



# GREEN GROWTH TRENDS IN THE EAST MIDLANDS

20

22

BARANOVA, P.  
PATERSON, F.  
GALLOTTA, B.

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Based on the responses to the East Midlands Chamber (Derbyshire, Nottinghamshire, Leicestershire) Quarterly Economic Survey in Q1 of 2022:



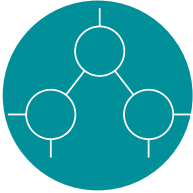
## 01 — Green growth intensifies

The percentage of businesses in the East Midlands deriving turnover from supplying green goods or services more than doubled over the last seven years, from 16% in 2015 to 45% in 2022.



## 02 — Differentiated approach

Over 80% of the large businesses are actively pursuing the green growth opportunities compared with 36% of micro, 56% of small and 61% of medium-sized businesses.



## 03 — Increase in green diversification

Four-fold increase in businesses reporting 1-19% turnover from Green Goods and Services (GGs) over the last seven years.



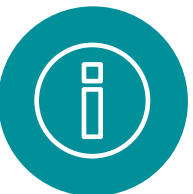
## 04 — Three in ten businesses are not engaged

More than three in ten businesses or 35% have no turnover generated from GGs still.



## 05 — Policy needs to step up

Only 17% of businesses surveyed stated that the current policy allows businesses to fully engage with green growth.



## 06 — Information gap remains

Over a third (33%) did not feel well informed about the support available for green growth in 2022 compared with 42% in 2021.



## 07 — Skills gap is shifting

The largest demand for skills development are in the areas of energy and resource efficiency, renewables and access to green funding and finance.

# KEY MESSAGES

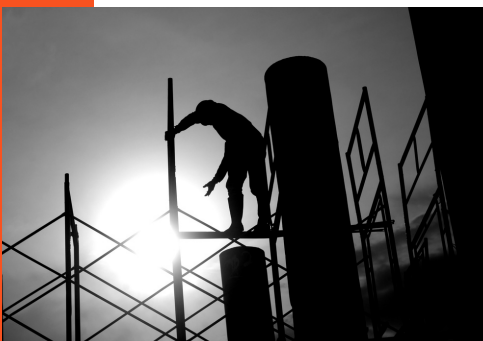
There has been almost 30% increase in the green growth activity in the East Midlands during the period 2015-2022.

There is an increasing trend of diversification into new green products and services as well as green markets.

Increasing number of small businesses reporting 1-19% share of green produces and services in the turnover.

Green skills development is an important factor for green growth success.

Businesses urgently require support with green funding and finance to capitalise further on the green growth opportunities in the region and beyond.

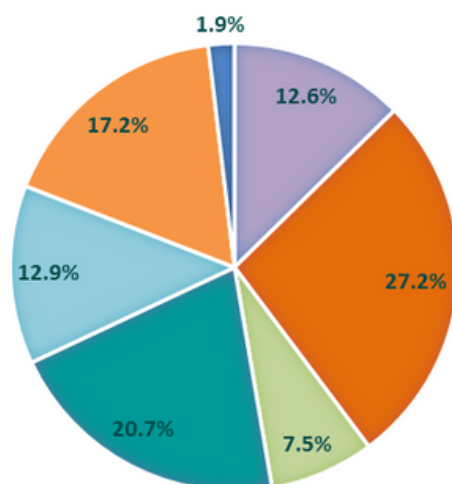


# INTRODUCTION

This briefing paper highlights key outcomes from a fuller analysis of the East Midlands Chamber Quarterly Economic Survey (QES) from February 2022 by the Derby Business School, University of Derby. Whilst the QES routinely explores a range of business interests, this analysis refers to a series of questions that focused on regional businesses' awareness and engagement with the green growth, and the degree to which they supply and benefit from diversification into Green Goods and Services (GGSs).

**Figure 1: Survey responses by geography**

- Derby City
- Derbyshire
- Leicester City
- Leicestershire
- Nottingham City
- Nottinghamshire
- Out of area



QES Q1 2022 respondents represented businesses from Derby City (13%), Leicester City (8%) and Nottingham City (13%) and the respective counties, with only 2% of the respondents from the outside of these three regions.

The survey received 372 responses in Q1 of 2022

40% from Derbyshire

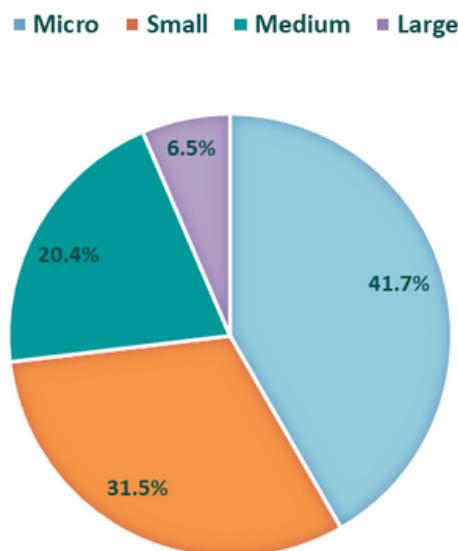
30% from Nottinghamshire

28% from Leicestershire

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Sectoral responses match our previous studies, with most responses coming from Engineering & Manufacturing (27%) followed by the Professional Services (18%). Overall, services represent just over 60% of the survey response and manufacturing sectors comprise just under 40% of the responses. In 2022, more micro-companies replied to the survey (42%) compared with the 34% response rate from this group of businesses in 2020.

**Figure 2: Survey responses by firm size**

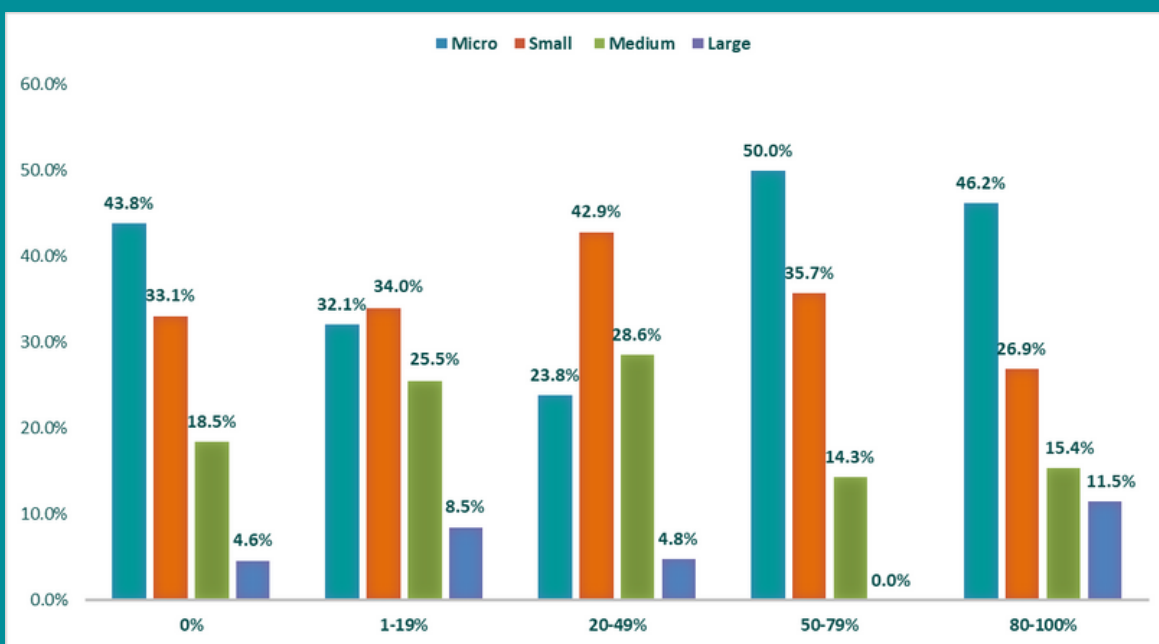


In this fast-moving arena, the terminology used by the regulators and the analysts is shifting. Previously, the Department for Business Innovation and Science used 'LCEGS' as an umbrella term to capture a range of business activities, spread across many existing sectors (like transport, construction, energy etc.) that focused upon the common purpose of reducing environmental impact (DBIS, 2015). However, the Office for National Statistics (ONS) now distinguishes between the Low Carbon and Renewable Energy Economy (LCREE) and the Environmental Goods and Services Sector (EGSS). Throughout this report we refer to 'Green Goods and Services' (GGs); a term that reflects the broadest range of environmentally friendly products and services.

# GGs TURNOVER Q1 2022

45% of businesses that responded to the survey generated part of their turnover from green goods and services (GGs) in the Q1 of 2022, 8% up from 37% in 2021. More than a third of the businesses did not generate any GGs turnover. The 1-19% turnover category remains the most frequent rate of green growth strategy adoption across the businesses surveyed.

**Figure 3: Green growth by firm size**



Further analysis of the data comparing the proportion of the turnover generated from GGs with reference to a firm size is presented in Figure 3. The analysis shows that micro businesses either engage to a large extent or do not engage at all in green growth. This could be explained by a lack of flexibility in business models to accommodate for a hybrid portfolio of green and non-green products and services.

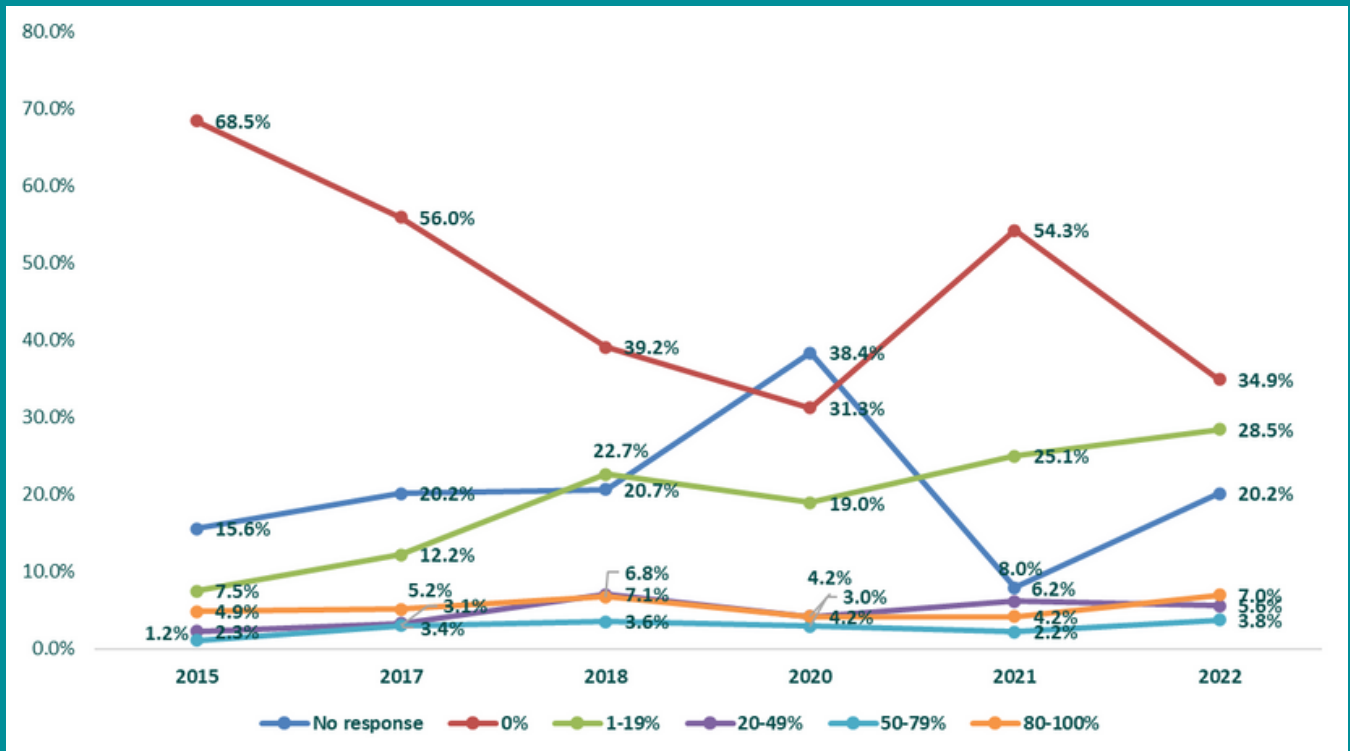
On the other hand, small-sized businesses are in a far better position to adopt such hybrid models leading in 1-19% and 20-49% turnover categories. Larger companies have more flexibility to commit fully to the green growth. This is evidenced by the highest proportion of large companies reporting turnover in 80-100% category.

# GGs TURNOVER TREND 2015-2022

A similar survey exploring the green growth trends was carried out in 2015, 2017, 2018, 2020 and 2021. Figure 4 shows the percentage of businesses deriving GGS turnover during the last seven years.

There is a four-fold increase, from 7.5% to 28.5%, in the businesses reporting 1-19% turnover from GGSs over the last seven years. Such a sustained and continuing growth in this category shows a positive green growth trajectory and proliferation of the green diversification. As the majority of survey respondents are small business, this is a significant trend that shows sustained green diversification strategies in SMEs over time.

**Figure 4: Turnover generated from green good and services: comparative analysis 2015-2022**





# GGG TURNOVER TREND 2015-2022

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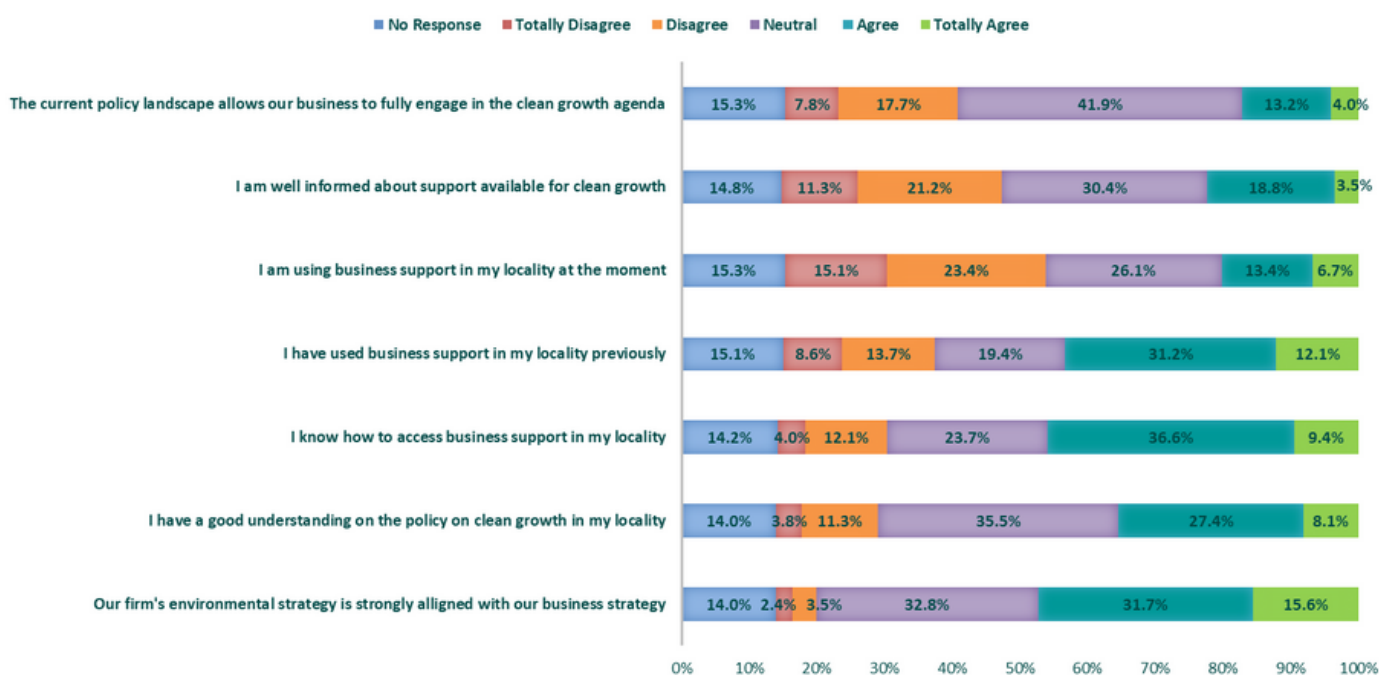
Despite each of the remaining turnover categories (20-49%, 50-79% and 80-100%) are reported by less than 10% of the businesses surveyed during 2015-2022, these strategies are on the rise too. The number of businesses in the 20-49% turnover category has doubled over the last seven years, and more than doubled in 50-79% turnover category. The number of businesses reporting 80-100% GGS turnover increased one and a half times during 2015-2022.

The inclusion of 'no response' in the trends analysis shows the respondents' behaviour towards the question and could mean unawareness about the turnover breakdown in the companies concerned. The 'no response' figures have risen since 2015 with a surprising drop in 2021. The 2021 drop could be explained by the effect of the COVID-19 pandemic and the COP26 impact on regional businesses in the way of intensifying the attention to the green issues and engaging with the QES survey. The 2022 figures registered 20.2% for 'no response' category which signals the return to the previous trend in this category.

# POLICY AND SUPPORT FOR GREEN GROWTH

Respondents were asked to respond to a series of statements about the Clean Growth Policy landscape on a scale between 'totally agree' to 'totally disagree' (Figure 5). This provided some interesting findings about the policy and business support in the region.

**Figure 5: Views about clean growth policy and business support**



Only 17.2% of businesses surveyed stated that current policy allows businesses to fully engage with the clean growth policy agenda. This is decline of 2% from the last year's QES response about business confidence in clean growth policy. Over a third did not feel well informed about the support available for clean growth in 2022 when compared with 42% in 2021.

# POLICY AND SUPPORT FOR GREEN GROWTH

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Whilst over 40% of businesses taking part in the QES had previously used business support in the locality, only 20% were using the business support at present. Despite this, over 40% of businesses were confident in their knowledge of how to access the business support.

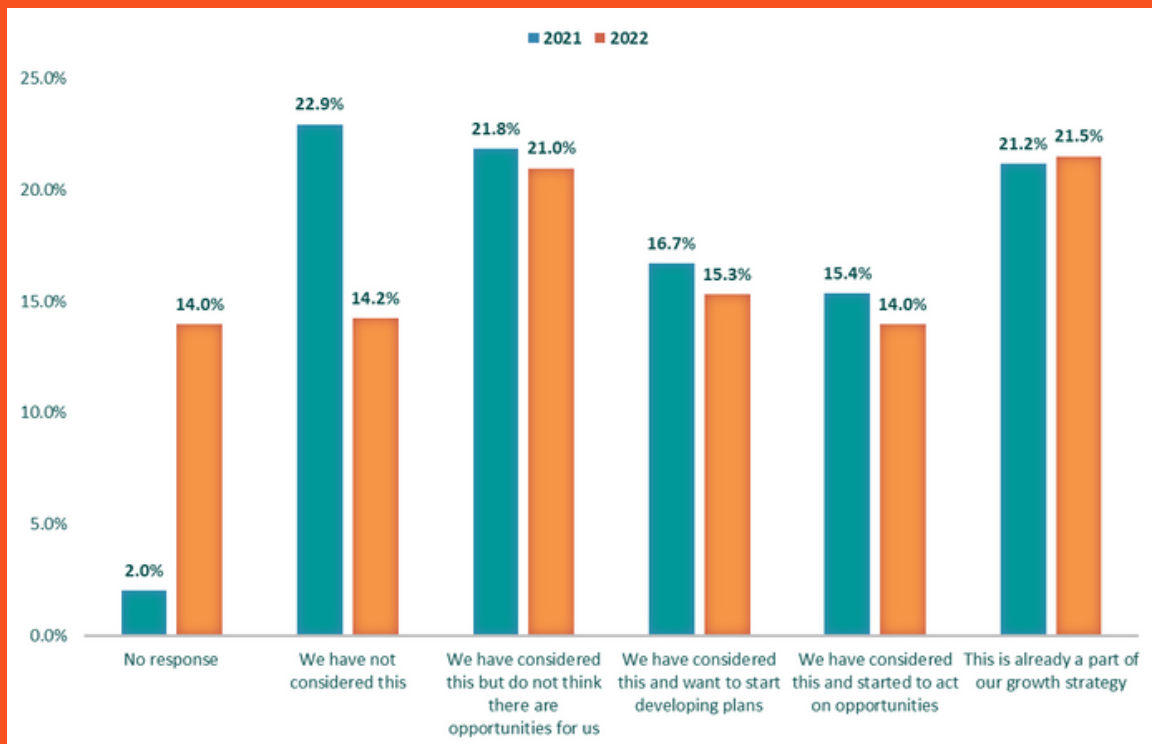
About 35% of the businesses stated that they have a good understanding of the policy. This a drop of 7% from the position in 2021 QES at 42% awareness rate. These responses indicate there is more to be done to raise awareness and to promote engagement with the pro-environmental business support across the region, and the clean growth policy agenda more widely.

Over 47% of business responded to the survey agreed that the environmental strategy is strongly aligned with the business strategy. Despite a 3% drop from the position in 2021, these are positive signs of integration of the environmental issues in the business growth trajectory long-term.

# GREEN GROWTH STRATEGY

Respondents were asked to respond to a series of statements about the adoption of the green growth strategies (Figure 6).

**Figure 6: Green growth strategy adoption**



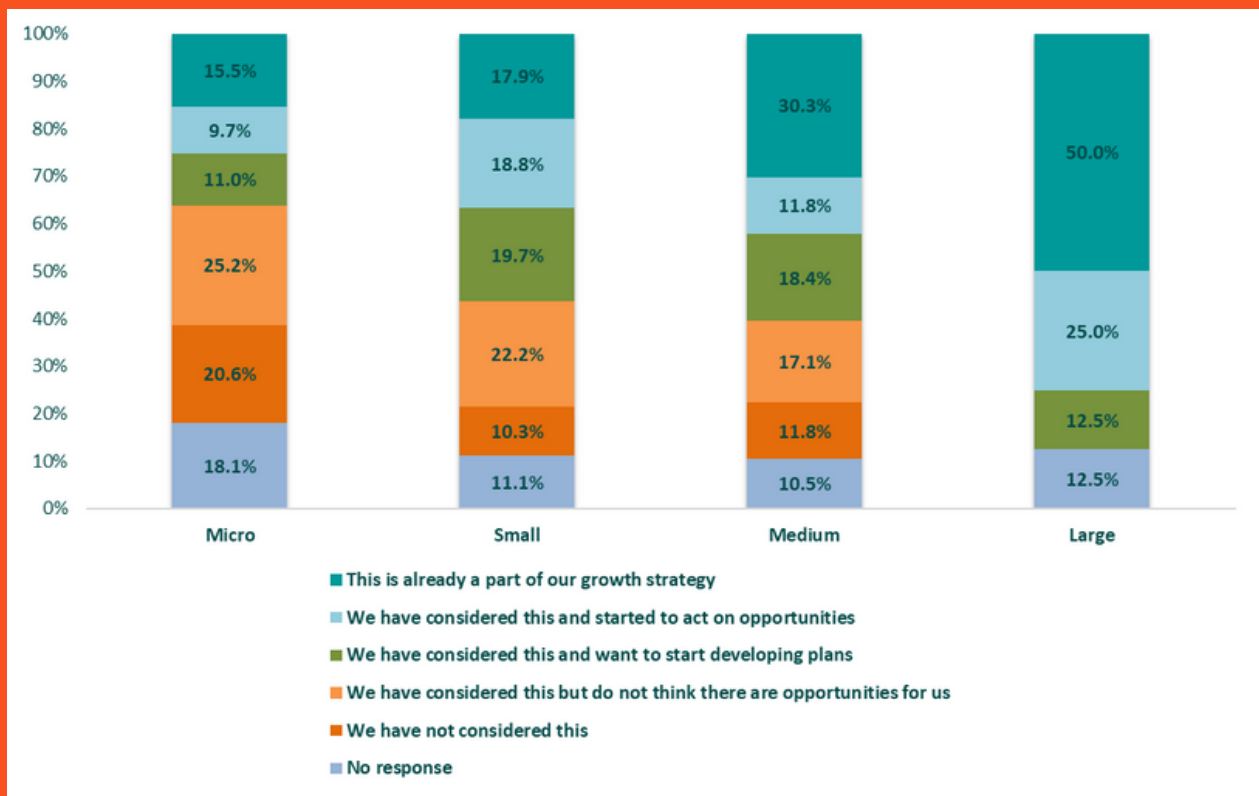
21.5% of the businesses said that green growth is already part of their business strategy which is an increase of 0.3% from the 2021 position. In addition to that, 14% of the respondents indicated that they had either 'considered [green growth] and are starting to act on opportunities' and 15.3% stated that they are developing green growth plans. This represents a small decrease (1.4%) in each of these positions when compared with the responses in 2021.

More positively, there is a 9% drop in the 'we have not considered this' category and a 0.8% drop in the 'we have not considered [green growth] and do not think there are opportunities for us' category. These trends need to be taken in the context of the 14% 'no response' rate to this question in the QES 2022.

# GREEN GROWTH STRATEGY

The number of businesses considering green growth as part of their business strategies have more than doubled over the last four years, increasing from 9.7% in 2018 to 21.5% in 2022. Similarly, the number of companies that had never considered green growth has decreased from 36.2% in 2018 to 14.2% in 2022. Less positively, there is an increase in businesses that could not see the opportunities presented by the green growth, an increase of 7.4% over the last four years from 13.6% in 2018 to 21% in 2022.

**Figure 7: Green growth strategies by firm size**



The analysis of the responses by company size (Figure 7) is insightful and reflects trends described in the academic literature (Baranova et al., 2020). Namely, that larger companies appear to be well in advance of their smaller counterparts, in respect of their strategic approach to green growth; with 88% of large companies either incorporating green growth or developing green growth strategies compared with only 36% of micro, 56% of small and 61% of medium-sized businesses.

# GREEN GROWTH STRATEGY

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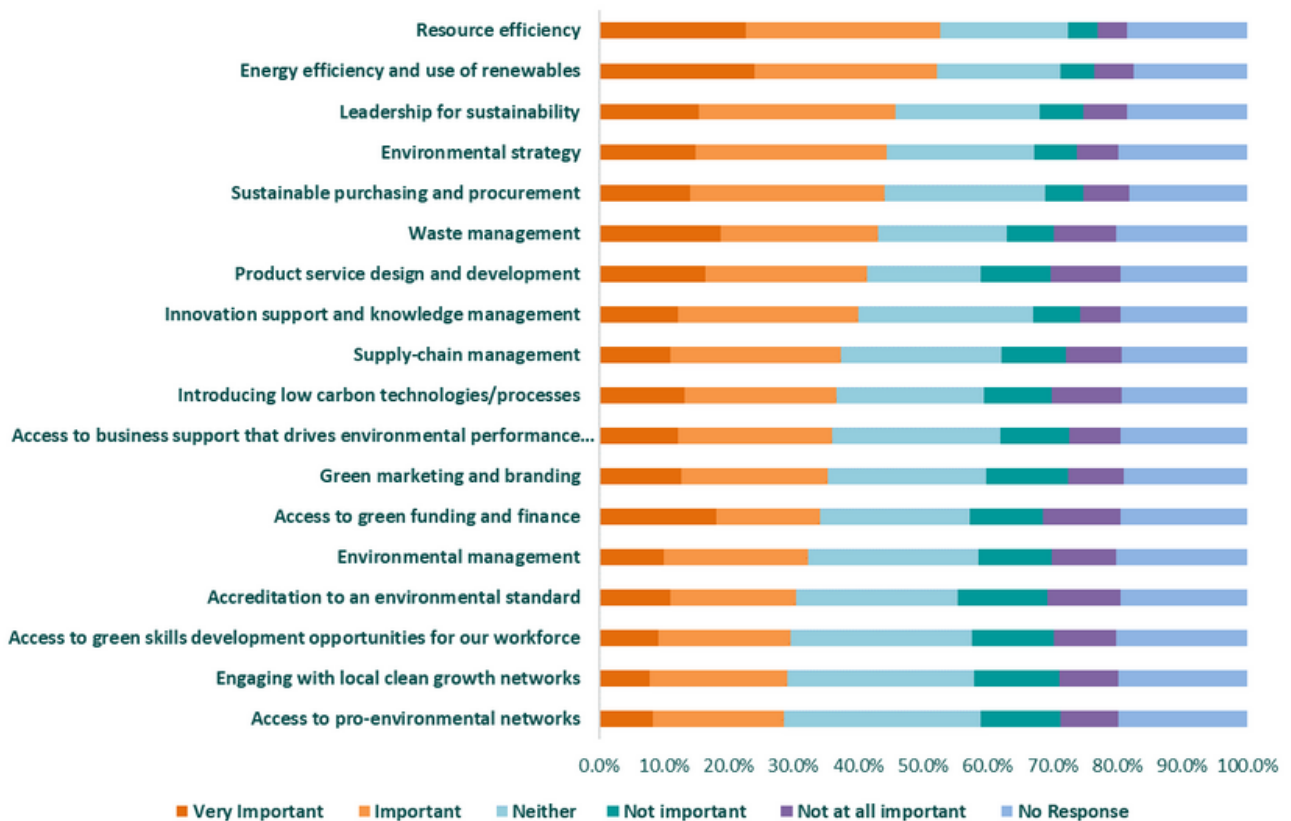
The data suggest the larger the size of the company, the more confident it is in pursuing the green growth opportunities. This could be explained by a number of factors including extended resource and skills base as well as relational capital of the larger businesses when compared to the smaller businesses.

For business support agencies and policy makers the data provides an obvious call to accelerate their efforts to promote the green growth opportunities in the region. This is particularly significant in relation to small business as it often lacks the focus, expertise and fluency in environmental policy and regulations. The analysis makes the point that business support needs to be nuanced as the needs of micro, small, medium-sized businesses can be as different from each other as they are from larger businesses. Such differences are particularly pronounced in the areas of capital requirements, skills development and green growth strategies.

# SKILLS FOR GREEN GROWTH

When asked which of 18 listed areas businesses need strengthening to capitalise on green growth opportunities, efficiency-focused areas dominated the responses.

**Figure 8: Skills areas needed for green growth**



Resource efficiency, energy efficiency and use of renewables were considered the most important areas to be strengthened (Table 1). With leadership for sustainability; environmental strategy; and sustainable purchasing and procurement following closely behind.

# SKILLS FOR GREEN GROWTH

**Table 1: Priority areas for skills development ranked**

Skill area	Agreement level	Skill area	Agreement level
Resource efficiency	52.7%	Introducing low carbon technologies/processes	36.6%
Energy efficiency and use of renewables	52.2%	Access to business support that drives environmental performance and growth	36.0%
Leadership for sustainability	45.7%	Green marketing and branding	35.2%
Environmental strategy	44.4%	Access to green funding and finance	34.1%
Sustainable purchasing and procurement	44.1%	Environmental management	32.3%
Waste management	43.0%	Accreditation to an environmental standard	30.4%
Product/service design and development	41.4%	Access to green skills development opportunities for our workforce	29.6%
Innovation support and knowledge management	40.1%	Engaging with local clean growth networks	29.0%
Supply -chain management	37.4%	Access to pro-environmental networks	28.5%



# SKILLS FOR GREEN GROWTH

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The top four skill sets remain largely unchanged from the 2021 QES data apart from the waste management which dropped from 3rd to 6th place in 2022. The biggest change in the demand for green skills is in the area of supply-chain management moving up from the 13th to the 9th place. This is signalling an intensifying engagement of the regional businesses in supply chains as part of the competitive strategy in the expanding green market niches.

Access to green funding and finance remains in the top 15 skill sets in demand which indicates a consistent appetite for capital investment to stimulate green growth. Product/service design and development moved up three places from 10th (2021) to 7th (2022), and sustainable purchasing and procurements moved up from the 7th to the 5th place. Altogether, businesses demand skills that help them achieve energy and resource efficiency internally and as part of the green supply chains. Businesses recognise leadership for sustainability and environmental strategy as important competences to harness the opportunities presented by green growth.

# CONCLUSION

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The study findings support development of the following highlights

## HIGHLIGHT 1



- There is a clear positive trend in the proportion of businesses entering the green goods and services markets over the past seven years (2015-2022).
- SMEs are becoming more active in green growth.
- This is an encouraging trend in times of the post-pandemic recovery.

## HIGHLIGHT 2



- Number of businesses accessing business support has dropped when compared with the past years.
- As the opportunities for green growth are becoming more pronounced, there is a need for a holistic approach to supporting pro-environmental businesses (Paterson et al., 2022).

# CONCLUSION

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The study findings support development of the following highlights

## HIGHLIGHT 3



- Whilst the number of micro businesses solely trading with green products and services is growing, it is small businesses that are most likely to adopt a 'hybrid' approach to the portfolio of green products and services.
- The share of green products and services in a firm's portfolio is linked to the sector, market and regulatory environment.



## HIGHLIGHT 4



- There is a sustained demand for skills in the areas of energy, resource efficiency and renewables over the last three years.
- Access to green funding and finance is now a key priority for many businesses.
- Business support agencies and policymakers need to respond by providing a focused support for green growth.
- Need to develop policy mechanisms that are better aligned with the regional business interests and the sectoral specifics in order to intensify engagement with the green growth opportunities.

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# ACKNOWLEDGEMENTS

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**We'd like to express our thanks to the East Midlands Chamber, and in particular to Ian Bates and Chris Hobson for the continuing support towards the study over the years.**



## Contact

**Dr Polina Baranova**  
**Derby Business School**

Kedleston Road  
Derby  
DE22 1GB  
p.baranova@derby.ac.uk

**Ian Bates**  
**East Midlands Chamber**

Commerce House, Millennium Way,  
Dunston Road,  
Chesterfield  
S41 8ND  
Ian.Bates@emc-dnl.co.uk