

# 10 Reasons Why You MUST Improve the Environmental Performance of Your Business

Gareth Kane

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## 1. You are wasting money

Between 2006 and 2008 I carried out simple half-day environmental health checks in 26 businesses ranging from catering through printing, engineering and construction to major pharmaceutical companies. I identified an average saving in waste, raw material, energy and water costs of £175,000 per annum, per company. And those health checks barely scratched the surface.

One of my favourite definitions of waste is 'anything you buy that you cannot sell'<sup>1</sup>. Savings from cutting waste (whether that is wasted materials, energy or water) comes straight off your bottom line. If your profit margin is 25%, every £1 saved in this way is equivalent to £4 worth of new sales. And unlike cutting staff, cutting waste costs improves rather than detracts from your ability to deliver value to your customers.

## 2. The true cost of your waste can be immense

I despair at the number of businesses who go to great lengths to manufacture a high value product and then reverse a forklift truck into it or spill it on the floor during packaging. Most businesses know how much waste costs to dispose of, but the true cost of this type of waste is much higher as it includes:

- Disposal costs;
- Raw material costs;
- Energy and other utility costs for manufacturing;
- Labour costs both from the original manufacturing and the clean up;
- The cost of the disruption required to fulfil orders including knock-on effects on other orders;
- Opportunity costs of not being able to sell that product;
- Opportunity costs from poor customer satisfaction (eg lost future orders).

## 3. Your energy, water and waste costs are rising

Energy costs doubled between June 2007 and 2008. Waste costs continue to rise as landfill tax escalates and the type of materials that can be landfilled are restricted. Indications from the government are that it will continue increasing the Landfill Tax by £8 per tonne each year up to a level of at least £48 per tonne (from £32 per tonne today)<sup>2</sup>. In areas such as the South East of England, water resources are becoming ever more scarce so costs are also rising.

These cost pressures mean that doing nothing on environment performance means going backwards rather than standing still.

## 4. Your customers or clients demand it

If you sell to the public, certain markets are going solidly green. The proportion of white goods rated A for energy efficiency sold has risen from 0% to 76% in the ten years to 2006. 70% of baby food sold in the UK is now organic.

If you sell to other businesses, then your environmental performance becomes their environmental performance. Increasingly larger organisations are demanding information on suppliers' performance and Local Authorities and other public sector bodies are turning to 'green procurement' to meet Government targets. Not improving your environmental performance could mean forfeiting orders.

## 5. Your compliance costs are rising

There are literally hundreds of pieces of environmental legislation being drafted in the EU and the UK Government. Continually shifting incrementally to keep ahead of the law is an expensive hobby whereas eradicating problems completely is cheaper in the long run and keeps you miles ahead of the lawmakers.

Regulators such as the Environment Agency are increasingly taking a risk based approach to enforcement. If you routinely store hazardous materials, or they regard your practices as poor, they'll be knocking on your door much more often than if you have eradicated the hazards and have tip top housekeeping.

## 6. You may be risking prosecution

Every three years the Environment Agency surveys small business' attitudes to the environment. In 2005 only 18% could name one piece of environmental legislation that affects them, even though every company must comply with several pieces of legislation, for example, waste management regulations<sup>3</sup>.

And it is not just small business who are at risk. In the last year, I have had several arguments with major household names who have misunderstood the scope of the Waste Electronic and Electrical Equipment (WEEE). I really had to browbeat them into accepting that they were breaking the law, faced prosecution and the resulting PR fall out.

## 7. You are missing out on a great PR opportunity

With all the media attention on environmental issues, good environmental performance gives you a great opportunity to get good news stories into the media and advertising. Good solid green PR will impress the public, the pressure groups, your clients and customers and the regulators.

## 8. Pressure groups may give you a nasty surprise

In 2007, Apple Computers had it all. From their stylish iMac and MacBook computers to the revolutionary and must-have iPod and rumours of a phone abounding, their fashionable, cutting edge image appeared unassailable. That was until Greenpeace put them bottom of an environmental league table of electronics companies and set up a parody of Apple's website to detail their environmental infractions<sup>4</sup>. Apple's legendary CEO Steve Jobs at first dismissed the campaign, but only instigated a stronger backlash<sup>5</sup>. Jobs then realised the precarious position he was in, with Apple's hip image at serious risk. He did a swift u-turn, launching a radical programme to improve environmental performance and publicised it on the company's home page for a month.

If you are a high profile business (eg a high street retailer, an energy company, a major construction company, a motor manufacturer, a producer of household goods or in the primary sector – mining, oil, gas, forestry etc), then you are at direct risk from environmental and human rights pressure groups. These groups need high profile campaigns like the Apple example to make the mainstream media take notice and are always looking for a 'tall poppy' to target. If you are a smaller business, but you do business with a high profile client, then pressure groups will hold them responsible for your environmental sins. This is a very easy way to lose a major customer.

## 9. Your staff want you to do it

Environmental and CSR initiatives are a determining factor in employee retention and engagement rates according to the Chartered Institute for Personnel and Development (CIPD). In the US, a survey of over 4,000 people carried out by recruitment job site MonsterTRAK found that 80 per cent of young professionals are interested in securing a job that has a positive impact on the environment. Meanwhile, over 90 per cent claimed they would prefer to work for an environmentally friendly employer<sup>6</sup>. In the UK, a survey of 5,000 job hunters showed that 43% would not work for a firm which had no ethical or environmental policies, even if they were offered £10,000 a year more than to work for a business with a sense of corporate social responsibility<sup>7</sup>.

## 10. Your competitors are doing it

The 2005 NetRegs survey found that 71% of businesses had made at least one practical step to improve their environmental performance<sup>8</sup>. Some sectors have seen green issues come right to the fore eg the current great green supermarket wars where Marks & Spencer, Tesco and Sainsbury's are fighting it out to get the best green image. Sir Timothy Leahy went on the record this year to say that Tesco's plans would not be affected by the 'credit crunch' as he believed consumers' values would not change<sup>9</sup>. He sees this as a serious part of maintaining Tesco's competitive advantage over its rivals.

If your competitors have a better environmental performance than you, they will:

- Have lower operating costs and either a higher profit margin or a more competitive pricing structure;
- Be more robust to future change: new legislation, green taxation, and customer demand;
- Have better PR and marketing opportunities;
- Have better motivated employees and will be attracting the best new recruits;
- Have less risk of prosecution, NGO campaigns and a lighter touch from the regulators.

Well, they'd be mad not to, wouldn't they?

## About Gareth Kane

In Gareth's eleven years' experience in the environmental and sustainability sector he has worked with hundreds of organisations from micro-companies through to trans-national corporations, across many sectors including construction, pharmaceuticals, engineering and hospitality.

Gareth is an approved expert advisor for Envirowise, a co-ordinating reviewer of research for the UK Government's Sustainable Consumption and Production programme, an expert reviewer of EU Interreg energy project proposals and has been appointed to the pool of experts for the EU's URBACT programme. He recently authored "The Green Business Bible" ebook.

Gareth has a Bachelor's degree in Engineering from Cambridge University and a Master's Degree in the Eco-Design of Large Made to Order Products (eg ships, oil platforms) at Newcastle University. He is a member of the Institute of Engineering and Technology and a Chartered Engineer.



### Our clients say:

*"If you want to incorporate sustainability principles into your business, you need to talk to Terra Infirma."*

Dale Robinson, MD,  
Stone Homes Ltd

*"I thoroughly recommend Gareth Kane and Terra Infirma to anyone who needs to put sustainability principles at the heart of their project or organisation."*

Nick Devitt  
Dott07

## About Terra Infirma

Terra Infirma's slogan, "bringing sustainability to life", sums up our company ethos: turning the theory of sustainability into practical reality. The company delivers a wide range of services in the sustainability field:

- Consultancy: feasibility studies, scoping reports, carbon footprinting, business planning etc;
- Embedding Sustainability: working with our clients' staff to develop and implement sustainability programmes such our 'Lean, Mean & Green' service;
- Training: a wide range of off the shelf and bespoke training courses are available;
- Facilitation of events and workshops.

Recent clients include: AEA Technology Ltd, DEFRA, Dott 07, Durham County Council, Gentoo Housing Group, the Low Carbon Innovation Network, NISP North East, RWE nPower and Stone Homes Ltd.

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## References

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- <sup>3</sup> [http://www.netregs.gov.uk/commondata/acrobat/2005\\_eng\\_summary\\_1197354.pdf](http://www.netregs.gov.uk/commondata/acrobat/2005_eng_summary_1197354.pdf)
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