

Abstract

How can Small and Medium-Sized Enterprises Manage the Challenges Imposed by REACH?

[Dissertation submitted in partial fulfilment of the requirements for the degree of Master of Business Administration (MBA) at the Henley Management College, UK in March 2008]

The European regulation “Registration, Authorisation, Evaluation and Restriction of Chemicals” (REACH) has entered into force on June 1st, 2007. It sets a new legal benchmark for the whole European Union (EU) and is unprecedented worldwide: REACH now applies the principle “no market access without data” to the entire chemical industry within the EU, resulting in a shift of the burden of evidence to producers and importers who must now prove and document that their chemicals can be applied safely. The aim of REACH is to better understand and document the risks associated with the uses of chemicals. Producers and importers of chemicals will be forced to register their products formally at a new European Chemicals Agency (ECHA) in Helsinki, Finland, before they are allowed to (further) sell them in the EU.

In this work, difficulties for Small and Medium-sized Companies (SMEs) imposed by REACH are assessed, appropriate responses to manage these challenges are discussed and recommendations for companies in different roles (especially for producers, importers and downstream users of chemicals) are given.

Primary data was gathered in an exploratory interview study. The interviewees were selected from the chemical industry, from the authorities and from consultancies. Additional interviewees from the pharmaceutical industry shared

their experiences under a highly regulated working environment and provided a benchmark for advanced product portfolio management techniques.

Two case studies exemplify the REACH implementation approaches of:

- a manufacturing company (producer) and
- a commercial house (trading company) for chemicals (importer and downstream user).

According to the findings of this study REACH is only one factor of the turbulent and globalised environment in which SMEs in the chemical industry must operate. In general, SMEs will be able to cope with the challenges imposed by REACH if they prepare themselves carefully and carry out their compliance projects in a disciplined manner, but some SMEs face serious risks:

- producers and importers of chemicals may not recover the costs associated with their registrations.
- if their business depends on chemical substances of very high concern (i.e. carcinogenic chemicals) subject to authorisation under REACH they may be forced to substitute the respective chemical or to withdraw it from the market starting in the year 2009. Consequently they must use the remaining time to develop strategic options.
- the most serious threat for downstream users is that their suppliers stop to deliver key chemicals for their special applications.

But REACH may provide new options as well, since more competitive SMEs have the chance to develop servicing areas and to improve their customer-orientation.