

# What motivates small businesses to take climate action?

And how can banks support their sustainability journey?



# Small businesses make up 90% of business worldwide and affect the livelihoods of over 2 billion people.

Their combined carbon footprint, is estimated to contribute 60–70% of industrial pollution. Yet, the majority of small businesses have not implemented decarbonisation strategies.

Why? The Climate Hub identified that many small business owners are worried they don't have the right skills or knowledge to tackle the climate crisis. Other barriers include lack of funding and time.

While previous research identified key influences on small businesses motivation to become more sustainable, we wanted to discover what the most influential factors are and for whom. So we can ultimately identify opportunities for banks to support small businesses on their sustainability journey.

The financial sector plays a key role in supporting small businesses, not only through lending and investing, but by offering guidance and support during their environmental transition.

Many banks already have established relationships with small businesses and are trusted to share spending data—crucial for measuring carbon footprints—so they are well-positioned to help small businesses reduce their carbon footprint.



## Methodology

We partnered with Dynata to survey 597 small business owners and key decision-makers from New Zealand, Australia and the UK (~200 per market).

All respondents had between 1–99 employees and considered the impact of their business on the climate to be important to them.

# Sustainable Actions

We asked respondents about the environmentally sustainable actions they've already taken as a business, focusing on the areas of waste and carbon. We discovered that respondents were more likely to have taken steps to monitor and reduce their waste than their carbon footprint.

65% of respondents had taken steps to measure, reduce, reuse or recycle waste, whilst 40% had taken action to measure their carbon footprint, commit to reducing emissions, offset carbon, or be certified as a carbon-neutral business.

When comparing regions, we discovered that UK businesses were more likely to have started their carbon reduction journey than businesses in Australia and New Zealand:



UK	41%	have committed to a long-term carbon reduction goal or measured their carbon footprint
Australia	32%	have committed to a long-term carbon reduction goal or measured their carbon footprint
New Zealand	32%	have committed to a long-term carbon reduction goal or measured their carbon footprint

Beyond regional differences, we discovered interesting distinctions in attitude and motivation between those who have taken action to manage their carbon footprint and those who have yet to start their carbon reduction journey.

# Key Findings

The research helped identify several motivating and demotivating factors for small businesses when it comes to taking climate action.

We organised these motivating factors into material threats and opportunities: small businesses are either inspired to take action due to the opportunity of gaining market share, employees or capital, or they are motivated by the threat of losing money, customers and staff.

Motivating factors for small business

Category

Market Competition

Threat

Carbon Regulation

Threat

Employee Engagement

Threat or Opportunity

Consumer Demand

Opportunity

Acess to Funding

Opportunity

Threat

# Market Competition

Responding to the challenges created by climate change can spur all kinds of innovation for businesses, from improving efficiencies in supply chains, to motivating the development of less carbon-intensive products. Offering sustainable products and services represents new market opportunities for businesses. It could also be a threat if their competitors act before they do. But to what extent does the threat of competition influence small businesses motivation to take climate action?

Our research revealed that 48% of UK respondents and 53% of New Zealand and Australian respondents believed their competitors were taking climate action.

Interestingly, we found businesses that have not started their carbon reduction journey are less likely to be aware of competition: 59% of respondents who have either measured or committed to reducing their carbon footprint believe their competitors are actively marketing themselves as environmentally friendly, compared to 37% of respondents who have not yet measured or committed to taking action.

And only 41% of those yet to start their carbon reduction journey feel that competitors are taking action, compared to 67% of those who have taken action to manage their carbon footprint.

Perhaps small businesses that are yet to take action don't believe that being more sustainable would give them a competitive advantage. Or maybe there is a lack of awareness around the levels of competition. Clearly, there is a need for more information on why small businesses need to address carbon emissions challenges.

## Are your competitors taking climate action?

UK	48%	believe competitors are
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Australia	53%	believe competitors are
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New Zealand	53%	believe competitors are
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## Are your competitors marketing themselves as environmentally friendly?

Respondents who have measured or committed to reducing their carbon footprint	59%	believe competitors are
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Respondents who have not yet measured or committed to reducing their carbon footprint	37%	believe competitors are
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## Are your competitors taking climate action?

Respondents who have measured or committed to reducing their carbon footprint	67%	believe competitors are
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Respondents who have not yet measured or committed to reducing their carbon footprint	41%	believe competitors are
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## Threat

# Carbon Regulation

Do you think the government will require all businesses to prove that they are considering their impact on the climate within the next 5–10 years?

UK	84%	agree / strongly agree
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Australia	76%	agree / strongly agree
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New Zealand	73%	agree / strongly agree
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While small businesses are currently not required by law to lower carbon emissions, environmental regulations will likely be implemented in the near future, affecting all businesses.

Respondents in our survey were inclined to agree when asked whether they think governments will require all businesses to prove they are considering their impact on the climate within the next 5–10 years.

The introduction of new regulations would certainly motivate small businesses to take climate action. But the lack of clarity around when the government will implement new laws and how they will affect businesses might prevent small businesses from taking imminent action. Clearer guidance on upcoming regulations would inject a sense of urgency and strengthen small businesses motivation.

## Threat or Opportunity

# Employee Engagement

Do employees care about the impact your business has on the climate?

UK	73%	agree / strongly agree
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Australia	75%	agree / strongly agree
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New Zealand	69%	agree / strongly agree
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Research increasingly shows that employees care about the conscience of the businesses they work for. KPMG's 2020 [‘The Business Case for Climate Change Report’](#) states that ‘70% of employees are more likely to want to work for a company that has a strong green footprint’.

The younger generation is even more concerned about the environmental impact of businesses. A [study](#) found that 64% of Millennials won't take a job if their employer doesn't have a strong CSR policy. And when it comes to Gen-Z, the [data](#) is even more compelling: they are the first generation to prioritise purpose over salary.

The majority of respondents in our survey agreed when we asked whether their employees care about their business taking steps to reduce its impact on the climate.

Businesses that recognise sustainability as an important non-financial motivation for employees will be more likely to take climate action. Especially as the significance of attracting and retaining skilled employees increases, and small businesses realise that employee engagement with sustainability is a necessary component of their competitive advantage.

Opportunity

# Consumer Demand

Sustainability is an increasingly important consideration for today's customers. [Kantar research](#) shows New Zealanders' commitment to living sustainably continues to track upwards, with 43% of Kiwis committed to living more sustainably, a 7% up on last year and the third year in a row where there's been an increase.

However, our results revealed that small businesses aren't convinced by consumer demand. When asked whether they believe their customers care more about a good price than how environmentally friendly the business is, 61% agreed. Although interestingly, the results differ for respondents who have committed to a carbon reduction goal or measured their carbon

footprint. While 62% of this segment still believe that their customers care more about a reasonable price than how sustainable they are, **75% think this is changing** and believe their customers are starting to prioritise sustainability over price.

This suggests that those businesses started their sustainable journey because they could see that consumer demand is changing. So perhaps raising awareness around demand for sustainable products and services could encourage all small businesses to take climate action.

My customers care more about a good price than how climate-friendly my business is

UK	56%	agree / strongly agree
Australia	65%	agree / strongly agree
New Zealand	63%	agree / strongly agree

Opportunity

# Access to Green Funding

Governments and banks increasingly provide incentives, like grants, loans and asset financing, to support sustainability ambitions and benefit small businesses. But to what extent does this opportunity motivate small businesses?

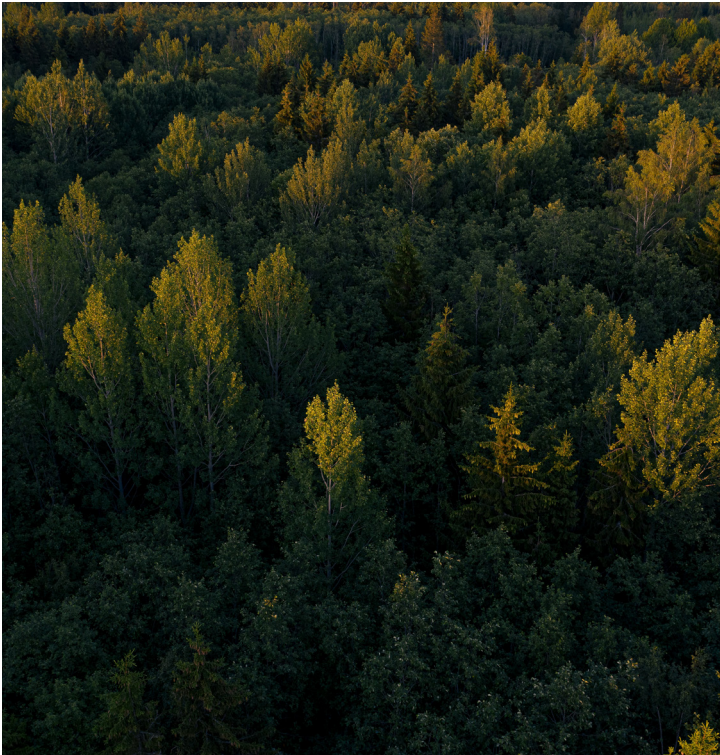
Our research revealed that small businesses' awareness of funding was low across all three regions surveyed.

And when we asked respondents whether they have the financial backing they need to become more environmentally sustainable, only about half of the respondents agreed, and NZ businesses were much less likely to agree (UK – 55% agree, Australia – 50% and New Zealand – 42%).

Most interestingly, only 38% of businesses that are yet to take action to reduce their carbon footprint feel like they have the financial backing they need to become more sustainable, compared to 66% of companies that have already started their carbon reduction journey.

Respondents who are yet to measure their footprint or commit to reduction are also far less likely to be aware of any funding: Only 20% of those yet to commit or measure are aware of any government funding, compared to 48% of those who have. And only 15% of those yet to commit or measure are aware of any green loans, compared to 44% of those who have.

Could greater awareness of funding, and improved access to it, help some of these businesses that are yet to take the first steps towards carbon reduction?



Businesses awareness of green funding and their need for finance

32% aware of government grants

27% knew about green business loans

Number of businesses that believe they have the financial backing they need to be more sustainable

38% of businesses who are yet to measure their footprint or commit to reducing carbon emissions feel like they have the financial backing they need to be more sustainable

66% of businesses who have measured their footprint or committed to reducing their carbon emissions feel like they have the financial backing they need to be more sustainable



# How banks can support small businesses' on their sustainability journey

Based on the motivating and demotivating factors our research has identified, we explore how the financial services sector can help small businesses set and meet carbon reduction targets:

## Finance

As identified from our research, many small businesses don't believe they have the finances required to start their sustainability journey. Perhaps the most influential way that banks can support small businesses is through lending and investment consistent with credible emissions reduction and broader sustainability objectives.

## Regulation

Clearer guidance on upcoming regulations would help small businesses better prepare and take appropriate action. Large financial institutions that have already had to report on and reduce emissions could support small businesses in measuring, reporting, and reducing emissions.

## Awareness

It also became clear that most small businesses aren't aware of the financing available to them. It is the responsibility of banks to make sure businesses are aware of financing options. And it is essential that banks focus on marketing the available options and helping businesses understand the opportunities.

Many small businesses don't fully recognise the opportunity of taking action to measure and reduce carbon emissions. And what's worse, many aren't aware of the potential threats that climate change and market competition pose to their business. Clearly, there is a need for more information sharing.

## Knowledge

Small businesses need help to improve their ability to measure, report and take action to reduce their carbon footprint in line with legislation and standards.

To learn more about the role of financial institutions in supporting small businesses on their sustainability journey, read our report.

[Read report](#)

# How Cogo supports business climate action

We believe the solution starts with improving people's understanding of where carbon emissions lie in an organisation's operations and highlighting opportunities to reduce them.

We help businesses analyse, measure, reduce and track their carbon footprint. We use market-specific spend-based emissions data from economic input-output models to give businesses an overview of where they are, where they need to go and how they can make the most significant difference.

Whilst we focus on taking action now, it's important that businesses are also aligned to future target-setting, reporting and compliance needs. This helps businesses progress in a way that is future-proof, preventing complexity from compromising their initial steps.

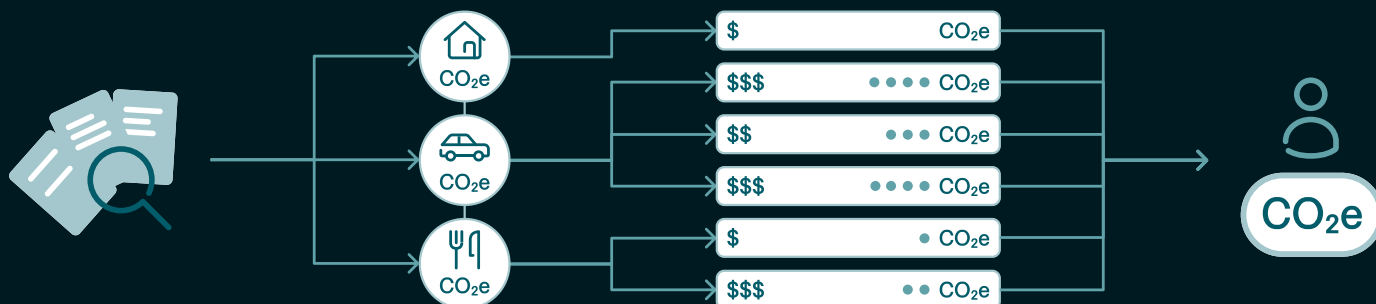
Our approach uses learnings from behavioural science to structure the user experience and

ensure businesses remain engaged in taking action. We make sure that the route from measuring their organisation's footprint to developing an action plan to implementing change is broken down into bite-sized chunks that are easy to follow.

We also tailor to the needs of different sectors and sizes of business to keep the content and application relevant.

Furthermore, our experience working with providers, whether for individuals or businesses, in multiple markets, has provided us with the ability to create and identify opportunities for action.

We can then link businesses to finance offers (e.g. Green loans), as well as signpost to grants, and further information and support. We believe that support for businesses should be easily accessible. Too often, information is either too hard to find or overwhelming. So, we ensure it is presented simply and at the



1.

Gather carbon emissions data from the best EEIO models and expert partners per market

2.

Develop models to match emissions factors so spend categories

3.

Map banking transactions to categories and apply emissions factors

4.

Calculate and share an individual's footprint

# If you want to support small businesses on their journey to net-zero, get in touch.

Contact Cogo