



## **Environmental strategy in service sectors: the case of a major economic centre, Brussels**

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### **Abstract**

The sustainable development concerns all socio-economical agents. Nowadays, most actions are limited to the manufacturing sector. But the question of environmental management and sustainable development has to be extended, and addressed to the service sector.

As a major capital of Europe, Brussels has to play a fundamental role in promoting sustainable development. In this perspective, analysis on how environmental problems are perceived and managed in the service sector in such a city is needed.

The research aims at identifying, for the service sector of Brussels, 1) the motivations and driving forces leading to the development of sustainable development strategies, 2) the implemented actions and their consequences, 3) the facilitating factors as well as the obstacles to the setting up of such strategies.

As conclusions, different suggestions are formulated: i.e. how 1) to make the sector more sensitive to the existence of multiple areas where environmental actions could be undertaken; 2) to facilitate the implementation of actions outside the strict environment of the organisations; 3) to make the stakeholders fully aware of their responsibility and of their strengths.

## 1 Introduction

For the last twenty years, the concern on environmental issues hasn't stop growing: increasing number of environmental regulations, numerous environmental organisations and increasingly interested general public in environmental issue. The influence of environmental pressure groups is even expected to increase in the future (Belz & Strannegard [1]) and environmental issues are now taken into account in an increasing number of business decisions (Kestemont & Ytterhus [2]).

The environmental challenge concerns all socio-economical agents: citizens, consumers, producers, ... In the manufacturing sector, managers point to the increasing impact of environment in their strategies. Callens [3] shows that the motivations for environmental actions are essentially external pressures, cost efficiency, competitiveness, and image improvement. In a recent OECD report, Johnstone [4] insists on the fact that the growing interest for eco-efficiency derives from the existence of win-win opportunities for which the economic and environmental rationales are complementary. Nowadays, lot of firms in the manufacturing sector put in action environmental tools and systems. Nevertheless, these actions limited to one economic sector are no more sufficient: environmental liabilities exceed the sole manufacturer's activities. The environmental care spread beyond the sole productive activities, being in the hands of the very large socio-economic sphere. The question of environmental management has to be extended and addressed to the service sector.

Welford & al. [5] and Ytterhus [6] stress the need for a global view on the environmental issues, particularly in the service sector, in terms of supply chain management. This would imply the liability of the services' providers with regards to activities downstream (thanks to the power they have as supplier) and to activities upstream. Nevertheless, following the results of Norse studies (Lundgren [7], Ytterhus & al. [8]), the direct impact of the services' activities on the environment are considered as low and their indirect effects are most of the time simply ignored. Nevertheless some particular service sectors are of interest: the retailing sector is likely to play a crucial role as a link between producers and consumers; the financial sector can also influence production or consumption decision; the Public sector can be a driving force in the development of social priorities.

We propose to tackle this issue by analysing the service sector in the place where is mostly concentrated, i.e. in cities. In this prospect, Brussels deserves a special attention as more than 87% of its workforce is employed in the service sector and as it shares most of the characteristics of the European cities. Moreover, as capital of Europe, Brussels has to play a fundamental role in promoting sustainable development. In this perspective, analysis on how environmental problems are perceived and managed in Brussels is needed. Learning of such analysis will allow to formulate recommendations for decision-makers in the sector, and would be of great help for framing more extended investigation on services in cities.

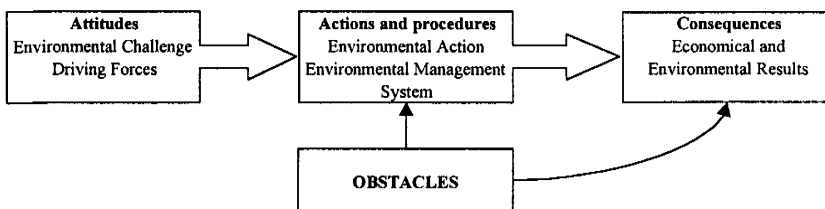
This article aims at identifying, for three services categories (retailing, finance, catering) and for the Public service of Brussels, the motivations and driving forces leading to the development of an environmental strategy, the implemented actions and their consequences on the environment, the facilitating factors as well as the obstacles to the setting up of such strategy.

After the presentation of the methodology (section 2), the results of the survey are developed (section 3), concerning the perception of the environmental challenge (section 3.1), the answers to this challenge (section 3.2), the obstacles to environmental actions (section 3.3), and the consequences of these actions (section 3.4). We finally conclude by some proposals for setting up of a political strategy aiming at promoting sustainable development in these service sectors (section 4).

## 2 Methodology

This research is based upon a survey carried out during autumn 2001 (Lavendhomme & Kestemont [9]). A written questionnaire is the data collection tool, administrated by post mail or email to designated respondents randomly selected in the retailing sector, in the financial sector, in the catering sector and in the Public services. Qualitative interviews complemented this questionnaire procedure. Confirmation of the results and explanatory factors have been provided and discussed in this qualitative approach. The results presented in this paper concern the quantitative procedure only.

The questionnaire is highly standardised, including closed questions and multiple choices. It is structured as the following :



The global response rate was 10.65%, spread out 50% in the Public services (44 respondents), 27% in the financial sector (24), 12% in the catering sector (11), and 11% in the retailing sector (10).

It is important to note that this survey probably gives a better environmental image of these sectors in Brussels than the reality. Indeed, respondents concerned by environmental matters are more prone to reply to the survey. Moreover, the questionnaire deals with the peoples' perceptions and intentions and therefore the phenomenon of social desirability has to be taken into account. Nevertheless, on the basis of the information of this exploratory analysis, we can derive some recommendations for decision makers and we can frame more specific investigations.

### **3 Results**

As attitude is a predisposition to action, we first evaluate the way the sectors perceive the environmental challenge. We study this ecological perception in a global (is there an environmental challenge ?) then in a more company related way (does my company contributes to the current quality of environment ?). Thereafter we analyse the motivations and driving forces that would eventually influence these sectors to implement ecological actions. Obstacles are also analysed, in order to provide suggestions for levers of change.

The results presented here come from an analysis on the whole range of data without drawing distinction between the sectors (distribution, catering, financial and Public sector).

#### **3.1 The environmental challenge**

##### **3.1.1 Awareness of the environmental challenge**

No service institution denies the relevance of neither the environmental issue nor the fact that environment is a huge challenge for the current world. 57% of the respondents know about the concept of sustainable development and among them 84% even consider their company can play an important role in the promotion of it. Sustainable development is not only a fashion nor an utopia, it can be put into activities in a relevant manner (77%) while the market alone can not solve the environmental challenge (60%).

This stresses the need for improved environmental information and communication as a first step towards an increasing adhesion to sustainable development.

These sectors seem to be rather follower than precursor in the concern of environment protection. We can note that this opposition between in the one hand the perception of the importance of the environmental challenge and in the other hand the lack of responsiveness of the same actors is not specific to the sector of service. This state of fact has also been observed in the industrial sector (Kestemont and Ytterhus [2]). This can be a sign of the lack of liability for individual agents facing a global issue. A crucial question we have to answer is then how to make these sectors feel more responsible for the environment?

##### **3.1.2 Identification of the environmental pressure**

The environmental impact of the sectors' activities is perceived as relatively weak. The main recognised impacts are those subject to European legislation and awareness campaign: energy and water consumption, solid waste generation and mobility. We note that these impacts are the most obvious elements and that they directly induce cost. This perception seems more related to the existence of legislation, on educational campaign and on direct financial advantage rather than based on a real reflection on the environmental issue.

Regarding to these perceived impacts on the environment, the question is raised on the incentives that could be relevant for undertaking environmental actions.

### **3.1.3 Incentives**

The respect of regulation constitutes the main driving force to undertake environmental actions (81% of the respondents consider regulation as a quite important driving force). Corporate image (74.3%) seems to be more important than more altruistic reasons, as environmental protection for the future generations or accident's reduction; the opportunity of reducing cost (59.2%) or the existence of fiscal incentive (39.5%) (47.6% for the sole private companies) being less important. Companies react thus in priority to driving forces such as rules and image. This stresses a lack of pro-activity of companies in designing environmental strategy

These incentives to implement environmental strategy can be influenced by different kinds of actors urging companies to act in a responsible way towards the environment.

### **3.1.4 Driving forces**

Several groups of stakeholders, may exert some pressure to put the environmental challenge into account in management practice.

The national, regional and international regulators are the most influencing group of stakeholders, while pressure from financial services is quasi nil. These sectors seem to react to injunctions. The staff is a stakeholder exerting some influence, while social actors as media, citizen-consumer, environmental organisations or customs union exert few pressure.

Note that the Minister in case of Public service, or the shareholder/management in case of private services are mentioned as the second most important stakeholder, just after the regulator. This confirms the insight of a more ecology-pushed than ecology-pulled attitude.

Suppliers have no influence, what is consistent with the belief that market can not solve the environmental challenge. In the private service sector, customers have little influence and in the Public sector, the pressure from citizens is not really taken into account. In both cases, the recipient of the services does not seem to weigh on the environmental decision of the companies.

## **3.2 Answers to environmental challenge**

In order to analyse how these sectors react, we first focus on the implemented actions, then we determine to which extent the environmental issue has been integrated in the decision making process.

### **3.2.1 Implementation**

Solid waste treatment, improvement of the internal environment, and energy consumption reduction are the main actions that have been implemented. That is in total coherence with the perceived impact, essentially ruled by European directives, publicised in awareness campaign and directly related with costs. Environmental actions are essentially about inside activity.

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The most often encountered environmental action is the sorting of solid waste (implemented by 95% of the Public services). This is an action easy to undertake at low cost and without the need of a complex organisation. Next we find actions in the area of the procurement with substitution of products hurting the environment (66.6%) and then, with direct effect on the costs, reduction of energy (61.8%) and water (50%) consumption. Finally these sectors realise some more altruistic action as the hiring of unskilled or handicapped workers (58%) or the substitution of product not made in dignity (44.6%). On the other side, very few actions are oriented upstream: neither choice nor pressure on the supplier, no mobility plan. The hiring of a specialist in the environmental area has only been implemented by 17.6% of the interviewed organisations.

Procurement is obviously the main area where environmental actions have been implemented (more than 60% have undertaken such actions in this area), while logistics (45%), building (35.8%) or financial area (33.4%) have less success. More than 40% even think that the two last areas are not relevant due respect to their activities. Area without direct link with the core activity or activities that will exert some influence in a longer term are then neglected or even though as being irrelevant.

### **3.2.2 Environmental management system**

Companies can also undertake environmental management activities. We define such activities as the implementation of management tools aimed at the coordination of tasks diminishing the ecological impact of the company's activities. In other words, environmental management systems form a structured approach to manage the ecological pressure. Nowadays, such structure is rarely put into action in the studied sectors with the exception of actions aiming at making the staff more sensitive (45%) and the participation in discussions with other concerned agents (35%).

The environmental issue seems to be in a maturation stage. The actors are not proactive but are looking for more information (essentially about the identification and assessment of relevant legal requirements). Several action are considered even if they are not yet implemented yet: cost/benefit analysis (16% implemented, 21% envisaged) environmental auditing (15% implemented, 21% envisaged), setting up of measurable environmental objectives (17% implemented, 19% envisaged). Other procedures allowing for an evaluation of environmental results are hardly considered.

So, up to now, few management systems have been developed. These sectors rather undertake detailed actions than implement routines and inform staff or public on a regular basis.

### **3.3 Obstacles to environmental actions**

No major obstacle comes out. The main impediments quoted are financial by nature and linked to the costs or to the lack of fiscal incentive. Another problem stems from the way to handle the environmental challenge: lack of skilled people in the area of environmental management, no performance measures, absence of available information on solutions. Finally, to a lesser extent, dullness and lack

of motivation of the staff can hinder the implementation of an environmental management.

For the private sector, the absence of competitive advantage and the weak demand for green products also constitute an obstacle.

### **3.4 Consequences from environmental actions**

The actions recording the better performances are the ones that are the most often implemented i.e. fight against solid waste, energy consumption reduction. Environmental actions also have positive impact on the satisfaction of the staff and on corporate image. In the Public sector, the most sizeable record is an increase in the hierarchy satisfaction. Nevertheless, on a global view, these sectors do not believe that its own environmental actions, if any, have substantial ecological and socio-economical impacts. This is in coherence with the low impact perceived from their activities on the environment. This may also be due to the fact that no routine has been put in place to evaluate the results of actions.

Moreover these sectors see by no means how they could manage to modify the behaviour of external actors. They are busy with their own environment, neglecting the interactions with other actors, even if they reckon that the environment is a challenge for the whole society. They underestimate their role as stakeholder while they hold a privileged position to influence and to arouse more prone environmental behaviour.

## **4 Conclusions**

The real obstacle comes from the absence of liability resulting from the lack of awareness of the real role this sector can play in sustainable development, all that being reinforced by the lack of pressure from outside and the very limited impact or their actions on environment. In fact the real problem is this lack of perception, altruistic long run vision, in brief the misunderstanding of the concept of sustainable development.

We can break this vicious circle at different places in order to make it a virtuous circle. In a view with the setting up of a political strategy aiming at supporting sustainable development, it seems advisable in the one hand to make the sector more sensitive to the existence of multiple areas where environmental actions could be undertaken and in a second hand to facilitate the implementation of actions outside the strict environment of the organisations. Making the stakeholders fully aware of their responsibility and of their strength could also help to adopt this way.

- In order to increase the companies' perception of their impact on the environment, the authority could promote information campaigns. This could help companies becoming aware of their responsibility towards the environment and future generations and then increasing their incentive to implement actions. This information will also increase the liability of the staff fighting against a kind of dullness.

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An improved sense of responsibility could also come from the internalisation of the cost. If companies have to pay for the damage they cause to the environment, their impact will become a clear reality and the incentive to take the environment into consideration will increase.

- In order to facilitate the pressure from the stakeholders, the authority could improve the liability of institutions by giving a sense of responsibility to each member of the staff. When aware of their role, these members can put some pressure on their own companies, and also act as a stakeholder towards other institutions. This could help companies to take account of the environmental problem in a whole, and to act in co-operation with other institutions, or at least to take social interactions into account. Education can play here a crucial role in encouraging them to use their potential power in order to modify the environmental strategies and to explain how to do this.

The government can also help for more considerations for market forces. For example, via education, it could make the consumer aware of his role and his power as elector and consumer. Adequate information has to be available (eco-label, social-label, media). Government also could convince firms to adopt sustainable strategies in order to gain market share.

On the other hand, the government can also act as a direct stakeholder: reinforcing the regulations or developing fiscal incentives. Sustainable development also concerns economic growth. Government have to co-operate in order to avoid environmental matters becoming a cause for loss of competitiveness. Some help could also been given in supporting the launching of sustainable activities.

- Some detailed actions are currently implemented. However, long run or indirect consequences of these actions are neglected. The development of procedures for an environmental management system can prove to be resources consuming, but definitely needs information, reflection and know-how. This implies for instance to make information concerning possible actions and routines available and to assess the advantages resulting from the implementations of such routines. Giving some incentive to encourage such environmental procedure, information assistance and training, could also be a lead for promoting sustainable development.

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