

Pro-environmental business and clean growth trends for the East Midlands 2021

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June 2021

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2021 University of Derby – Sustainable Business and Clean Growth Research
Group
June 2021

Key Points

Based on responses to the East Midlands Chamber (EMC) Quarterly Economic Survey (Feb 2021):

- The percentage of businesses in the East Midlands deriving turnover from supplying pro-environmental goods or services increased from 16% in 2015 to 37% in 2021.
- 36% of the companies surveyed stated that clean growth is already wholly or partly integrated into their business growth strategies; up from 29% in 2020.
- Larger companies continue to be more advanced than smaller firms in integrating clean growth in their business strategies.
- However, more than four in ten firms (42%) do not feel well informed about support for clean growth and nearly three in ten (29%) are not engaging with the clean growth agenda – a small decline from 2020.

This suggests that whilst opportunity in the Low Carbon and Environmental Goods and Services (LCEGS) market is still strong, awareness and engagement with clean growth opportunities may have been weakened during the 2020/21 pandemic.

Introduction

This briefing paper highlights key outcomes from a fuller analysis of the East Midlands Chamber of Commerce (EMCC) Quarterly Economic Survey (QES) from February 2021 by the University of Derby Business School (DBS). Whilst the QES routinely explores a range of business interests, this analysis refers to a series of questions that focused on companies' awareness and engagement with the clean growth agenda and the degree to which they supply and benefit from low carbon and environmental goods and services (LCEGS).

The survey received 451 responses, representing a continuous rise in the number of responses since the survey was first launched in 2015 (346 responses). Respondents represented businesses from Derbyshire, Nottinghamshire, Leicestershire, with exactly half of the responses coming from two broad sectors; Engineering & Manufacturing (24%) and Professional Services (26%). In 2021, significantly more micro-companies replied to the survey (47%) compared to 2020 (34%).

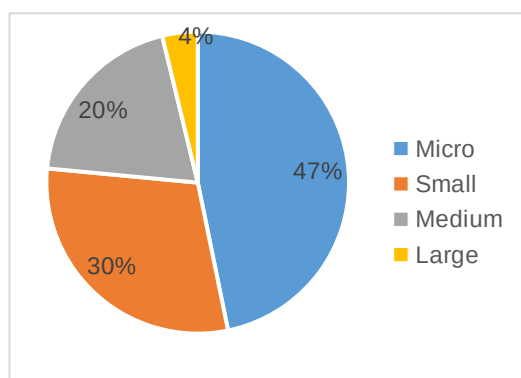


Figure 1 - Companies per size

In this fast-moving arena, the terminology used by economic commentators is shifting. Previously, the Department for Business Innovation and Science used 'LCEGS' as an umbrella term to capture a range of business activities, spread across many existing sectors (like transport, construction, energy etc.) that focused upon the common purpose of reducing environmental impact (DBIS, 2015). However, the Office for National Statistics (ONS) now distinguishes between the Low Carbon and Renewable Energy Economy (LCRE) and the Environmental Goods and Services Sector (EGSS). Throughout this report we refer to 'pro-environmental business'; a term that reflects the broadest range of environmentally driven business practices. Clean Growth - Turnover generated from low carbon goods and services

37% of businesses in the study generated part of their turnover from low carbon and pro-environmental goods and services in 2020-21, up from 31% in 2020. The data comparing the proportion of the turnover generated from pro-environmental goods and services with reference to company size is presented in Figure 3. The table shows that large and medium sized companies are more likely to draw turnover from LCEGS (52% & 51%) than micro and small businesses (31% & 36% respectively). Whilst there was a 3% decline in the 80-100% turnover category overall, it is interesting to note that 14% of large businesses responded that 80-100% of their turnover came from pro-environmental goods and services, up

Figure 2 - Turnover generated from low carbon goods and services, QES1 2021

significantly from only 4% in 2020.

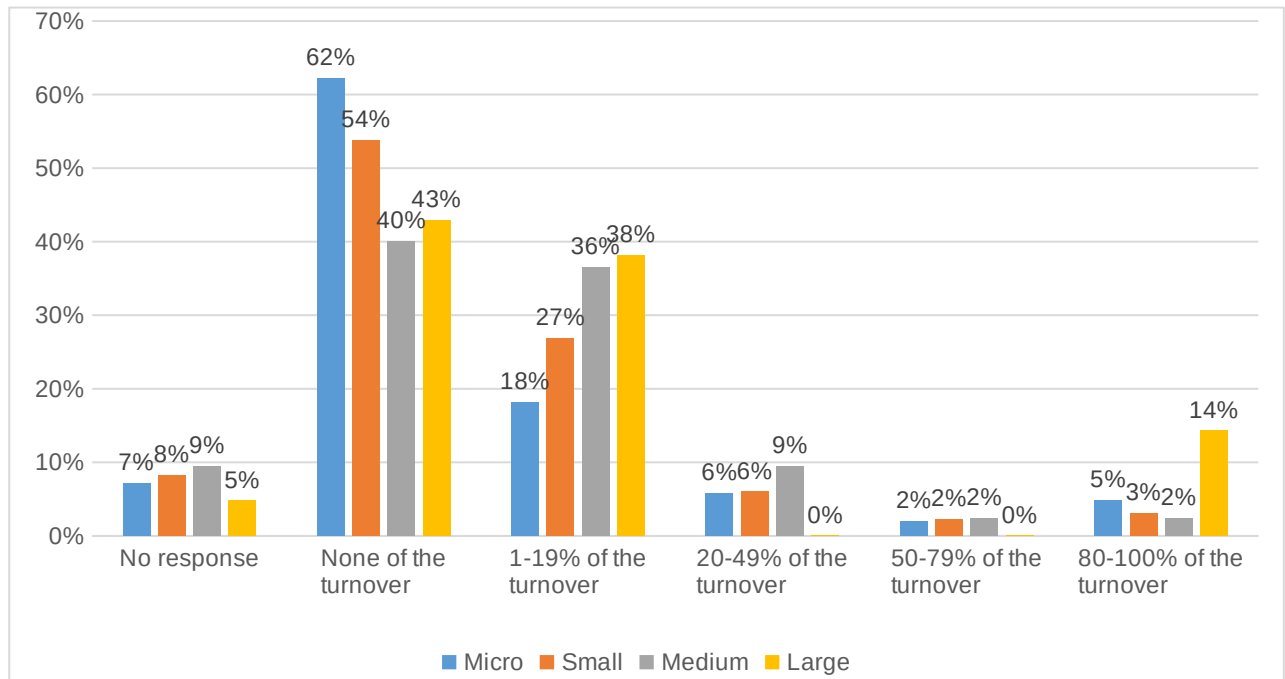


Figure 3 - Percentage turnover generated by the LCGS – analysis by size

Comparative analysis of pro-environmental goods and services turnover (2015 – 2021)

A similar survey exploring LCEGS trends was carried out in 2015, 2017, 2018 and 2020. Figure 4 shows that the percentage of businesses deriving some turnover from pro-environmental goods and services increased from 16% in 2015 to 37% in 2021, with one quarter of businesses deriving at least 1-19% of their turnover from the LCEGS sector in 2021, compared with 8% in 2015. Given that this is a routine survey by the East Midlands Chamber that targets the whole range of businesses in the region, this trend reflects a positive shift towards low carbon goods and services provision over the past six years.

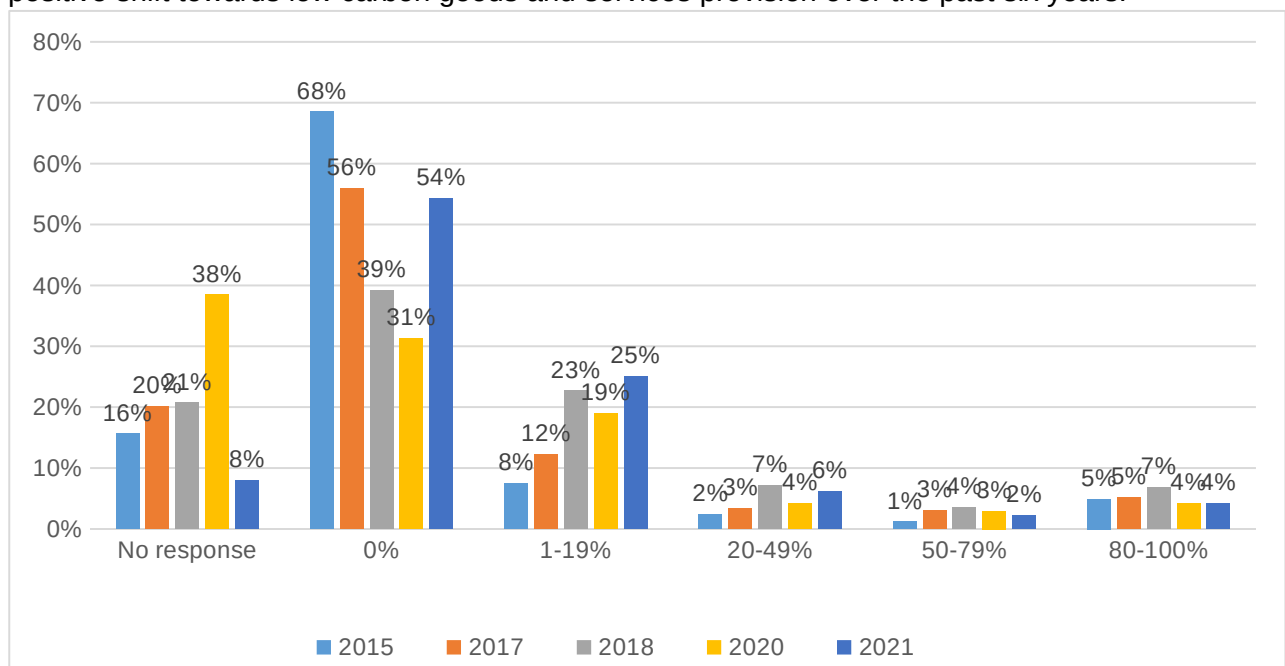


Figure 4 - Turnover generated by supplying low carbon good and services - Comparative analysis

Business views about the Clean Growth policy landscape

Respondents were asked to respond to a series of statements about the clean growth policy landscape on a scale between 'totally agree' to 'totally disagree' (Figure 5) that provided some interesting findings. 43% of the businesses revealed they have used business support in the past or currently (23%), but whilst nearly half (49%) of businesses said they knew how to access business support in their locality, only 21% of the companies said they were well informed about support available for clean growth. Similarly, whilst 42% of businesses confirmed they have a good understanding about clean growth policy, only 19% of the survey respondents agreed that the current policy landscape allows businesses to effectively engage with the clean growth agenda. These responses indicate there is more to be done to raise awareness and promote engagement with the range of pro-environmental business support across the region and the clean growth policy agenda more widely.



Figure 5 - Clean growth policy landscape

Clean growth strategies

To explore the clean growth strategies of the companies in the East Midlands region, respondents were asked to answer a series of statements about their clean growth strategies on a scale between 'We have not considered this' to 'This is already part of our growth strategies' (Figure 6). 36% of the respondents indicated that they had either 'considered [clean growth] and are starting to develop activity' (15%) or clean growth 'is already part of our growth strategies' (21%), which is an increase from 29% in 2020 and consistent with the data from Figure 3 (which showed that 37% of firms deriving some turnover from supplying pro-environmental goods or services).

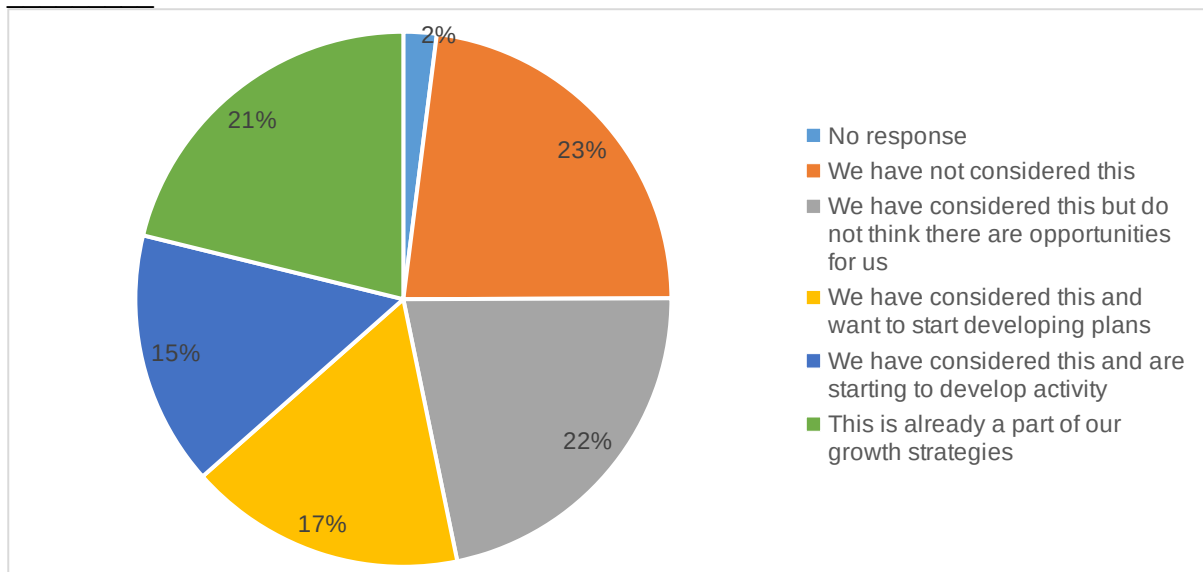


Figure 6 - Green growth strategies

There is also a clear positive trend seen in the percentage of businesses already considering the green economy in their growth strategies, increasing from 10% in 2018 to 21% in 2021. Similarly, companies that had never considered clean growth decreased from 36% in 2018 to 23% in 2021.

Less positive is the data showing that in 2021, 23% of businesses surveyed have not considered the opportunities presented by clean growth at all and that 22% of the businesses surveyed had explored the opportunities but did not think they were worth pursuing (up from 14% in 2018).

The analysis of these responses by company size (Figure 7) is also insightful and reflects trends described in the academic literature (Baranova et al., 2020). Namely, that larger companies appear to be well in advance of their smaller counterparts, in respect of their strategic approach to clean growth; with 62% of large companies either incorporating clean growth or developing clean growth strategies, compared with only 27% of micro businesses, 38% of small and 51% of medium-sized firms.

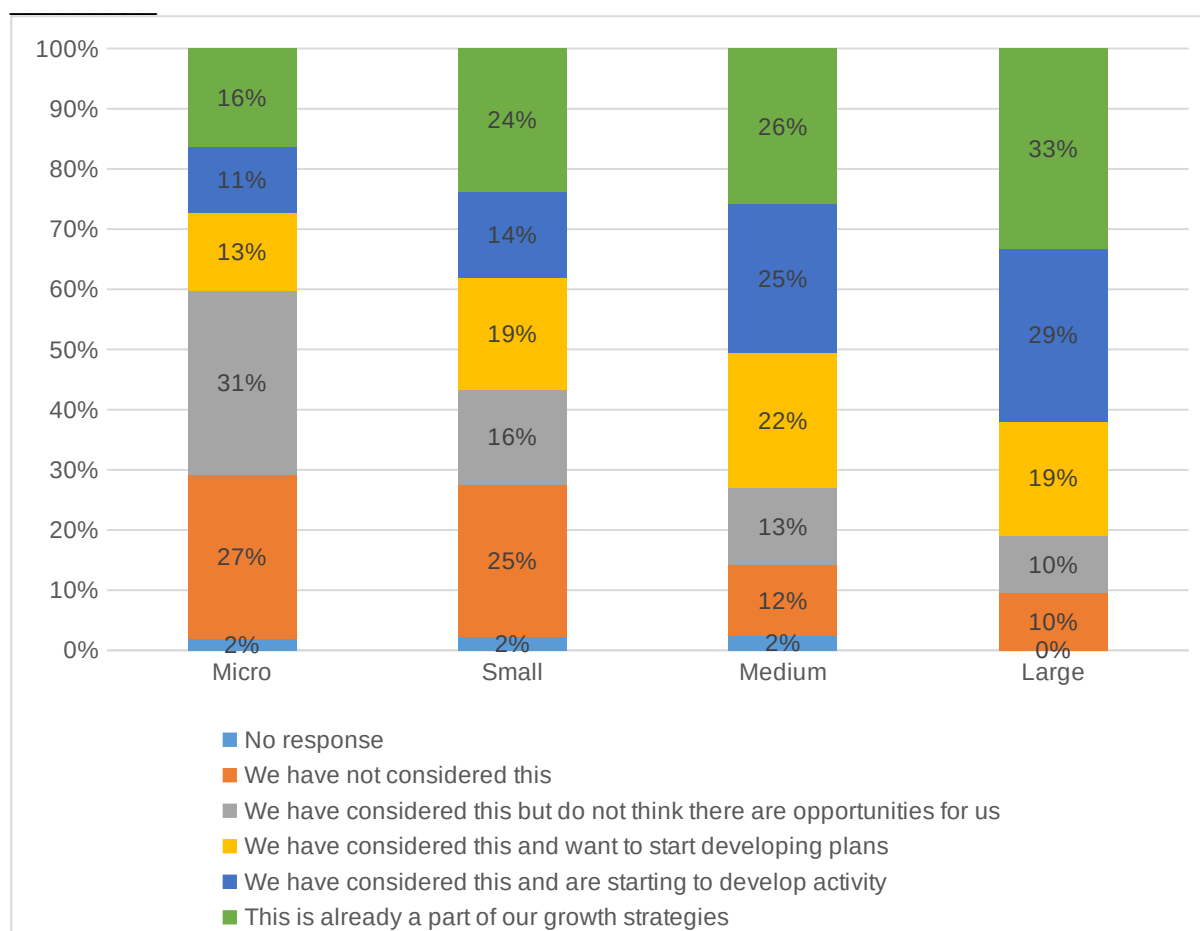


Figure 7 - Green growth strategies by company size

Areas of business that need strengthening

When asked which of 18 listed areas their own business needed to be strengthened to capitalise on clean growth opportunities, we found that there was a strong focus on within-business efficiencies. Resource efficiency, energy efficiency, use of renewables and waste were considered the most important areas needing to be strengthened (Table 1). With 'leadership', 'environmental strategy', 'innovation support and knowledge management' following closely behind.

| Competences | % Agreement | Competences | % Agreement |
|---|-------------|---|-------------|
| Resource efficiency | 54 | Access to green funding and finance | 38 |
| Energy efficiency and use of renewables | 49 | Access to business support that drives environmental performance and growth | 36 |
| Waste management | 47 | Environmental management | 35 |
| Leadership for sustainability | 46 | Supply-chain management | 34 |
| Environmental strategy | 45 | Green marketing and branding | 33 |
| Innovation support and knowledge management | 43 | Accreditation to an environmental standard | 31 |
| Sustainable purchasing and procurement | 41 | Access to green skills development opportunities for our workforce | 31 |
| Introducing low carbon technologies/processes | 39 | Access to pro-environmental networks | 29 |
| Product service design and development | 38 | Engaging with local clean growth networks | 28 |

In Conclusion

Our analysis suggests a variety of key implications for firms, business support agencies and policy makers. Firstly, there is a clear positive trend in the proportion of businesses supplying pro-environmental goods and services over the past six years, and a similar positive trend for firms engaging with clean growth – although SMEs lag behind large companies in this respect. This year there was a significant jump in the proportion of large companies deriving 80% or more of their turnover from LCEGS which flips the situation in 2020, when micro companies held the highest proportion in this category. Although the numbers in this category are small, this trend suggests a positive influence towards greening of supply chains in general and opportunities for local LCEGS suppliers more specifically.

For business support agencies and policy makers the data provides an obvious call to re-double their efforts to promote the clean growth agenda amongst SMEs in particular. Further than that, our analysis makes the point that support provision needs to be nuanced and differentiated because the needs of our many micro firms are clearly different from larger organisations, with reference to strategic capability in particular.

References

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DBIS (2015) *The Size and Performance of the UK Low Carbon Economy: Report for 2010 – 2013*. HM Government.