



# Media release

7 October 2009

**Strict Embargo 1:15pm**

## **Breakthrough data on Sustainable business activity** Launch of an SME Sustainability Index

- **SME “Environmentally Friendly” claims not Sustainable**
- **66% of Managers want to take action on Climate Change**
- **More SME concern for Waste/Energy than accessing Business Credit**
- **SME Sustainable Index at only 14.1 out of 100**
- **Sustainable SMEs experiencing significant cost benefits**
- **70% of SME Sector moving on Sustainability**
- **Experience shows Sustainability helps recruit best talent**

**Details, expert comment, analysis and images included in the body of this release.**

Images can be found at: [www.afs-smart.com.au/afss.htm](http://www.afs-smart.com.au/afss.htm)



## The Sustainability Index

The *AFS SME Sustainability Index* is a quarterly survey of Australian Small and Medium Enterprises (SMEs). The Index measures each SME on 21 Sustainable activities. Interviews are undertaken with business decision makers in organisations employing 5 to 200 people. The survey provides a statistically representative sample for this business sector by interviewing 800 decision makers across 14 industries, making the results accurate to +/-3.5% at 95% confidence.

In the interview respondents identify their business performance, major concerns, regional orientation and if they export. The survey collects classification information such as title, gender, age of the respondent and the length of time in business. A summary of environmentally sustainable activities includes making reductions in paper, water, packaging, waste, energy and chemicals. Respondents may indicate activities in areas such as sustainability orientated employment, community engagement, purchasing policy, grant access and the development of green products. Each respondent considers whether these activities were undertaken in the last twelve months. The responses are weighted by their complexity to undertake to produce an Index score. The Index score represents Australian SMEs adoption of the 21 activities. A score of 100% equates to all SMEs are performing each of the 21 activities. A detailed report of industry specific scores (and potential scores) will be presented in a future report and made available to Government.

Independent review of the data and its claims is undertaken by Net Balance, a leading Sustainability Assurance Practitioner of the AA1000 Assurance Standard for corporate Australia. Through the Net Balance Foundation they advise SMEs on improving sustainability performance.

## The Australian SME Sector

The survey is in accord with Australian Bureau of Statistics (ABS) data of Small and Medium businesses. At last count this represents some 306,617 firms (2007.)

<u>Category</u>	<u>Employees</u>	<u>Number</u>	<u>%</u>
Large firms	200+	5,876	0.3%
<b>Medium- sized firms</b>	<b>20-199</b>	<b>78,304</b>	<b>3.9%</b>
<b>Small firms</b>	<b>5-19</b>	<b>228,313</b>	<b>11.3%</b>
Micro-enterprises	0-4	1,699,277	84.5%

According to the ABS, the SME sector accounts for around 73% of all actively trading businesses in Australia, employing 4 million+ people or 42% of total employed persons. It is estimated to contribute 46% of the value of Australia's domestic production.

ABS Sources: Cat. No. 8165.0, Cat. No.1321.0, Cat. No. 8155.0, Cat. No. 6202.0, Cat. No. 81550.0



## Research Headline – Ability to Access Credit less of a concern than Waste/Energy

When asked.. which of the following challenges do you consider is a major concern for your business at this point in time? SMEs responded:

Maintaining revenues *	74%
Finding the right talent for your industry*	70%
Meeting government regulations*	55%
Consumer confidence	55%
Energy efficiency **	40%
Level of business debt	39%
Supplier stability	35%
Managing waste **	33%
Ability to access credit	27%
Reducing emissions **	25%
Global competition	19%
Union issues*	10%

\*\* Denotes core Sustainability item

\* Denotes related Sustainability item

**AFS Executive Chairman – Drew Le Grand said** “In times of the much publicised Credit Crunch, the ability to access credit ranks below managing waste and energy efficiency as a major concern for Australian SME's, equal almost with reducing emissions as a major concern. Sustainability concerns appear more important than *global competition* and *Unions* as national SME priorities.”

## Research Headline – A Sustainable Image Helps to Recruit the Best Talent

One in four organisations nationally (result 26%) found that a “sustainable image” helps them to recruit the best employee talent. “Finding Talent” ranks as one of the top priorities for SMEs (refers to table above.)

**Net Balance Director - Terence Jeyaretnam commented** “International experience has also proven that organisations that develop a reputation for sustainability can attract the best recruits. Given a choice, recruits will not choose to work with companies that have a poor sustainability image, this is even more evident for industries with a traditionally poor reputation.”

**[Further comment available – see Media contacts]**

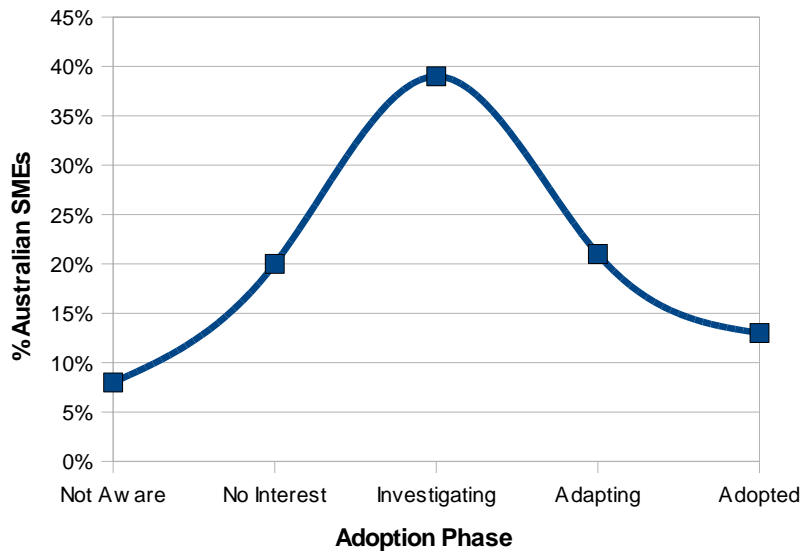


## Research Headline – 70% of SME Sector investigating Sustainability Activities

Results of self classified responses to the question of 'the business' current position on Sustainability?'

### Sustainability Adoption Curve

Self Assessment - October 2009



#### Category descriptions:

1. No awareness of how Sustainability matters to my Business
2. Aware ... but no interest at this time
3. Investigating and/or monitoring only
4. Actively adapting the business to be more Sustainable
5. Adopted Sustainability as a fundamental part of our operating processes

**Net Balance Director - Terence Jeyaretnam commented** "It is immediately impressive to see that more than 70% of Australian SME's are investigating, adapting or have adopted sustainable processes as a priority in their operations. This gives an important picture of the state of play. It will be interesting to see how quickly the curve shifts over time."

**[Further comment available – see Media contacts]**

## **RH – SME “Environmentally Friendly” claims not Sustainable**

Asked if they believe their business is environmentally friendly, 72% indicated they are – but asked about the sustainability activities undertaken, less than 15% were undertaking a threshold level of the relevant activities that are of a sustainable nature to be considered environmentally friendly.

**Net Balance General Manager – Ross Wyatt commented** “Environmentally Friendly” is a dubious term and does not necessarily accord with undertaking sustainable business processes. In some case it may show a lack of awareness or unwillingness to believe their business may have a negative environmental impact.”

## **Research Headline – SMEs Experiencing Success with Sustainability**

When asked what is the biggest success or discovery SMEs have had with regard to Sustainability – business owners and managers responses included the following comments...

- "I think, looking closely, we have seen more opportunities to recycle what was previously classed as waste"
- "There are cost savings and other sustainable benefits in applying a policy of using electronic communications rather than seeing clients. Our bottom line is better off by being sustainable."
- "When we introduced the energy management system, we found that it reduced power consumption by 5%-10%"
- "Introduction of new machinery has reduced our off cuts of waste"
- "The gaining of traditional owner acceptance of our activities on their land."
- "Water savings of 30%"
- "Staff morale increased, the staff got right behind our plan and new systems"
- "With a government grant we implemented rain water tanks and it has worked, saving water, waste water and water costs generally"
- "Our business is able to provide services in this area; we now give advice on the carbon sequestration value of land"

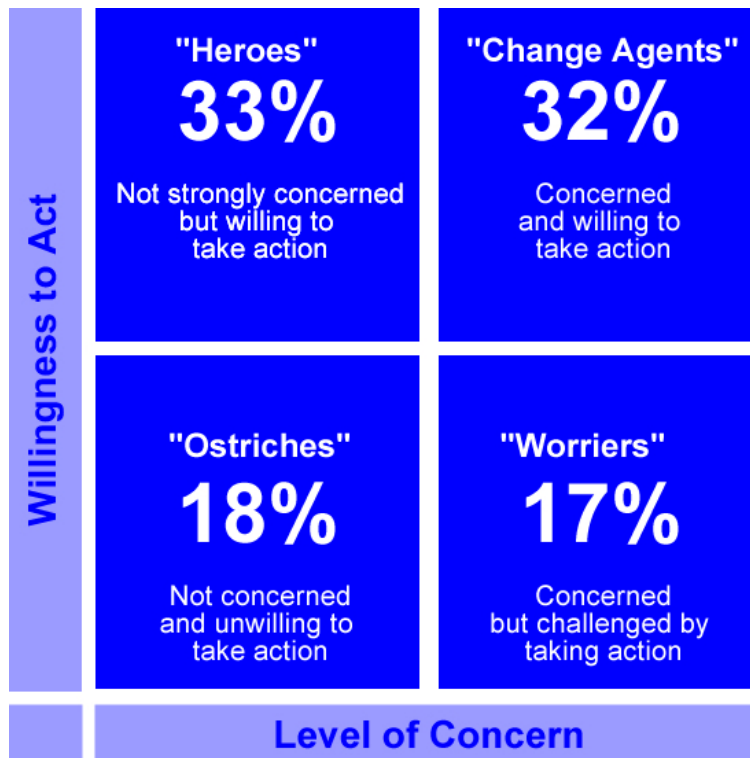
**Net Balance Director - Terence Jeyaretnam said:** “SME opinion suggests that resource efficiency is starting to produce material bottom line benefits in reducing the costs of doing business relating to water, waste and energy. It shows how sustainable behaviour “pays off.” The results are a huge realisation and one right at the centre of the National Recycling Initiative”

**[Further comment available – see Media contacts]**



## Research Headline – Two Thirds of Managers willing to Take Action on Climate

The graphic below depicts the SME attitude to climate. It is calculated in response to two questions, concern about their businesss impact on climate change and their willingness to act. The percentage of the population is shown (white %) in each quadrant.



### Category Descriptions

*Change Agents* – Concerned about their impact and willing to take action where possible.

*Worriers* – Concerned about climate change but challenged to see what action to take.

*Ostriches* – Not concerned and unwilling to take action at this time.

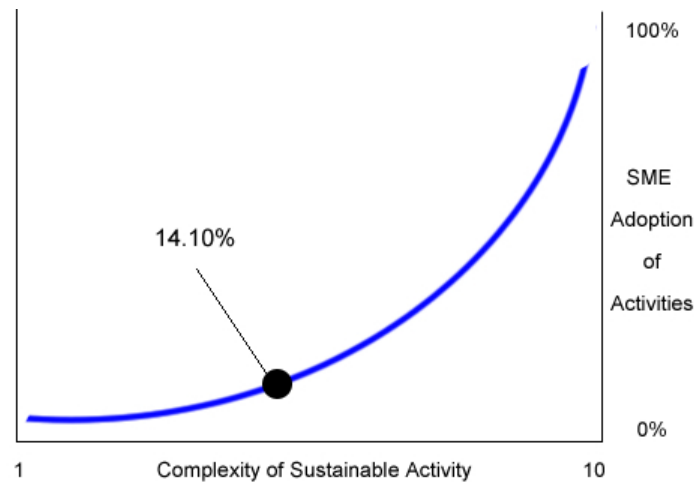
*Heroes* – Not concerned about their businesses impact but willing to take action anyway.

**AFS Executive Chairman – Drew Le Grand said** “Business owners and managers see themselves as empowered to take action on climate change and their actions have a great impact. They can identify opportunities to take significant action which maybe a contrast to the general public.”

**Net Balance Director - Terence Jeyaretnam commented** “Over 50% of SMEs are concerned about their business’ contribution to climate change. Over 33% of decision makers would be willing to take action even though they are not concerned about the impact their business makes to climate change.”



## Index Launch Score – SME Sustainable Activity at 14.10%



The initial results of the SME Sustainability Index provide a score of 14.10 out of 100.

Details on the construction of the Index can be found on page 1.

**Net Balance Director - Terence Jeyaretnam commented** "This latest research is showing over two thirds of businesses have taken steps to become more waste, energy and resource conscious in the past twelve months, although the more complex activities are still to be investigated and adopted. On average, organisations are participating in 5.59 sustainable activities. The overall Index will be a vital measure of Government policy and SME activity."

### About AFS 'Smart askers'

AFS 'Smart askers' is an information services company, specialising in survey data collection across Australia and New Zealand. AFS is recognised for its superiority in reaching business decision makers; all projects run with AFS have ISO quality accreditation.

### About Net Balance

Net Balance is Australia's largest sustainability advisory and assurance firm with offices in Melbourne and Sydney. Net Balance works with some of Australia's largest corporate and brands on sustainability and with SMEs through Net Balance Foundation ([www.netbalance.com](http://www.netbalance.com)).

### Contacts for Media - Interview Requests: [images at [www.afs-smart.com.au/afss.htm](http://www.afs-smart.com.au/afss.htm)]

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