge responsibility for creating some hazardous waste than do smaller firms.

Chart 15 The Effect of Environmental issues on all Small Business

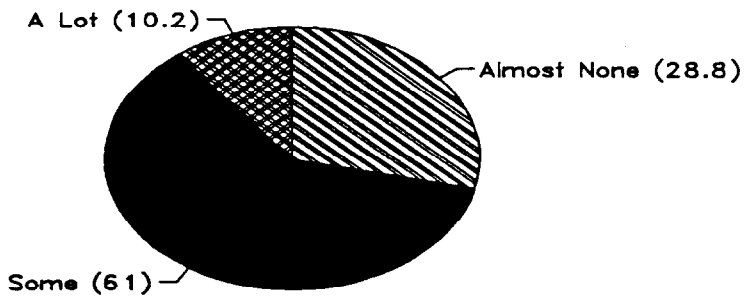


Chart 16 The Effect of Environmental issue by Business Sector

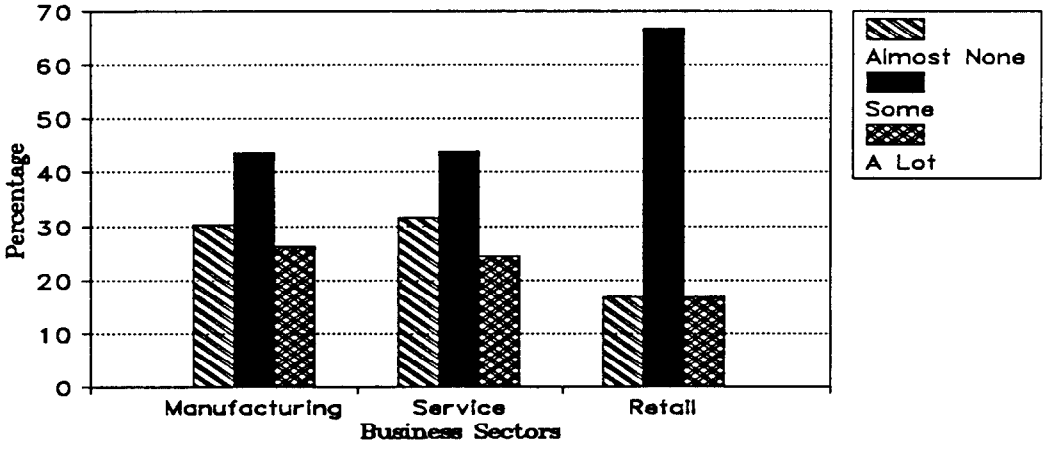


Chart 17 The Effect of Environmental issues by Age of Business

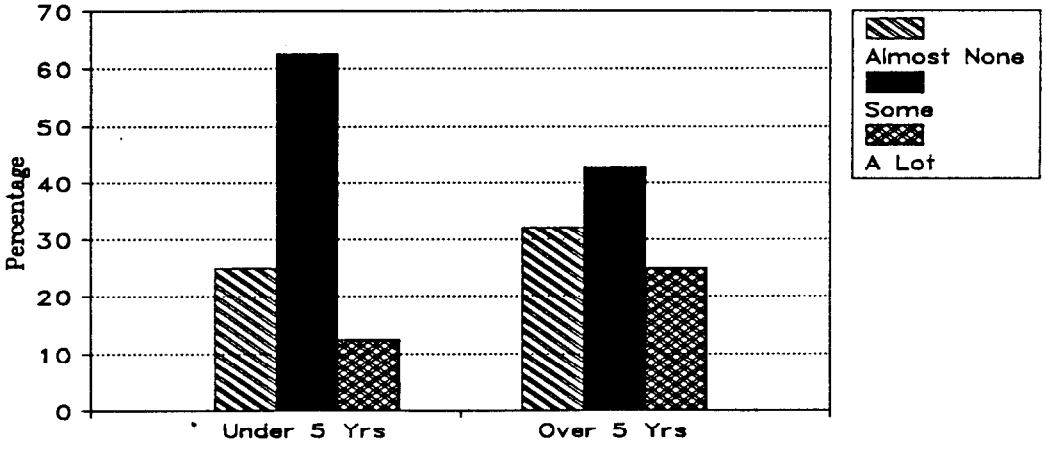
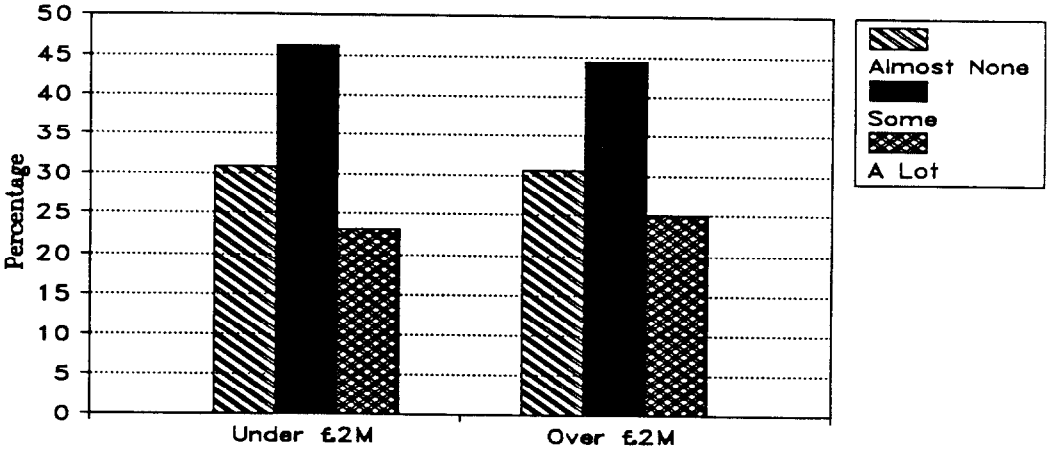


Chart 18 The Effect of Environmental issues by Turnover Band



The Effect of Environmental Issues on Small Businesses

According to a survey carried out by the Institute of Directors (100) in the Spring of 1990, companies are changing the way they do business to take account of the increased concern for the environment.

Many of them also believe that the need to deal with pollution will increase costs and lower turnover. Britain's paint industry, for example, allocated 10.3% of capital investment to "green" compliance in 1989 and expect the area to absorb seventy six per cent more this year and similar sums next year.

The IoD survey revealed that forty nine per cent of members said their boards activities have changed over the past year to reflect the growing environmental concern. In addition forty three per cent claimed to have a specific environmental policy, whilst twenty one per cent had a person directly responsible for green issues. One major company, 3M's, introduced its corporate environmental policy as long ago as 1974.

In this study seventy per cent of respondents felt that environmental issues would have some effect on their business, but only 24.3% felt it would have a major effect.

Business Sector Analysis

- 83.4% of Retailers felt that environmental issues would effect their business.
- This compares with 68.3% of Service sector companies and 69.6% of Manufacturing companies.

Age of Business Analysis

- Businesses over five years old were twice as likely to believe environmental issues would significantly effect their business, as were younger companies.

Turnover Band Analysis

- There was no significant difference in the views as to how environmental issues would effect forms of different turnover sizes.

Chart 19 How much use do you make of Recycled Materials

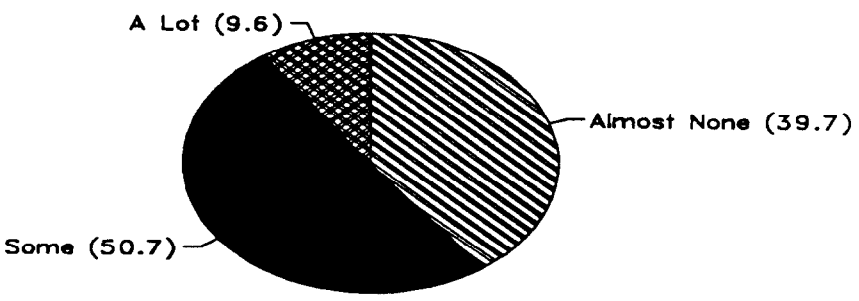


Chart 20 Use of recycled materials by Business Sector

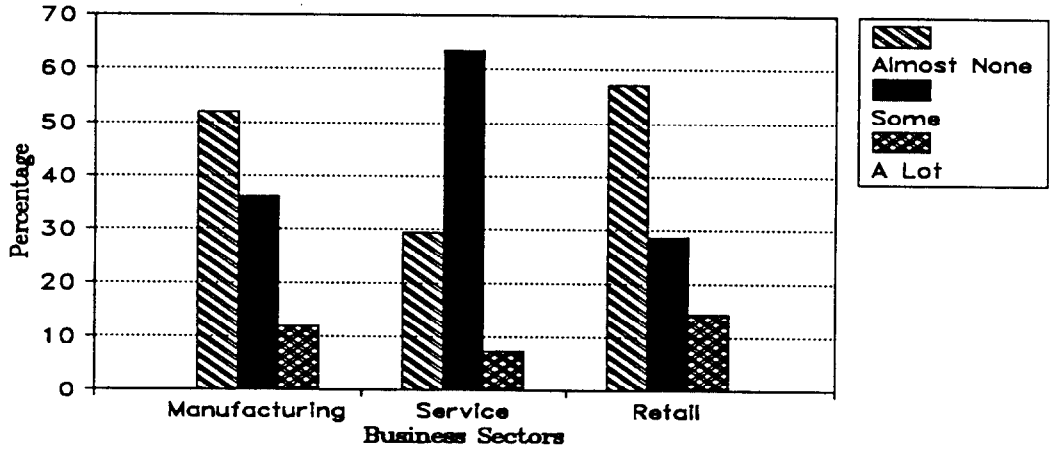


Chart 21 Use of Recycled Materials by Age of Business

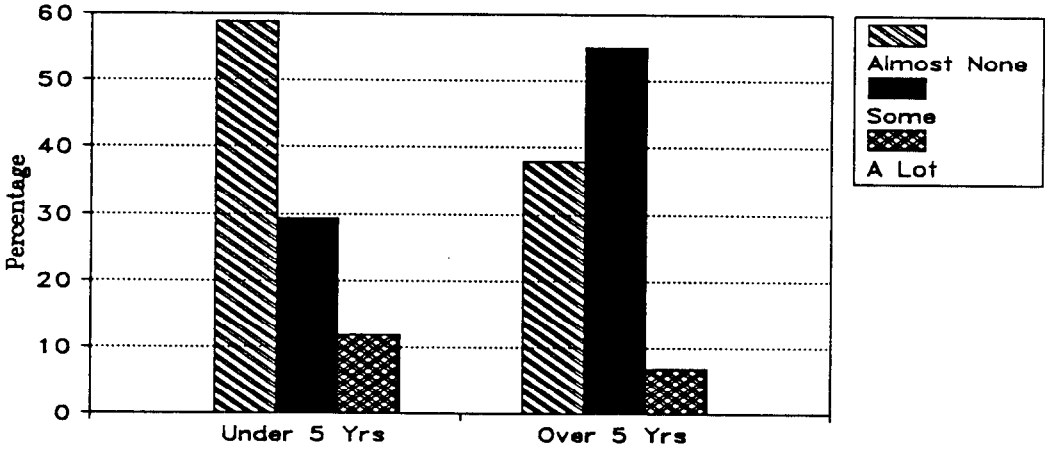
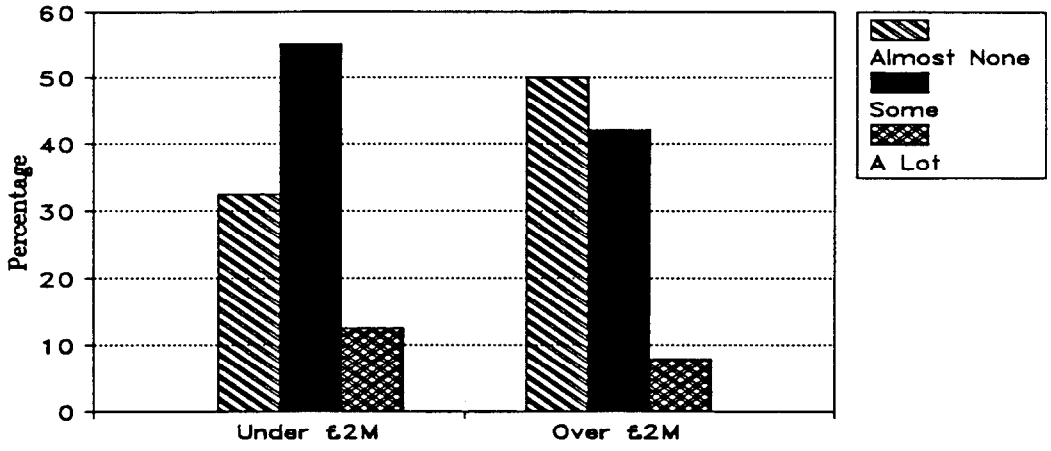


Chart 22 Use of Recycled Materials by Turnover Band



Use of Recycled Material

Recycling has been in the province of a "lunatic" fringe of negligible interest to business for some time. But interest has revived greatly since some big companies have taken a lead. Tesco, for example, has 106 bottle banks, 50 paper banks, three can banks and two aluminium banks spread around its 374 stores. It even has a management committee headed by its director of technical services, to subject everything the company does to a "green filter".

About one million tonnes a year of stationery and computer paper is used by British business. Most of this is thrown away, and yet its recycling value is up to ten times that of newsprint.

A National initiative to encourage businessmen to save office waste has been launched by one of Europe's largest waste paper merchants. Bolton-based Davidsons Waste Paper is offering free advice and a loan of equipment to companies willing to set up their own office recycling schemes.

In this study it is claimed that just over sixty per cent of small firms make some use of recycled materials, either by doing so themselves or through their buying policies.

Business Sector Analysis

- Over fifty per cent of Manufacturing companies and nearly sixty per cent of service sector companies make almost no use of recycled materials.
- This is in sharp contrast to the nearly seventy one per cent of service sector companies who claim to use either some or a lot of recycled material.

Age of Business Analysis

- Younger companies are much less likely to use recycled materials than are older companies - 41.2% and 62.1% respectively - a 51% difference in response.

Turnover Band Analysis

- Companies in the lower turnover band are much more likely to use recycled materials than those in the higher turnover band -0 67/.5% and 50.0% respectively - a 35% difference in response.

Chart 23 How much Energy conservation do you do

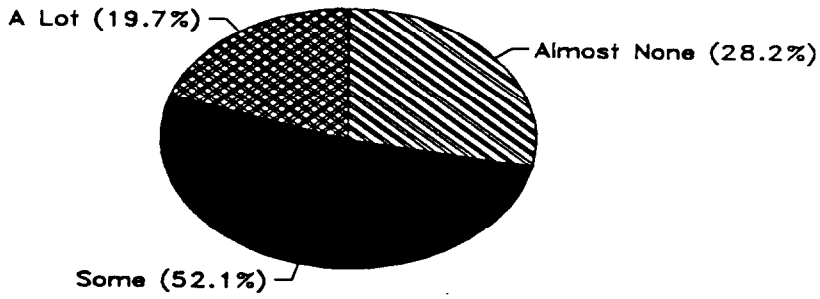


Chart 24 Energy Conservation by business sector

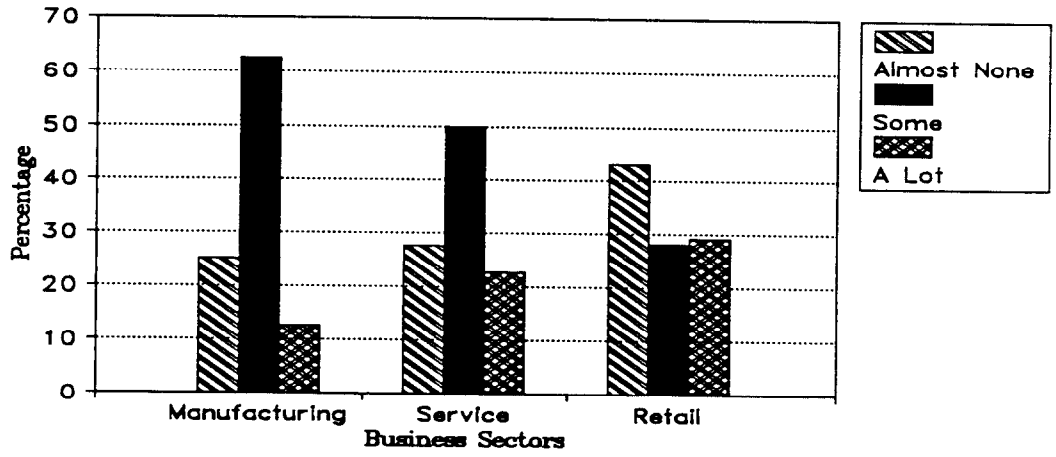


Chart 25 Energy Conservation by Age of business

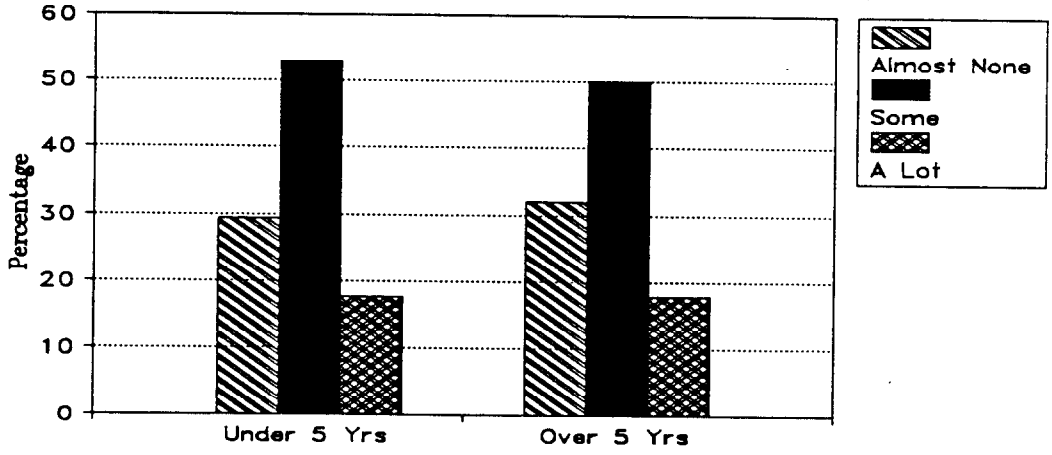
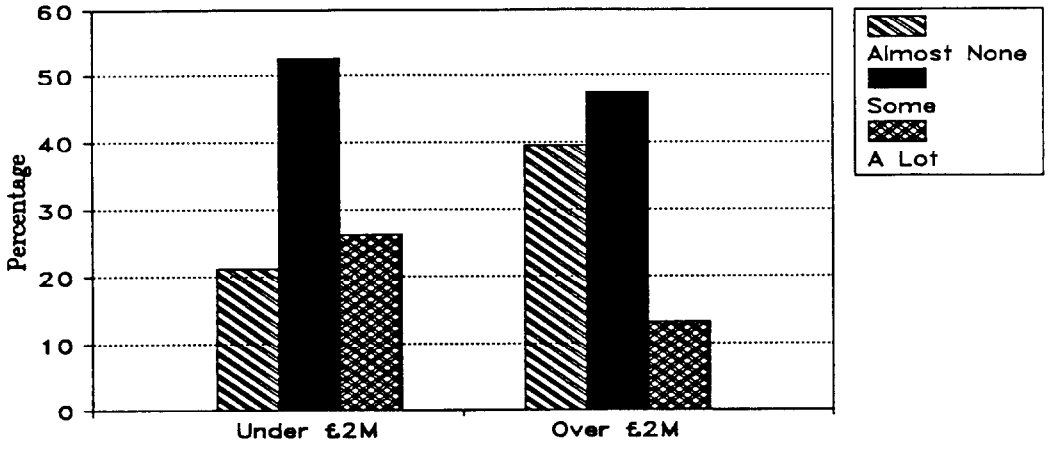


Chart 26 Energy Conservation by turnover band



Energy Conservation

Energy conservation rather surprisingly only features about as high on the small firms agenda as does the use of recycled materials.

This is rather a pity as many of the most effective energy conservation measures are relatively cheap to implement and their results can be seen and banked. For example the annual output of light bulbs alone is capable of consuming 48 billion watts - equivalent to six per cent of the electricity produced from fossil fuels. Using strip lighting lowers running costs, and Philips, Osram, Panasonic and Satco all make "warm white" domestic fluorescent bulbs which can last for some 9,000 hours, and so reduce replacement costs. But few small firms use these products.

Still some twenty eight per cent of small firms admit to taking almost no measures to conserve energy, and barely a fifth claim to take a lot of measures. But technology could be coming to the rescue, and there is a growing number of specialist consultancies with the expertise to advise companies on energy control systems. For example Whitbread's inns division, set up an experimental pub in Pinner, Middlesex, referred to in the company as state-of-the-art pub, or Sotap. Known to the public as the Whittington, the pub has sophisticated equipment which automatically regulates energy consumption. Sotap's energy savings have been twenty one per cent and could potentially lead to savings of £3m in the managed pubs division in the future.

Business Sector Analysis

- Nearly forty three per cent of Retailers admit to taking almost no steps to conserve energy, the worst business sector. Paradoxically nearly a third claim to take a lot of measures.
- Three quarters of Manufacturer take some measures to conserve energy.
- The service sector is nearly as energy conscious as the manufacturing sector.

Age of Business Analysis

- The age of the business appears to have no effect on its desire to conserve energy.

Turnover Band Analysis

- Thirty per cent more companies with turnovers below £2m adopt energy conservation measures than do larger companies. This seems to suggest that smaller firms are more frugal, at least in some respects.

Chart 27 What Proportion of your cars run on Lead Free petrol

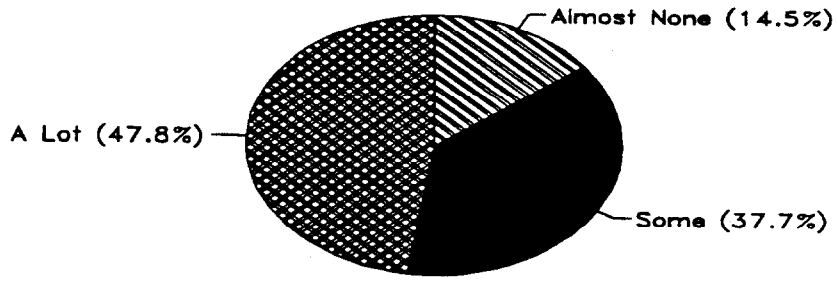


Chart 28 Lead Free Conversion by business sector

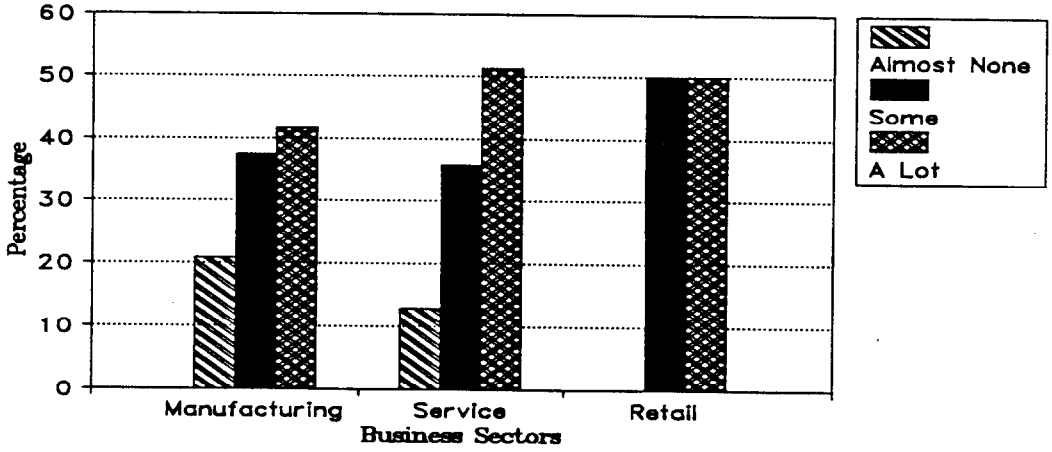


Chart 29 Lead Free Conversion by age of business

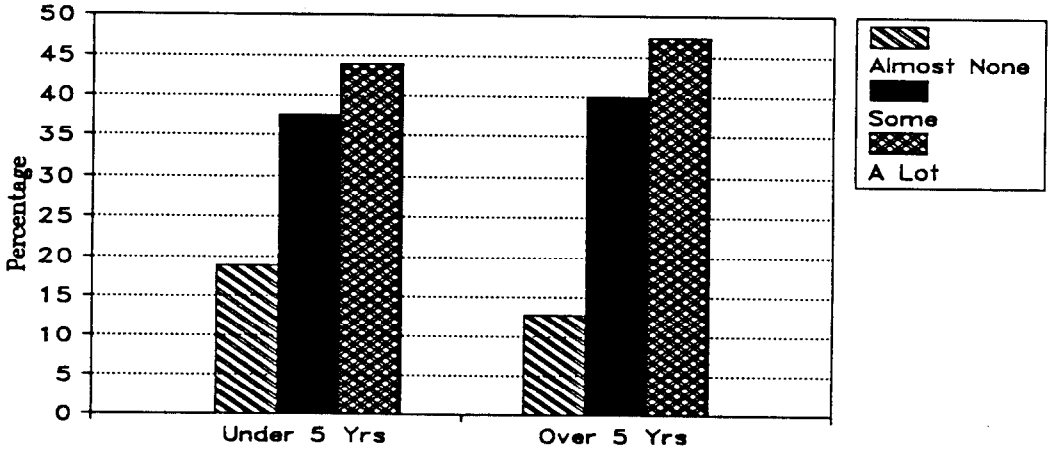
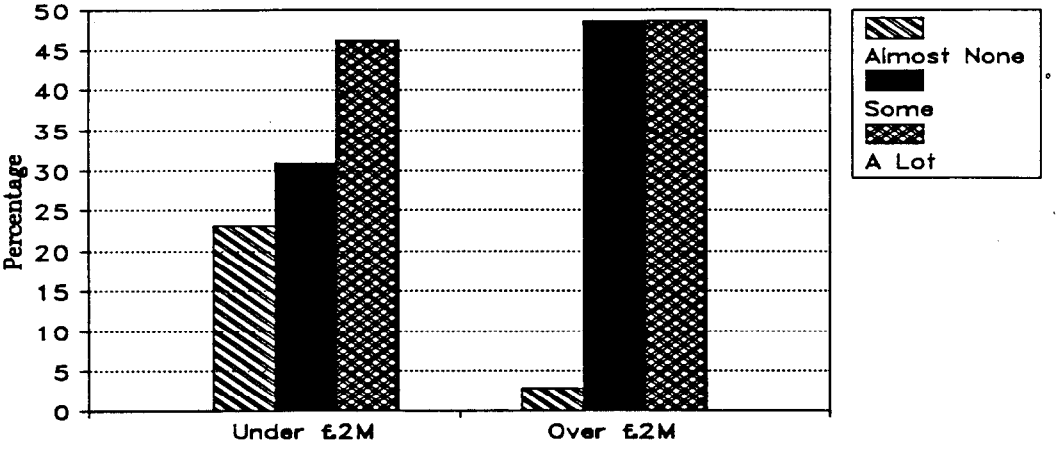


Chart 30 Lead Free Conversion by turnover band



Company Cars

Lead Free

According to a recent Automobile Association (AA) study, while ninety five per cent of motorists know their cars are a source of pollution, thirty per cent admitted to doing nothing about it. Ninety per cent agreed that using unleaded petrol would help but only thirty nine per cent do so.

In California where car pollution is at a crisis level a referendum conducted earlier in 1990 supported motions to double state petrol tax and increase investment in rail, ferries and bicycle projects.

This study reveals that nearly half of small businesses have converted most of their company cars to run on lead free, and a further 37.7% have made a start on the process. That is a significantly higher proportion than that for the public at large revealed by the AA study, but perhaps not as dramatic as the Californian motorists.

Converting company cars to run on lead free petrol is the single most popular anti-pollution measure taken by the majority of all types and sizes of small businesses.

This is hardly surprising given the publicity afforded to the problem and the cash incentive to use lead free petrol.

But one in seven small firms have not started to convert to lead free, and in particular sectors such as manufacturing, businesses under five years old and those turning over under £2m this rises to one in five.

Business Sector Analysis

- Retailers are most likely to have converted a significant number of their company cars to run on lead free petrol.
- Manufacturers are least likely to have converted their cars to lead free.
- Service Sector companies have the highest proportion of people who have converted most or all of their cars to lead free.

Age of Business Analysis

- Forty eight per cent more firms under five years old have not converted company cars to lead free petrol, than have firms over five years old.

Turnover Band Analysis

- Firms with turnover under £2m are eight times more likely than larger firms not to have converted any of their cars to run on lead free petrol.

Chart 31 What Proportion of your Cars have a Catalytic Converter

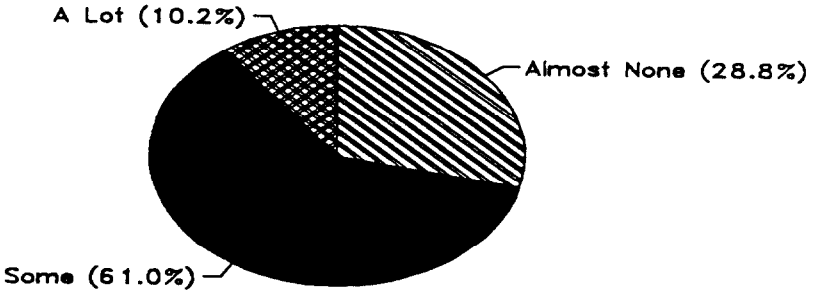


Chart 32 Catalytic Conversion by business sector

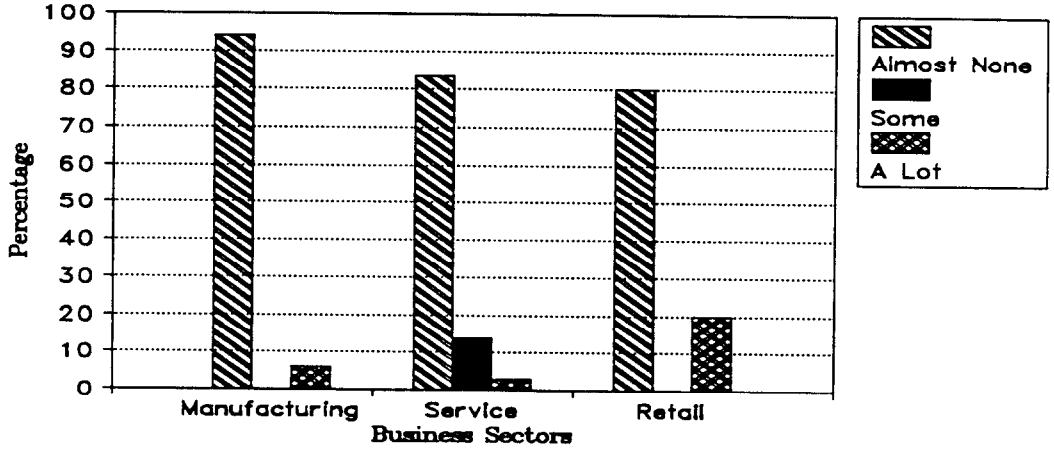


Chart 33 Catalytic Conversion by age of business

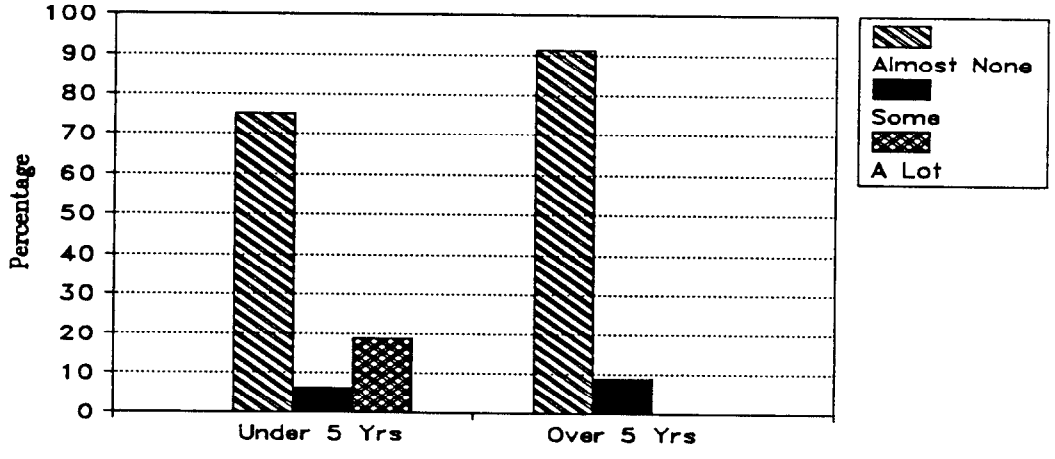
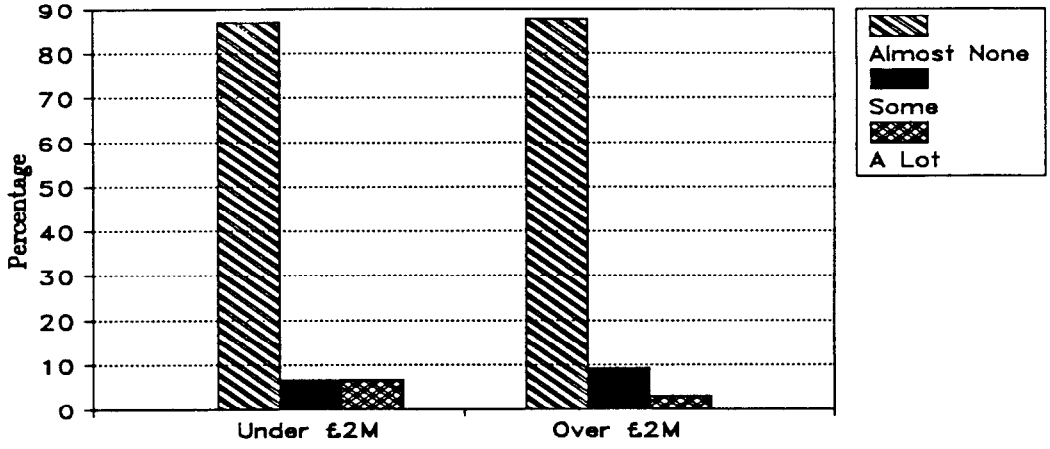


Chart 34 Catalytic Conversion by turnover band



Cars : Catalytic Converters

Very few small business have converted their company cars to use catalytic converters. There are probably two factors at work affecting this result.

The first is cost but the more powerful is relevance (or benefit). To put car emissions in proportion, road transport in the UK is reckoned to account for around six per cent of all the emissions that give rise to the Greenhouse effect (source SMMT).

A yet more powerful argument against "wasting" money on emission control is being advanced by a British chemist at the University of Denver, Colorado. Professor Donald Stedman's studies of 12000 vehicles reveal that eight per cent of cars account for half the pollution, and a further eleven per cent account for the rest. That means that eighty one per cent of cars account for virtually no pollution. By measuring the carbon monoxide emissions of moving rather than stationary cars, as is the normal US practice, he found that a 1934 Chevrolet without the latest emission control goodies was the cleanest car examined. A 1986 jeep with the latest emission control was the dirtiest. He concluded that good regular maintenance was the key to emission control, not new exhaust systems.

Business Sector Analysis

- Retailers were most likely to have most of their company cars with catalytic converters.
- Service sector companies were most likely to have some of their cars with catalytic converters.
- Manufacturers were most likely to have virtually none of their cars running with catalytic converters.

Age of Business Analysis

- Only companies under five years old were likely to have a significant number of cars with catalytic converters. Nearly one in five, compared with one in twenty for the whole sample.

Turnover Band Analysis

- Business with turnover below £2m were twice as likely as larger companies to have a significant number of company cars with catalytic converters.
- Business of all turnover sizes were about equally likely to have virtually no cars with catalytic converters.

Chart 35 How many "Green" Projects or Organisations do you Support

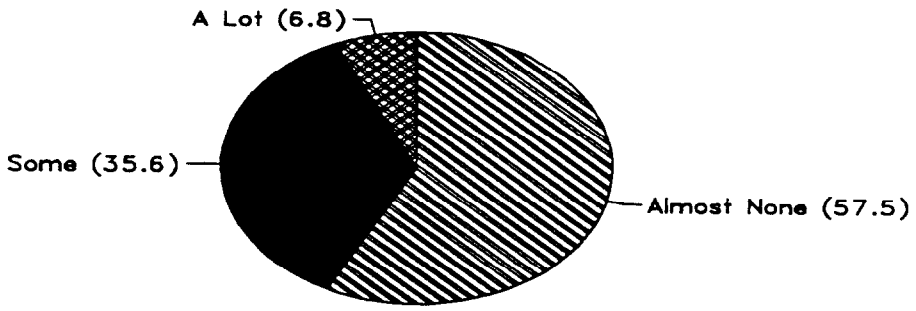


Chart 36 "Green" Projects and organisations by Business Sector

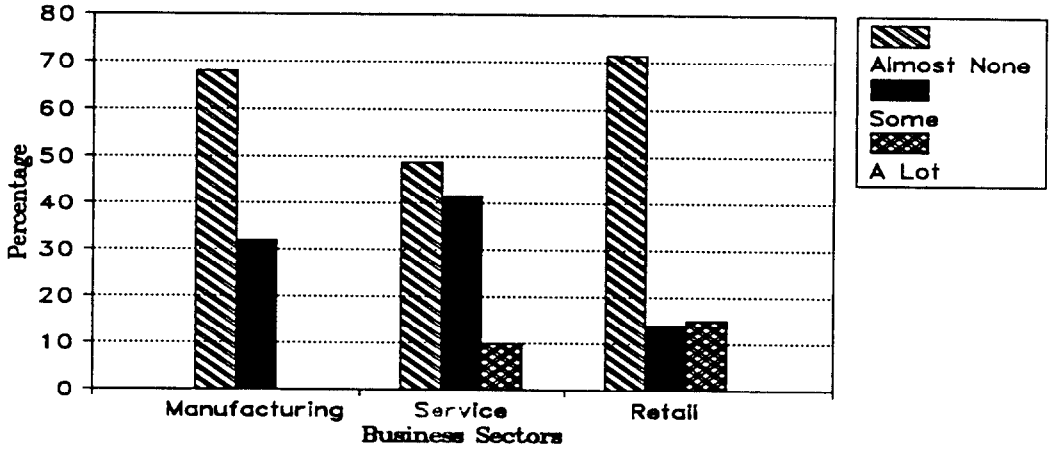


Chart 37 "Green" Projects and organisations by Age of Business

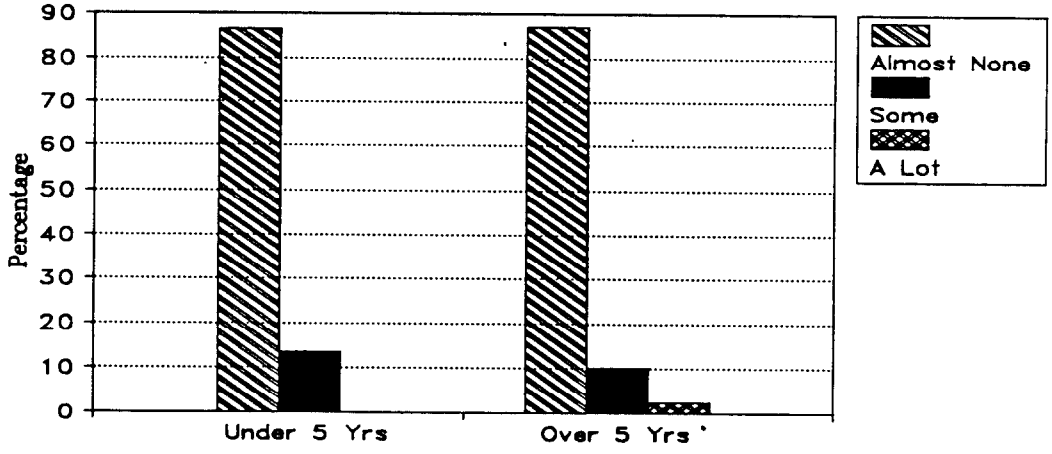
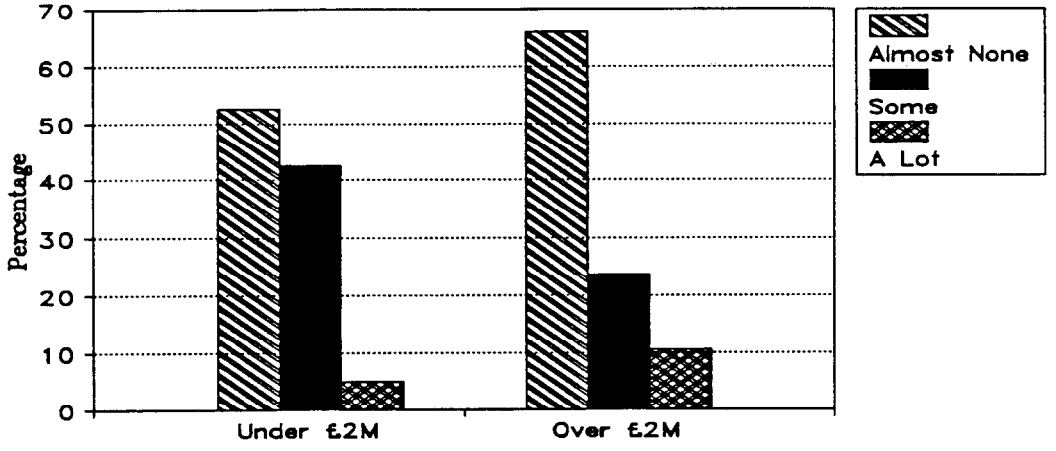


Chart 38 "Green" Projects and organisations by Turnover Band



Small Company Support for Environmental Projects

There are a myriad of "worthy" environmental organisations and projects in search of business support and sponsorship. some are vociferous and often thought provoking such as Friends of the Earth; others are more Gung Ho such as Greenpeace; some are little more than commercial wheezes such as Green Directories. One reputable variation of these "directories" is Green Seal who plan to raise $750,000 from grants and donations to help "American consumers vote with their pocket books on environmental issues". Products will be labelled with a Green Seal to show they have been vetted and passed the test.

For the most part small businesses do not support any such projects. Nearly sixty per cent of our sample supported virtually no environmental projects or organisations. Surprisingly nearly seven per cent claimed to support a significant number.

Business Sector Analysis

- Service sector companies are the most likely to support at least some environmental organisation or projects.
- Retail companies are most likely to support virtually no projects, but those that do support many.
- Manufacturing companies are least likely to offer much support to environmental organisations - though arguably they have the most responsibility and the most to gain from such support.

Age of Business Analysis

- Businesses under five years old were twice as likely as older companies, to be strong supporters of environmental projects or organisations.
- Businesses over five years old were about thirty per cent more likely to support virtually no environmental organisations or projects than were younger companies.

Turnover Band Analysis

- Businesses with turnover in excess of £2m were twice as likely as smaller companies to be strong supporters of environmental organisations or projects.
- Businesses with a turnover below £2m were about twenty per cent less likely to support any environmental projects than were larger companies.

Chart 39 Does your company conduct environmental audits

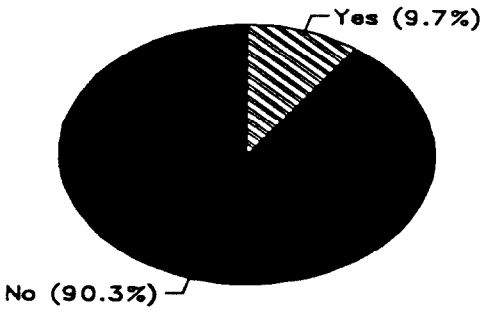


Chart 40 Environmental Audits by business sector

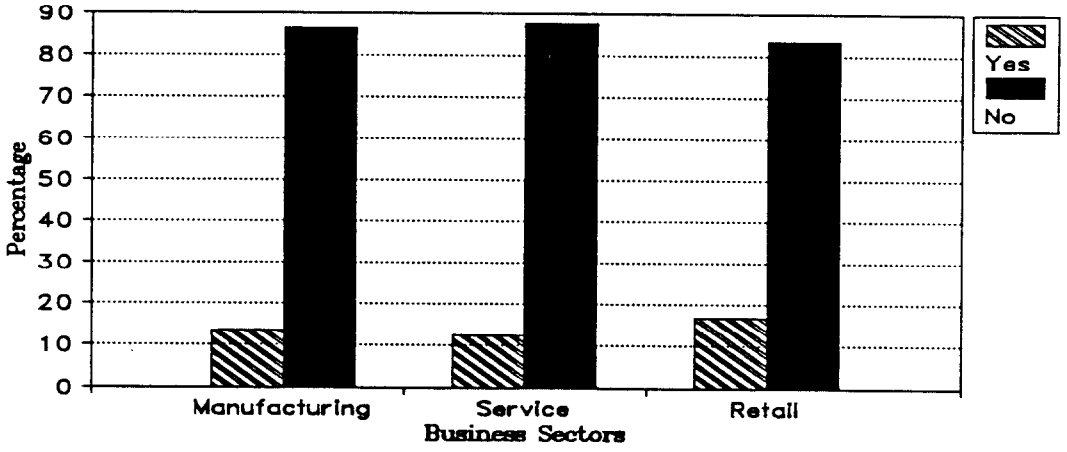


Chart 41 Environmental Audits by age of business

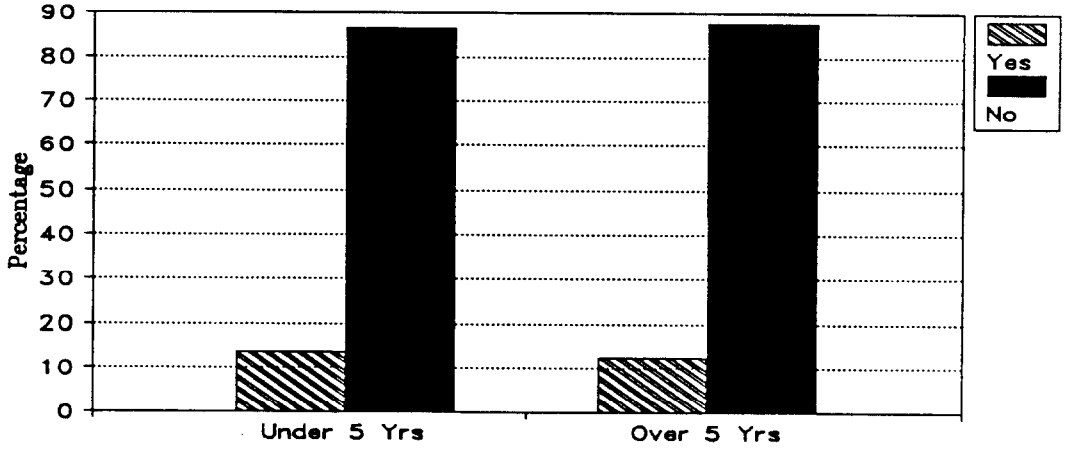
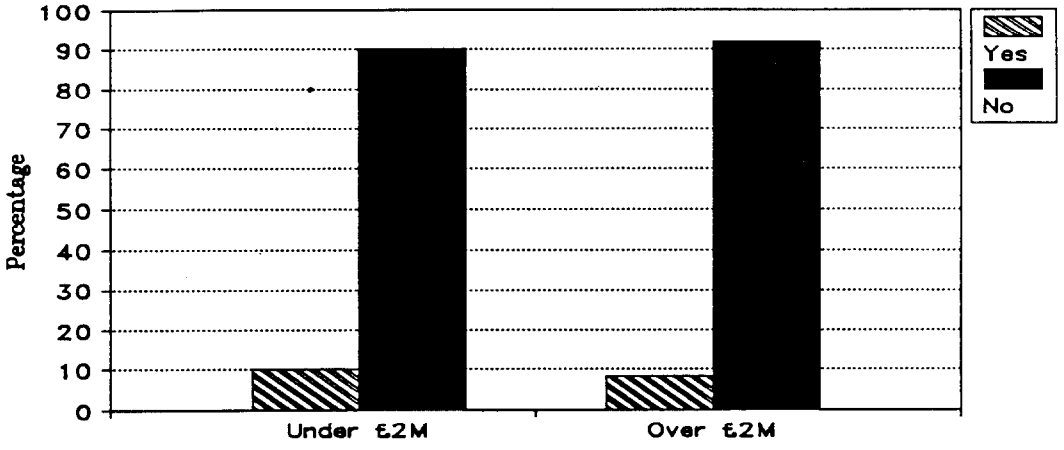


Chart 42 Environmental Audits by turnover band



Environmental Audits

Less than ten per cent of respondents to this survey had carried out an Environmental Audit. So in large measure they are both unaware of their contribution to pollution, or their opportunities for saving money through either recycling or conservation.

There are some pressures that might change small firms attitudes to environmental audits, for example:

Under a directive being prepared by the European Commission, companies throughout the EC could be obliged to carry out environmental audits by 1992. These audits would be a systematic examination of the environmental effects of a company's operations, including all its emissions to air, land and water, and the impact of the business on the local community.

The TUC is calling for the appointment of a "green" shop steward whose job would be to regularly check the way factories and workplaces pollute the environment. They would review everything from raw materials and energy use, through emissions, discharges and disposable waste, to the type of packaging and stationery in the office.

The Labour Party, if elected, would press for environmental audits to be included in companies reports and could consider introducing a Green Tax. (Interestingly thinking in America is moving away from treating pollution as a crime and towards taking a free market approach, making pollution a tradeable commodity. The government would set limits on pollutants as strictly as before but grant industry flexibility in deciding how to meet the standards.

Since it costs some firms much more than others to meet targets, uniform limits spread the cost of controlling pollution inefficiently. Say companies A and B have both been ordered to cut their production of a pollutant from 200 tonnes to 100 tonnes, but that it costs B four times as much to meet the target. A could reduce its emissions to, say, 75 tonnes, and sell 25 tonnes of its quota to B, which would not have to spend so much to meet the higher quota of 125. Both firms would save money, but the reduction in pollutants would be the same.)

Chart 43 Does your company have a green supplier policy

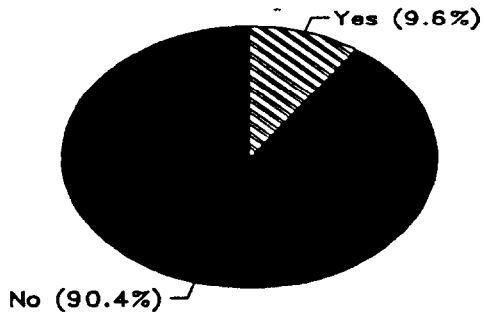


Chart 44 Green Supplier Policy by Business Sector

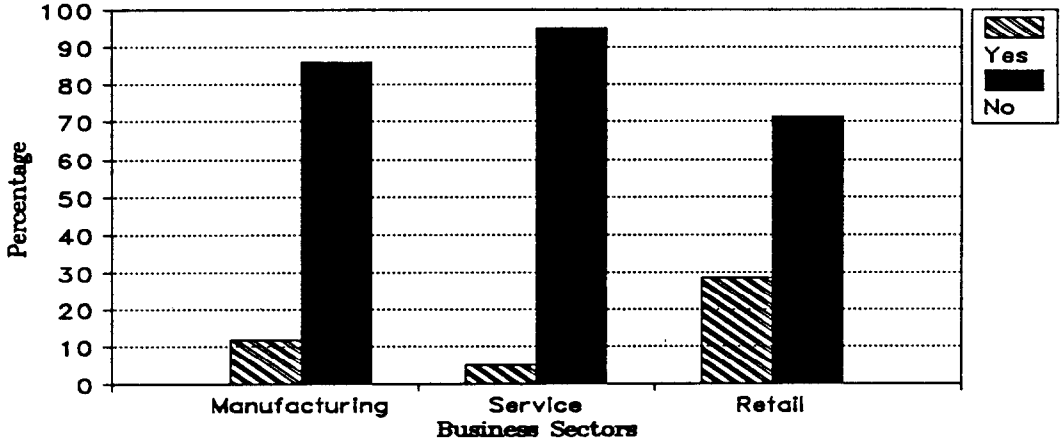


Chart 45 Green Supplier Policy by Age of Business

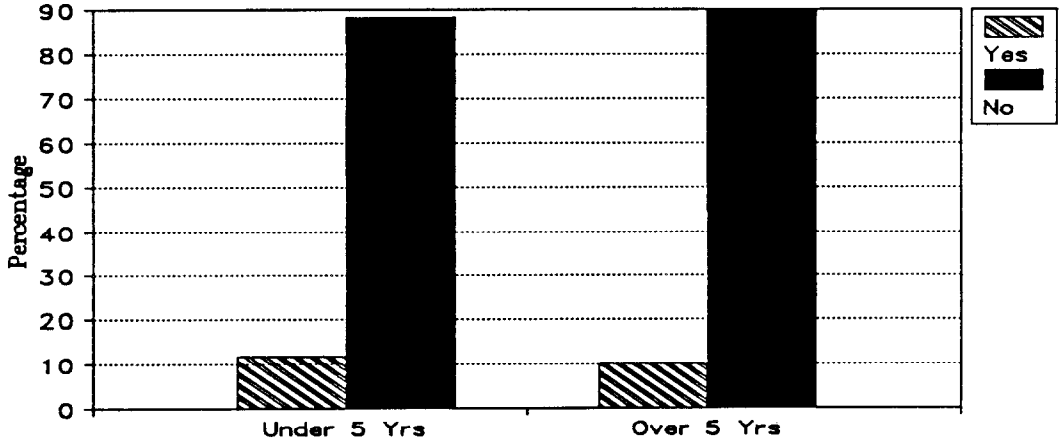
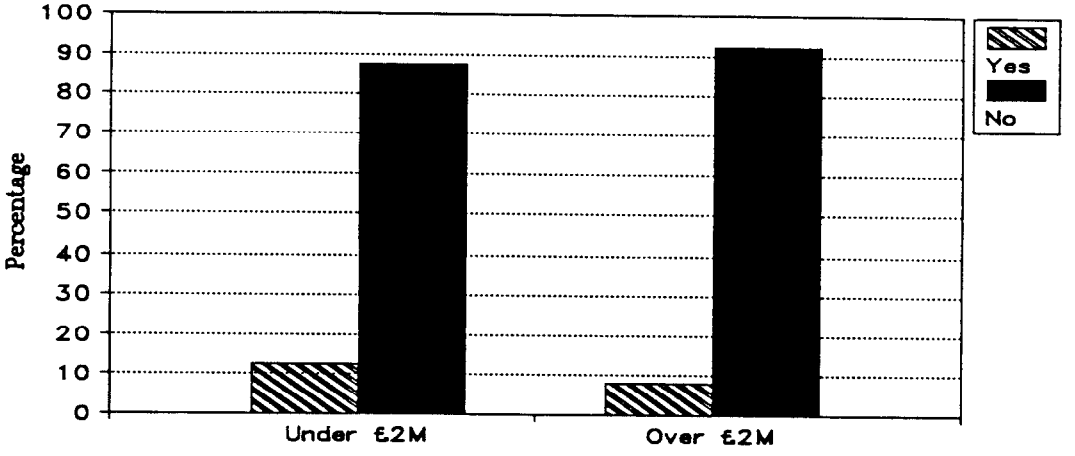


Chart 46 Green Supplier Policy by Turnover Band



Green Supplier Policy

Less than ten per cent of small firms surveyed had a Green Supplier policy. There is little hard comparative facts as to how large firms behave, though there is some anecdotal evidence. For example the Body Shop won't buy from any producer or supplier whose ethical and environmental standards do not conform to their own. This decision has had a profound significance for their hundreds of small company suppliers.

Big, profitable companies with spare management capacity understandably find it easier to be green than small ones - even though the most ingenious technology for cleaning the environment often comes from small firms. A survey by Baum, a West German club for companies that aims to spread green ideas, found that many small German companies were not even obeying environmental rules, let alone pursuing green policies. Baum aims to spread greenery partly by getting bigger firms to chivvy their smaller suppliers.

In some industries the pressure to be green is subtly changing links between companies and their customers. ICI, for instance, now offers to take back contaminated sulphuric acid from its customers in the oil industry and clean it up. ICI sees this as a chance to strengthen ties with customer. Companies will increasingly want to deal with suppliers who can solve their environmental problems, and disposing of customers waste products will be a way to link more closely to them. Customers, in their turn, are starting to take more interest in their suppliers.

It's hard to see how a small firm with little purchasing muscle could inflict its policies on a larger supplier.

In any event it's not absolutely certain that consumers will pay up for the "benefits" of being green.

Ogilvy the advertising agency ran one study of Green buying habits in August 1989 and repeated the study in February this year. By the second study Green consumers said they were less likely to buy environmentally sound products, or to pay extra for them.

At the same time consumers are not only better informed about Green issues, they are also much more critical in their assessment of the companies that present themselves as environmentally aware.

Business Sector Analysis

- Retailers were most likely to have a Green supplier policy - nearly a third claimed to do so.
- Ninety five per cent of service sectors had no Green supplier policy.
- One in eight small manufacturers claimed to have a Green supplier policy.

Age of Business Analysis

- There was little difference between younger and older firms with respect to their likelihood of having a Green supplier policy.

Turnover Band Analysis

- Companies with turnovers below £2m were more likely than larger firms, to have a Green supplier policy.

Chart 47 How Important is Greenness to Small Firms

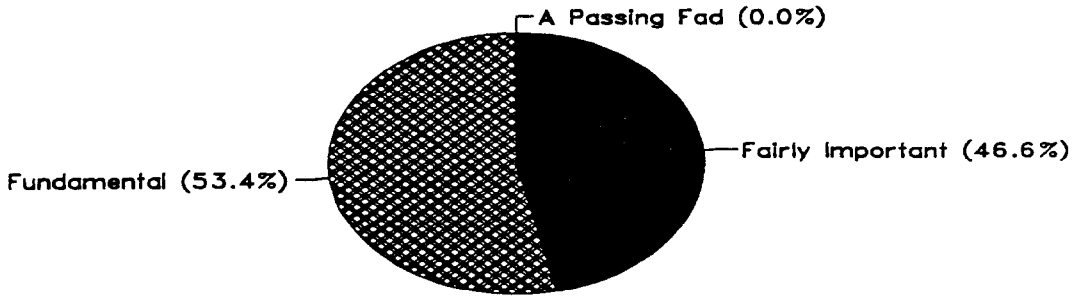


Chart 48 Importance of Greenness by Business Sector

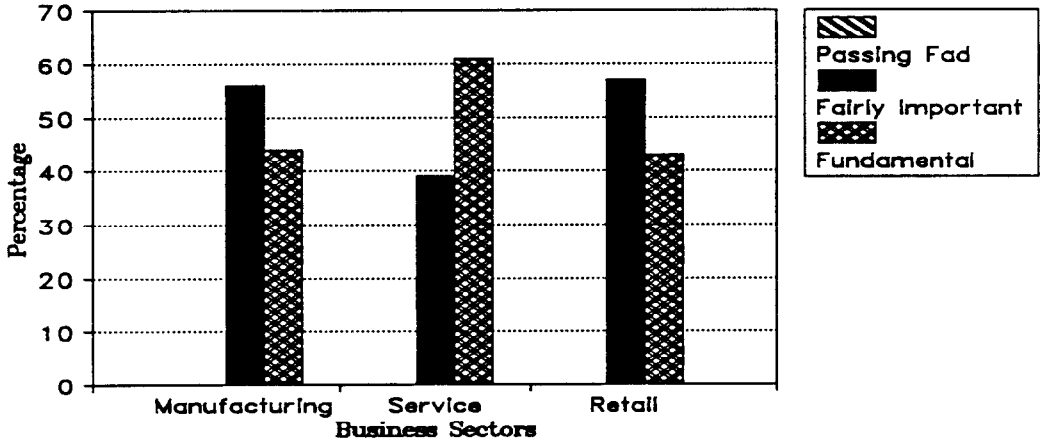


Chart 49 Importance of Greenness by Age of Business

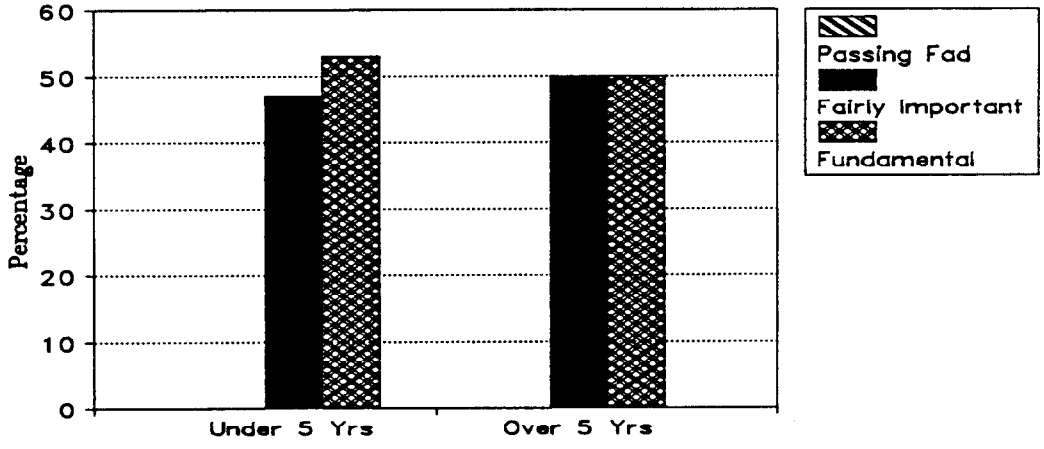
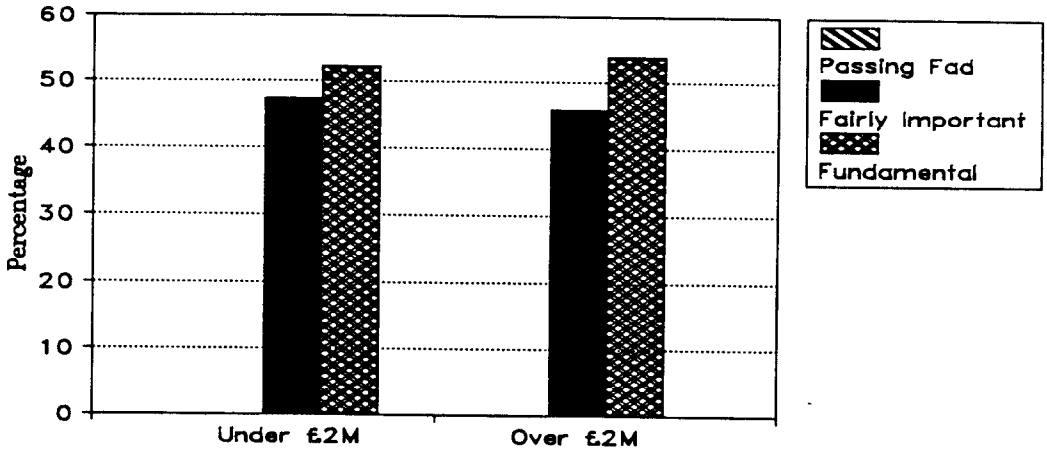


Chart 50 Importance of Greenness by Turnover Band



How Important is Greenness to Small Firms

Despite taking relatively few measures to protect the environment and believing they don't contribute much pollution themselves, small firms on the whole believe Greenness is here to stay.

Over half of them think Greenness is fundamental to their businesses and none think it is only a passing fad.

Business Sector Analysis

- Sixty one per cent of Service sector companies think Greenness is fundamental to their business.
- However only forty four per cent of Manufacturing firms and forty three per cent of Service sector firms share that view.

Age of Business Analysis

- Younger firms are slightly more likely than older firms to believe environmental issues are of fundamental important to businesses.

Turnover Band Analysis

- Larger firms with turnover in excess of £2m are slightly more likely to believe environmental issues are of fundamental importance to their businesses.

IN CONCLUSION

It is only to be hoped that the cautionary tale that follows is not a fore-taste of what may happen to small and new businesses who believe that Greenness is a business opportunity rather than a problem.

Nearly four years ago Chris Foster started feeding clean electricity into the National Grid.

At a cost of £200,000, and using a stream that runs through the middle of his farm he built his own dam, laid 1,000 metres of pipeline, built a power-house and installed a 300 kilowatt generator.

He produced 1.5 million units each year, producing an income of nearly £30,000, to supplement the more meagre earning from raising hill sheep. But though the project is a model of environmentally-friendly private enterprise, Mr. Foster faces ruin.

By the mid-1990s, he expects to be out of business. He claims the Government's legislation to privatise the electricity industry will be responsible.

Mr. Foster made his original investment on the strength of the 1983 Energy Act. This gave small producers a statutory right to sell electricity into the National Grid at the price it would cost to produce the same power from coal. But, with the privatisation of electricity, the 1983 Act has been repealed. His rights to sell into the grid will be lost after 1995.

The privatised boards may continue to buy his electricity, but it is unlikely that they will pay enough to keep him in business. The price has already fallen from 2.04p for each unit when he began to 1.86p. Mr. Foster has been warned to expect another sharp drop.

Yet, if his farm were in England or Wales, Mr. Foster would continue to prosper. Under the Non-Fossil Fuel Obligation, which is also part of the new legislation, boards are required to take a minimum percentage of "clean" energy, generated by methods which do not pollute the atmosphere. The producers are paid a premium price for their product.

Scotland was excluded from the premium because, the Scottish Office said, more than sixty per cent of its energy is already "clean", against less than twenty per cent south of the border!