
SMEs and environmental communications: motivations and barriers to environmental reporting

Catarina Guében*

EuGeos Limited,
387 Park Lane, Macclesfield SK11 8JR, UK
Fax: +44-1625-434-434
E-mail: catarinag@btinternet.com
*Corresponding author

R. Glynn Skerratt

Faculty of Health and Sciences,
Staffordshire University,
College Road, Stoke-on-Trent ST7 4UZ, UK
E-mail: r.g.skerratt@staffs.ac.uk

Abstract: SMEs engaged with the environmental agenda are aware of the value of a 'green' image in their market place, readily using their environmental achievements in their marketing communications and deriving various benefits from it. However, most only produce a formal environmental report when there are clear external pressures compelling them to do so, especially when this is needed to achieve a recognised environmental certification. This paper reports on the results of research indicating that, for most 'green' SMEs, the current cost-benefit balance is such that they see no added value in reporting on their environmental activity. Therefore, unless the concept and image of the environmental report change or legislative pressures or demand from core stakeholders increase, most environmentally active SMEs are very unlikely to take up environmental reporting.

Keywords: SME; small business; environmental communications; environmental reporting; UK.

Reference to this paper should be made as follows: Guében, C. and Skerratt, R.G. (2007) 'SMEs and environmental communications: motivations and barriers to environmental reporting', *Int. J. Environment and Sustainable Development*, Vol. 6, No. 1, pp.1–16.

Biographical notes: Catarina Guében has been working for a Small Environmental Management and Sustainability Consultancy for several years. Her projects include compiling clients' environmental reports, developing environmental management standards and researching sustainability topics. Previously, she worked in both large and small businesses in customer-facing and marketing roles. In 2005, she completed her Masters in Sustainable Development with Staffordshire University, which led to researching SMEs' environmental communications.

R. Glynn Skerratt is a Chartered Chemist, Chartered Environmentalist, Chartered Water and Environmental Manager and Chartered Scientist. A Principal Lecturer in Environmental Management and Sustainability at Staffordshire University, he received his PhD for the work elucidating aspects

of organophosphorus chemistry kinetics. He also has 15 years of scientific and managerial experience working in the UK water sector. While at Staffordshire University, he has developed wide experience of distance and on-campus learning and teaching, in-company training and applied research. He has consultancy and training experience in environmental management systems implementation, sustainable business development, solid/liquid waste treatment practice/technology and recycling technologies.

1 Introduction

In the past few years, corporate environmental and sustainability reporting has become more extensive, especially following calls for greater disclosure and transparency in the aftermath of some recent scandals. It is obvious that most exhortations for environmental disclosure, as well as guidelines on reporting, are aimed at larger companies and partly inspired by the existing obligations for financial reporting. However, it is widely acknowledged that, despite their size and the obvious environmental risks, especially associated with polluting or extractive activities, large companies are not the only ones to have environmental impacts. Any business, whatever its size and activities, will impact the environment. This realisation has brought about, in the past 10–15 years, a number of initiatives aimed at raising the environmental awareness and activities of smaller companies. But progress is slow: so far only a minority of SMEs have responded and integrated environmental management into their processes. Only a few are deeply engaged with the environmental (and more broadly, the sustainable development) agenda; amongst them, a mere handful of pioneering SMEs publish an environmental (or a sustainability) report.

Little is known about these smaller companies that are taking up the environmental challenge and most often that which is being researched focuses on the adoption and implementation of management systems. Considering the amount of work, time and money invested in managing environmental impacts and improving environmental performance, this paper hypothesises that SMEs engaged in those activities would want some form of recognition for their efforts and probably need some collaboration from their supply-chain. Hence, they must communicate in some ways, even if this is not through formal environmental reports.

2 Methodology

Because of the relatively small amount of existing research into the attitudes of SMEs in general and their environmental *practices* (rather than *performance*) in particular, and the ensuing scarcity of secondary data and documentary resources, it was considered necessary to obtain primary data for this research. A hybrid investigatory process was used, consisting of an exploratory part based on a self-administered questionnaire followed by a few short semi-structured interviews, providing a mix of quantitative and qualitative results.

As the research aim was to investigate *environmental communications* rather than *attitudes towards the environment*, it was imperative for the sample to be made up of environmentally-active SMEs. Therefore it was decided to concentrate the research on a

specific SME segment – those which have raised their environmental profile by winning an environmental award (or being a finalist in such an event). This was considered a sufficiently strong sign that these businesses were environmentally-active and that they were communicating about their activities.

The details of 100 suitable SMEs were gathered, as this number was expected to generate sufficient responses to support the research aims. This sample was geographically distributed throughout the UK as follows:

- Wales – 28
- Scotland – 26
- South-East – 19
- London – 9
- North-West – 8
- South-West – 5
- Midlands – 3
- North-East – 2

and representing various trades, roughly categorised as:

- light manufacturing – 32
- tourism – 18
- farming – 7
- B2B¹ services – 20
- B2C² services – 17 and
- construction – 6.

No sampling was carried out to identify interview candidates: volunteers were asked to declare themselves when sent a questionnaire. Out of 29 questionnaires returned, 11 participants agreed to be interviewed – and out of these, 9 were successfully contacted.

The survey questionnaire and questions were designed to elicit an optimum depth of information in relation to the time spent by the respondents on answering them. There were three main parts to the questionnaire: the first about the company and its environmental engagement, followed by one question on its marketing communications and then a longer section exploring environmental communications. Most questions offered several potential answers, each on a Likert-type rating scale (up to 4 or 5 levels) and could be answered quickly by a tick.

The telephone interviews were based on a loosely-structured questionnaire, with questions adapted to each respondent according to information obtained from their website about their industry, size and environmental activities. These adaptations were made to avoid asking questions to which an answer was already provided (for instance, a respondent would not be asked whether the company produced a report if this was published on the website). The main focus of the interviews was to investigate the company's communications process and especially the decision to produce (or not to produce) a report.

3 Findings

3.1 Respondents' profile

Nearly half of the 29 survey replies (14; 48%) came from micro-SMEs,³ 5 from small ones and 10 from medium ones. Of the latter group, only 2 companies had more than 151 employees. Most businesses (24) were independently owned; the other five operated under their own identity but were part of a larger group. Approximately two-thirds of the respondent companies were involved in the service sector with the remainder being in light manufacturing, except for one business that was involved in aquaculture. Amongst those businesses in the service sector, one third supplied other businesses (B2B) and two thirds dealt with the public (B2C), half of the latter group in the tourist sector (Table 1).

Table 1 Respondents' profile

Size		Geographical		Sectoral	
Micro (<10)	14	Wales	10	Services B2C	7
Small (11–50)	5	Scotland	8	Tourism	6
Medium (51–150)	8	South-East	4	Services B2B	5
Medium (151–250)	2	London	2	Light manufacturing	10
		North-west	3	Farming	1
		South-west	2		
29 respondents					

3.2 Motivations to environmental activities

It is important to remember that each of the 29 survey respondents were either winners (25) or finalists (4) of one or more environmental awards. Therefore, these SMEs can be considered as 'best in class', having demonstrated exceptional environmental care. Thus their attitude and these survey results, cannot be directly compared with more general findings about SMEs and the environment. Whereas surveys into SMEs and the environment (NetRegs, 2002, 2003, 2005) reveal that most SMEs are unaware of their environmental impacts, a majority (18; 62%) of the survey respondents declared that 'environmental issues' were *'fundamental'* to their business strategies, with the remainder considering the environment as *'very important'* (5; 17%) or *'important'* (6; 21%).

Overwhelmingly, those SMEs' environmental activities are driven by personal beliefs: *'management conviction'* achieved the highest score (83%), by a wide margin, amongst 14 options. Other reasons have far less influence and overall the 'carrots' of *marketing* and *cost-savings* (52%) seem to be more effective than the various 'sticks', of which *'legislation'* appear the most effective (47%), followed by *'supply-chain pressures'* (29%). *'Pressure from activists'*, a stick often branded towards large corporations, hardly registers with the respondent SMEs (Table 2). Even those in 'light manufacturing' – possibly the most likely targets amongst the respondents – only gave it their lowest score at 11%.

Table 2 Environmental motivations

<i>What motivated the adoption of your company's environmental strategy?</i>	
	All 29 respondents
Management conviction	83%
Desire to improve company's image	59%
Environmental risks	58%
Business opportunity	57%
Cost-saving	52%
Legislation	47%
Staff suggestion	34%
Supply-chain pressures	29%
Competitive pressures	24%
Support organisation	23%
Local Authority programme	20%
Pressures from 'green activists'	14%
Trade association scheme	10%
Consultant	10%

However, despite their commitment to the environment and their mostly positive views about the benefits of their environmental efforts, several respondents also mentioned various drawbacks associated with those efforts. Chief amongst their concerns were additional costs and time expenditure. These were the main problems mentioned, unprompted, by half of the 22 respondents who volunteered some suggestions. The noticeable fact was that 5 out of those 22 respondents did not see any drawbacks at all. However, the question was specifically about the benefits and drawbacks of 'sending a green message' rather than 'acting green', but the nature of most answers indicates that it was somewhat misinterpreted.

Nearly all respondents (27) formalise their concerns for the environment into an environmental policy, most often (22) made public and 26 of the businesses organise their environmental activities along the lines of an environmental management system. This strong adoption of environmental management systems is another way in which this particular population of 'environmental winners' differs markedly from the overall SME population. For instance, the 2005 NetRegs survey of environmental practices revealed that only 6% of UK small businesses had an environmental management system in place; similar results were observed in previous surveys (NetRegs, 2002, 2003).

3.3 *Marketing and environmental communications*

3.3.1 *Channels and audiences*

Communication is obviously important for any business, irrespective of its size and SMEs are keen to get their message through. From the only question in the survey covering marketing communications, it emerges that the more traditional 'word-of-mouth' and network, as well as the more modern website are the three most successful communications channels for all respondents. These channels score 78%, 73% and 68%, respectively, well ahead of the rest, led by leaflets and catalogues, at 48%.

The respondents are aware that a 'green image' can be valuable, even if marketing is not a major driver for the adoption of environmental measures. As a small manufacturer simply puts it: *'our environmental performance is not a 'unique selling point' but it helps'*. Thus, just over half of the respondents (15, 52%) use their environmental achievements in their marketing communications *'whenever suitable'* and 41% (12) use these *'frequently'*; only two of the companies *'rarely'* mention them. Most respondents (24) readily share information on their environmental performance; thirteen of these via some form of report. Recipients of this information are not particularly targeted: the company website is the most popular information channel; environmental information is also added to printed materials, such as catalogues and company brochures. However, during interviews, all nine respondents also mentioned the role of one-to-one communication to raise awareness, understand and guide customer's environmental needs. One respondent explained that, by talking to customers, they can pass the message on. He considered this 'cascading' communication to be the best way of raising environmental awareness – and marketing the business and its environmental dimension. Five interviewees also referred to dialogue with their suppliers.

3.3.2 Costs and benefits

Overall, time is the most-cited problem associated with marketing green achievements: out of 27 unprompted suggestions, *'lack of time'* is mentioned nine times. As a micro B2B service business owner acknowledges: *'I probably do not publicise enough the environmental side of the business, but it's time-consuming'*.

The respondents mention *'credibility'*, *'trust'*, *'customer loyalty'* and *'a positive image'* as benefits of sending a green message. It is an opportunity to attract a specific clientele – the *'environmentally-minded market'* as described by one respondent. But this has its inherent commercial drawback: as another respondent in tourism remarked, this niche audience of people mindful of their environmental impacts *'does not spend much'*. And obviously the main problem of attracting a specific target is the danger of missing the rest of the market: environmental achievements are *'only valued by a selective audience'*. One respondent went further, expressing the concern that an environmental message may even alienate some potential customers who may see environmental efforts as additional overhead costs resulting in higher prices.

Overall, commercial benefits rank higher than operational ones (such as *'stronger management systems'*), but none is particularly outstanding: the highest benefit (*'free publicity'*) reaches only 62% and the mean for all benefits is 49% (median 54%). Financial gains, in the forms of cheaper business insurance or easier access to business finance, come at the bottom of the list (Table 3).

However, this overall ranking hides some differences between various subgroups. When considering the answers given only by those 13 SMEs dealing directly with the public (B2C) the commercial benefits are rated more highly, with *'new customers'*, *'free publicity'* and *'increased customer loyalty'* all rated above 70%. The same financial gains (or lack thereof) still figure at the bottom end of the scale with even lower ratings. The ranking changes again when considering only those SMEs with 11 to 150 employees – that is, excluding the micro and largest companies, 12 and 2 of each, respectively. For these nine companies, reputational and operational benefits rank higher than commercial ones; financial ones again remain at the bottom of the list.

Table 3 Environmental communications: benefits

<i>What benefits do you gain from sharing information on your environmental performance?</i>	
	24 respondents
Free publicity	62%
New customers	61%
Increased customer loyalty	59%
Increased staff motivation	59%
Improved relation with local community	59%
Improved relation with local authority	57%
Improved relation with regulators	54%
Stronger management systems	53%
Better control of environmental risks	52%
Access to good practice	40%
Higher-calibre job applicants	30%
Cheaper business insurance	25%
Easier access to business finance	23%

The 13 SMEs which 'report' on their environmental activities have a slightly different opinion of the benefits of communications, ranking '*better control of environmental risks*' first but with a lower score of 58%. This is followed in joint second place with 56% by commercial benefits ('*increased customer loyalty*' and '*free publicity*') and operational ones in the form of '*increased staff motivation*'. The mean score (of all options) for this subgroup is lower at 46% than the mean for the whole group (49%), but the median at 53% is similar to the group's 54%.

By contrast the 11 SMEs which do not report and thus have a different experience of environmental communications and their benefits, have more positive views: overall the mean score they attribute to benefits is higher at 52% (but the median remains at 53%). They rate the commercial benefits of '*free publicity*' and '*new customers*' first and relatively higher at 70%, followed at 67% by '*improved relations with the local community*'. But they too experience the same lack of financial gains.

3.4 Environmental reporting

3.4.1 Reporters

The 13 SMEs which 'report' on their environmental activities and performance do so in a variety of formats: from stand-alone sustainability reports through annual environmental statements to a case study. It is interesting to note that all 13 'reporters' have an environmental management system in place and for eight of them, reporting is one of the requirements for accreditation to their chosen environmental management system.

All 13 respondents seem confident in their knowledge and ability to compile an environmental report, whatever the size and nature of their business, and the internet is the most popular publication method – mentioned six times (out of 11 responses about the channels used) – either as the sole support or with a paper alternative.

Whatever their motivations for reporting and the benefits they derive from it, all 13 ‘reporters’ agree that these come at a cost. Overall ‘*lack of time*’ is the main problem; this being considered as ‘*very substantial*’ by four respondents and scoring 64%, well ahead of the operational challenges of ‘*choosing meaningful performance indicators*’ and ‘*measuring performance*’ which both score 53%. This problem with time echoes the concerns associated with environmental communications – and with environmental management in general (Table 4).

Table 4 Reporting difficulties

<i>What are the difficulties/costs encountered, if any, when preparing your environmental report?</i>	
	Reporting SMEs; 13 respondents
Lack of time	64%
Choosing meaningful performance indicators	53%
Measuring performance	53%
Presenting the data	42%
Gathering comprehensive data	36%
Deciding what to include/exclude from the report	31%
Additional financial costs of publishing the report	22%
Additional financial costs of preparing the report	19%
Too much and/or confusing information	18%
Lack of information sources	12%
Lack of knowledge/experience	12%

When comparing the costs of reporting and benefits of environmental communications, the maximum score for costs (64% for ‘*lack of time*’) is higher than the maximum score for benefits (58% for ‘*better control of environmental risks*’). However the list of benefits is longer and most of them score higher than 50%, so the mean score is higher for benefits of environmental communications (46%) than for reporting costs (33%). This seems to indicate that the perceived benefits are more numerous and varied whereas the obstacles are fewer and bigger.

3.4.2 *Non-reporters*

Sixteen respondents, equally divided between eight smaller SMEs (with fewer than 50 employees) and eight larger ones, do not currently publish any form of environmental report. Although they do not formally report, eleven of these 16 ‘non-reporters’ otherwise readily share information about their environmental activities (and are labelled ‘communicators’). Only one of the 16 ‘non-reporters’ intends to publish a report in the near future.

This lack of enthusiasm for taking up reporting is also evident through the scores allocated to the expected costs and benefits associated with the preparation and publication of an environmental report. Overall, of course, some benefits are expected, but expectations do not score very highly. Out of 193 ‘votes’ expressed, only 14 allocated the top score – but 10 of these came from only one optimist respondent. The bottom score (‘*no benefit*’) was allocated 57 times – albeit 24 of them by just

2 respondents. In fact, one of them did not see any benefits or drawbacks: every single option was rated 'nil'. Obviously, individual views vary widely. Overall, notwithstanding all individual differences, 'free publicity' is rated highest, followed jointly by 'new customers', 'access to good practices' and 'increased customer loyalty', but all these score well below 50%, with a mean of only 38% (median 40%) (Table 5).

Table 5 Expected benefits of reporting

<i>What benefits would you expect from publishing an environmental report?</i>	
	Non-reporters; 16 respondents
Free publicity	47%
New customers	44%
Access to good practice	44%
Increased customer loyalty	44%
Improved relation with local community	42%
Stronger management systems	42%
Improved relation with local authority	40%
Increased staff motivation	40%
Improved relation with regulators	40%
Higher-calibre job applicants	36%
Cheaper business insurance	33%
Better control of environmental risks	24%
Easier access to business finance	19%

Expectations also vary with business size and the eight smaller SMEs generally seem to have a more positive outlook (mean 41%; median 42%) than their larger counterparts (mean 35%; median 38%). They expect higher commercial benefits ('free publicity' at 63% and 'new customers' at 54%), whereas in the larger businesses rate these are relatively low at 29% and 33%, respectively and expect first 'access to good practice' but at a lower 52%.

Within the 'non-reporters' group, the 11 'communicators' and five 'non-communicators' do not expect to benefit from environmental reporting in the same ways. 'Communicators' rank commercial and marketing benefits higher and rate nine options (out of 13) between 50% and 40%; non-communicators expect first 'access to good practice' at 67%, well ahead of 'stronger management systems' at 47%, but only rate three other options above (just) 40%. Thus 'communicators' have slightly higher average expectations than the other subgroup (with means of 39% and 36% and medians of 40% and 33%, respectively).

Whereas, for the whole group, the top-scoring expected benefit of 'free publicity' does not quite reach 47%, its equivalent on the expected difficulty scale, 'lack of time', scores above 64%. On average, the mean score for difficulties is slightly higher (40%) than for benefits (38%). However, since there were more benefit options suggested for rating (13) than difficulties (8) and because two-thirds of the benefits (compared to half of the difficulties) attracted a generally higher score, the benefit median (40%) is higher than the difficulty one (36%).

When looking at the negative expectations of ‘non-reporters’, there are some substantial differences in those of the 11 ‘communicators’ compared to those of the 5 ‘non-communicators’. The ‘non-communicators’ appear to expect problems more strongly than their counterparts, who have some experience of environmental communications. The mean difficulty score allocated by the ‘non-communicators’ is 54% (median 54%) whereas the ‘communicators’ are comparatively less concerned at 34%. Strikingly, ‘*lack of time*’, still expected to be a major problem by the ‘non-communicators’ at 75% ahead of many other potential difficulties, comes behind ‘*additional publishing costs*’ at 80%. ‘Non-communicators’ also seem more concerned about the consequences of not presenting a ‘perfect’ picture and the risk of alienating some customers.

Whatever the relative strength of the various difficulties and benefits expected by all ‘non-reporters’ from the publication of an environmental report, ‘*lack of time*’ is clearly their top concern – in the same way as it is the most substantial problem actually experienced by those who already report. By coincidence, in both cases, ‘*lack of time*’ scores 64%. Aside from lack of time, however, ‘reporters’ and ‘non-reporters’ have different concerns: the former experience difficulties with ‘operational’ issues (such as choosing indicators and gathering data, for example) rather than with costs, whereas the latter expect their finances to suffer from the exercise but are less concerned about ‘operational’ challenges (Table 6).

Table 6 Expected versus experienced difficulties of reporting

<i>What are the difficulties/costs encountered, if any, when preparing your environmental report?</i>		<i>What difficulties do you associate with publishing an environmental report?</i>	
Reporters; 13 respondents		Non-reporters; 16 respondents	
Lack of time	64%	Lack of time	64%
Choosing meaningful performance indicators	53%	Additional financial costs of publishing data	54%
Measuring performance	53%	Additional financial costs of preparing data	52%
Presenting the data	42%	Difficulties in gathering comprehensive data	40%
Gathering comprehensive data	36%	Negative publicity if performance not ‘perfect’	31%
Deciding what to include/exclude from the report	31%	Lack of knowledge/experience	31%
Additional financial costs of publishing the report	22%	Difficulties in explaining and presenting the data	26%
Additional financial costs of preparing the report	19%	Losing potential/existing customers	22%
Too much and/or confusing information	18%		
Lack of information sources	12%		
Lack of knowledge/experience	12%		

4 Discussion

Compared to findings which reveal the lack of environmental concern of many SMEs (EC DG Enterprise, 2002; Hillary, 2000a,b, 2004), it is particularly striking that all the survey respondents consider environmental issues important or even fundamental, to their business strategy. Not only do they display an unusually high level of concern, they also have turned this into action by overwhelmingly adopting environmental policies and management systems.

Also striking is the finding that this environmental stance is strongly driven by personal beliefs, especially amongst smaller SMEs' (owner)/managers. This finding, which links management commitment to the successful implementation of an environmental strategy, supports the exhortation often found in guidelines that 'commitment must come from the top'. However, care must be taken when interpreting this result: what it mostly shows is that, when there is a strong personal commitment, the relative influence of other factors is much lower. In the larger SMEs the importance of the personal, altruistic factor is diluted by the influence of commercial or financial 'carrots', such as image and cost-savings and to a lesser extent, the threat of 'sticks' such as environmental risks and legislation. This mix of motivating influences is closer to the findings of other studies (Gerstenfeld and Roberts, 2000; Hillary, 2000a,b, 2004; NetRegs, 2002, 2003, 2005). Thus, overall, it appears that the relative success of various influences is linked to the size of the business and its activities. In smaller SMEs, which have relatively low environmental impacts and therefore are hardly affected by legal and fiscal incentives and penalties, strong environmental beliefs and behaviour seem to have a greater potential for greening practices than is currently recognised. For larger SMEs, especially those engaged in light manufacturing, the 'sticks' of legislation and taxation (on pollution and wastes, for instance) mixed with some financial 'carrots' such as cost-savings are likely to remain the prime reasons for adopting environmental strategies. This does not mean that there is no place in those businesses for altruistic motivation. On the contrary, it could well create a more positive framework that could facilitate the influence of the 'sticks' and 'carrots'.

'Image' is the second-ranking reason for the adoption of an environmental strategy. So whatever their personal commitment to the environment and their otherwise altruistic reasons to adopt an environmentally-friendly business strategy, respondents are certainly aware of the commercial value of their 'green' image and seem keen to use their environmental achievements in their marketing communications. Unlike 'personal belief', this finding is not a specific characteristic of this group of SMEs: 'improved image' (and the related 'better customer relationships') are mentioned several times in the literature as a motivation for or benefit of environmental activities (Hillary, 2000a,b, 2004; NetRegs, 2002, 2003).

In the particular context of this survey, it is crucial to bear in mind that the overwhelming majority of SMEs have fewer than ten employees. Thus individuals are often closely associated with the business and its success and therefore keen to communicate about it. Besides being proud of their environmental achievements, most green SMEs also recognise the reputational and commercial benefits of 'being seen to be green'. Consequently, the majority mentions their environmental activities in their marketing communications. As SMEs consider 'internet', 'word-of-mouth' and 'networking' as their most successful marketing communication channels, their audiences can be categorised into two groups: those with whom they can communicate

directly and personally (mostly their employees and first-tier customers and suppliers) and the rest of the world.

Most SMEs that have employees at all are small enough to communicate with them orally and even the larger ones use direct communications. This preference for a direct approach affects their external communications too. Because of their small size, which translates into very short chains of command and information, it is possible for SMEs to engage directly with their audiences. Whether they operate in the B2B or B2C sector, they can and do make use of more personal forms of communications than larger organisations. They prefer talking to their customers and suppliers about their environmental activities and needs rather than relying on more formal and indirect channels. But size and proximity to their audiences are unlikely to be the only reasons to explain this tendency to privilege talking over other forms of communications. Here again one must take into account the personal dimension of SMEs. Whether it is the managing director, owner-manager or environmental manager who is responsible for putting a green message through, this individual will have been closely involved in shaping their company's environmental activities and will be keen to do these justice. SMEs are not creating a green corporate message or image, they are explaining what they are doing because it matters to them.

With wider audiences, green SMEs are using a combination of mass communication channels for publicity purpose, such as the internet and promotional leaflets and often their message will mention, to various extents, the company's environmental activities. Where this aspect of the business is a strong feature – and a potential selling point – then obviously it is advertised more prominently. This is particularly noticeable in the tourism sector. In other sectors, where the environmental aspect is less likely to attract potential customers, it is mentioned relatively discreetly and the information is there for those who want to find it.

Thus, overall, green SMEs are using a range of techniques, channels and messages to communicate about their environmental activities according to their needs and those of their audiences. This flexible approach appears to be successful as the respondents claim to benefit in many ways from their current environmental communications. Chief amongst these benefits is 'free publicity', particularly claimed by micro-businesses, together with 'increased custom'. Whereas it is unlikely that any small SME would be able to measure its advertising success, they can spot increased business and work out the reasons for it. Thus the 'publicity' benefit is probably real, even if not precisely measured but simply noticed from changes in trade pattern. However, it is unlikely to be truly 'free' considering the amount of time and effort SMEs put into greening their activities and subsequent communications. Thus 'free' is more likely to mean 'unplanned for' rather than 'costless'. Similarly other benefits (such as *'improved relations with local community'*) are also unlikely to be measured and may be more perceived than actual. However, any benefit, real or not – and especially if unintended – will help to justify the activities which generated it. This positive feedback loop is a mechanism that could be exploited to encourage more SMEs not only to tackle environmental issues but also to broadcast their efforts: *'being green is more beneficial when everybody knows about it'*.

Because green SMEs genuinely believe that they get various benefits from communicating about their environmental performance and value those benefits, rather than identify and measure them more precisely in order to target their messages, their environmental communications remain relatively unsophisticated and genuine.

Compared to some highly polished corporate messages coming from large organisations, there is very little sign of 'green-washing' in SMEs' environmental communications. Green SMEs in the majority recognise the value of showing their environmental credentials, but unlike large corporations they do not exploit their communications. Neither do they feel under pressure from activists to put out a green message. So, because they are not expected to green their acts and wave the environmental flag, they are freer to choose whether and how to communicate with whom about their green performance.

But sending a green message, despite its perceived 'moral' and business value, is not always given as much attention as needed because it requires some of that ingredient so precious for SMEs: time. In fact this very difficult balance between environmental convictions, commercial benefits and time/money expenditures underlies all the research results, from the adoption of a green strategy to the compilation of an environmental report. This dilemma is particularly evident in the attitudes of both 'reporters' and 'non-reporters' alike towards the publication of a formal environmental report. There does not appear to be much enthusiasm for voluntary reporting. Most SMEs only publish a formal statement or report as part of the requirements of an environmental management system standard. But they do not feel that they derive much from the exercise: their rating of the benefits of environmental communications are lower than those expressed by non-reporters. Similarly, non-reporters expect to benefit a lot less from reporting than they actually already gain from 'simply communicating' about their environmental activities and achievements. These findings strongly indicate that there is little perceived added value in reporting compared to incorporating environmental elements into standard marketing communications.

If the benefits of reporting may not be obvious, the cost certainly is: reporters overwhelmingly agree that there is a price to pay in the form of additional time expenditure. But they do not find the exercise financially expensive. This is likely because they tend to produce relatively short statements and publish them electronically, thus keeping their financial costs low. Nor are they concerned about their ability to complete the task – lack of information and lack of knowledge are hardly seen as difficulties – which indicates that there is probably already enough guidance available to satisfy reporting needs. On the other hand, this stated confidence could be perceived rather than actual (just as with the '*free publicity*' benefit); considering that lack of time is such a major difficulty, this may hide an unrecognised competence problem.

Non-reporters, probably extrapolating from their experience of environmental management and communications, expect reporting to take more time than they have available. In this, their expectations match the reporters' experience. Similarly they are relatively confident in their knowledge and ability to report, albeit less so than reporters. This suggests that providing more guidance in the hope of increasing reporting uptake is unlikely to yield the desired result.

When it comes to financial costs, non-reporters expect reporting to be much more expensive than reporters actually relay. Reporters know that reporting can be done cheaply, non-reporters can only imagine the costs based on what they see. The most common image of an environmental report is, of course, the weighty, colourful and glossy corporate brochure: certainly expensive-looking. This is obviously a misconception as the experience of small reporters shows. But even if some efforts are made to change this image by publishing guidelines and recommendations tailored to the

needs of small companies, it is likely that the dominant presence of large corporations' reports will continue to shape perceptions and expectations – and consequently act as a barrier and discourage some small potential reporters from producing a report. Therefore, rather than attempting to adapt corporate reporting guidelines to SMEs' needs, in the hope of increasing take up, it may be more productive to change the concept of the environmental report from a monobloc clone of the 'Annual Accounts Report' to a more flexible communication approach better suited to the needs of both reporters and audiences and exploiting a suite of tools similar to the suggestions made by Azzone et al. (1997). One could imagine that, considering an SME's preference for informal and oral communication, a short statement covering the salient issues that have occurred during the year could be produced for publication on the company's website, as part of a newsletter, a product label, a restaurant menu or the bottom of an invoice, for instance. The story could then be told to whomever is curious about the details. And a few facts and figures could also be prepared to satisfy the requests of those who need them. Such an unconventional approach would reconcile the 'spirit' of reporting – sharing information – with SMEs' communication preferences, without being unduly time and money consuming. Until, that is, too many requests for further details are received, thus justifying the publication of a more traditional report, which, for most SMEs and especially the smaller ones, is an unlikely scenario at least in the short to medium term.

As mentioned earlier, the decision to report, communicate or adopt an environmental strategy raises the same challenge each time – that of balancing environmental convictions, commercial (and other) benefits and costs (mostly time and money). The recurrent question 'Is it worth it?' must be answered not only by internally allocating relative values to all three factors but also by measuring the answer against external criteria: 'Will our stakeholders value it 'fairly'?' And every time this questioning can be qualified as 'a process of organisational innovation' (Rowlands, 2000, p.1) comprising a 'psychological commitment' (Anglada, 2000, p.62), a cost-benefit 'justification' and an 'operational choice'. These three factors will influence the decision on whether to introduce an innovation and how to do so. Whereas the 'psychological commitment' to reporting is entirely endogenous to each SME, the cost-benefit 'justification' will depend on a combination of internal conditions (for instance data availability, reporting experience, manpower) and external factors, such as the public image of what an environmental report 'should' be (as discussed earlier), stakeholders' specific needs and the overall demand for reporting.

For most SMEs in this research, there is no doubt that the 'psychological commitment' to communicate about their environmental activities is strong, but their 'operational choice' on how best to put their message through – and their 'justification' of whether to report or not – depend on how they value the additional costs and benefits associated with reporting relative to those incurred when using other communication methods. Currently, and until the concept of environmental reporting and the values associated with it change, most green SMEs will continue to choose other ways to communicate their environmental achievements.

So does it matter and if so to whom, that SMEs in the majority do not formally report on their environmental activities? The short answer is 'probably not', because if it did matter to their main stakeholders – either internal or external – then they would do it. Environmental reporting does matter to some interest groups: there are a few voices advocating it for all businesses, irrespective of their size. But these are not

important stakeholders for SMEs – nor are they in a position to bring them any substantial benefits or cause them any major problems, as they can with large corporations. Therefore, their exhortations and advice are unlikely to be heeded by small companies.

5 Conclusions

The empirical evidence indicates that environmentally-active SMEs are proud of their 'green' achievements and keen to communicate about them. They are also aware of the various marketing benefits they can gain from their 'green' image, even if this is not the main reason for which they originally adopted their environmental strategy. This decision is mostly driven by personal commitment to the environment, especially amongst key personnel in the smaller SMEs.

Most of the SMEs that report externally do so to comply with the certification requirements of their chosen environmental management system standard. Beside this, they do not claim to gain any additional benefit from environmental reporting compared to other forms of communications, but they face increased demand on their time which is already in short supply. Those that do not report show very little interest in taking it up, expecting the additional costs in time and money to exceed any potential benefits.

This leads to the conclusion that SMEs do not need to formally report in order to get their green message through. They are already successfully reaching their main audiences of customers, suppliers and employees using other communication methods that are better adapted to their needs for more direct and informal transmission. They are likely to continue to prefer these methods to publishing a formal report, unless the current balance between motivation and barriers, costs and benefits shifts to make reporting more attractive to SMEs. Unless the image of the environmental report changes or pressures from legislation or 'environmentally-driven users' increase (Foster and Green, 2002, p.313; Jackson et al., 2001), thus affecting this balance, even green SMEs are very unlikely to take up full environmental reporting – outside a handful that are driven solely by their 'psychological commitment' to the principle.

References

- Anglada, M.L. (2000) 'Small and medium-sized enterprises' perceptions of the environment: a study from Spain' in R. Hillary (Ed). *Small and Medium-Sized Enterprises and the Environment: Business Imperatives*, Sheffield: Greenleaf Publishing Limited.
- Azzone, G., Brophy, M., Noci, G., Welford, R. and Young, W. (1997) 'A stakeholders' view of environmental reporting', *Long Range Planning*, Vol. 30, No. 5, pp.699–709.
- European Commission Directorate-General for Enterprise (2002) *European SMEs and Social and Environmental Responsibility*, Luxembourg: Observatory of European SMEs No4.
- Foster, C. and Green, K. (2002) 'Environmental innovation in industry: the importance of environmentally-driven users', *International Journal of Environmental Technology and Management*, Vol. 2, No. 4, pp.303–314.
- Gerstenfeld, A. and Roberts, H. (2000) 'Size matters: barriers and prospects for environmental management in small and medium-sized enterprises', in R. Hillary (Ed). *Small and Medium-Sized Enterprises and the Environment: Business Imperatives*, Sheffield: Greenleaf Publishing Limited.

- Hillary, R. (Ed) (2000a) *ISO14001 Case Studies and Practical Experiences*, Sheffield: Greenleaf Publishing Limited.
- Hillary, R. (Ed) (2000b) *Small and Medium-Sized Enterprises and the Environment: Business Imperatives*, Sheffield: Greenleaf Publishing Limited.
- Hillary, R. (2004) 'Environmental management systems and the smaller enterprise', *Journal of Cleaner Production*, Vol. 12, pp.561–569.
- Jackson, R., Milne, M. and Owen, D. (2001) *Environmental Reporting and the Medium Sized Company*, ACCA Technical Publication (personal copy).
- NetRegs (2002) 'How green are small businesses? A snapshot of environmental awareness and practice in small and medium sized enterprises (SMEs)', Available at: enquiry@environment-agency.gov.uk.
- NetRegs (2005) 'SME-environment 2005: UK', Available at: www.netregs.gov.uk. Accessed on January 2006.
- NetRegs/WS Atkins (2003) 'SME-environment 2003', Available at: enquiry@environment-agency.gov.uk.
- Rowlands, B. (2000) 'How owner/managers decide to participate with new apprenticeships for the first time: a grounded theory approach', *Australian Vocational Education and Training Research Association 2000 Conference 23–24 March 2000*, Available at: http://www.avetra.org.au/abstracts_and_papers_2000/br_full.pdf. Accessed on January 2006.

Notes

¹B2B: business-to-business.

²B2C: business-to-consumers.

³micro: fewer than 10 employees; small: 11–50 employees; medium: 51–250 employees.