ISO 14001: one for all, or just for some?

SME's are the backbone of national economies and therefore have a major impact on the wealth and environmental health of nations. Despite this, says author Lynn Johannson, ISO 14001 is mainly implemented by the largest companies. She describes some innovative approaches to removing barriers to the implementation of environmental management systems by SME's.

Environmental management systems (EMS) were designed to address the needs of any type or size of organization, anywhere in the world. Yet to date, adoption of the international ISO 14001 EMS standard has primarily remained in the hands of larger national and multinational companies. However, some new approaches have recently been introduced to overcome the barriers to ISO 14001 adoption specifically for small to medium-sized enterprises (SME's).

SME's are the backbone of most national economies. Of approximately 73 million legally constituted entities in the world, 65 million are SME's. APEC (Asia Pacific Economic Cooperation) statistics from 1997 indicate that the 40 million SME's existing in the region account for well over 90 % of all enterprises there, employ from 32 % to 84 % of the national workforces, contribute 30 % to 60 % of the GDP and account for 35 % of exports in the region. Similar figures are reflected in non-APEC economies. Clearly, SME's are critical to the wealth of a nation.

But what about the environmental health of a nation? The perception is that "an SME is so small that its impact is not important". In reality, they make a significant impact both financially and environmentally. Their cumulative effect on the environment and in the global market-place must be considered.

If one agrees that sustainability is a critical global objective and that environmental management is a necessary interim target, then it is essential to attract all sizes and types of organization. Certainly, ISO 14001 offers a practical path towards this objective. Yet there are a number of barriers that prevent ISO 14001 from becoming the common means of access to a global market-place and to fostering sustainability.

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Barriers to adoption

What are the barriers to adoption? Lack of awareness is probably the biggest hurdle. The Canadian Federation of Independent Business (CFIB) has conducted a

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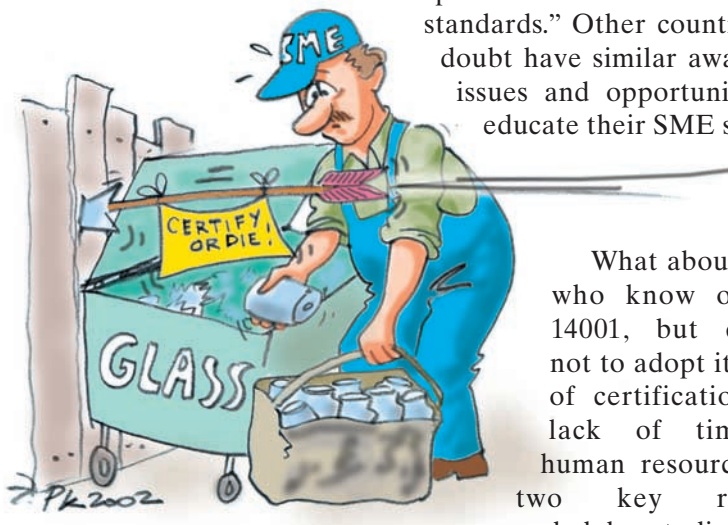
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survey[1] on local environmental concerns. While 85,5 % of respondents believed that sustainable development practices made it possible to grow the economy and protect the environment at the same time, 73,3 % had not even heard of ISO 14001.

According to CFIB, "This represents a huge opportunity for governments to take the initiative on disseminating information to small and medium-sized firms regarding non-mandatory solutions that could help improve their environmental standards." Other countries no doubt have similar awareness issues and opportunities to educate their SME sectors.

What about those who know of ISO 14001, but choose not to adopt it? Cost of certification and lack of time or human resources are two key reasons revealed by studies from several regional economies.

Certification is often seen as a barrier, without due consideration being given to the potential benefits. This is unfortunate since certification can add value to the EMS process.

Those smaller enterprises that have certified to ISO 14001, for example Palliser Estate Wines as part of the Living Wineries in New Zealand, Prospec Chemicals in Alberta, Canada, and The Norfolk Fruit Growers' Association in the Niagara Region, Canada, are members of a small elite.

There have been some creative approaches to adoption, such as clustering to reduce implementation costs, as exemplified by the group-based EMS approach of Palliser Estates. Lord & Partners, a Canadian company selling alternatives to solvents, leverages its commitment to EMS to help customers reduce their environmental impact. The company's certifications to ISO 14001 and to EcoLogo, the Canadian ecolabelling programme for products and services, are used successfully as a marketing tool. However, the cost of certification, coupled with some unfortunate experiences, has dissuaded much small business from even starting.

'Certify or die'

The phrase "certify or die" aptly describes the perception of certification in the market-place. Even when an organization does implement ISO 14001 for all the right reasons, how are its efforts recognized and rewarded by the market-place? Much of the publicity surrounding many ISO 14001 adoptions is due to registrars promoting their own clients. Should the message to SME's be "if you aren't certified, you don't count" – even when they perform better environmentally? External verification is not the primary objective of ISO 14001. However, a robust, credible system to manage environmental impact is.

ISO 14001 documentation requirements, perceived as a paper work burden, present another, although lesser, challenge. CFIB findings indicate that companies with less than 50 employees – the majority in most national economies – tend to operate without any formally documented management system. ISO 14001 is less attractive to these "paper-light" businesses whenever it calls for documentation or documented procedures. This is an area where SME's could use some help. When the real value of an EMS is to lessen an entity's impact on the environment, is the battle over paper work worth the war on waste?

SME's

are the backbone of most national economies

1) The CFIB survey, conducted from September to November 2000, reflected the views of 4 322 respondents representing all industry sectors and geographic regions in Canada. CFIB represents over 100 000 small enterprises, some 10 % of the business population. Over half of CFIB members are micro-enterprises of less than five employees. The survey results are available by visiting **www.14000registry.com**, and the CFIB Web site at **www.cfib.ca**.

If SME's are reluctant to implement an EMS, the potential of ISO 14001 is significantly diminished as Canadian statistics, for example, indicate that companies with less than 50 people represent the majority of the national business profile (**see Figure 1**).

While these statistics originate in Canada, the distribution pyramid is substantially the same in most countries. The bottom line is that small businesses, representing by far the majority, are by and large not embracing ISO 14001.
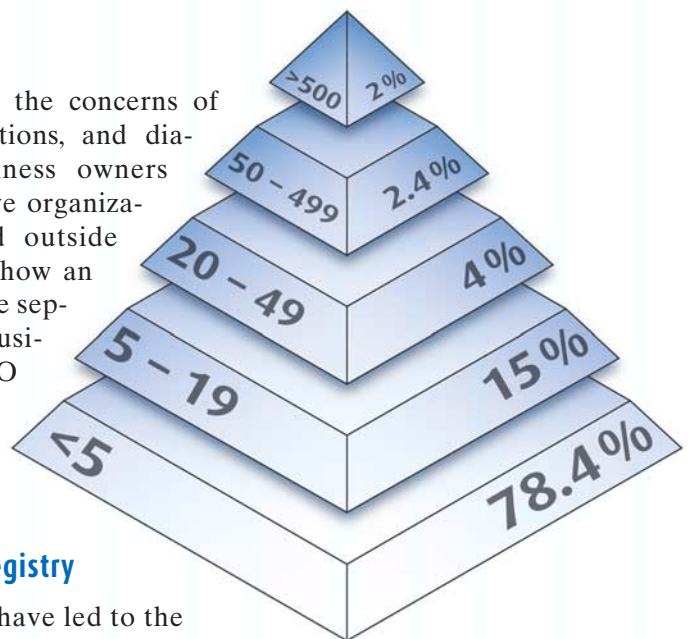
Survey results reveal other obstacles, such as lack of perceived benefit, lack of internal commitment, and regulation.

A minor point is the language used in ISO 14001, i.e. the use of "shall" versus "should" or "may". Ambiguous meanings can be an issue in some parts of the standard, and these are being addressed in the current revision process. The jargon of standards can be a deterrent. Clarity and transparency are critical.

Research into the concerns of smaller organizations, and dialogue with business owners and representative organizations inside and outside the ISO forum, show an undesirable divide separating small business from ISO 14001 and other ISO management standards.

The ISO 14000 Registry

These factors have led to the development of the Canada-based ISO 14000 Registry (**see box**), an online SME support and learning centre, and one-stop connection to a green global market-place for any organization. Implementing ISO 14001 is the baseline criterion for posting a corporate profile, although other standards such as ISO 9001 and recognition programmes like Responsible Care can be used. The

Figure 1: A profile of company size in Canada, estimated by number of employees as a proportion of the total company universe. Companies with less than 50 employees represent the majority.
(Source: Statistics Canada)

About the ISO 14000 Registry

The ISO 14000 Registry (**www.14000registry.com**) "strives to connect like-minded entities that wish to support the adoption of ISO 14001 as a better business tool". The site offers an international bulletin board where any organization that has adopted ISO 14001 may post a profile at one of three levels, starting with self-declaration.

To lower the barriers to adopting the standard, The Registry has developed support tools for SME's and developing countries to give them equal access to the growing green global market-place and help large organizations build environmental awareness into their supply chains. The Registry has a growing network of organizations that value ISO 14001 adoption as a purchasing criterion and passport to trade.

Many entities have provided assistance, insight and support to promote ISO 14001 for all, including the following: Canadian Federation of Independent Business, Canadian Standards Association, Canadian Institute of Chartered Accountants (CICA), BDO Dunwoody LLP,

AON Reed Stenhouse, Standards Council of Canada, Business Environment Council (Hong Kong), Industry Canada, United Nations Environment Programme Financial Initiative, World Bank, Canadian Environmental Auditing Association, Deloitte & Touche Quality Registrar Inc., Ecomapping, Environment Canada, State Ministry of Cooperatives and SMEs (Indonesia), Ricoh Co., Ltd. (Japan), and the Indonesian Society of Environmental Professionals.

Many comments were also received from small business owners, EMS leaders in multi-nationals and ISO/TC 207 experts from around the world.

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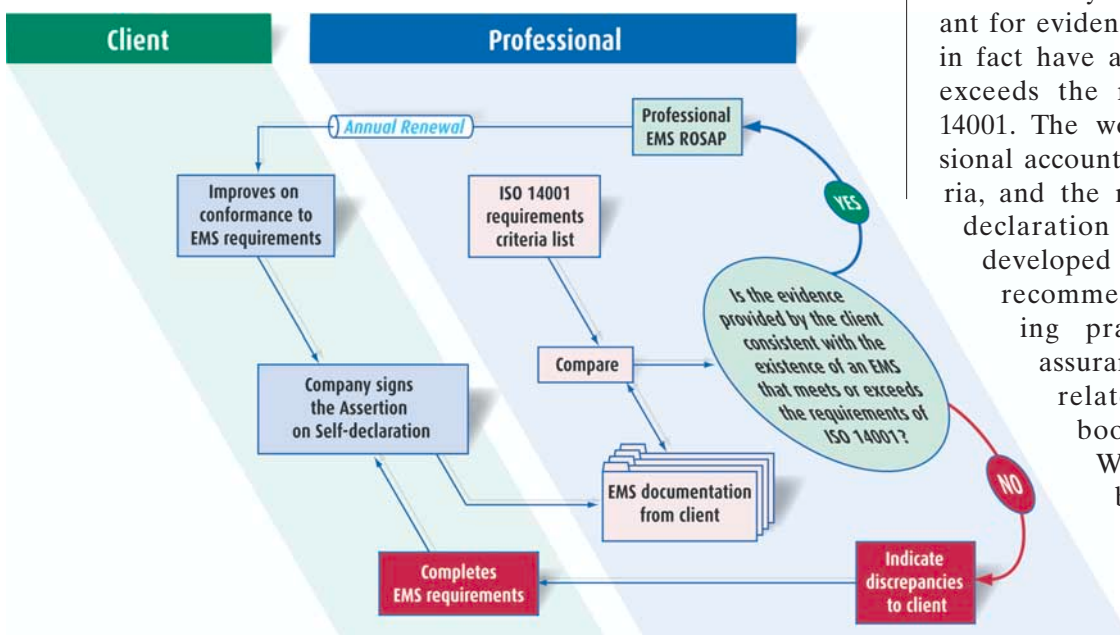Web   www.14000registry.com

Registry's mandate is to address systematically the challenges faced by stakeholders interested in adopting ISO 14001, enhancing the move towards a green global marketplace.

The Registry reflects the impartiality of the standard itself. Any organization, be it a for-profit or a public agency that meets or exceeds the requirements in ISO 14001, can post a profile whether it self-declares or seeks external verification. To overcome the cost barrier and other registration concerns, The Registry has developed a level of EMS verification, using professional accountants, that is referred to as an "EnviroReady Report". This report

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(EMS ROSAP – **see Figure 2** for an outline of the process). It was developed with the assistance of the Canadian Institute of Chartered Accountants (CICA). It is not the first time the CICA has fostered innovative approaches in support of sustainability; its members were involved in ISO 14001, Global Reporting Initiative (GRI) and greenhouse gas (GHG) verification as far back as the early 1990's.

Conceptually, the EnviroReady Report is positioned between self-declaration and third-party certification. Under this process, the client signs a self-declaration of conformance to EMS requirements. To provide a level of external verification, the client's EMS documentation is examined by a professional accountant for evidence that the client does in fact have an EMS that meets or exceeds the requirements of ISO 14001. The wording of the professional accountant's report and criteria, and the note attached to self-declaration statements, were developed in line with the CICA recommendations to accounting practitioners regarding assurance engagements and related services (Handbook Section 9100). While this process has been launched from Canada, any professional accountant in the world can visit the Registry's site and follow the on-line learning process.
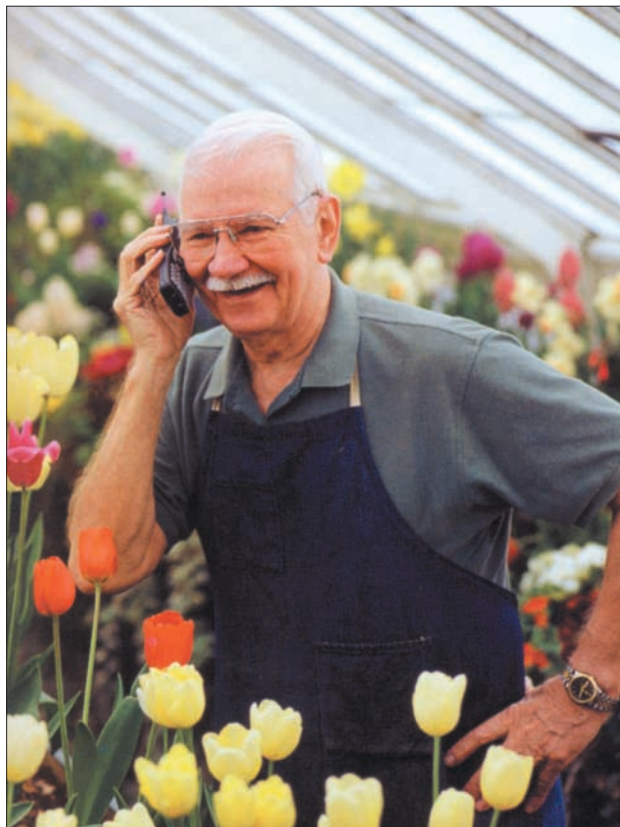
Professional accountants wishing to provide this service do so with the understanding that they may not also offer consultancy, with the same proviso existing for registrars. The Registry was established by two companies, E2M and Evince, respectively EMS management consultants, and software and marketing experts. In

Figure 2: The EMS Report on Specified Auditing Procedures (ROSAP) process – branded for the market as the EnviroReady Report.

process is a stewardship mechanism that is a marriage of ISO standards and accounting procedures following Generally Accepted Accounting Principles (GAAP).

Technically, the EnviroReady Report is an Environmental Management Systems Report on Specified Auditing Procedures

addition to initial assistance from CICA, the accounting firm of BDO Dunwoody LLP provided additional comments on the learning process for professional accountants in the beta testing phase.

A professional accountant may only provide the EnviroReady Report once he or she has been awarded the Certificate of Recognition. The Registry maintains an exclusive database of professional accountants recognized as EnviroReady. It does not provide third-party registration, but invites accredited registrars to form reciprocal links with the Registry, enabling potential clients seamless access to qualified service providers.

What level of verification is best? One is not "better" than another. The real question is – what level is appropriate? The market will decide. While the report process was developed with the more limited SME resources in mind, it is not restricted to that sector. Feedback has indicated interest in the EnviroReady Report for lower risk areas from large companies, enabling them to demonstrate stewardship of their operations to shareholders. They will continue to use third-party registration for their higher risk operations. Additionally, larger companies have indicated a willingness to accept the EnviroReady Report from their lower risk or small suppliers as confirmation of EMS implementation.

SME's that voiced interest in the report process have been those that adopted ISO 14001, but opted against third-party certification for reasons previously outlined. Other companies have stated an interest in ISO 14001 EMS implementation because they see the report process as fitting their needs and resources more closely. Some may remain with the report process and others will no doubt opt to go on to third-party registration. Now they have a choice.

The Registry also offers "Assessor for ISO 14001" software geared to assist small businesses on the EMS path and help with documentation. A parallel version is designed for the professional accountant who wishes to use it in conjunction with EnviroReady Report, to enhance consistency in the application of the report process and to increase their efficiency.

The Registry hopes that these options will encourage ISO 14001 adoption among the much bigger SME community, beyond the confines of the large company sector.

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What about micro-enterprises?

What about the micro-enterprises of less than 10 people – the foundation of the business pyramid in national economies? To achieve sustainability goals, it is just as important to provide tailored solutions and equal access to trade opportunities for these enterprises. An elegant but simple tool is Eco-mapping, a location-based mapping process developed by Heinz-Werner Engel, of Belgium, that enables a quick understanding of environmental aspects and impacts. The information can be used to build sufficient confidence in ISO 14001 requirements among the SME owner to help enhance the business.

Under development for Eco-mapping is an on-line interactive version that will enable the smaller business owner to benchmark his or her operations against other similar businesses at a cost, which is in keeping with SME resources. This is being introduced in conjunction with Landmat International, environice, and Ice Tech from Iceland, and other organizations. The Registry is developing a level of recognition for micro-enterprise based on Eco-mapping similar in principle and cost-effectiveness to the EnviroReady Report. Its purpose is to give stakeholders confidence in the evolution of micro-enterprises towards robust and credible EMS's that meet or exceed ISO 14001 requirements.

If SME's are reluctant to implement an EMS, the potential of ISO 14001 is significantly diminished

We should strive to build the ISO 14000 A Team for all, not just for some

Building the A Team

Connecting like-minded people to build private and public sector partnerships in support of equal access to a global green market-place is a key Registry objective. *The Economist* (29 July 2002) summarized it well: "The usefulness of standards is embodied in a simple axiom: when everybody else is doing A, it is not such a good thing to do B." At this juncture, we do not yet have enough companies "doing A". Too many organizations, governments, NGO's and businesses are still doing B.

ISO 14001 and other ISO management standards are pivotal to progress in a one-world market. Business today is not just about selling a product or service to a customer around the corner, but operating as part of a global network of direct and indirect customers affected by a company's activities, products and services. Those who think they can operate independently, or ignore SME's as part of the global market-place, are mistaken. We should strive to build the ISO 14000 A Team for all, not just for some. ■