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Article

Helping Small Businesses on their Sustainability Journey

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Please note this content was curated for SME businesses in the UK

In conversation with Ian Fantozzi, CEO of Beazley Digital

Since the term Environmental, Social and Governance (ESG) first appeared in a 2004 study entitled "Who Cares Wins" by the United Nations Global Compact1, it has become a cornerstone of corporate strategy. The elements behind this three-letter acronym have evolved significantly and expanded from a focus on compliance and risk management to incorporate broader sustainable goals and societal impact objectives. ESG factors can shape a company's reputation, customer loyalty, employee engagement and alter its risk profile, but at its heart, ESG is about being a responsible business.

Awareness surrounding ESG has ballooned, and smaller businesses are increasingly concerned about ESG and how to implement sustainability and responsible practices into their business. This concern was evidenced in our 2024 Risk & Resilience research, where 30% of smaller businesses (with an annual

revenue of £1m to £9.99m) ranked ESG as a top business risk, and 30% of these businesses currently feel unprepared to manage ESG risk, along with 31% of micro-businesses (with an annual revenue of £250,000 to £999,999). Further research conducted with some of our small business clients in the UK identified that many small business owners do not understand the various elements of ESG and the jargon surrounding it, and many thought that implementing new ESG-related business practices and changes would be complex and expensive.

We chatted with the CEO of Beazley Digital, Ian Fantozzi, to discuss the ESG-related challenges SMEs face, the benefits that being a sustainable and responsible business can offer, and how Beazley's new Better Business Hub supports them.

How does the Better Business Hub address ESG challenges faced by SMEs?

We discovered through our research that many SMEs, particularly ones with a workforce of up to one hundred employees, felt overwhelmed by the information available about ESG business practices, and they found the language around ESG confusing. This is not surprising, as firms of this size often do not typically have a dedicated head of responsible business or the resources to implement ESG strategies.

ESG covers a vast spectrum of areas and issues. Some businesses tend to focus on just the 'E', prioritising environmental practices like recycling and waste management. On the other hand, other businesses believe adhering to responsible business strategies and managing this risk is complex and requires a large budget. This belief can often deter SMEs from engaging with ESG practices as they think they will need substantial resources and expertise to navigate.

By offering a user-friendly online platform that includes a 'health-check' tool - a short questionnaire – we can help businesses ascertain their current position on the sustainability spectrum. Armed with the results from the health-check, businesses can get a better understanding of their ESG status without the need for extensive background knowledge or investment. This approach not only clarifies what sustainability and responsible business practices they should focus on, it also outlines actionable steps that businesses can take to start to integrate ESG practices into their operations.

Why did Beazley create the Better Business Hub?

Incorporating ESG strategies can generate huge benefits for small businesses. According to a 2023 study by McKinsey, products with ESG-related elements averaged 28% cumulative growth over five years versus 20% for those that made none2. Operational efficiencies and potential cost savings can arise and companies with strong ESG credentials often find it easier to attract investment and secure favourable financing terms, as they are deemed lower-risk and forward-thinking by investors.

This is why we are keen to help small businesses capitalise on the benefits of adopting responsible business practices. It's also the reason behind creating the Hub and designing it as easy-to-use. The Hub was designed to help SMEs demystify ESG jargon through our offering of practical guides and information tailored around sustainability and responsible business practices.

The feedback has been overwhelmingly positive, with SMEs appreciating the clarity the Hub brings to the often-complex world of ESG.

By helping SMEs to embark on their ESG journey with confidence, they can start to unlock the myriad of benefits that sustainable business practices can offer. The journey toward sustainability presents challenges, yet, if approached correctly and armed with the right tools, it can bring considerable rewards. Companies neglecting to integrate ESG principles into their core mission are likely to fail to remain competitive, while those prioritising ESG are more likely to establish a sustainable, forward-thinking, and resilient business that helps its customers, employees, and the planet.

Back to the resource centre

To help small businesses on their sustainability journey, Beazley, in conjunction with social impact agency, Good Innovation, has created the Better Business Hub, initially available in the UK.

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1 The Global Compact: https://www.unepfi.org/fileadmin/events/2004/stocks/who_cares_wins_global_compact_2004.pdf
2 McKinsey: https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/consumers-care-about-sustainability-and-back-it-up-with-their-wallets

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