Small and Medium-sized Enterprise* (SMEs) And ISO 14001

Do we have the right equipment?

PYMES e ISO 14001 tenemos la infraestructura adecuada?

Petites et moyennes enterprises (PME) et ISO 14001: avons-nous l'infrastucture adéquate?

Presented by Lynn Johannson, B.E.S., M.Sc. FRSA
President E2M/EnviroReady™ Report etwom@e2management.com
4to Evento Nacional de la Mesa Redonda para la Prevención de la Contaminación en México- Guadalajara, Jalisco, México
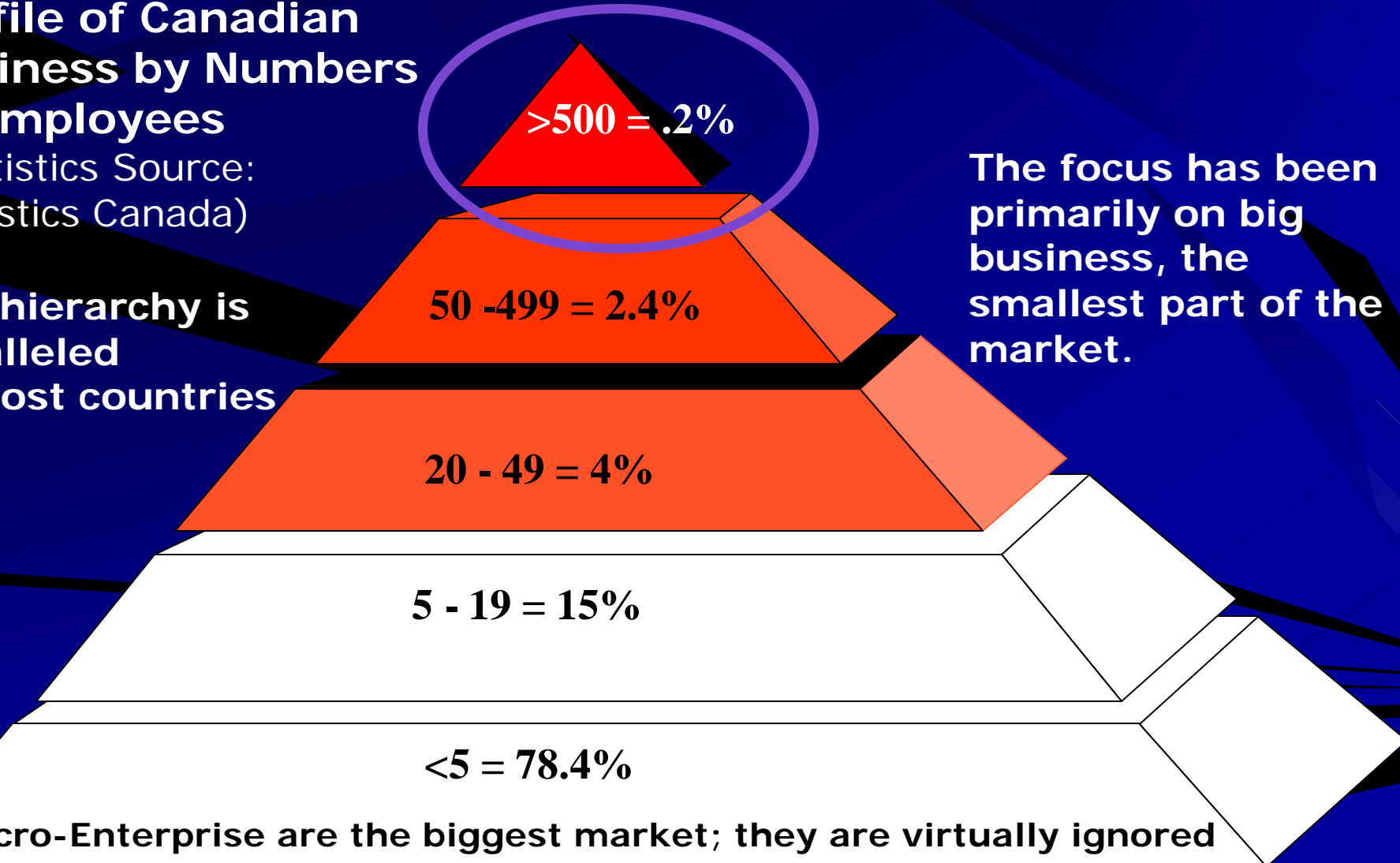**October 1 - 3, 2003**

* Organizations - SMOs

What is the potential market for ISO 14001?

73 million legally constituted businesses in the world:
65 million are SMEs (est. APEC)

Profile of Canadian Business by Numbers of Employees (Statistics Source: Statistics Canada)

The hierarchy is paralleled in most countries

>500 = .2%

50 -499 = 2.4%

20 - 49 = 4%

5 - 19 = 15%

<5 = 78.4%

The focus has been primarily on big business, the smallest part of the market.

Micro-Enterprise are the biggest market; they are virtually ignored

Is it important to help SMEs?

SMEs are the backbone of most national economies, representing between 30 to 60% of the GDP.

SMEs represent over 99% of companies, they permeate supply chains.

The typical exporter has <15 employees and represents 97% of exporters.

The Likely Effect of Open Regionalism on SMEs 1995-2005

1995	25%	20% - 30%	40%
2005	33%	40+%	20%

Source: OECD

International	At risk	Insulated

"Houston, we have a problem."

Very few SMEs are involved; the "numbers are anecdotal"

Why?   Barriers to entry exist

- **Lack of awareness of the standard**

- **Lack of human resources (Knowledge and Time)**

- **Formal versus informal management**

- **Limited access to the right-sized tools**

- **Regulatory approaches can trigger negative effects**

- **Perception of "Certify or die" – so don't start**

- **Price of Certification versus benefits (~US$15,000 per annum)**

Lack of Awareness of the standard

CFIB is unique; many other SME organizations are really government with good intentions

CFIB represents a critical mass of SMEs in Canada; over 100,000

Survey of members of CFIB stated **73% had not heard** of 14001

Survey was important as response level was high – 4,322

Governments:
- **key agent for information and education**
- **should reduce barriers (build incentives)**
- **lead by example**

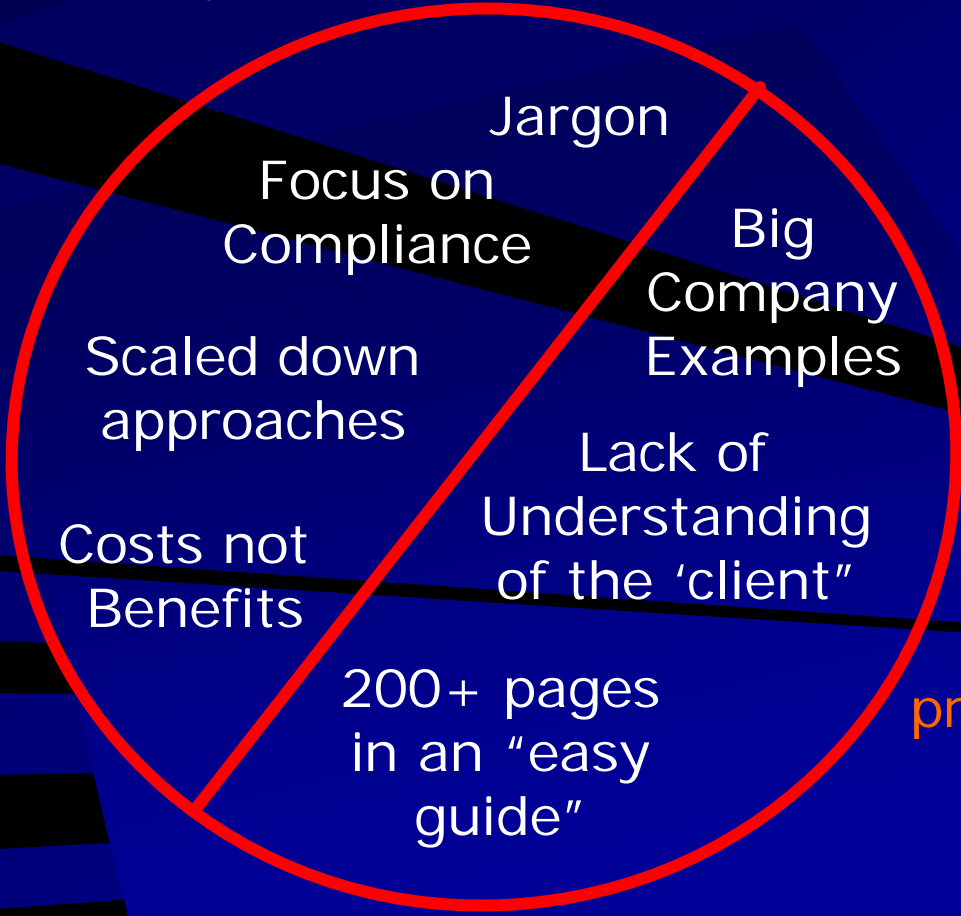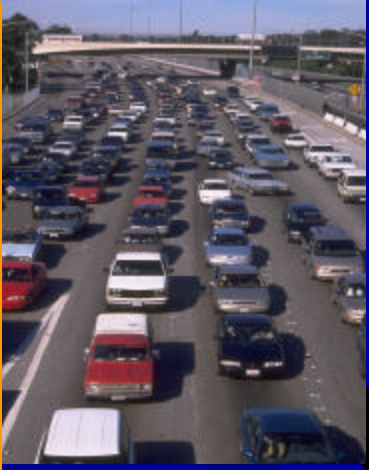Perception that ISO 14001 is another form of government regulation.

Tainted history with ISO 9001.

Lack of Human Resources (Knowledge and Time)

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Management by Myths

SMEs "are a challenge".
Nothing so far has worked.
Why?

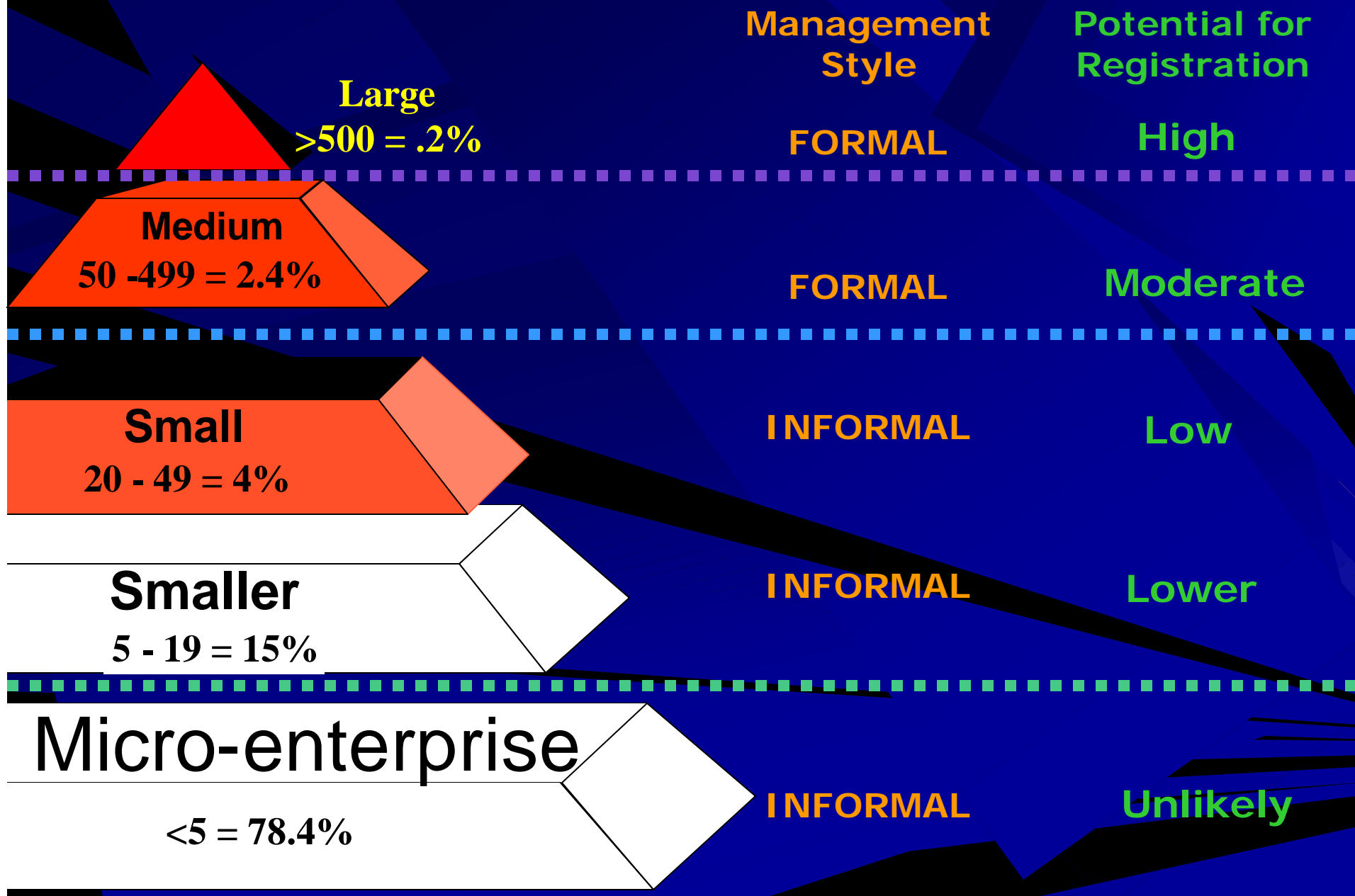In Canada there are over 975,000 SMEs - all with the same thought.

Jargon

Focus on Compliance

Big Company Examples

Scaled down approaches

Lack of Understanding of the 'client"

Costs not Benefits

200+ pages in an "easy guide"

"I am only one, what I do is not significant."

One hour spent on filling out paperwork is **3%** of weekly production and can absorb all profit.

WIGTCM?   WIIFM?   WII?

Formal versus informal management

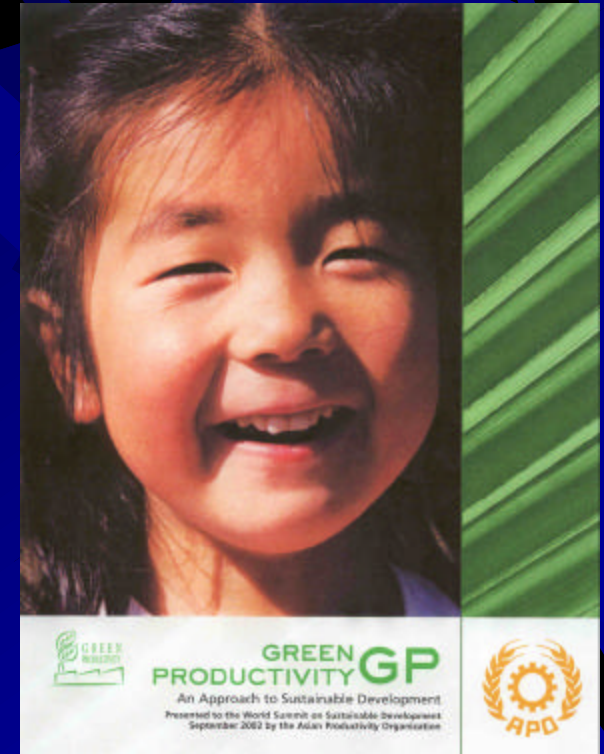|	Management Style	Potential for Registration
Large >500 = .2%	FORMAL	High
Medium 50 -499 = 2.4%	FORMAL	Moderate
Small 20 - 49 = 4%	INFORMAL	Low
Smaller 5 - 19 = 15%	INFORMAL	Lower
Micro-enterprise <5 = 78.4%	INFORMAL	Unlikely

Limited access to the right-sized tools

Tools to make it easier need to be appropriate to the 'customer'

Some examples include:

Eco-mapping© by Heinz Werner Engel

Green Productivity approach fostered by the Asian Productivity Organization (ISO 14001 is the centre post)

GREEN PRODUCTIVITY GP
An Approach to Sustainable Development
Presented to the World Summit on Sustainable Development
September 2002 by the Asian Productivity Organization

Green Productivity: *Success in Six*

Step 6 - Sustaining Green Productivity

Step 5 – Monitoring and Review

Step 4 – Implementation of GP Options

Step 3 – Generation and Evaluation of GP Options

Step 2 – Planning for Success – Establishing Objectives and Targets

Step 1 – Getting Started – Forming the Foundations of Success

Regulatory approaches can trigger negative effects

Why not regulate?

Not all regulation is bad, its just not designed for SMEs

"Regulations are not the root of improvements in environmental behaviour." CFIB

Costs can:
Far exceed benefits.

Undermine public support.

Reduce effectiveness of the regulation.

Impose a higher burden on SMEs, than on others.

Regulation does not engender good planning, therefore <u>motivate</u> not regulate.

What changes are occurring inside the standard for SMEs?

Changes in ISO 14001 and ISO 14004 are based on:

No new requirements   Compatibility ISO 9000:(2000)   Clarity

Reinforce autonomy of organization in Clause 4.1 as to <u>HOW</u> it meets the requirements

Sub-Committee 1 (SC1) has made a commitment to keep flexibility in documented procedures - this is important

Recognition of 3 options under Scope is a positive signal to SMEs

A) Self- declaration   B) Self- declaration plus external validation

C) Certification/Registration

Enhanced visibility around compliance

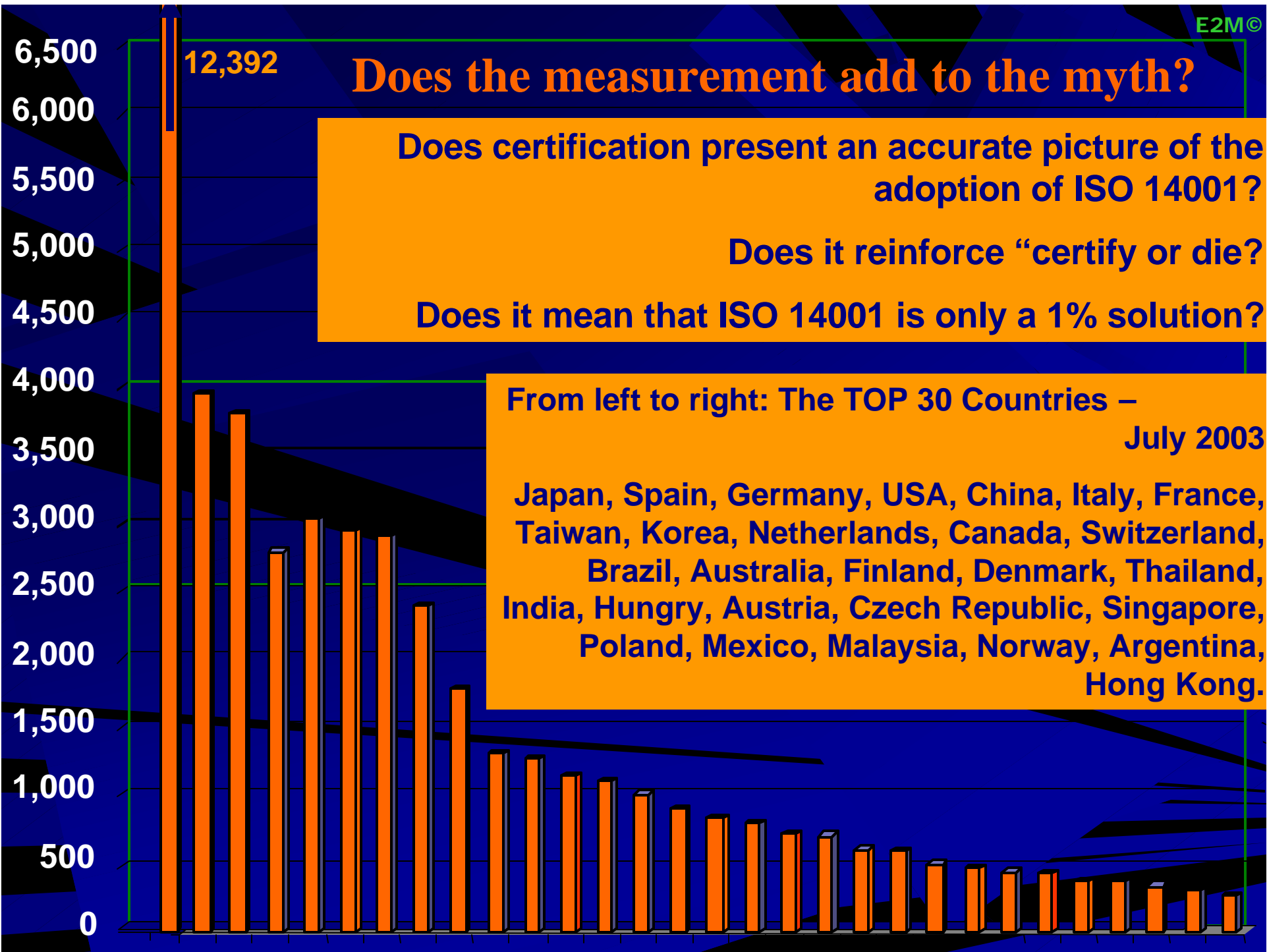A potential loss in flexibility in Clauses related to internal audit and independence

More detail in Management Review

**Read the DIS to see all the changes**

Perception of "Certify or die" – so don't start

As long as ISO 14001 is marketed as "certify or die" its _perceived_ value is limited to big business, 1 to 3%

The measuring stick perpetuates the myth, as

53,620 Certifications   ≠   53,620 companies*

No of companies involved is between 5,000 and 10,000?

>500 = .2%

In Canada this means 2,000 companies out of 1 million

50 -499 = 2.4%

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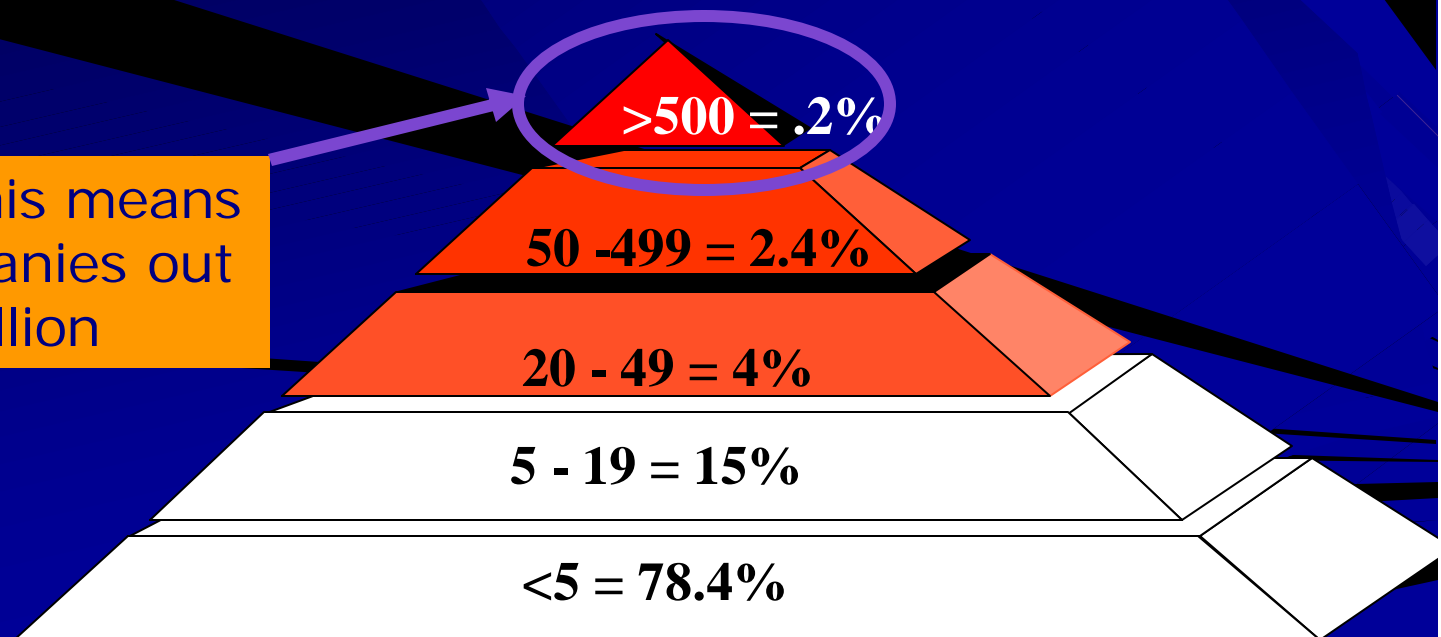
* Stats provided by R. Peglau

Price of Certification versus benefits (~U.S.15,000 per annum)

Size/Sales	# of Employees	Initial & Follow-up Reviews	Total Cost Per Employee	Minimum Total Cost as a % of Sales
Small - $500,000	1 to 49	$8,500	$174 to $8500	1.70%
Medium - $5,000,000	50 to 100	$15,000	$150 to $300	0.30%
Large - $50,000,000	101 and over	$25,000	$0.21 to $248	0.05%

Based on Data collated by E2M from Registrars in North America and ISO 9000

Solutions must lower barriers to adoption, not lower the standard

Other options are needed.   More sharing of options is needed.

"The Registry" hosts an e-Marketplace

EnviroReady™ Report

What level of verification is best?

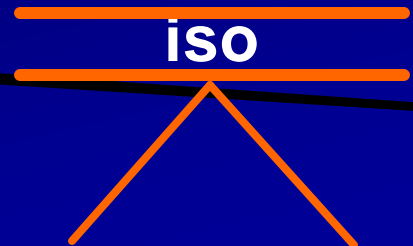**Self-declare**   *Enviro*Ready™ Report   Certify

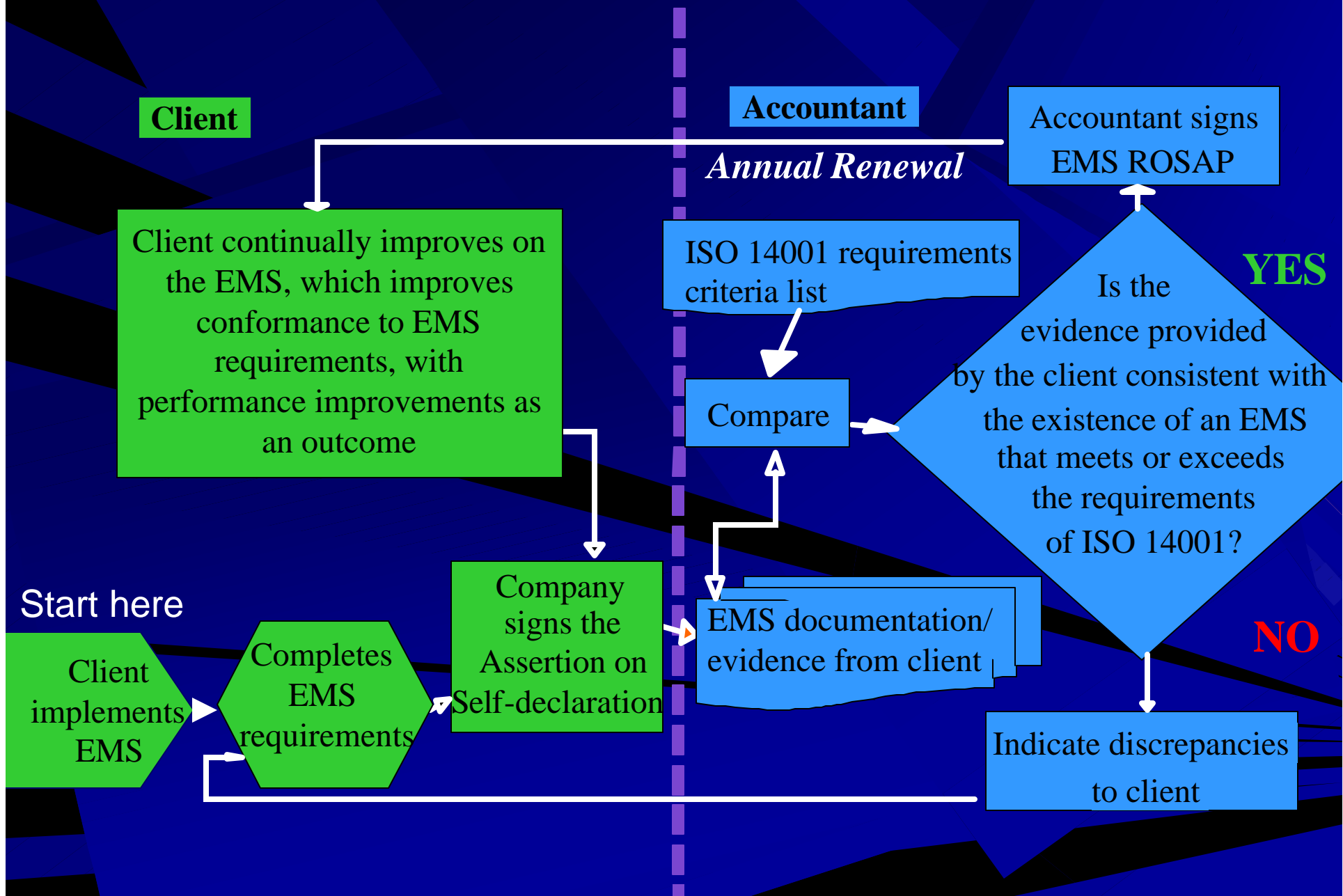One is not "better" than another.

The Real Question is —

which degree of verification is appropriate?

The market decides.

iso

Equal Access is Vital

What does the EnviroReady™ Report process entail?

E2M©

Client

Accountant

Annual Renewal

Accountant signs EMS ROSAP

Client continually improves on the EMS, which improves conformance to EMS requirements, with performance improvements as an outcome

ISO 14001 requirements criteria list

YES

Is the evidence provided by the client consistent with the existence of an EMS that meets or exceeds the requirements of ISO 14001?

Compare

Start here

Client implements EMS

Completes EMS requirements

Company signs the Assertion on Self-declaration

EMS documentation/ evidence from client

NO

Indicate discrepancies to client

E2M©

Contact Points for Questions or Comments

For Eco-mapping©, Green Productivity, the Registry and the EnviroReadyTM Report

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For comments for concerns re: DIS 14001 and DIS 14004, in:

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Secretary: Angelica Contla e-mail: a_normaliza@imnc.org.mx   Tel. (55) 55464546

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