Environmental strategies are good for small businesses

Environmental policies are good for business, according to new research. The research explored the small and medium-sized enterprise (SME) sector and found that SMEs with the most proactive environmental policies also had the best financial performance.

Small and medium-sized enterprises (SMEs) are responsible for around 70 per cent of global pollution, including 60 per cent of carbon emissions. SMEs could therefore play an important part in reducing the negative effects of industry on the environment. Despite the important role this sector plays in most economies, there has been little research into their environmental strategies and it has been assumed that due to their small size and lack of resources few SMEs would go beyond the bare minimum required to comply with environmental legislation. A recent Spanish study directly contradicts this assumption.

The study found that SMEs are well placed to devise and implement effective environmental strategies, due to their unique working culture. Their small size means that SMEs have shorter lines of communication, close personal links, less bureaucracy and the ability to initiate change quickly. This makes them ideally placed to implement proactive environmental strategies.

Moreover, firms with the most proactive environmental policies had significantly better financial performance because the policies led to lower costs, improved reputation and the generation of new organisational capabilities, as well as reduced environmental impact.

Over one hundred automotive garages in southern Spain were involved in the research, each with an average size of six employees. This industry has a major potential impact on the environment through noise, high levels of CO₂ emissions, high levels of energy and water consumption, use of environmental contaminants and dangerous waste. The survey measured the way that garages viewed their environmental performance, how proactive their environmental strategy was, the level of product and process innovations aimed at reducing pollution, and the degree of importance given to eco-efficient practices.

Although perceived as lacking in resources, SMEs possess characteristics such as a simple capital structure and an entrepreneurial orientation that can give them a competitive advantage, as well as flexibility in decision making and close trust-based relationships with suppliers or subcontractors. The study found that there are three types of strategies used by SMEs:

- reactive regulatory compliance
- proactive pollution prevention
- environmental leadership

Which strategy they adopted was closely linked to the presence of organisational characteristics such as shared vision, stakeholder management and proactive strategies. They conclude that SMEs which exploit a shared vision of a sustainable business are most likely to implement a proactive environmental strategy.


Contact: jaragon@ugr.es

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