

The Global Use of Environmental Management System by Small and Medium Enterprises

The second report - Recommendations
from May 31st 2006



Executive Report
from ISO/TC207/SC1/SME Task Group

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This report was produced by ISO/TC207/SC1 SME Task Group
Information about this publication can be received from:

José Alcorta ISO/TC207/SC1 Secretary
jose.alcorta@bsi-global.com

Lennart Piper ISO/TC207/SC1/ SME Task Group Chair
lennart.piper@sinf-mk.se
Swedish Industry Association - Sinf
Sinf environment & quality
Box 22307, Fleminggatan 14, 10422 Stockholm, Sweden
Phone +46(0)84401197 Mobile +46(0)708858780
www.sinf-mk.se

Ozzie Chinyamakobvu ISO/TC207/SC1/ SME Task Group Vice Chair
sazlabs@mweb.co.zw
Standards Association of Zimbabwe
PO Box 2259
17 Coventry Road, Workinton
Harare, Zimbabwe
Phone +26 34756329
www.saz.org.zw

This report and the first report can be downloaded in PDF format from
www.iso.org/tc207/sc1

ISO/TC207/SC1 - Strategic SME Group members

41 members (6 members for information)

Name	ISO member	E-mail
Natalia Drault	Argentina	ndrault@iram.org.ar
Horacio Martirena	Argentina	hmartirena@iram.org.ar
Karl Gruen	Austria	karl.gruen@on-norm.at
Thomas Szabo	Austria	szabo.thomas@aon.at
Lynn Johansson	Canada	etwom@e2management.com
Susan Pecman	Canada	susan.pecman@ec.gc.ca
Zdenek Suchanek	Czech Republic	zdenek.suchanek@dhv.cz
Jaime Restrepo Ortiz	Costa Rica	jrestrepo@inteco.or.cr
Birgitte Nielsen	Denmark	bbn@ifu.dk
Chiqui Barrecheguren	European Com	angeles.barrecheguren@cec.eu.int
Julio Cardoso	European Com	julio.cardoso@cec.eu.int
Walter Kahlenborn	Germany	kahlenborn@forum-ng.de
Reinhard Peglau	Germany	reinhard.peglau@uba.de
Arie Graaf	Holland	graaf@mkb.nl
Dick Hortensius	Holland	dick.hortensius@nen.nl
Triyan Aidilfitri	Indonesia	triyana@sucofindo.co.id
Muhammad Saleh	Indonesia	Muhammad.Saleh@unilever.com
Enatsu Kokubun	Japan	kokubun@jsa.or.jp
Hiroshi Terada	Japan	hiterada@ims-c.co.jp
Dia Abouhadra	Libya	abouhadra@yahoo.co.uk
Matthias Gelber	Malaysia	mgelber@attglobal.net
Taibi Abdrrahim	Morocco	snima@mcinet.gov.ma
B Guness	Mauritius	BGuness@msb.intnet.mu
Perez Cynthia	Mexico	cynthia.perez@cfe.gob.mx
Cristina Rocha	Portugal	cristina.rocha@ineti.pt
Kaly Ly	Senegal	kaly414ly@yahoo.fr
Salomé Cenigaonaindia	Spain	salome.cenigaonaindia@ihobe.net
Marcus Ihre	Sweden	marcus.ihere@sis.se
Lennart Piper	Sweden	lennart.piper@sinf-mk.se
Simon Cordingley	United Kingdom	simon.cordingley@virgin.net
Ruth Hillary	United Kingdom	ruth@corporatesustainability.co.uk
Dorothy Bowers	United States	dbowers@optonline.net
Lisa Greenwood	United States	lisa.greenwood@pw.utc.com
Tim Johnson	United States	tim_johnson@tmna.com
Ozzie Chinyamakobvu	Zimbabwe	sazlabs@mweb.co.zw

For information

Anna-Karin Jansson	SIS, Sweden	anna-karin.jansson@sis.se
Sara Ellström	SIS, Sweden	sara.ellstrom@sis.se
Curt Henricson	Sweden	curt.henricson@se.abb.com
Sven-Olof Ryding	Sweden	sven-olof@miljostyrning.se
Ossie Dodds	SC1 Chair	oad.osanda@btinternet.com
José Alcorta	SC1 Sec	jose.alcorta@bsi-global.com

Introduction

In May 2005 the SME Strategic Group presented the first report on The Global use of Environmental Management System by Small and Medium Enterprises in accordance to the ISO/TC 207/SC1 resolution from Buenos Aires in September 2004. This report was based on expert opinions and referred to more than 30 different reports focusing on SMEs. It included the results from a global survey conducted in year 2005 that engaged more than 2500 SMEs and the assistance community to SMEs. The report resulted into 18 conclusions on the uptake, challenges, opportunities, benefits and barriers related to the use of Environmental Management System by SMEs.

Many people found the conclusions and the report of interest and they were extensively discussed during the meeting of ISO/TC207/SC1 in September 2005 in Madrid. As a result, ISO/TC207/SC1 decided during its Madrid meeting to establish a new SME Task Group to provide recommendations based on the first report from May 2005.

The SME Task Group has developed this report and recommendations primarily for ISO/TC207/SC1 and ISO/TC207 but these could also be considered by ISO General Assembly, ISO Technical Management Board and SME organisations around the world.

The SME Task Group has during the first 5 months of 2006 developed 20 recommendations subdivided into 3 main categories and 11 sub categories out of the 18 conclusions in the Report 1 from May 2005;

1. The use of the standards ISO 14001 and ISO 14004 by SMEs

- 1.1 Staged implementation of an environmental management system
- 1.2 Write a handbook that can be used by SMEs
- 1.3 Make the handbook available free of charge in different languages
- 1.4 The use of Consultants

2. Development of ISO standards

- 2.1 Risk Management
- 2.2 Participation of SME representatives in standards development
- 2.3 Integrated use of Management System Standards

3. Influence of the use of ISO standards in SMEs

- 3.1 Cost of certification
- 3.2 Incentives
- 3.3 Options for conformity declaration
- 3.4 Joint ventures between ISO and other organisation

1. The use of the standards ISO 14001 and ISO 14004 by SMEs

Conclusion A6: While assisters answered in favour of staged implementation approaches for SMEs, the question was not asked to SMEs themselves. Indeed, there is a lack of consensus over what a staged approach entails, some focused on staging functional phases of implementation (E.g. ÖKOPROFIT) and others (E.g. Acorn) offering certificates or third party recognitions at various degrees of EMS adoption.

Conclusion A7: The results of BS 8555 “Environmental management systems — Guide to the phased implementation of an environmental management system including the use of environmental performance” and similar documents have not yet been proven without the support of healthy subsidies, other government/industry support, and wise marketing efforts for the programs they were associated with. Nevertheless, BS 8555 and similar documents, or at the very least descriptions and purchasing information, should be made available via Livelink until the CEN Technical Board issues its expected mandate for the staged implementation guideline document.

Conclusion B5: Staged approaches might be supportive to ISO 14001 uptake and use, especially with SME regional or sector clustering, judicious funding and broad support network. A guidance standard for implementation of Alternatives (staged and single step) might provide similar benefits. This should be considered in line with Guide 72.

These three conclusions focus on the development of a staged implementation approach to environmental management systems. This has been approved as a New Work Item for ISO/TC207/SC1 and work is currently under way in ISO/TC 207/SC 1/WG 3, which is developing the future ISO 14005.

1.1 Staged implementation of an Environmental Management System

Recommendation 1: The ISO/TC207/SC1/Working Group 3 should consider the responses to survey question 24 which asked the “assisters” to identify features of ISO 14001 implementation that were particularly difficult for SME.

The top two identified were “the identification and determination of important/significant aspects” and “the identification of legal requirements”, also “eliminate business and environmental risks” and “improve productivity” were considered as difficult issues for SME.

ISO14005 can be one source of guidance on these issues and SC1 should also find ways to get SMEs to look at ISO 14004 as a guidance document.

Recommendation 2: The survey identified that a surprisingly high percentage of ISO 14001 systems is implemented with the assistance of consultants. We do not discourage the use of consultants; however, the cost of retaining consultants may discourage SMEs from implementing an EMS.

We recommend that the standards writers in Working Group 3 use plain language, and refrain from using jargon. WG3 should try to develop ISO 14005 in such a way that the user starts with understanding his current activities or practices, identifies his environmental impacts and links these to the business impact(s) he has, and relating his business activities to higher risk areas, such as emergency situations.

Minimizing the initial planning time and right-sizing the level of formality can assist smaller organizations where time is one of the more limiting factors to adopting change. Emphasis needs to be placed on linking the will and the benefits to do the right thing to an easy start with quick results.

Recommendation 3: The German report on 'light EMS initiatives' (www.ems-for-sme.org) analyzes a number of alternative EMS approaches and how they differ compared to the ISO 14001 approach.

The SME Task Group therefore recommends the drafters of ISO 14005 to review this report, which gives an appreciation of the needs of SME that these alternative approaches attempt to meet.

The full report will be published by the German Environmental Ministry and German Environmental Agency in May 2006 and available at the above mentioned website.

Recommendation 4: ISO/TC207/SC1/WG3 and SC1 should consider local/regional/sectoral organizations as an important target group, which can be drivers of implementation of ISO 14005 and ISO 14001 by groups of organizations.

Examples of these target groups are e.g. a local chamber of commerce, a trade association, governmental bodies.

Many SME assistance organizations do not understand language and terminology of ISO standards and much of the communication around ISO standards is about 'certified' systems. This has created misunderstandings about the intent and value of standards in the marketplace outside of the immediate ISO community. There needs to be a broadening of communication, focused on what are the benefits before we can be successful in marketing ISO 14000 standards.

Recommendation 5: ISO 14001 and ISO 14005 will need to be actively marketed to SMEs.

We recommend that the individual participants in ISO/TC 207 and their national standards bodies undertake – at the national level, with their mirror groups as they exist – to carry the message about the value of ISO 14001/14005 and systematic environmental management to SMEs.

This could take the form of translations into national languages, encouragement of the NSBs to advertise the document's availability, presentations on environmental management and ISO 14001/14005 at venues where SMEs or SME representatives will attend.

1.2 Write a handbook that can be used by SMEs

Conclusion B1: Provision of a Small Business Handbook on ISO 14001: A Guide for SMEs - a similar handbook on ISO 9001 exists. ISO CS has indicated that the 9001 handbook is a bestseller and appears to be widely used. If this is so, TC207/SC1 should develop a similar product to meet a clear market need as soon as it is able to do so. Publication may need some two years.

Recommendation 6: Eleven of the 19 respondents to a small questionnaire in the SME Task Group identified the need for a handbook on EMS for SMEs as one of the most important conclusions from the Report 1. ISO 14005 will be in the format of a guidance standard to meet the CEN requirements. As a complement to ISO 14005, we therefore recommend the preparation of a Handbook that can be easily understood and used directly by a SME itself. It will be important that the Handbook is published by ISO for the sake of credibility.

1.3 Make a handbook available free of charge in different languages

Conclusion B2: Turn ISO 14004 into free guidance. ISO and the NSBs may not lose significant sales.

Recommendation 7: The conclusions were that more SMEs would use ISO 14004 if it were available without cost. Considering the previous recommendation alongside the fact that ISO 14005 is being developed, we would recommend that NSBs focus on encouraging the use of ISO 14005 when it will be published as well as of a complementary Handbook.

Recommendation 8: To achieve a high degree of penetration into the SME market with regard to the price of ISO 14005, we recommend that ISO CS should address the cost and copyright issues for ISO 14005 and a Handbook.

The ideal situation would be that a Handbook will be available for free in English and other languages. In addition, funding could be sought and DEVCO should cover the costs of translation into other languages for developing countries.

1.4 The use of Consultants

Conclusion C5: The need for training of experts/service providers/consultants is clearly identified as a barrier to the uptake of an EMS. ISO should consider how it can support better training of assisters, especially in defining the appropriate level of formality and documentation.

Recommendation 9: The survey results indicated that consultants propose more detailed and complex work as part of implementing an EMS than is actually necessary to meet the requirements of ISO 14001. ISO 14005 should help to clarify the required need for documentation.

Recommendation 10: We recommend that TC 207/SC 1 gets involved in a revision of ISO 10019 for the use of Consultant Services to broaden its scope to include EMS consultants as well.

Recommendation 11: We also recommend that ISO/TC207/SC1 approach CASCO, IAF, and NSBs to communicate the need for training of experts/service providers/consultants especially in the issues of defining appropriate levels of formality/documentation consistent with the organization's existing level of formality.

2. Development of ISO standards

2.1 Risk Management

Conclusion B3: Establishing a guidance standard on Environmental Risk Assessment – identification of aspects/impacts and determination of their significance being the main constraints of understanding, this will have a much broader market than just SMEs. All business and even most governments would have considerable utility for such guidance.

Recommendation 12: Since there is now an ISO/TMB/WG on Risk Management, SC 1 should establish a liaison to this working group in order to take into account the approach of Risk Management. The business focus of Risk Management approaches should be considered in the development of ISO 14005. The Risk Management standard drafters should refer to the approach to environmental aspects/significance included in ISO 14001/14004 as a possible way of handling environmental risks and opportunities.

2.2 Participation of SME representatives in development of ISO standards

Conclusion A3: Need to encourage SME participation and interest; incentives could be instrumental as an influencer or broker of discussions with these stakeholder groups.

Conclusion B4: Periodic reporting by NSBs on national developments in reaching SMEs could be instituted. Content of reports need further consideration.

Recommendation 13: ISO/TC 207 has had extremely limited participation of SMEs during the development of its standards despite the fact that the standards have potentially significant impacts (as the supply chain imposes their application) and benefits (in resulting into better environmental management and environmental performance).

Some NSBs have already established a good relationship with SMEs in their countries.

We recommend that ISO/TC207/SC1 collect and share good practice for involving SMEs in the development of standards to identify the “hooks/benefits/incentives” that succeed in bringing SMEs on board. This might include contacting some representatives of organizations that are implementing policies of mandating application of EMS by their suppliers or that are training their suppliers in environmental management.

A problem identified in some recent research is that supply chain pressure for certified EMS or QMS often causes organizations to focus on getting the paperwork right, rather than implementing a sound and effective management system.

Supply chain approaches are still unsophisticated and poorly understood. SC1 should solicit the involvement of purchasing experts to include proper guidance on this matter.

2.3 Integrated use of Management System Standards

Conclusion B6: A generic business specification standard for SMEs should be considered further. This could be performance oriented by including elements of ISO 9001 and ISO 14031. This would respond to the respondents that like to have one standard for quality and environment.

Allocation of such work should be carefully considered and the ISO working party charged with the task to develop such a standard should have enough members with specific SME knowledge and experience.

This should be considered in line with Guide 72.

Recommendation 14: Since ISO/TMB has decided to establish new coordination bodies for MSS and is considering the development of a generic framework for MSS, SC 1 should encourage TMB and its newly established groups SAG-MSS and JTCG to specifically consider the SME perspective in its work. The goal should be “maximum” use of the ISO MSSs by SMEs.

Recommendation 15: We recommend that SC1 be aware of available handbooks for Integrated Management Systems in different countries and the development of the Handbook on Integrated Use of Management System Standards that is currently developed by a ISO/TMB/WG.

3. Influence of the use of ISO standards in SMEs

3.1 Price of certification

Conclusion A1: Verification of performance data: Performance data alternatives must be cost effective and must go beyond a certificate on the wall. Certification of a less than robust EMS raises the issue of trust and credibility. Other forms of recognition need to be more broadly explored, and where appropriate supported to the same extent as certification.

Recommendation 16: The survey showed that many SMEs do not believe that there is value in certification of their ISO 14001 system. We believe that ISO 14005, which will encourage the development of an EMS without the need for certification, may help to address these concerns.

Where certification is required by some external stakeholder, ISO 14001:2004 provides 4 options to declare conformity. ISO/TC207/SC1 should remain neutral on conformity assessment. All options should be equally supported by clear explanations, widely posted on ISO and all NSB sites. The individual choice of an option is a market decision. Neither WG3, nor SC1 should be in favor or against any one option.

3.2 Incentives

Conclusion A2: Attract more stakeholders to participate in standards making, marketing and development and seek commitments from governmental representatives for tax reduction initiatives and from financial organisations (banking/insurance) for lower premiums when performance is improved.

Recommendation 17: We recommend that SC 1 should encourage its members, their NSBs and mirror committees to initiate contacts with and to involve financial institutions, government, and representatives of SME organizations actively in the work of SC 1 and their mirror committees.

ISO 14005 should offer a more business-like approach and include performance metrics. ISO/TC207/SC1 and its members should try to influence (through their mirror committees) those actors which can create different types of incentives for SMEs to implement and maintain EMS.

Conclusion C3: Application of subsidies should be questioned. The present approaches may not reach small business, but rather medium-size enterprises or medium-size subsidiaries of large enterprises take these resources. Real consultancy may cause problems for very small business, generating more internal time consumption than the consultancy hours themselves. If consultancy becomes outsourcing, then small business may have troubles in the following years. Ongoing subsidies for local-regional SME cooperation or small business branch cooperation may lead to more sustaining efforts. ISO should consider, how cooperative applications of ISO 14001 including joint certification may work.

Recommendation 18: Expert opinion is that where subsidies have supported initial participation it is essential that there be adequate business value by establishing an EMS (Environmental Management System) so that SMEs will maintain their EMS

and receive continued economic benefits by using an EMS after the funding ends.

Really small businesses do not tend to hire consultants; they primarily turn to trusted business advisors – their accountants, lawyers and business associations and they are also a target group that needs EMS knowledge.

Research has indicated that the one single simple reason for success in the adoption of an EMS or QMS is that the business owner or internal champion believes that he or she can improve the business.

Survey responses indicated that some subsidies reach only large organizations and that they are not easily obtained by SMEs.

We recommend that SC 1 encourage its members and their NSBs to influence subsidy granters to consider how to ensure that their subsidies can be accessed by SMEs.

There is a website link that lists the subsidies available within the European Union, which should be reviewed by the ISO/TC207/SC1WG 3 on http://europa.eu.int/comm/environment/emas/activities/index_en.htm

ISO should further encourage its members to “feed” a webpage at ISO level which shows the world wide “Promotion and legal incentive activities”.

3.3 Options for conformity declaration

Conclusion A4: Big customers and industry sectors should consider what formality the magnitude of an SMEs aspects merits before making a blanket demand for 14001 certificates. The ISO Strategic SME Group suggests that regarding the uptake of ISO 14001 and ISO 14004 by SMEs, ISO/TC207/SC1 should address the following issues:

Conclusion C1: Big customers and industry sectors should consider whether requests for ISO 14001 should be limited to certification or could include any of the four options for proving conformance. Many of their suppliers may not have significant environmental impacts, perceiving the market pressure just as an unnecessary increase of paper burden and unnecessary bureaucracy. These market players may have sufficient resources to establish own guides for adequate differentiation, but ISO could facilitate this, see A3.or A4

Conclusion C2: A similar option as C1 applies also to governments.

Recommendation 19: We recommend that TC207/SC 1 should develop text that explains in plain language with examples or case studies the four conformity options (outlined in Clause1: Scope) and their benefits, this should be included in ISO 14005. SC1 should request ISO/CS to communicate this information (by ISO CS website, articles and journals) and recommend NSBs to translate and to communicate this information via their websites or other means.

We also recommend that SC1 should encourage member’s large companies and governments (through NSBs, WBCSD, ISO/CS and other organisations) to consid-

er all four options of conformity assessment and relate such conformity assessment using a SME as a vendor on the environmental risk that can occur for specific goods or services. This should include soliciting examples of good practices of the application of other types of conformity assessment for ISO 14001 than independent 3rd party certification.

We also recommend SC1 to study the applicability of ISO/IEC 17050:2004 Conformity assessment – Supplier’s declaration of conformity to ISO 14001:2004 and consider whether any additional guidance would be helpful in this respect to enhance credibility and to promote its use in e.g. client-supplier relationships. Also investigate with CASCO whether additional ISO Guidance on the application of such other types of conformity assessment is helpful to enhance and ensure their uniformity and credibility.

3.4 Joint ventures between ISO and other organisations

Conclusion C4: There is still a lack of knowledge on the huge variety of voluntary environmental initiatives and their potential to use the 14001 approach. Data for such analysis could be gained from continuing the survey in this direction.

Conclusion A5: ISO should consider the appeal to SMEs of regionally branded and sector branded approaches to complete ISO 14001 implementation. This combination of approaches an SME can identify with and conformance to an international standard would address the two management anxieties of globalization: loss of regional identity and concerns about international competition.

Recommendation 20: For local/regional SMEs, the international ISO brand may have little value as long as their markets remain local. For those SMEs who are expanding into global markets (for example the tourism industry), the ISO brand could help the SME break into a market.

ISO 14005 may be an entry point for local SMEs to start developing an ISO system that would be useful for them even at the local level. We recommend that WG 3 be aware of this issue. SMEs need to know there are real bottom line benefits.

Bring the recommendations into reality

The above recommendations can be discussed and decided upon in the next ISO/TC207/SC1 meeting. Before decisions will be taken on these recommendations a workshop on SMEs related issues, incentives and tools should be planned, the workshop may also be arranged together with other organisations.

If ISO/TC207 and SC1 are willing to further develop initiatives towards SMEs, we recommend ISO/TC207 to establish a SME Working Group to address the needs of this kind of organizations in environmental management, based on this report.

In May 2005 the SME Strategic Group presented the first report on The Global use of Environmental Management System by Small and Medium Enterprises in accordance to the ISO/TC 207/SC1 resolution from Buenos Aires in September 2004. This report was based on expert opinions and referred to more than 30 different reports focusing on SMEs. It included the results from a global survey conducted in year 2005 that engaged more than 2500 SMEs and the assistance community to SMEs. The report resulted into 18 conclusions on the uptake, challenges, opportunities, benefits and barriers related to the use of Environmental Management System by SMEs.

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The SME Task Group has during the first 5 months of 2006 developed 20 recommendations subdivided into 3 main categories and 11 sub categories out of the 18 conclusions in the Report 1 from May 2005;

ISO Secretary-General Alan Bryden commented on the survey that was made in 2005: "Small and medium-sized enterprises are by far the most numerous in most economies and thus vital to economic wealth and to environmental health. Therefore, it is important to facilitate their use of environmental management systems. ISO has only just published the revised, improved ISO 14001:2004, but this survey illustrates that improvement is a never-ending cycle."

