



## Engagement with Small to Medium Enterprises (SMEs)



### **The sustainability agenda**

*A discussion document produced to encourage debate on wider engagement with SMEs at a local level.*

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## **Introduction**

Sustainability involves a wide range of topics, many of which are strongly influenced by small to medium businesses and the people who work in them.

This document has been produced in response to issues identified at a working group instigated by Plymouth City Council. It is intended to provide a topic for discussion and is not intended to provide all the answers at this stage.

There is a difficulty that has been identified with encouraging Small to Medium Enterprises (SMEs) to engage in supporting the sustainability agenda. It is also apparent that cities such as Plymouth have a very large number of SMEs and it is impossible to achieve sustainability goals without commitment and positive actions by those businesses and the people who work within them.

## **Summary of issues and solutions**

Smaller businesses are unlikely to have the time and resources to focus strongly on improving sustainability in the business and the community in which they operate. Setting time aside from the pressures of day-to-day operation may be difficult and spending money on something which is seen as a cost rather than a revenue generator will not be top of the agenda.

To change this requires a big stick, legislation that has to be complied with, or a strategy that addresses the “what’s in it for me question” in a way that encourages small businesses to embrace sustainability; the carrot approach.

The big stick approach is neither a positive one, nor often an effective one due to the difficulties and costs of enforcement.

The carrot approach which incentivises doing the right thing has to be the more beneficial approach where it is achievable.

## **A potential concept**

A local authority, or preferably a county wide group of local authorities, could set up a business partnership framework with sustainability objectives to be met and real benefits to the business from doing so. In the simplest form the scheme should offer marketing and cost benefits; increased sales and reduced overheads.

## **How could it work?**

In brief the following principles could be considered.

### ***Set up an approved business scheme***

- a) Encourage businesses to join a scheme which encourages and promotes sustainability and localism.
  - i) Membership to be subject to achieving a number of elements

- ii) These elements designed to be specific, measurable, achievable, relevant to SMEs and time bound (SMART)
- iii) These elements to be matched to key elements critical to delivery of the sustainability agenda

### ***Create a sought after brand***

- a) Create a respected and trusted brand, a seal of approval for the business
  - i) This should be a sign that the business is actively supporting sustainability and positively favours doing business locally
  - ii) It should be allied to messages such as the promotion of buying local produce, low carbon travel and recycling
- b) Market the brand to consumers and other businesses to encourage the use of suppliers qualified to use the brand
- c) Promote the brand and what it stands for through partnerships with other organisations such as the Federation of Small Business where it would fit with their own “keep business local” campaign.

### ***Provide support for the scheme***

- a) Make it beneficial for a SME to become engaged
  - i) Promote the scheme brand to encourage local people to buy from those who carry it. The message is that the “responsible” consumer should seek out the brand as they would a “Fair Trade” brand or “Organic” label
  - ii) Incentivise membership through enhanced services or reduced charges, for example
    - (1) Reduced business rates
    - (2) Reduced waste disposal costs
    - (3) Free / reduced cost promotion of the business
    - (4) Enhanced status in selection for tenders

It is essential for the scheme itself to have no cost to the member business and to deliver real cost benefits. It should also provide a competitive advantage. The above is only some initial thoughts and there will undoubtedly be numerous other incentives that can be developed.

- b) Incorporate a web based reporting mechanism that would monitor compliance with the requirements of membership but also feed back to the business useful management information. For example:
  - i) If meter readings are entered provide a graphic output of month-by-month and year-on-year trends. A clear statement of the percentage change and the cash value that represents as a saving or additional cost will focus attention.
  - ii) If staff and postcodes are entered calculate an average travel-to-work distance and compare to previous year result.
  - iii) If a vehicle is changed estimate the resulting carbon saved and reduction in fuel cost

The case for sustainability is most effective when it is made clear that the business has saved money through responsible actions or will save money through such actions. The incentive is then to save *more* money by undertaking *more* responsible actions.

Operating cost and manual intervention could be minimised if the software system was suitably designed to process the data as well as receive it. This should not be difficult with well designed questions and data fields. Development could involve partners such as the University of Further Education Colleges where perhaps it could form part of a student led ICT project.

- c) Provide targeted low cost / no cost training to support the knowledge required by people within SMEs to achieve enhanced sustainability. For example:
- i) Many buildings are operated by persons who have been given the job as part of another role but have no real understanding of how to operate and optimise heating controls, timers and lighting sensors etc. Targeted advice could dramatically reduce things such as heating / lighting outside occupancy hours, set points overshooting required comfort levels, conflicting heating and cooling etc.

## A SMART sustainable business model?

Some examples of the type of elements that could be incorporated are shown below:

Topic	Requirement	Benefit
Sustainability policy	Must have a documented sustainability policy. <ul style="list-style-type: none"> <li>• Upload one or modify template.</li> <li>• Provide to all staff.</li> <li>• Make available to clients</li> </ul>	Will create awareness and pressure to achieve
Energy management	Must read meters monthly and input readings. This can be used together with a selection of what units are being metered and a current cost.	Will get trend report and year-on-year comparison based on actual consumption creating motivation to act to reduce consumption. Can also get a statement of how much has been saved / how much the additional energy used has cost
Facilities management	Required to designate specific role and report on key factors e.g. <ul style="list-style-type: none"> <li>• List training undertaken</li> <li>• List actions taken to improve energy efficiency of facilities</li> <li>• List changes to control systems and impact of those changes</li> </ul>	Overcomes lack of knowledge in those responsible for energy management by: <ul style="list-style-type: none"> <li>• Creating awareness</li> <li>• Encouraging training</li> <li>• Allowing targeted supply of information on best practice and training opportunities</li> </ul>
Use of Certificates	Recording of asset rating from EPCs and/or Operational Rating from DEC's if they exist. Comparison with previous values. Statement of actions carried out from the advisory / recommendations report.	Increasing the perceived value of EPCs and DEC's will focus attention on measurements that can be improved and the advice that already exists on how to do so.
Recycling	Required to list examples of: <ul style="list-style-type: none"> <li>• Recycling of waste</li> <li>• Sourcing recycled materials</li> </ul>	Encourages recycling and allows targeting of recycling support resources by the Local Authority

Travel	Required to enter postcodes for: <ul style="list-style-type: none"> <li>• Employees</li> <li>• Top 10 Suppliers delivering to premises</li> <li>• Top 10 suppliers visiting premises</li> </ul> Also: <ul style="list-style-type: none"> <li>• Total annual delivery mileage for all delivery vehicles</li> <li>• Total annual mileage for sales vehicles</li> <li>• Total annual turnover</li> </ul> And to list initiatives such as support for car sharing etc.	System calculates and feeds back with comparison to previous years: Average travel to work distance / delivery miles / supplier miles / sales miles per unit of sales. Encourages doing business locally.
Procurement	List of most significant purchases with evidence of procurement of energy efficient equipment / vehicles.	Encourages energy efficiency as part of the buying decision. In particular with vehicles it should be possible to structure the questions and software to feed back the environmental and cost benefit of the improved efficiency.

The above are intended only as initial thoughts to stimulate debate. There will be many others and perhaps more relevant ones. It is hoped however that this indicates some ways in which the SME can be encouraged to consider things that would otherwise not be considered and record things that would otherwise not be recorded. In return the system can convert this data into management information demonstrating the trends and potential for improvement.

The underlying objective is firstly to ask the questions that will generate relevant Key Performance Indicators (KPIs), feedback those KPIs in a way that encourages actions and steer the business towards the most appropriate actions to improve those KPIs. Secondly the objective is to put in place the support mechanisms that will facilitate those actions to make improved sustainability an achievable objective.

Additional benefits can be seen to be collating information that will better inform the Local Authority on the true nature of business in their area, the likely demands on support services and infrastructure and the impact of initiatives undertaken.

## Conclusion

There is opportunity to further the sustainability agenda through engagement with SMEs. It is best served by offering something that has a payback to the business in both cost and management information, strengthens perception of their brand and saves at least as much time and/or money as it takes to administer.

Many SMEs would act to improve the sustainability of their business if they realised it would also save money. As they often don't measure and record the relevant information they are unaware of the potential cost benefits. Making it easy to get the management information that will demonstrate the benefits and feeding it back as a clear statement of what can be saved has to encourage many more to engage in improving sustainability.

There will naturally be a cost to the local authority, particularly if it involves reduced revenue from business rates however there should be enough flexibility available for the local authority to balance this against raising increased revenue from those businesses which do not embrace sustainability, business growth from increased trade within the local area and from reduced demand for other services resulting from better managed businesses.

## DCHI

DCHI is a regional association of energy assessors and residential property surveyors in the South West and actively supports the initiatives to increase the effectiveness of energy performance of buildings initiatives. We engage with government at local and national level and work with conventions groups across domestic and commercial strands to enhance the effectiveness of energy assessment methods.

We support the sustainability agenda by:

- Providing energy efficiency reports, certificates and advice designed to improve the energy efficiency of buildings.
- Encouraging the use of local assessors and businesses to minimise the carbon impact of travel and support the local economy.

The above document is a draft discussion document. We have attempted to stimulate thought and perhaps provide the starting point for a development project. If DCHI can assist further in developing these ideas into a workable model we will endeavour to do so.

For more information or to request the further involvement of DCHI please contact Ian Sturt at [it@dchi.org.uk](mailto:it@dchi.org.uk) or on 01626 365581 / 07915 071705

DCHI has also produced guidance on when a Commercial EPC is required and when a DEC is required. These documents are available as a Key Document from the Directive Implementation Advisory Group (DIAG) at [www.diag.org.uk](http://www.diag.org.uk) or from DCHI directly at [www.dchi.org.uk/links](http://www.dchi.org.uk/links). We also provided a submission to the recent review looking at improving the energy efficiency of buildings band this can be seen at [www.hi-devon.co.uk/dchi/downloads.html](http://www.hi-devon.co.uk/dchi/downloads.html)

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