

**THE GREEN MARKET
AND ENVIRONMENTAL POLICY:
AN ASSESSMENT OF A NON-INTERVENTIONIST STRATEGY**

John Moxen and Alistair McCulloch

Over the last five years or so, the approach of British governments to managing the relationship between the economy and the environment has been strongly influenced by EC directives and initiatives. In addition, the period has also seen a legislative programme that (in law at least) has increased considerably the regulation of business activities as they affect the environment (Environmental Protection Act 1990). The rhetoric associated with the passage of this legislation, and the Environment White Paper which preceded it (Department of the Environment (DoE) 1990), has helped to create the impression that the Government considers intervention in markets either directly or through regulation to be the best means of working towards one of the elements in its vision of sustainable development, namely protecting the environment from the damaging effects of industrial growth. In more recent years, this impression has been strengthened by the Government's vocal endorsement of the efficacy of economic instruments as means of meeting environmental objectives (DoE 1993). However, there is also a substantial element of free market thinking in the policies devised by the Government to manage the effects of business on the environment and this is true even of such ostensibly interventionist policy statements as the recent White Papers on the environment. (DoE 1990, DoE 1991, & DoE 1992)

The Major government, like the earlier government of Mrs Thatcher, contends that, in the United Kingdom, a growing proportion of market

John Moxen is a lecturer in Management, and Alistair McCulloch a Reader in Public Administration, at Robert Gordon University, 352 King Street, Aberdeen, AB9 2TQ. They are involved in a programme of research on business and the environment and on the implementation of environmental policy in Scotland.

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transactions are contributing to the protection and the enhancement of the environment. This contention is based on the belief that, in many markets (so called 'green markets'), firms are now competing on the basis of the environmental quality of their production processes and products as well as on the more traditional grounds of cost and performance. The Government attributes this transformation in traditionally environmentally destructive markets to environmentally-informed consumer pressure which has been brought about by the increasing prominence in recent years of environmental issues on the political agenda (Robinson 1992). The Government believes that these changes in attitude to the environment are reflected in changes in purchasing patterns in both consumer and industrial markets. The actors in this process are individual consumers, the organisations which supply them with goods and services, and the businesses operating in the industrial markets which support the production of these goods and services. The Government's assumptions concerning the responsiveness of green markets to consumer pressure reflect its acceptance of a neoclassical model of economic behaviour.

An assessment of this aspect of the Government's policy is timely because, while it is generally accepted that much of the Government's environmental agenda has been driven by developments in the European Community (Welford & Gouldson 1993), the strength of Britain's relationship with the EC has been weakened considerably over the last two years. Significant in this process have been withdrawal from the European Exchange Rate Mechanism and the furore surrounding the Maastricht Treaty. Additionally, the increasing prominence given in EC decision-making to the principle of subsidiarity makes it possible for the Government to develop a more independent environmental strategy. The indications are that this strategy will be heavily influenced by a free-market philosophy and that environmental policy will increasingly look to market forces to create the kind of interface between business and the environment which the Government considers sustainable (**Observer**, 18 July 1993). (An alternative model of sustainable development is discussed well in a recent article by Daly, a World Bank economist (Daly 1990), and his argument is further developed in the 1992 follow up to the seminal Club of Rome report **The Limits to Growth** (Meadows, et al., 1992).)

The aims of this article are three-fold. Firstly, to outline the main strands of government policy regarding the environment and to draw attention to the role envisaged in this for the green market. Secondly, to analyse the key features of a green market and, thirdly, to ascertain whether the Government's confidence in the green market can be substantiated. Evidence is drawn from

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a survey of commercial organisations operating within industrial markets in the Grampian Region of North East Scotland which was undertaken in autumn 1991 (McCulloch and Moxen 1992).

THE BRITISH GOVERNMENT'S ENVIRONMENTAL STRATEGY

In Britain the task of translating the vague environmental policy statements of the late eighties into specific objectives and practical action has been vigorously pursued by the Department of the Environment (DoE). In three White Papers, the Department has developed a strategy to change business behaviour, improve the environment and advance the Government's notion of sustainable development (DoE 1990, DoE 1991, DoE 1992). The broad thrust of the White Papers is that environmental protection can be achieved best by a combination of policy 'instruments'. (This is reinforced by the recent consultation document on environmental policy (DoE 1993).) In the past, British governments have relied mainly upon statutory regulation to control pollution and the regulators continue to have an important role to play in the environmental strategy outlined in the White Papers. The White Papers break with tradition, however, in advocating a 'market-based approach to the environment' (DoE 1990, Annex A). This approach involves adjusting market forces so that price signals better reflect the environmental gains and losses associated with business operations. These adjustments can be achieved by various forms of pollution charges, as well as through taxation and other economic instruments, and are designed to encourage consumers and producers to behave in ways which benefit the environment. (These market-based approaches were advocated by an advisor to a succession of Secretaries of State for the Environment in what has become known as the Pearce Report (Pearce et al. 1989a & 1989b).)

Regulation and 'market-based instruments' constitute the pro-active, interventionist aspects of the Government's environmental strategy, but this strategy is characterised by another feature, which is a reliance on the development of green markets. The 1990 White Paper, **This Common Inheritance**, makes clear the Government's belief that market forces can be a potent mechanism for environmental protection. Accordingly, the Government maintains that 'the oldest and best way of controlling the pace at which we use up natural resources is to let the market work. If one resource is in short supply, its price goes up, and somebody develops alternatives' (DoE 1990, p. 33).

Aside from questions of supply, markets are also shaped by the wants and desires of customers and so reflect the preferences and values of consumers.

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The Government argues that, increasingly, customers are demanding goods that can be produced and disposed of without harming the environment. Consequently it believes that, in more and more markets, environmental factors are affecting prices and company profits with the result that firms are developing ways of reducing the impact which their operations have on the environment. Attention is drawn to this process in the White Paper, where it is stated that

if enough consumers want them, the market will provide cleaner products, even if they may cost slightly more. Consumers proved this when they shunned aerosols containing ozone-damaging chlorofluorocarbons (DoE 1990, p. 222).

The Government is strongly committed to the argument that, in many areas of the UK economy, market forces are changing the nature of business operations and forging patterns of development which it considers are sustainable. The White Paper contends that

many firms in all sectors of the business community are looking for ways to reduce the damage which their products and their processes do to the environment (DoE 1990, p. 234).

The Government believes that these changes are occurring because business entrepreneurs, or 'green capitalists', are responding to customer demands for goods and services that meet high standards of environmental care. In this view, the environmental programmes of many companies are now being driven by market forces, as well as by environmental legislation. The Government recognises that it is difficult to isolate and measure the unique effects of either type of pressure on company policy. It is convinced, however, that market pressures are forcing many companies both to raise their environmental standards in areas which are not covered by environmental statute, and to exceed legislative targets in areas which are covered by statute (DoE 1993). In the eyes of the Government, many business firms are moving from a position of limiting pollution in order to meet legislative targets toward one of strictly controlling the environmental impact of their activities and products to achieve greater efficiency and to improve competitiveness. (This argument was first outlined by Tom Burke, an advisor to Michael Heseltine (Elkington and Burke 1989).) Referring to these putative developments, the first White Paper noted that 'these changes in approach make good commercial sense, since they are a direct response to pressures in the marketplace from consumers and investors' (DoE 1990, p. 234).

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A similar theme was developed by Michael Heseltine in a series of speeches (Heseltine, 1991a, 1991b, 1991c, 1992a, and 1992b). For example in a speech in 1991 he told the CBI Annual Conference that

business success and environmental success are nearly always found in association with each other. Poor environmental performance is likely to be a sign of poor market performance. The most profitable companies are often the cleanest...This should come as no surprise. What links the two is quality of management (Heseltine 1991b, p. 12).

To sum up, it is evident that one of the central aims of the Government's environmental strategy is to encourage commercial organisations to take fuller account of environmental factors in their strategic and operational plans (Advisory Committee on Business and the Environment 1991). Accordingly two types of policy have been developed for this purpose. The first type of policy works through intervention in markets either by means of statutory regulation or by the use of what the White Paper calls market-based instruments. The Government makes use of this type of policy when it believes that market outcomes are environmentally unsustainable. As the White Paper states:

If Governments want to stop something happening, or make something happen in a different way, they have broadly two choices: they can by law lay down rules and regulations or standards to be met or equipment to be installed; or they can use the market to influence the behaviour of producers and their customers. (DoE 1990, p. 13)

Interventionist policies work by modifying market forces, but the other type of policy which plays a central role in the government's environmental strategy is designed to complement market forces. The policies that fall into this category are designed to support green markets and are intended to help firms satisfy the environmental standards demanded by individual consumers and trading partners. Programmes associated with this second type of policy include such things as advisory services and training schemes on environmental management, and grants to industry to improve energy efficiency, minimise waste, and upgrade technology. The UK Departments of the Environment and Trade and Industry, the Scottish Office Industry Department, and the Scottish Enterprise network are all providers of these services. The Government has also developed, in conjunction with the British Standards Institution, an environmental management standard (BS 7750) to help organisations face up to the arduous task of establishing their own purpose-built systems. This standard is one of a range of voluntary schemes

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which includes eco-labelling, eco-management, and environmental audits that are designed to provide individuals and corporations with the information necessary for them to base their purchasing decisions on their environmental values (McCulloch and Moxen 1993).

The Government believes that green markets are a significant and growing feature of the UK economy. This implies that, if the EC continues to inch towards federalism, the UK's future environmental policy is likely to be characterised by a shift away from reliance on market intervention and towards activities that support the green market. The aim of this article is to test the rationale for this strategy, but before this can be done the empirical characteristics of a green market have to be clarified, and it is to this that we now turn.

THE FEATURES OF A GREEN MARKET

The key feature of a green market is that a firm's competitiveness is closely connected to its environmental standards and it for this reason that the Government considers it a vehicle for sustainable development. In contrast, a traditional market is thought to be unsustainable because the environmental impact of a firm's operations is of no great significance so far as its effective management is concerned. In a traditional market, a firm's competitiveness is linked to, among other things, the financial costs of its operations which all firms are continually under pressure to reduce. The environment is often the first casualty of such pressure with the environmental effects of low-cost production processes playing an insignificant part in business decision-making. The crucial factors are costs, production levels, and financial ratios. In this traditional market, outwith small niche markets, there is no economic incentive for firms to raise their environmental standards above those set by statute. Firms with higher standards would find it difficult to pass the additional costs on to their customers, and, if they did, there would be a decline in their market performance. Investors would learn to ignore such firms and banks would not lend to them. In the long run, many such firms would go out of business. Thus, in a traditional market, commercial pressures frequently lead to poor environmental standards (Ekins, 1986).

Things are quite different in a green market. Here, a firm's competitiveness is strongly related to its environmental standards. This relationship reflects the fact that the purchasing decisions of both corporate and individual consumers are reached by considering the effectiveness, price, and environmental impact of a firm's goods and services. Consequently the profits of a firm are greatly affected by the environmental impact of its operations, goods and services.

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Other factors such as efficiency, product price and quality are also important, but the distinguishing feature of a green market is the commercial significance of a firm's relationship with the environment. In this green market, capital is channelled towards those firms that have been most successful in overcoming the environmental problems associated with satisfying a particular set of consumer demands. The operations of, and commodities produced by, successful firms are designed to function with the minimum damage to the environment, while also satisfying the customer's other expectations. Care for the environment is a key value in the plans and actions of managers and overcoming the technical and organisational barriers to 'sustainable development' are central goals for management. This point was stressed by Mr Heseltine during the 1991 Shell Lecture, where he outlined the roles played by the various actors in the green market:

It is on the relationship, between Government, business and the environment, that most depends - environmentally and economically. Scientists will help us identify the goals for sustainable development and the environmental parameters within which it can take place. Environmental bodies and the media will mobilise public support. Teachers, accountants, lawyers and many others will help design the tools and provide the trained people to use them. But the central task of delivering sustainable development, and thus of solving environmental problems, will fall to business (Heseltine 1991a, p. 6).

To cope with environmental problems, firms must revise their development plans, products and processes, administrative systems, purchasing and marketing policies and include within them environmental statements, policies, targets, and audits. In other words, to survive and prosper in a green market, firms must place environmental management at the centre of their concerns and minimise the environmental impacts of both existing operations and also development projects. Consequently one way of measuring the significance of green markets within an economy is to assess the importance placed by companies on environmental performance. A green market exists where it can be shown that most producers operating in a particular sector of an economy believe that commercial success and environmental standards are inextricably linked.

THE IMPORTANCE OF ENVIRONMENTAL MANAGEMENT

A green market is possible only if managers can control the environmental impact of business operations. Ideally this will involve companies undertaking a comprehensive review of the environmental impact of their

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activities, devising an environmental policy and putting in place improvement programmes and appropriate management and auditing systems. Environmental management systems are integral to this process. To achieve the ends which Government ascribes to them, the tools of environmental management must be fully integrated into the operating systems of the individual firm. The culture of the firm must change and the environmental dimension to business decisions must become as taken-for-granted as the financial dimension. A recent report from the United Nations Environmental Programme/Industry and Environment Office (UNEP/IEO) made this point in an emphatic manner:

Environmental protection issues are no longer the exclusive concern of environmental specialists. They have now become a matter for top management.....(who) need to prove that environmental quality is a key component of all other corporate goals and its overall quality approach....Middle and plant managers need to be convinced that top management commitment is real...(and) employees need information and training on environmental matters to enable them to work in an environmentally sound manner. (UNEP/IEO 1991, pp. 17-19)

For this to occur, firms need to revise their policy statements, strategic plans and administrative systems to reflect the importance of environment-related issues. Corporate commitment is usually expressed either through the incorporation of environmental objectives into an organisation's mission statement or (more commonly) by the adoption of a corporate policy statement on the environment. The action which results from this commitment must be monitored and controlled, and, for that to occur, environmental management tools have to be integrated into the organisation's administrative systems and training programmes.

The most important tool is the environmental audit. According to the International Chamber of Commerce, the environmental audit is:

A management tool comprising a systematic, documented, periodic and objective evaluation of how well environmental organisation, management systems and equipment are performing with the aim of: (1) facilitating management control of environmental practices (2) assessing compliance with company policies, including meeting regulatory requirements. (International Chamber of Commerce 1990)

The importance placed by companies on environmental management is a key indicator of the progress of the Government's environmental strategy.

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However the variable must be carefully interpreted, as it is influenced by two independent factors: customer pressure and the interventionist wing of the Government's environmental strategy. Only in those cases where it is due to customer demand does the importance placed by companies on environmental management indicate the extent of a green market.

EVIDENCE FOR A GREEN MARKET

Given the strength of the Government's commitment to the green market it is surprising that it has not investigated the issue empirically. Rather it is content to assume that voter concern for the environment, which is deep and, on occasions, politically significant, provides an indication of the scale and the scope of the pressures in the market place for high environmental standards. The Government is not alone in making this assumption. Commentators often fall back on surveys of political and environmental values when estimating the purchasing power of 'green consumerism'. Occasionally, estimates of this pressure are also based on the importance which consumers claim they place on environmental factors when reaching their purchasing decisions, and, as the 'halo effect' might lead us to expect, most consumers claim that their consumption patterns are influenced by environmental considerations (Peattie 1993).

These, however, are weak and unreliable ways of estimating the 'effective demand' for high environmental standards in industrial and commercial organisations, particularly when combined with the Government's unrealistic assumption that these firms are operating in a neoclassical economy. Rather, we would argue that the economic importance of green markets is best indicated by developments in industrial markets and by changes to business trade agreements. These measures are implied by one of the central features of a green market, namely that the environmental concerns of individual consumers percolate through to manufacturers and industrial markets and raise environmental standards at every stage in the supply chain. These standards would be reflected by developments in the fields of manufacturing technology and in the design of finished products. Through the use of Life Cycle Analysis (SETAC 1991), manufacturers would build an environmental dimension into the management of industrial processes and the design of new products (Roome 1992). This would result in lower pollution, a reduction in energy and water, and a reduction in waste and, also, an increase in recycling. Consequently, the importance of a green market to an economy is indicated by the significance of environmental considerations in the demands of corporate consumers and their role in steering the development plans and decision-making procedures of industrial firms. Of course these industrial

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firms must be responding to pressure from consumers within the national economy under consideration and not to pressure from overseas markets. For example in the case of the UK, estimates of the strength of green markets should ignore the environmental standards of UK firms with significant interests abroad such as those active in the United Nation's Business Council for Sustainable Development (Schmidheiny 1992). Firms with major markets outside the UK are exposed to quite different market pressures from those operating primarily in the UK, and the environmental standards of international firms reflect both these and other factors such as the legislative programmes of other countries.

In an attempt to test the hypothesis of a green market, a survey of firms in the Grampian Region in North East Scotland was undertaken during the second half of 1991. The firms' principal markets were in the UK, and consequently whatever market pressure there was to raise environmental standards emanated from there. The firms surveyed either manufactured and supplied materials or carried out essential services for industrial customers within the UK. The survey was primarily concerned with contractors and suppliers in the oil and gas and the manufacturing and processing industries (Divisions 1 to 5 of the Scottish Office's Industrial Classification (Central Statistical Office 1980). Included in the survey were firms operating in the construction, textiles, paper, food processing, and offshore industries. These are industries which are generally recognised as having substantial impacts on the environment (Commission of the European Communities 1985).

The sample was drawn from Grampian's **Business Directory 1991** which is a comprehensive document produced by Grampian Regional Council. The directory provides information on the size of a firm's workforce, and firms were selected such that the final sample reflected the distribution of this variable in the industrial markets of the Grampian area. The size of the sample was 150, and 67 responses were received, representing a response rate of 45%. Large firms with more than 100 employees made up 40% of the respondents and medium and small businesses constituted 60%. In the group of large firms the median company had 291 employees, and a turnover of £31 million. In the group of small and medium companies the median firm had 42 employees and a turnover of £3.2 million. Questionnaires were addressed to 'The Environmental Director', and, while managing directors were the principal respondents, accounting for 60% of the total, the other respondents were drawn from those responsible for either plant management or health and safety matters. While this suggests that the respondents place a good deal of importance on managing environmental impact, our follow up to non-respondents would caution against attributing this view to the wider

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population of firms. When contacted by telephone the non-respondents explained that they had not participated in the study for one of two reasons. The largest group, comprising mainly small and medium sized firms, said that they did not gather information relevant to the survey. The other group, consisting of larger firms, implied that they collected the information yet felt unable to participate in the study on the grounds of confidentiality! The comments by both these groups lead us to suspect that the respondents to the survey are comparatively more advanced in respect of both their commitment to and development of environmental management. This is likely to mean that the findings of the survey exaggerate the general level of interest in environmental management in the business community

At the time of the survey, Grampian Region was a particularly appropriate area in which to conduct such a study for two reasons. In the first place, and most significantly, it had escaped the recession which had been so much a feature of the economic performance of other areas of the UK. Thus, Grampian managers were better placed than most to consider strategic options and development plans and to review their operating procedures. Consequently, this group of managers would have been the most likely to have been responding to the development of a green market if such a development were underway. Another important consideration is the Region's economic profile. Central to this is a large oil and gas extraction sector and the associated manufacturing, supply and service industries, and the Region is also the base for substantial activity in the area of agricultural production and processing (Elliott & Speight 1989, Grampian Regional Council 1991, Marnock 1991). These are environmentally sensitive activities which have been subject to public scrutiny and debate over many years. For both these reasons, if a green market had been developing anywhere in the UK at the time of the survey, that development should have been taking place in Grampian. Conversely, if this was not happening in Grampian, it is reasonable to conclude that it was unlikely to be happening elsewhere.

In a green market, a fundamental objective of a firm's business strategy is the achievement of high environmental standards throughout the organisation. The survey data makes it quite clear, however, that UK firms are not operating in a green market. Firms were asked to indicate the relative importance of four different types of management to their strategic and operational agendas. (The process of agenda setting is analysed in detail by Kotter (1982) and by Mintzberg (1987).) Environmental management was considered to be least significant by 43% of the sample. The median ranking given to environmental management was fourth (or last) place. Ranked above it were management objectives which reflected the values of the traditional

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market - better quality products, more effective marketing, and lower production costs. The dominance of the traditional market is further confirmed by the fact that 80% of firms did not consider higher environmental standards an important strategic or development goal.

Moreover, environmental management is not normally a feature of the day-to-day administration of businesses. The mission statements, policies, and operating procedures of many firms ignore the environmental impact of business activities. In 65% of the firms surveyed 'care for the environment' was not a significant value. This value was not apparent in their mission statements; nor did it influence their policies (A similar conclusion was drawn in a UK national survey undertaken in 1991 (David Bellamy Associates 1991).) However, even this figure may underestimate the situation because, in the same way as the statements of individuals about this belief are not exact guides to their purchasing decisions, the mission statements and formal goals of firms are not necessarily a reliable indication of their behaviour (Perrow 1961), but may reflect, for example, public relations concerns. This explains the fact that, while 35% of the firms surveyed had added an environmental statement to their list of formal goals, environmental audits, a vital means of ensuring the implementation of environmental policy, were carried out in only 14% of these firms. While the PR-relevant environmental charter was more likely to have been adopted by larger firms, with regards to fundamental change, as with the other findings of the survey, size of firm was not significant as an explanatory variable.

In general, then, in more than 80% of the firms surveyed, managers ignored the environmental impact of business operations. This impact was also ignored in planning and development activities. Despite being largely ignorant of the environmental effects of their operations, nearly 50% of firms planned to alter their interactions with the environment in the near future. In traditional markets this sort of behaviour is commonplace, and it strongly suggests that there is little pressure in the market for firms to reduce the impact which their activities and products have on the environment.

All in all, these facts suggest that most managers do not believe that the commercial performance of a firm is influenced by the environmental impact of its operations. In fact, and contrary to the Government's assertions, most managers argued that the costs involved in achieving higher environmental standards would damage rather than benefit their firms. The expenditure which would be required to reduced the environmental impact of business activities was regarded as the major obstacle to change in approximately 60% of firms. Moreover, it was not thought that such costs could be passed on to

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the consumer, doubt being expressed about whether customers would be attracted to such products when they could purchase cheaper alternatives. In fact, environmental concerns appear to be peripheral rather than central to the purchasing decisions of customers. More than 70% of the firms surveyed reported that their customers had little interest in either their environmental standards or in the environmental impact of their processes and products. In choosing to ask suppliers about the purchasing decisions of their corporate customers, we were avoiding the problems associated with asking purchasers questions about their own behaviour in an area with a high moral content. Because of their place in the market and their associated knowledge, suppliers are able to report on the actual behaviour of customers and this clearly offers a more reliable guide to the importance customers place on environmental factors than would be obtained were they to be asked directly. To do the latter would be to conduct a survey of attitudes rather than one of purchasing behaviour. In the corporate and industrial markets with which the article is concerned, relations between trading partners are often specified in contracts and in great detail. This means that the customer has ample opportunity to specify his or her requirements to the supplier and that the supplier has a detailed knowledge of customer wants and a base from which to predict market trends. While it is possible for an individual supplier to misread market shifts, it is very unlikely that entire markets would do so, and consequently a survey of suppliers is a reliable method of constructing customer profiles and a sound basis from which to extrapolate customer trends.

The findings of the survey, particularly when the nature of the respondents is borne in mind, are quite contrary to what would be expected were a green market to be in place, and they suggest that business behaviour in the UK reflects the patterns of the traditional market. Firms which are largely dependent on markets in the UK appear not to believe that their commercial performance is heavily influenced by their environmental standards and environmental management. Quality and price are the two criteria which are believed to govern the purchasing decisions of customers. Generally speaking, corporate customers are perceived to be uninterested in the environmental consequences of their purchasing decisions. As a result, most businesses place little importance on raising their environmental standards above statutory levels.

It is generally the case that managers can see no commercial advantage to their firm in having higher environmental standards than are legally required. Their business plans are based solidly on the core values of the traditional market - low costs, low prices, and good quality products. Green values are

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largely ignored. For the most part, firms take note of the environmental impact of their operations only in those areas where legislation requires them to do so. Business managers contend that it is difficult for a firm to do more than meet statutory requirements because company competitiveness would suffer as a result of the price increases which would be necessary to offset the costs of higher environmental standards. The principle conclusion to be drawn from the survey data is that businesses are operating in a traditional market and not in a green one. The findings of this survey raise fundamental doubts about the effectiveness of the Government's environmental strategy.

CONCLUSION

The Government appears to be moving towards an environmental policy that depends less on intervention and more on market forces. However, in practice, market pressures are not strong enough to deliver the desired range and depth of environmental improvements. In order to achieve its vision of sustainable development, the Government must do more than encourage business to 'continue to respond to the rising public concern over the environment' (DoE 1990, p. 59). This concern is not being translated into the economic muscle necessary to prompt firms to develop 'environmentally more benign products, cleaner technologies and methods of conserving energy and raw material' (DoE 1990, p. 59). Our findings undermine the Government's claim that market pressures are such that 'the central task of delivering sustainable development, and thus of solving environmental problems, will fall to business' (Heseltine 1991a, p. 6). The evidence suggests that the Government has underestimated the degree to which business behaviour is at variance with the goals of environmental policy. Thus, the Government must extend its efforts to shape business behaviour or risk losing sight of its policy goals.

Essentially, companies take note of the environment when they are required to do so by legislation. For example, an environmental issue had prompted 26 of the companies surveyed to change some product features. In 65% of these cases legislative compliance was the cause of change. Thirty six of the companies studied had altered their processes for environmental reasons. In two out of three cases the change was introduced to meet legislative requirements. This means that less than one in six of the companies had introduced changes to products and processes that were prompted by non-legislative factors. In addition, the inadequate nature of the systems of environmental management operated by these firms greatly restricts their ability to reduce their impact on the environment.

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It is possible to conclude, therefore, that the effectiveness of the Government's environmental strategy is compromised by its dependence on market forces. However, despite this, it appears likely that in future, and where it has discretion, the Government will rely less on intervention to achieve environmental goals and more on market forces. However, only by intervening in markets more strongly than it has done will the Government ensure that environmental factors play a bigger role in business decision-making and, as a consequence, enable that sector of the economy to assist in the delivery of 'sustainable development'.

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