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SUSTAINABLE BUSINESS MODELS IN SMES: ALIGNING WITH
THE VALUES AND INTERESTS OF OWNER/MANAGERS

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Abstract

This study considers the hypothesis that the beliefs and interests of the business owner/manager play a significantly greater role in the adoption of more sustainable business models than government or academic literature has previously acknowledged. Government strategy to drive private sector support for a low carbon economy focuses on legislation and voluntary cost benefit assumptions. Through both a literature review and a qualitative study the values and interests of SME owner/managers are assessed. This provides an insight into the inter-linkage between 'personal' and 'business' values, the motivators for change, and the ways in which SME owner managers 'learn'. It assess the effectiveness of statutory instruments and government business support programmes and highlights the need to move SMEs from single issue action to a more holistic owner/manager interest and knowledge driven change. Without such a shift in behavioral change market failure will continue and government support can only 'reach' a limited number of more enlightened companies.

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1. INTRODUCTION

1.1 The Scope of Research

This research is focused on small and medium sized enterprises (SMEs) within the United Kingdom (UK). This is a poorly understood subdivision of UK industry and commerce, both in terms of environmental and social impact and the mechanisms that motivate change. The research considers current UK government policies and the implementation methods that have been adopted, assessing their approach in relation to the owner/manager. The analysis also reveals the interplay between 'personal' and 'business' views, questioning whether 'the environment' matters to business owner/managers. It also considers if the biggest 'wins' will come from owner/managers whose own values align with the issues rather than relying on a gradual 'issue by issue' or 'process driven' change. If this is shown to be the case, can business owner/managers learn to be sustainable business visionaries?

1.2 Establishing the definition of a Small and Medium Sized Business

Essential to both the literature review and qualitative survey is the establishment of a clear definition of a 'small and medium sized enterprise'. Practitioners have used many different definitions of small and medium sized business but for the purposes of this research the European Union definition of an SME has been adopted. This states that "the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euros and /or an annual balance sheet total not exceeding 43 million euro". Within the European Union there are approximately 25 million SMEs which represent 99% of EU companies and they bring employment to around 75 million people (European-Commission, 2005).

In addition this research will utilize the subdivision of SMEs, by number of employees, that is commonly used by UK government (Williams and Cowling, 2009a):

Micro - 0-9 employees

Small - 10-49 employees

Medium - 50-250 employees

1.3 Outline of the Literature Review

The initial literature review, whilst in itself contributing an important element in the final report, also provided guidance in the framing of questions for the qualitative survey. Following the completion of the survey it also became clear that further literature needed to be incorporated to clarify issues raised by interviewees. Points that had not previously been considered are the role of 'on the job learning' and the function that networking plays in business change.

Literature research for this study has focused on three distinct areas within the scope of this report: the importance of SMEs within the UK economy and specifically their potential impact on the 'green agenda'; the UK government approach to improve UK SME sustainability and the impact of their policies on SMEs; and finally, an assessment of the values and interests of SMEs and how this may affect the implementation of business change, with specific reference to sustainability. The first two objectives have been primarily met through a review of UK Government policy and strategy documents, government's business support programme content whilst designed to promote SME action, public sector reports and academic literature. The second area of the literature that was reviewed relates to the values and ethics of SMEs and their effects on sustainability. This literature is far less developed. The majority of the literature on sustainable business, corporate social responsibility, ethics and governance concentrates on large companies. A limited number of studies do consider the values and beliefs of small business owners. However, whilst findings do provide

certain insights into owner/managers personal importance within the business structure, very few relate this to sustainable business practices.

To overcome the limitations found in the literature on SME values and interests and specifically how this impacts on the development of sustainable business models, a qualitative survey was developed.

1.4 Qualitative Survey

The survey was aimed at eliciting both business and personal responses from the interviewees and draw from the data an understanding of how the importance of owner/manager or senior manager values are in making sustainable business decisions. It was envisaged at the design stage of the research that 19 companies would be identified and approached to participate within the survey. The selection of companies was made through telephone and face-to-face discussions with over 50 businesses during 2008-2009. Companies were selected to meet two key target groups. The first group (CONTROL) comprised of companies that were making changes to their businesses in response to cost reduction, risk management or sales drivers. The second group (SUSTAINABLE BUSINESS) consisted of companies for whom sustainability was a driving ethos and who were either successful or struggling to make a new business model work.

Due to business time constraints only 12 of the 19 companies identified were able to complete the 45–60-minute survey. Eleven of the surveys were through telephone interview, with the remaining one completed face to face. The key targeted individual for the interview was the business owner/manger, but with three of the sample companies this was not possible and the interview was with either a Senior Operational Manager or Sustainability Champion. In these interviews the respondent was additionally asked about the views of the owner in relation to their sustainable business activity.

Table 1: Number of companies interviewed by type and Business Driver

Target Type	Business Driver	No companies targeted for interview	No companies actually interviewed
Control	Cost reduction	5	4
	Risk Management	2	1
	Sales	2	1
Sustainable Business – succeeding	Personal Interest, sales opportunities	8	5
Sustainable Business struggling	Personal Interest	2	1

All interview notes were recorded, typed and formed the basis for quantitative and qualitative analysis.

2. BACKGROUND

The following chapter attempts to position the importance of SMEs in the 'UK green agenda' and present a vision of how they operate, what constrains them from growing and their business motivation. Closely linked to this is a review of the importance of the role played by the business owner/manager and the findings from a range of studies on how their views affect company change. Having developed an understanding of SMEs and their business owner/manger, the government's policy stance on business sustainability is considered and the effectiveness of strategy in driving change in key areas such as business resource efficiency assessed.

2.1 The importance of SMEs within the UK Economy

Of the 4.78 million private sector enterprises in the UK, 99.9% are classified as SMEs. They generated an estimated £3000 billion of turnover in 2008, which provided 50.1% of the UKs total annual private sector income.

Table 2: Number of enterprises in the private sector by number of employees, UK start 2008

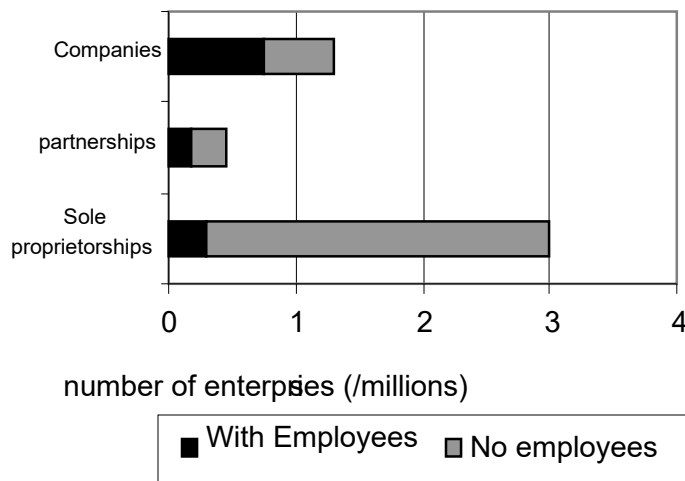
Enterprise by Type	No Enterprises	% Enterprises
Micro (0-9 employees)	4578490	95.7%
Small (10-49 employees)	172060	3.6%
Medium (50-250 employees)	26710	0.6%
Large (250+ employees)	6025	0.2%

Source: BIS Enterprise Directorate Analytical Unit (BIS, 2009a)

The number of small companies is continuing to grow, despite difficult economic conditions with over 100,000 new companies being formed since 2007 (BIS, 2009a). The majority of SMEs continue to be businesses operated as sole proprietorships or partnerships, that comprising of only the self-employed owner manger or only an employee director. This sector accounts for 3.5 million private companies who comprise 74% of all business operating in the UK.

The legal trading entities adopted by SMEs are very different to the public limited companies under which most corporate concerns operate. A wide variety of types of company structure have been adopted by SME owner/mangers, with an estimated 3.0 million sole proprietors and 462,000 partnerships trading, in the UK, during 2008. Registered limited companies accounted for 1.3 million of the UKs business entities during the same period.

Figure 1: Number of enterprises with employees by legal status, UK private sec



Source: BIS Enterprise Directorate Analytical Unit (BIS, 2009a)

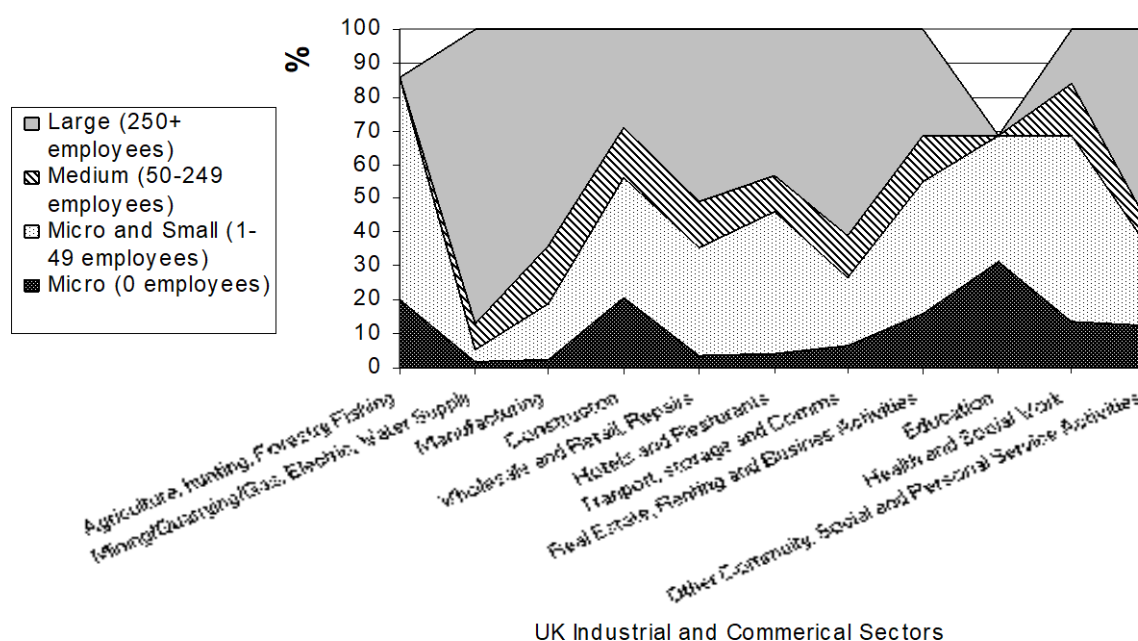
It is also encouraging to note that the overall number of SMEs in the UK also continues to grow. The number of sole proprietorships has increased by 40,000 since 2007, a sixth successive annual increase. Companies, both limited and public liability have grown by 109,000, with increases in both those with and without employees; an eleventh year of growth in enterprise numbers (BIS, 2009a).

There has also been a growth in social enterprises which incorporate traditional business structures such as co-operatives, along with a newly created form of business structure, the Community Interest Company (CIC). CIC's are defined as 'a limited company, with special additional features, created for the use of people who want to conduct a business or other activity for community benefit, and not purely for private advantage'. Over 3000 CICs now operate in the UK (CIC-

Regulator, 2009). National government statistics do not provide separate data on Community Interest Companies, co-operatives or other social enterprise entities.

In terms of number of businesses micro SMEs dominate all sectors of industry with the exception of hotels and restaurants where they only account for 28.8% of businesses within the sector. Whilst SMEs created 50.1% of the private sector turnover a proportionately few large companies dominate the UKs wealth generation. The proportion of turnover generated by small and micro businesses (1-9 employees) is however, greater than that of the sole trader and medium sized companies.

Figure 2: UK annual private sector turnover by size of enterprise, start 2008



Source: BIS Enterprise Directorate Analytical Unit (BIS, 2009a)

As highlighted in Figure 2, SMEs are a major source of UK annual private enterprise turnover in the agricultural, construction, hotel and restaurant, general business activity, education and health and social work sectors. They make only

a minor contribution to revenues generated in the mining and utility services sector (BIS, 2009a).

Small and medium-sized business are more likely than large companies to trade with other firms, with 45% of SMEs trading only with business; 45% dealing directly with the public; and only 8% operating in both market sectors. Larger companies have a much higher level of trade with the public, with 65% of larger UK companies trading only with this customer type. Small companies are also much more likely to rely on one key sales outlet, with 48% of companies selling more than 10% of their goods (by value) to one customer. Almost half of the UKs SMEs offer a single product or service. It is estimated that 43% of SMEs offer their product or service exclusively to the local market, whilst a further 21% are also operating on a regional basis (Forth et al., 2004). Smaller companies are more likely to compete on quality and expertise than on price, a key difference to the quality and price drivers identified in larger companies (Kitson and Wilkinson, 2003). It is also clear that whilst time constraints and day to day short term pressures can be intense, Goffee and Scase also note that entrepreneurial enterprises that are centrally controlled and managed through face to face contact, are able to be “very adaptive, swiftly adjusting their trading capacities according to changing market opportunities” (Goffee and Scase, 1996).

Businesses on average are not long lived entities, even within Americas Fortune 500 the life span of a business is less than 50 years (Geus, 1999). Of VAT registered businesses that started up: 1995, only 32.1% were still trading ten years later (DTI, 2007). Business Link research identified that 7% of business owners intended to close the company on retirement. Another 29% wished to sell their companies and the same number had no plans as to what action they would take (BusinessLinkSouthEast, 2007). Interestingly, business support practitioners, when questioned, highlighted that whilst a large number of companies may not ‘survive’ the owner/manager frequently does. Numerous

examples are available of owner/managers who start up companies to meet a perceived new opportunity or potentially to escape bad debt issues.

Small and medium sized companies have a huge impact on people, employing 59.4% of all those currently in work. Small businesses (including micros) provide livelihoods for nearly 48% of those employed in the UK, several million more than the 9.4 million working for the UKs 6000 large companies (BIS, 2009a).

Table 3: Number of employees in the private sector by size of UK business, start 2008

Enterprise by Type	No Employees (/1000)	% Employees
No Employees	3888	16.8
Micro (1-9 employees)	3857	16.8
Small (10-49 employees)	3332	14.4
Medium (50-250 employees)	2665	11.5
Large (250+ employees)	9386	40.1

Source: BIS Enterprise Directorate Analytical Unit (BIS, 2009a)

Research by Forth et al (2004) highlighted that many of the policies and structures present for managing employees in large companies were absent in SMEs. This in itself did not reflect a lack of engagement by owner/managers but was more a reflection of the informal style operated by them. Employees working for a small business “believed that they had a greater degree of influence over the final decisions made by managers. They were also more likely to believe that they had job autonomy, influence and security”. Interestingly the study also showed that SME employees reported higher levels of well-being and less work intensity than those in larger firms and were more likely to be committed to the organization (Forth et al., 2004).

The majority of SMEs are family owned; estimated by the Workplace Employment Survey to account for 80% of all small business workplaces and

67% for medium sized companies. The family ownership of large company workplaces fell to just 22% (Forth et al., 2004). Similar data was gathered by the Annual Business Survey which identified 69% of all firms as family based (Williams and Cowling, 2009b). Research suggests that the transition from owner/manager entrepreneur to new manager is poorly achieved, with only 24% hoping to keep the businesses within the family (BusinessLinkSouthEast, 2007). A report in the Financial Times newspaper in 2006 identified that many family-owned SMEs do not survive beyond the second or third generation due to a lack of management skills (2006). This was supported by findings in a recent UK Annual Small Business Survey, where seven out of ten businesses that were family owned (70%) were first generation family owned, 20% had been passed to the second generation and “only 10% had been owned by the family for three generations or more”. Medium sized companies were least likely to have remained family owned with only 49% currently under such ownership in the UK in 2007/8 (Williams and Cowling, 2009b).

Companies are most likely to be male led (53%) with only 14% of companies majority women led or 8% ethnic minority run. Owner/Managers are most likely to be 35-54 years old (55%), whilst 36% are over the age of 55, including 8% who have continued to run the company beyond the national retirement age. Only 8% of SMEs are being owned and led by people under the age of 35 (Williams and Cowling, 2009b).

It is also useful to note that the traditional concept of a business working from an office or factory is far from the reality of today. In the South East, a recent survey, confirmed that 44% of all SE based SMEs work from home and of these 53% employ only one person, the owner. Nearly half of those companies based at home generated less than £68,000 of turnover annually (Business-Link-South-East, 2009a) and are frequently classified as ‘lifestyle’ businesses. This descriptor is used to identify SMEs existing primarily to provide a comfortable income and standard of living for the owner (Gray, 1998). Only a small number of

SMEs are likely to see growth as their primary goal and could be considered truly 'entrepreneurial' (DTI, 2007).

For those companies who operate from 'business premises approximately 40% are in leasehold or other none freehold contracts. There is little accurate data available nationally in this area but a survey carried out in the Thames Gateway in 2007 found that 43% of the business premises were leased, 42% freehold and 8% operated under license (GtL, 2007). The nature of property ownership has a considerable impact on the scale of changes that companies are willing or able to make to increase the efficiency of properties.

2.2 The Environmental and Social Impact of UK SMEs

The environmental impacts of SMEs in the UK remains only poorly understood because the majority of government research looks at resource efficiency through a sectoral approach rather than one based on business size (DEFRA, 2007). One of the few attempts to assess UK wide SME emissions is found in the 1998 Marshall Report, where it was estimated that they accounted for 60% of total carbon dioxide emissions from business (Marshall, 1998). Similar research in France identified that SMEs could be responsible for 40-45% of all industrial air emissions, water consumption and energy use (ADEME, 2007). Recent Carbon Trust estimates suggest that the annual energy bill for SMEs is £3.5billion, with up to 30% of this figure being wasted (Carbon-Trust, 2009). Whilst this figure highlights the scale of waste on a macro level it has been difficult to appreciate the importance at a 'business level'.

Government research has begun to try and understand the value of energy spend in relation to size of business, the cost savings that could be generated and the time needed to undertake improvements. In a DEFRA funded report examining energy efficiency in SMEs it was clear that for micro and small companies annual average energy spend is comparatively low (see Table 4) and potential savings are limited. Even for medium sized organizations they only

anticipate annual savings equivalent to 9 person days although it could be argued that the day rate of £500 per person, used in the report, may not be reflective of SMEs earnings.

Table 4: Annual Emissions and Energy Spend estimates by Size of Business (UK)

Organisation Size	Micro (0-9)	Small (10-49)	Medium (50-249)
Total Category Emissions (ktC/year)	5578	4198	1188
Annual Emissions (tC/organization)	5	40	250
Annual Energy Costs (£/organization)	£600	£4800	£30000
Energy Savings at 15% (£/organization)	£90	£720	£4500
Equivalent person-days/organisaton	0.2	1.4	9.0

Source: Policy Options to Encourage Energy Efficiency in SMEs, DEFRA 2006

NERA-Enviros analysis of this data suggests that the limited administrative burden required to implement change would impose net costs being covered even in micro and small companies (DEFRA 2006c). Whilst this might be a valid observation, for many small companies, the potential savings generated by taking action are likely to be very low in cash terms and are unlikely to be seen as attractive.

Waste projections for the commercial and industrial sectors indicate that there will be steep rises in the commercial sector of up to 52% by 2020 and a 1% in industrial waste. Overall this is an increase from 67.5 million tonnes in 2002/3 to roughly 86.3 million tonnes in 2019/20 (DEFRA, 2006a). It is estimated that SMEs generate over 60% of the commercial and industrial waste material produced annually in England and Wales (Environment-Agency, 2006). Whilst a great emphasis has been placed upon domestic waste, primarily due to councils being targeted by the UK government to managing this process, it should be

recognized that for every tonne of household waste produced businesses in the UK produce a further six tonnes. Of this, one tonne of waste comes from the service sector, for example enterprises such as insurance companies, banks and shops; a further two tonnes from industries within the manufacturing or mining sectors and the greatest proportion, a further three tonnes, is produced by construction companies (Environment-Agency, 2004). For the construction sector across the UK this equates to 90 million tonnes of waste being generated annually, of which 13 million tonnes are from materials delivered to site but not used. Recycling of industrial and commercial waste in the UK has increased from 39% in 2002 to 45% in 2006 (DEFRA, 2006a), with 85% of SMEs based in the South East of England claiming that they used materials more efficiently, recycled or reused them (BusinessLink, 2009). No UK data is available for SME water usage or the potential savings thereof.

Large companies with an acknowledged 'potential to pollute', have been very heavily regulated in the UK since the 1970s under Integrated Pollution Control (IPC) requirements and latterly Integration Pollution Prevention and Control (IPPC). This has been highly successful in curbing industrial pollution. Regulation does exist to cover control in SMEs but owner/manager knowledge of this is low and inspection levels are limited. Up to 80% of pollution incidents in the UK today are being generated by SMEs, directly affecting the local environment (Environment-Agency, 2006). The environmentally harmful activities most likely to be undertaken by SMEs are that of storing fuel oils and storage of waste (NetRegs, 2009).

The owner/manager is the most likely person within a small business to be responsible for environmental policy or strategy. Of those companies with 1-25 employees, 55% rely on their owner/manager to deal with these issues, a figure which is reduced to 23% in 26-250 employees and only 4% in the very largest UK companies. However for owner/managers in the majority of SMEs (67%),

facing time pressures and other priorities, dedicated less than 10% of their time per annum to managing environmental issues (DEFRA, 2008a).

SMEs are altering their behavior, as the Business Link annual South East survey demonstrates (see Table 5). The survey results highlighted that SMEs clearly are, or feel they should be, taking action across a number of environmental issues. In some cases, this is driven purely by business needs, such as cutting the costs of energy bills but it is possible that the owner/managers personal beliefs/interests are also playing a role. An example of this is potentially in general waste recycling, where today over 85% of South East companies claim to carry out 'some recycling' (BusinessLink 2009). This has not been driven by legislation as high levels of basic businesses waste recycling were in evidence prior to the 2007 legislation banning the landfill of untreated wastes (2005). The cost benefits of recycling, for most companies, are limited and may often be negative, therefore it is likely that another driver is bringing about change. It is feasible that recycling at work could be attributed to the now personal 'norm' of recycling at home being transferred into the workplace. Another driver for change that is becoming more evident was highlighted by South East SMEs in a recent survey where 34% reported that their customers now expect them to have green credentials and over half of those surveyed said they would like to take more account of green issues (Business-Link-South-East, 2009b).

Table 5: Implementation of Environmental Sustainable Business Practices

Practices Implemented	2008	2009
Meeting customer demand for more environmentally or ethically acceptable products	48%	58%
Planning for and Adapting to Climate Change	38%	41%
Reducing energy, water and transport use and costs	66%	76%
Using materials more efficiently and recycling or reusing them	81%	85%

Source: Annual SE Small Business Sustainability Survey 2009 (BusinessLink, 2009)

However, there is little evidence to indicate that a large scale reduction in environmental impacts is taking place. Indeed commentary from practitioners suggest that much of current SME activity is based on ‘no’ or ‘low cost’ action, such as recycling office paper (BusinessLink, 2009). It is also of concern that 49% of SMEs within the South East feel that they have “done as much as they can” (BusinessLink, 2009).

The social impacts of SMEs have traditionally been much less visible than those portrayed by large business entities. Much of the work within this area has focused on Corporate Social Responsibility (CSR) models, which have developed mainly to meet corporate business reporting requirements. Because of their size many SMEs, including the many that are based at home, are an inherent part of the local community. They tend to be motivated by more than just financial rewards and recognize the social benefits of CSR (Murillo and Lozano, 2006, Jenkins, 2006). For smaller companies CSR is often *ad hoc* in action, based on intuition and opportunity and where a more strategic approach is adopted it is often targeted on staff development (Murillo and Lozano, 2006). Taking a few practical examples of social support (see Table 6) it is clear that whilst few companies would highlight these as part of a CSR process SMEs are heavily involved in social action.

Table 6: Implementation of Social Sustainable Business Practices

Practices Implemented	2008	2009
Recruiting and retaining staff by promoting their safety, well-being and personal development	57%	56%
Being involved with or supporting your local community	63%	68%
Buying ethically from suppliers with similar values	52%	59%
Buying locally to support the local economy	67%	68%

Source: Annual SE Small Business Sustainability Survey 2009 (BusinessLink, 2009)

2.3 How the values and interests of SME owner managers affect business change

Despite extensive research, only a limited amount of published material has been found relating to both the values and interest of UK SME owner managers and more specifically with regard to sustainable business issues. This finding is supported by researchers within the field, where it has been noted that generally the study of ethics and values in small businesses has received little attention to date mainly because efforts have been focused on larger firms (Spence, 1999). To expand the literature base, it has been necessary to include academic thinking from the US, Holland, Canada and New Zealand. Whilst this provides an increased breadth of thought it does also raise issues of cultural difference, especially at the level of owner manager values and their response to specific country-based drivers.

For the purposes of the review the material has been divided into two sections. The first section is a review of the business owner, their role within the company and the way in which they interact in business decision making. The second section considers how these values, interests and ethics are being applied to sustainable business issues.

2.31 The role of the SME owner in a small business

As previously discussed, small and medium sized businesses are an important element within not just the UK economy but also as a closely integrated part of local communities and society. Key to their development, especially within micro and small companies, is the role played by the owner/manager. Frequently the importance of the owner/manager role in decision-making has been highlighted through anecdotal sources or qualitative research, but recent work in Canada with medium sized companies has provided some measured and verifiable insights.

The work of Feltham et al looked at family businesses and attempted to identify the dependence of these companies on a single decision maker. They surveyed companies with turnover in excess of \$1million and spoke primarily to owner managers. Through self-reporting 75% of respondents believed that the company was dependent or very dependent on them. When questioned further 65% of respondents were found to be responsible for decision making in finance, sales, and human resources; and for 31% of the firms the owner manager was responsible for all key decisions. They also established that the “existence of independent boards of directors and advisory boards did not tend to be associated with the level of dependence”. Only with increasing age of the business owner or increase in size of the business was this dependence diminished (Feltham et al., 2005). Whilst they did not test these findings with micro and small businesses, they anticipated that owner manager dependence in this business segment would be even higher. This thinking is supported by a qualitative study into work organisation in the retail sector. Here it was noted “the most essential differentiating feature is the role of the owner manager himself....he is the central force in it, he exercises the most important functions and ‘lives’ his enterprise extensively” (Kruse et al., 1997).

With such strong dependence on a single individual, it is interesting to consider how generally owner/managers respond to ethical issues. Quinn argues that, the most influential factor determining someone’s behavior when faced with an ethically sensitive business issue is personal ethics (Quinn, 1997a). Dawson et al (2002), in a survey of Australian micro businesses found that the predominant influence on operators business ethics was the Idealist ethical perspective, that of ‘nonreligious personal beliefs and principles about how to act’. The second most important driver was that of the Utilitarian ‘consequence of operators actions both for themselves and other people’ (Dawson et al., 2002). These findings suggest that whilst self interest is a factor in establishing a business it does not dominate to the exclusion of other considerations. They further explored some key questions that had been identified, through literature review, as

important to small businesses. When owner/managers were then asked to consider these specific business scenarios, a range of moral positions emerged. The findings of this work are highlighted in Table 7.

Table 7: Frequencies of Response to Micro Business Ethical Issues

How do you rate each of the following statements	Strongly Disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Agree Strongly (%)
When a business acts according to the law it cannot act wrong morally	31	42	16	9	2
Large businesses are the most fair in their dealings with small business	19	37	35	9	0
Ethical Behavior is more important to small than large businesses	22	17	20	25	16
Business decisions are usually separate from personal moral issues	22	42	20	16	0
In business one cannot afford much deliberation on moral issues	37	39	17	6	1
People in business either have integrity or they don't	11	11	17	33	28

Source: The Ethical outlook of Micro Business Operators, Journal of Small Business Management, (Dawson et al., 2002)

With 64% of respondents disagreeing with the view that business and personal morals can be separated, there is a very strong correlation in micro business owners perceptions that business decisions cannot be separated from their own personal values and beliefs. It is clear that integrity and trust are a recognized facet of business and that moral issues do have a place in SMEs. For owner/managers time pressures do not override the importance of considering their personal values when making decisions. The research also highlights that owner/managers do not consider 'the law' as necessarily meeting a moral right; an interesting thought in light of the high level of importance placed by government on legislation to manage climate impacts and behavioral change. However, it is apparent that no matter how strongly held and implemented these

views are, they remain largely unseen and unreported within academic and government literature. Dawson et al feel that the inability of small businesses to articulate their views on ethical behavior, unlike larger companies with formalized CSR policies, may also place small businesses at a disadvantage in the marketplace.

In a survey for the Institute of Business Ethics in 2000, it was made clear that owners had motivations and interests beyond just that of profit. Unlike large companies who have directors appointed to run business on behalf of shareholders, and for whom maximizing profit for shareholders is a key goal, SME owner/managers have different criteria for success. In a telephone survey of 100 UK micro and small businesses. Spence found that the challenge and pleasure of running a small business was the key driver for owner/managers in having their own company. Whilst profit or making 'major financial gain' was very low on the priority list the financial driver is couched in different terms, that of financial security and a standard of living (Spence, 2000).

Table 8: Main reasons for starting and staying in their own business

	Main Reason for starting Business (no companies)	Main Reason for Staying in Business (no companies)
Challenge and pleasure	32	28
Independence/working for self	16	4
No alternative	15	5
Providing the service/product	12	2
Family tradition	7	4
Financial Security	5	12
Employment of others	3	4
Major Financial Gain	3	1
Standard of living/income	1	10
For its own sake		10
No main reason	2	11
Other	4	9
Total	100	100

Source: Priorities, Practice and Ethics in Small Firms, The Institute of Business Ethics, (Spence, 2000)

When the owners were asked to highlight those areas most important to them, rather than identifying one main driver, 72% stated they had started their business for the challenge and pleasure of running their own company, 53% out

of desire to provide the service or product itself and 50% for the independence and control it brought in working for themselves. Major financial gain was only mentioned by 21% of the recipients (Spence, 2000). Interestingly the motivation for continuing to run the business provided a different set of drivers, the challenge and pleasure increased to 74%, whilst maintaining a standard of living rose considerably to 69% and the employment of others to 52%. As noted by one respondent the reason for business continuity is very personal, “how come I am still in it, what motivates me these days? One wife, three children, a house, thirty eight members of staff and the fact that there is still a challenge there” (Spence, 2000).

For the owner/manager, whilst control remains within their hands and enables him or her to make choices that may be more personal in nature, it also brings business limitations. The owner/manager is likely to be stretched by multitasking, limited cash flows and ‘firefighting’. Most of their relationships with suppliers, employees and customers will be at a personal level and control of business activity will tend to be more informal than in larger companies (Holliday, 1995). However, this in itself may enable the building of trust relationships that can act as the basis for a more open and honest dialogue (Spence, 1999).

Small firms with few employees have different relationship structures to those found in larger companies. Personal relationships develop between owners and employees so that “work is both a technical and social activity” (Kitching, 1994). This view is reinforced in work by Spence where 85% of owner/managers, questioned about their relationship with staff, saw it as supportive and friendly (Spence, 2000). They viewed the relationship as one of caring and mutual concern and within the sample group the owners appeared to value and trust the input of their staff. Some made the analogy to a small firm being ‘like a family’ and for some there was a clear understanding that everyone had common goals, “we are all in this together to make a living and everyone that I have working for me have been with me long term.....they don’t get paid a fortune but then there

isn't that kind of money in this business". Another stated "they are my friends. I don't socialize with them outside work, but I consider them to be my friends".

However, the relationship between suppliers and customers, was seen to be a more arms length, commercial relationship than was the case with employees. When 100 UK small and micro businesses were asked what their main criteria was for selecting a supplier, it was that of reliable delivery, which was the same response when asked why they felt a customer selected their company as a supplier (see table 9).

Table 9: Influences on Supplier and Customer Choice

	Supplier Choice: Number of Firms	Customer Choice: Number of Firms
Reliable Delivery	39	28
Quality	20	21
No main reason	13	16
Price	11	10
Availability	11	10
Personal Service	4	11
Honest Reputation	1	3
Location	1	1
Total	100	100

Source: Priorities, Practice and Ethics in Small Firms, The Institute of Business Ethics, (Spence, 2000)

Interestingly, honesty and reputation were not rated at all highly as main criteria for decision making but 75% of the owner/managers when probed further said it was one of the criteria they used to judge a supplier and 82% said they felt it was an important issue when customers were looking to work with them (Spence, 2000).

Whilst collaboration and personal networking are intuitively expected between suppliers and customers it was also shown to exist in a more surprising arena, that of SME competitors. Of those businesses interviewed by Spence 26% confirmed that they worked with competitors for mutual benefit, 30% due to necessity, 25% had civil communications and 4% actually had formal ties. None

of the owner/managers interviewed confirmed, or was prepared to admit, to acrimonious relationships with competitors. These close and usually informal ties were quite different to larger company relationships with competitors and it would appear that they tended to be open and friendly, with interaction framed by clear ethical boundaries. When asked why a respondent, who knew his competitors' key customers didn't try to poach them the answer was "It's unethical to do things like that....there is a bit of code of practice at the end of the day". There was a sense of 'competitor camaraderie', small businesses sticking together "you try and help each other out because one day you are going to be in the '*shtuck*' and you will need something. That's the way it goes really" (Spence, 2000).

Having examined the key drivers for owner/managers to run a business and their relationships with close stakeholders, it is also useful to understand their views in terms of the wider community. As clearly highlighted, independence is one of the most powerful drivers for running a business but this in turn could lead to SME owner/managers being less connected with a wider range of stakeholders. These may range from local groups, national bodies such as government, trade or professional associations or NGOs and international organisations. At its most extreme SMEs have been described by Rutherford et al as a "highly disconnected, internally fragmented petite bourgeoisies, alienated from local social and political life, concentrating narrowly on their own business activities" (Rutherford et al., 1997). Other commentators have been less harsh and more recent research would suggest a more interconnected but often invisible community role played by SME business owners.

In 2007, 180 SME businesses in the Berkshire area were surveyed to assess the social and community contributions and responsibilities that they undertook. Over 65% of those questioned were aware or very aware of the contribution SMEs make to their community. Three quarters of the companies questioned had financially supported or sponsored local teams or community events. Staff from over 28% of companies had been involved with charity events, others let

community groups use their premises and over a third had helped another business to start up. Charitable donations were often found to be very personal and owner/managers were often motivated by a connection with an illness or condition or set of circumstances of family/and or friends. Interestingly the most active companies in the area of financial giving and sponsorship were found to be micro SMEs (76.7%) (GWE-Research, 2007).

When Spence questioned 100 UK companies on their role within society, they were asked not only what they did but what they felt they should do. The results of the survey are highlighted in Table 10.

Table 10: Responsibility and Action in Relation to Social Issues

Social Issues: Should the small business owner/manager....?	Yes, it ought to be of concern to.....	Yes, I do in my firm
Care for employee health and welfare	81	85
Be a good role model	73	80
Support local business	79	75
Give to charity through the business	63	75
Care for the environment	92	74
Support the local community	80	68
Support their industry	66	59
Generate employment for others	55	43
Generate tax contributions	24	12

Source: Priorities, Practice and Ethics in Small Firms, The Institute of Business Ethics, (Spence, 2000)

The health and welfare of their employees is seen as their most important social contribution and one in which they not only felt they had a responsibility for but acted upon this. Many respondents saw this as doing more than was legally required but several were comfortable to admit that a healthy and happy workforce was also in their own personal interest. It is intriguing that many of the owner/managers interviewed felt that they should act as good role models but for whom and how was not detailed in the research findings. Spence also felt that whilst charity giving and community work rated highly, the boundary between work and private activity was blurred. Many of the links discussed were not

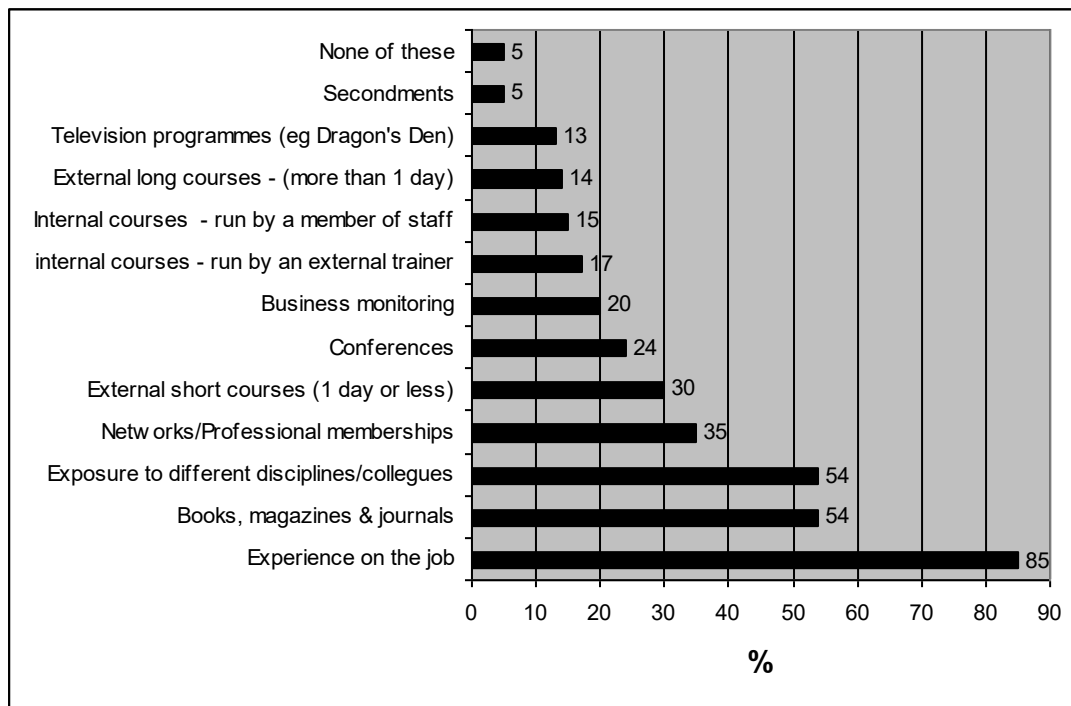
necessarily associated with 'business activities' but with them in their role as citizens (Spence, 2000). The factors most likely to encourage owner/managers to respond to social issues were staff (61%), the law (60%) and customers (56%) (Spence, 2000).

Separate research at the University of Southampton reinforces the importance of the owner/manager in decision-making but also puts it in context alongside other key drivers. They spoke to 125 SME key decision makers, primarily owner/managers and MD/Directors, in relation to the effect of supply chain pressure and CSR. When asked if having to meet the customers environmental criteria provided additional benefits, both company reputation and personal values were identified. When the same question was asked regarding the procurers' social criteria only reputation was seen as enhanced. Baden et al felt strongly that the high scoring for personal values (78% of respondents said yes or probably) supported the view that intrinsic motivation is a key driver towards responsible (sustainable) business. Through further probing it became clear that the main motivation for companies to engage in positive social/community/environmental behavior was from the owners or directors. Legislation, customers, employees, and the media were all seen to have some impact whilst suppliers and financial backers had very little influence.

2.32 Skills development in SME owner/managers

Owner/managers are time constrained and research suggests that they spend little time in further formal training. Work by both Business Link and the Small Firms Enterprise Development Initiative (SFEDI) indicate that they rely mostly on experiential and informal learning to develop their business abilities. This is explored in more depth in Figure 3. (Business-Link-South-East, 2008, SFEDI, 2007).

Figure 3: Personal Development Channels found useful by SME owner managers



Source: South East Business Monitor, (Business-Link-South-East, 2008)

Only half of the 1250 owner/managers surveyed in the South East in 2008 had plans to invest time or money in their own development during the following year.

Crucially owner/managers lack of specific knowledge about environmental issues has been identified as a key obstacle to the adoption of environmental initiatives by SMEs (Schafer and Harvey, 2000). Revell and Rutherford (2003) suggest that this low level of eco-literacy has resulted in SMEs taking a reactive rather than a proactive approach when dealing with environmental issues (Revell and Rutherford, 2003). In a major study of French Canadian SME manufacturing companies, Roy and Thérin assessed how SMEs were acquiring environmental knowledge. They first reviewed the level of the firm's environmental commitment and considered the linkage to the intensity of the companies knowledge acquisition, which was found to be primarily through internal research and

development or through 'external information scanning'. External knowledge gain was characterized in four stages, primitive, ad hoc, reactive and proactive. It was primarily generated through scanning markets and customers, competitors and industries, and production and information technologies. Companies were found to have learnt most through communication with suppliers, customers and trade associations, and whilst trade associations played a minor role in general knowledge acquisition, they scored highly within the environmental arena. As would be expected more environmentally committed firms sought significantly more knowledge than their less committed counterparts and this survey indicates that they as they become more committed they are more likely to use public agencies for support (Roy and Thérin, 2008). The research by Roy and Thérin does not comment on the links between individual personal learning and workplace activity.

Whilst it is not fully clear how owner/managers develop a personal awareness or interest in sustainability, what comes clearly through from a study carried out into eco innovation in the Netherlands, by Elke and Bos-Brouwers, is that the 'sustainability orientation' of the owner/manager appears to be "of significance in the number and impact of sustainable innovation activities". They also found that businesses that were more compliance orientated still carried out sustainable activities but that these were more in line with 'have to' than 'want to'. They concluded that "personal inclination to integrate sustainability aspects into the business is the main discriminator between truly sustainable innovators and innovators with mere attention for environmental and/or social aspects" (Elke and Bos-Brouwers, 2009).

Finally, it is important to note the importance of the owner/manager in disseminating new learnings within the company. Curran et al (1996) confirmed in their study that on average 47% of the SMEs rely on themselves or other members of their firm to provide management development, a figure that rose to 80% amongst micro businesses. Only 37% of micro businesses were involved in

external training in comparison to 90% of medium sized enterprises (Curran et al., 1996). For small companies 'on the job' learning is viewed as much superior to external training, with any kind of formal structured courses being exceptional. Formal training is often felt to be too general in small companies who prefer firm-specific learning (Johnson and Gubbins, 1993). It was also clear from the Johnson and Gubbins study that whilst recruitment of new staff offered the opportunity to increase the skill base of the company it was 'personal attributes', as opposed to qualifications, experience and/or training that play a particularly important role in the recruitment decisions of SME owner/managers". Respondents to the survey did not generally raise the issue of skill shortages but about the problems they faced in recruiting 'the right sort of person' (Johnson and Gubbins, 1993).

2.4 Government Policy and support to engender SMEs adaptation to the new low carbon economy

In 1999 Government first launched their sustainable development plan, 'Securing the Future' followed in 2005 by the UK Government Sustainable Development Strategy. This set out four key priorities that required immediate action: sustainable consumption and production; climate change and energy; natural resource protection and environment enhancement and sustainable communities (HM-Government, 2005). For UK businesses the effects of the policies that have flowed from this work have primarily been focused on interventions around raw material use, waste to landfill and recycling, energy use and pollution control. The social aspects of business have more widely been left to market forces and have generally been addressed by larger companies through supply chain activity and stakeholder pressure. Exceptions to this are covered by employee law, based on health and safety legislation or equality and diversity.

With increasing concern over global warming there has been an increasing emphasis by government on carbon reduction initiatives, rather than on the traditional waste-based resource efficiency programmes or on lean

manufacturing. This change of emphasis has been demonstrated recently through the publication of The Low Carbon Transition Plan. This cross governmental work clearly allocates responsibilities for action to each government department and integrates all the major policies created since 2007 relating to climate change and energy. It is supported by three further strategies, those of Renewable Energy, Low Carbon Industrial Strategy and the Low Carbon Transport Strategy (DECC, 2009).

Further strengthened by the Climate Change Act 2008 over 40 major policies are now in place to help achieve the Carbon emissions targets set out at the Kyoto Protocol and formally adopted by EU member states in the legally binding Burden Sharing Agreement. This requires states to reduce greenhouse gas emissions by 8% during the first commitment period of 2008-2012. The UK policies created to support these targets include emission limiting building regulations requiring zero carbon new homes by 2016, the Climate Change Levy and Climate Change Agreements, car emissions standards and an obligation on electricity suppliers to increase the percentage of energy they offer from renewable sources.

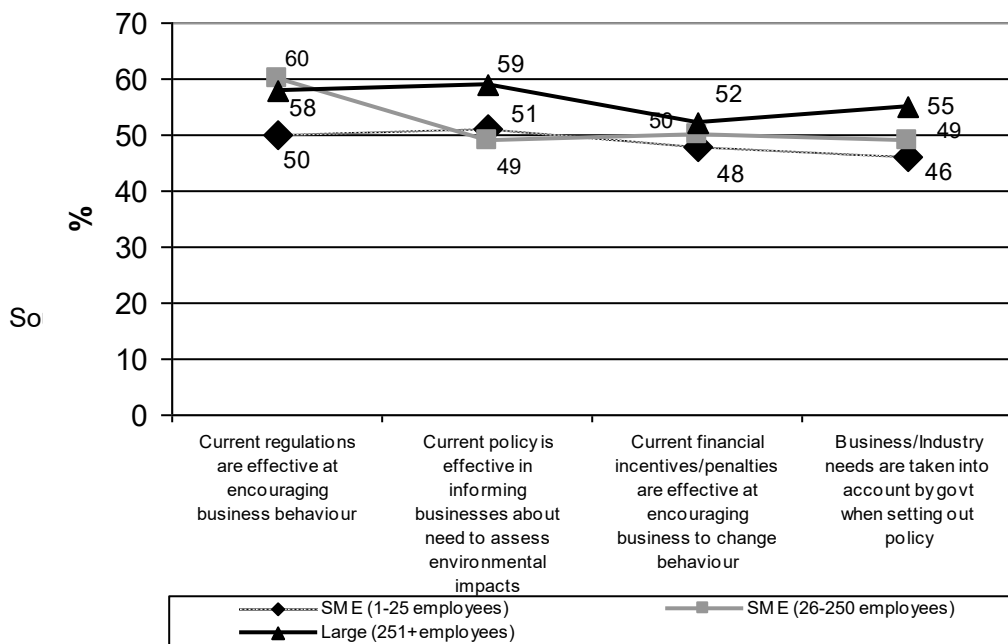
Actions taken to support policy outcomes have been through two main mechanisms; compulsory through legislative changes to waste laws and through levies and taxes such as the climate change levy and landfill tax. For the largest CO₂ emitters there is increasing use of cap and trade systems, obligatory Climate reduction commitments which are currently being implemented and an anticipated move to legally required carbon accounting. Waste and material reduction for the majority of businesses has however been a voluntary action, with government providing data to justify the cost benefits of reducing raw material use and cutting waste.

Government has supported companies to improve resource efficiency through publicly funded bodies such as, Carbon Trust, Envirowise, NISP and WRAP. The

three latter groups are directed to offer primarily web or telephone-based advice on waste, recycling and how to use less raw material. They have also been able to offer a small number of specific sector grants. The Carbon Trust offers a similar information service but is also able to support medium level energy users (£50,000 energy spend/annum) with on-site audits and for large energy users with a bespoke account managed service. They also provide interest free loans ranging in value from £3000 - £400000, which require a level of carbon savings that is linked to the value of the investment provided. For businesses looking to develop new technologies the Carbon Trust supports them through an incubator fund. Additional support is available through other programmes both at a national, regional and local level. However, these programmes have proved difficult for SMEs to find and access. Government is hoping to overcome this issue through its new Business Support Simplification Programme (BSSP), using Business Link as the access point for all government funded 'Solutions for Business products (BERR, 2008) .

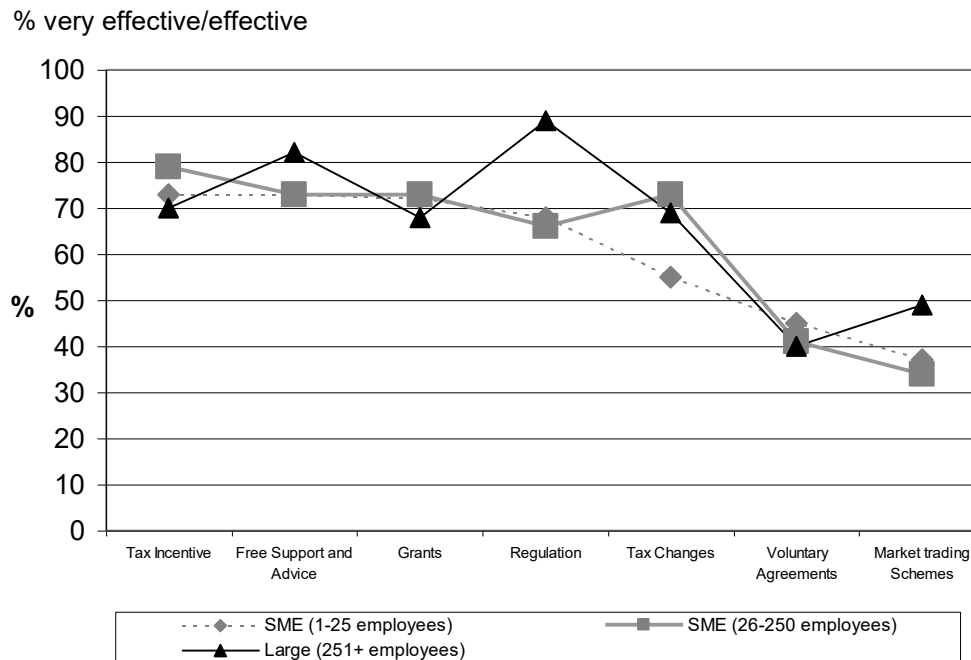
The government has worked to translate strategy into business benefits derived from 'cost savings', 'risk reductions' and 'sales opportunities', actions ostensibly important for all sizes of business and to provide support groups able to promote and help small business. Despite this activity 'significant change remains limited' (HM-Government, 2007b). This view is supported by research carried out by DEFRA to assess the effectiveness of existing policy and regulations (see figure 4).

Figure 4: Agreement with issues regarding government policy – by company size



Almost half of the companies contacted believe that the regulation, financial incentives/penalties and information provision by government are ineffective in changing resource efficiency practices. This was more so for SMEs than larger companies. When these were examined in more depth it became clear that tax incentives, free advice and support and grants were most attractive to SMEs, with larger companies perceiving regulation and free advice to be the most effective in driving change.

Figure 5: Effectiveness of Government Tools to Encourage Change – by company size



Source: Engaging Business on DEFRA issues, (DEFRA, 2008a)

Specifically, a DEFRA review (2006b) of the Waste Strategy 2000 concluded that the incentives that government had provided were not delivering results. Regulation was still unclear for many businesses and behavioral change patchy. Waste was continuing to grow and there was no evidence that waste minimisation was being embedded into the supply chain as there continued to be poor recognition by business of the benefits of resource efficiency (DEFRA, 2006b).

In this context it is not surprising to find that environmental legislation, as government driver for behavioral change has little resonance with the private sector business. In a recent survey only 23% of companies questioned were able to mention a piece of environmental legislation (NetRegs, 2009). When asked why they took environmental action 39% of companies claimed to be motivated by legislative pressure, the majority (54%) by a general concern for the environment (NetRegs, 2003). However, a more fundamental issue when

considering how to ensure greater effectiveness in the use of regulatory tools , is the finding that a mere 7% of the 7000 businesses contacted thought that their business undertook any activities that harmed the environment. When they were probed further and provided with examples of environmental impacts the actual figure was six times higher (46%) (NetRegs, 2009). This highlights the need to raise businesses' awareness of their impact on the environment, without which it is unlikely that the regulation is ever going to 'apply to them' and thus act as an effective driver of change.

Table 11: Businesses that consider their activities potentially harmful to the environment by size of business

	Micro (0-9 employees)	Small (10-49 employees)	Medium (50-249 employees)	UK Wide Total
No	92%	91%	88%	91%
Yes	7%	7%	10%	7%
Don't know	1%	2%	2%	2%

Source: SME-nvironment Survey 2009: UK (NetRegs, 2009)

This phenomenon may also apply when using the potential for new businesses as a driver for environmental change. In research produced for the Shell Springboard report, Vivid Economics Foundation identified that 87% of SMEs questioned felt that the 'market for climate-friendly products and services presented a significant opportunity for British business'. When asked this question in relation to their own businesses only 19% of companies felt it would be significant (Shell, 2006).

The lack of connectivity by business with the resource efficiency and low carbon agenda and the consequent low level of knowledge remains a major barrier to change. However, if one examines other EU countries different approaches appear to be tackling this more effectively. In the Netherlands a similar type of policy approach has been taken with legislative, licensing and voluntary action

being implemented. However, unlike the UK this legal framework has been reinforced by a more consensual style of governance and shared social responsibility. Here Trade Associations, of which membership is almost universal, local government and local support providers have worked closely together to meet the targets set by the National Environmental Policy Plan (NEPP). Target groups were identified and ultimately tasked with delivery, but they were heavily involved in the consultative process and consensual support of the policy strategy reflected the contribution of the target sector to the solutions. Industry representatives were a key part of the negotiations and discussions that were a precursor to government decisions. Intermediary networks, which included trade associations, industrial environmental agencies, local authorities, employee organizations and consulting firms, were then seen to play a crucial role in influencing industry and especially small firms to make changes.

Currently there is little published work on the behavioral attitudes of owner/managers in UK companies towards this agenda but to understand the rational of individuals the UK government commissioned a key report in 2008, 'A framework for Pro-environmental Behaviors'. This has created a reference point for understanding public attitudes and behaviors primarily relating to carbon savings and therefore climate change mitigation. The report was designed to 'protect and improve the environment by increasing the contribution from individual and community action'. It provides insight into motivators and barriers and provides an understanding into people's willingness and ability to act on headline goals. The research also considers a wide range of interventions and their effectiveness to drive change. (DEFRA, 2008b). For the 'public sector' government has increased the non regulatory pressure on public bodies, such as the development of a new set of environmental indicator targets for local councils and a requirement to display energy performance certificates in public buildings. There have been increased sustainability targets identified within government departmental performance. The public sector has also come under new legislation to drive down carbon emissions, the recently introduced Carbon

Reduction Commitments (CRC), which will have financial penalties for failure to meet reduction targets.

As previously discussed, 'industry and commerce' are also increasingly heavily legislated to compel waste reduction, emissions cuts and a reduction in the use of raw materials, all being underlain by long term behavioral change. Support from government is primarily information based. Government has tended to focus on the benefits to the 'business entity' resulting from taking action, such as cutting costs. It does not appear to have considered the interests and drivers of the individuals within the organizations or attempted to communicate at a personal, motivational level with the SME owner/manager.

3. METHODOLOGY

3.1 Qualitative Survey Methodology

A quantitative survey was designed to further investigate issues identified through the literature review that were either not directly related to sustainable business or were not explored in detail. The survey was completed with 12 companies. All interviews were provided with the opportunity for prompted discussion, with no interviewee completing the questionnaire by email/post. The interview was structured and the same format was used with all participants. It was, however, important that the interviewee was able to expand on a theme or point and this was encouraged.

The survey was divided into two sections. The initial section focused on the business position and required the participants to provide information on their views regarding specific business issues. The second part of the survey asked them for their own personal views on a range of climate change based questions, replicating elements of the survey content on which the DEFRA research piece 'A Framework for Pro-environmental Behaviors' (DEFRA, 2008b) was based.

This separation between 'business' and 'personal' was made quite clear at the beginning of the interview and again when moving from the business section (Survey Section 1) to the personal questions (Survey Section 2).

Companies selected for interview were identified through previous contact with Business Link in the South East, local government sustainable business support groups and South East based Business Awards. Over 50 companies were considered as participants for the survey and were assessed through informal discussions. It is acknowledged that this form of selection makes it inevitable that the sample is likely to be skewed in its awareness of government support programmes.

This point does, however, highlight a key problem with SME sustainable business research. There is no official method to identify companies that have achieved a level of sustainability. Generally government statistical teams have worked with Standard Industrial Classification (SIC Codes)(ONS, 2007) based primarily on business output and sector, to understand the 'makeup' of UK SME activity. However, this clearly cannot provide a method for assessing the level of sustainability being achieved by companies or to allow cross sector benchmarking. At a corporate company level this is being approached through the FTSE4Good (FTSE, 2009) or through the Business in the Community membership benchmark, the Corporate Responsibility (CR) Index (BITC, 2009). Neither of these are intended, or suitable, for mass use by small businesses, or for those wishing to monitor the growth of sustainable business practice in the UK SME community. Other government groups are looking at online benchmarking tools, such as the Carbon Trust with its Carbon Footprint but at best these are issue specific. Even at its most basic the SIC code listings currently used have not been updated to allow eco tech or clean tech companies to be identified, a task made more complex as existing companies diversify and develop 'green' products.

The final survey sample was narrowed to 23 companies of which eventually 12 companies were able to take part. This group provided a mix of micro, small and medium businesses, with one of the micro companies working primarily from home. The individuals interviewed worked across a range of sectors although manufacturing, with its process driven focus did dominate the survey. It was also the intention at the beginning of the research to try and have as representative an age range and mix of gender as possible from the participants. This has broadly been achieved although there is no representation of any owner/managers below the age of twenty five. Whilst this is a minority group, unpublished research by Business Link in the South East (August 2009) highlights that the top three most significant challenges for these managers are currently, finding new clients (36%), responding to competition (11%) and reducing waste or improving energy efficiency (10%). Significantly this last challenge is only seen as important by 1-2% of every other age group and may indicate a developing change in mass behavior. This may be an area for future research. The survey has also been able to provide a mix of recently started companies, established and long term businesses, the oldest having been started in 1949.

For the purposes of this report the participants within the companies will be identified only by the code nominated in Table 12. All respondents were offered full confidentiality at the start of each survey, confirmed in writing, and with agreement for any personalised quotes to be made only with prior approval.

Table 12: Participant company details and coding

Research Code	Type	Sector	Size of company (no employees)	Date company started	Title of Interviewee	Male/Female	Age
MP	Control – Cost Reduction	Manufacturing - Plastics	28	1986	MD (owner)	M	50-60
MF	Control – Cost Reduction	Manufacturing - Fibreglass	37	1968	General Manager	F	45
D	Control – Cost Reduction	Design	4	2006	MD (owner)	M	30-40
LA	Sustainable – Succeed	Landbased	3	2006	MD (owner)	M	40-50
T	Sustainable – Succeed	Transport	3	1996	MD (owner)	M	40-50
P	Sustainable - Succeed	Printing			MD (owner)	M	40-50
MC	Control – Risk	Manufacturing - concrete	204	1949	Project Engineer	M	30-40
MHC	Sustainable – Succeed	Manufacturing – Health care	20	1980	Sales and Marketing Director	F	50-60
L	Control – Cost Sales	Leisure	4	2008	Owner	F	30-40
EC	Sustainable – Struggling	Environmental Consultant	3	2008	Owner	M	30-40
MOC	Control – Cost Reduction	Manufacturing - organic cosmetics	29	1990	Strategic Planning Manager	M	30-40
POS	Control – Cost Reduction	Post office Services	8	2005	MD (family owned)	F	20-30

4. PRESENTATION AND ANALYSIS OF MAIN FINDINGS

The results of the survey work provide additional valuable data both in supporting some of the findings highlighted through the literature review but also offering a new perspective on owner/manager values in relationship to the development of sustainable business. Quotes from owner/managers have been used throughout the presentation of the survey results to emphasize key findings. Some of the qualitative results have been tabulated to provide a clearer presentation of the findings. The survey process comprised of over 30 hours of discussion, note taking and review.

4.1 Rating the Sustainability of a Business

In order to establish each respondents perception of how sustainable they understood their business to be, they were asked to grade their company on a scale of 1 to 10. A score of 10 indicates that the company is operating in a highly sustainable way and 1 represents a business operating in a non-sustainable way. This was deliberately positioned in the middle of the 'business' section of the survey, to ensure that the respondents had been provided with an opportunity to consider how their company was adopting sustainable issues before responding. No additional guidance was given, unless it was requested, on what 'being sustainable' meant as a business. The very concept of sustainability is still unclear to many people and as it continues to undergo development it continues to signify different meanings. This was succinctly summed up by Participant, Company LA *"there are no hard and fast rules, and a lot of conflicting opinion, rather like a religion. you choose the bits you like...I guess you choose the bits that reflect your values"*. This approach was true for most of the respondents and thus any ranking was very much based on their own perceptions. The results are presented in Table 13.

Table 13: Rating of Business Sustainability

Company Research Code	Type	Sector	Business Sustainability Rating
POS	Control - Cost Reduction	Post office services	5
D	Control - Cost Reduction	Design	6
MOC	Control - Cost Reduction	Manufacturing - organic cosmetics	6
MF	Control - Cost Reduction	Manufacturing - fibreglass	7
MP	Control - Cost Reduction	Manufacturing - Plastics	7
MC	Control - Risk	Manufacturing - Concrete	6
L	Control - Sales	Leisure	4
LA	Sustainable - Succeed	Landbased	6
P	Sustainable - Succeed	Printing	7
T	Sustainable - Succeed	Manufacturing - Health Care	7
MHC	Sustainable - Succeed	Transport	8
EC	Sustainable - Struggle	Environmental Consultatant	8

Source: MSc Dissertation Survey August-Sept 2009

As would be expected from the given sample selection process, none of the companies saw themselves as very poor, indeed all had been selected for the survey because they were taking some action. However, whilst bearing the small size of the sample in mind, there was a clear difference between the mean score of those in the control group and those that were part of the 'Sustainable' group. On average the control group scored 5.9, and the Sustainable group 7.2.

It was interesting to note that one of the companies within the Sustainable group highlighted the disjuncture between their own well developed internal thinking, goals and aspirations and the market perception of a sustainable business. *"When people come in and talk to us I think they go away thinking these guys are great and that's quite interesting...because when you are in it yourself, its normal, its just like making the tea...its what I do everyday. "Participant Company P.* When they were asked how customers would rate them they said, *"I think they*

would definitely view us as higher...if we feel we should be rated a seven they might see us as a nine” Participant Company P.

Several businesses in both groups also clearly articulated aspirations to improve and generally this was to improve their rating by 2-3 points. Barriers to achieving these goals were generally highlighted as not enough resource, including finance, or in line with some of the findings identified in the earlier literature review a feeling that there was not a great deal more that they could do.

When the same question was asked to over 400 companies in the South East in March 2009 an additional dimension was identified that cannot be elicited from this current small survey. Of those companies who anticipated growth in their business, even during the current economic downturn, 52% gave themselves a rating of 7 or more. Unprompted, only 27% of companies expecting to decline scored themselves at this level.

4.2 The effect of owner/managers’ personal values and interests in the change process.

A wide number of business stakeholders play a role in influencing business activity, and in the case of many SMEs this means influencing the owner/manager. For the development of more sustainable business’ models Government see complying with legislation, cost reduction and new business opportunities as primary motivators for change, factors which are explored in greater depth in section 4.6. However, it was clear from the review of literature highlighted in section 2.3 that owner/manager motivation for running a business is highly personal in its nature. Through discussion with the owner/managers the relationship between their own values and interests and the impact of external pressures were examined in the context of increasing the sustainability of their business structure.

Business owner/managers innately have the drive and commitment to set up and run companies. Their ideas and interests are the basis on which the company was founded and the literature review clearly highlighted their need for challenges, independence and the desire to offer a service and product whilst making a living. Of the twelve companies within the survey sample eight had been started by the survey participants, with several of them highlighting the reasons they had felt motivated to develop their own companies. As would be expected, the business was identified as the vehicle to provide some level of acceptable income. For all but the most passionate in the 'Sustainable Group' this appeared to be the main impetus for the creation of the company. However, this clearly sat alongside other strong emotional and personal drivers. For several businesses owners operating their own business was driven by the desire to be able to be part of, and offer to staff, a good working environment. For others, such as Company MOC, the business idea came from a belief in being able to offer a 'better' product. This was not just seen as identifying a market opportunity, but it was aligned with strongly held beliefs. In at least one case the need to develop better products was noted in relation to personal experience. The business of Company MOC was created after one of the owners *"developed contact dermatitis when working with a pharmaceutical product and thought this just couldn't be right so started to look at products without the nasties"*. Similar thinking was articulated by at least a further four companies. Setting up a business for others had also provided a route to realise personal ambitions and allow the owner/manager to continue to grow and be challenged.

This emotional drive was particularly evident with participants in the Sustainable Group. For all of them, setting up a business had allowed them to live their ideals, ensuring that how they made money was aligned with their values and providing them with a route to disseminate their ideas. When questioned on why they had chosen to run their own businesses the response articulated by Participant, Company LA *"we wanted to run a business, and we wanted to run it as sustainably as possible"* had resonance with all the Sustainable Business

Group. It was also clear for this group that all owner/managers agreed with the following comment, *"It's all about passion....that's how we work"* Participant, Company MHC. Such attitudes were not found within the Control Group although owner/managers did exhibit strong feelings about some sustainable business aspects such as staff wellbeing and reputation.

For many of the respondents it became apparent that the definition between personal views and business views was not clearly separated and in some cases no boundary existed. Throughout the 'business' questions (Survey Section 1) owner/managers generally commented in the first person with several presenting their key business drivers in terms of personal goals. This was especially, but not exclusively the case for the smallest companies. Such a position is extremely understandable in SMEs where husbands and wives worked together, or it was a family run concern. Whilst this was not a specific question within the survey, at least six of the companies involved identified that they had this type of working relationship and a further two worked in partnership with long-standing friends.

The influence of customers was more limited than had originally been anticipated with only two businesses from the Sustainable Group providing a strong affirmation that customer interest or demand was important. Within the Control group the effects of customer demand was seen to be extremely limited, with participants comments ranging from *"99% don't care, they just want a good deal"* (Participant, Company D) to customers being interested but not demanding a sustainable business approach from their supplier. Only the largest company was under any pressure from customers to change their products or operational activity and this was primarily due to legislative changes.

For owner/managers in the control group several mentioned that suppliers had provided some information or ideas but that this was generally in response to owner/manager requests for more environmentally friendly products. An interesting exception to the norm was that one company's (Company L) main

product manufacturer provided them with a huge amount of support as part of their service offer. This not only included provision of 'environmentally friendly products' but also extended to raising awareness of sustainable business issues and even supplied the platform for their customers to jointly support charitable causes.

When attempting to understand how sustainable business issues are introduced into the company priorities none of the owner/managers interviewed identified this level of change being initiated by a member of staff. The exception to this was for the two larger manufacturing businesses where the respondents were staff members specifically tasked with this development. It was clear that for several of the companies there was a collaborative approach to making change once the owner/manager initiated an idea. This was taken forward through a range of styles, from informal chats to more formal collective staff working. Participant, Company MHC noted that *"Our staff have been great...they've come up with ideas. Riding a recession is hard and the staff understand that we are working with them. We try to keep together no matter what"*.

Engaging with staff, involving them with the problems and developing a higher level of knowledge about the issues was a constant theme with many of the participants. *"We started by doing what we could and the people working here started to see the benefits..and they keep taking it on. As much as you can put up switch off stickers you actually need people to do it!"* Participant Company MOC. Several of the larger businesses had taken a more formal and proactive approach to increasing the awareness and knowledge levels amongst staff. Two of the companies had deliberately targeted the effects of energy efficiency and cost savings in the home to try and encourage staff to have a greater interest in the issues at work. Both businesses had energy meters that they loaned to staff and the largest company produced a staff newsletter to help provide their employees with information and guidance on potential efficiency savings. The

content of the newsletter was based primarily on the Energy Saving Trust website information and tools.

The area of the survey which created the least commentary amongst the owner/managers was that of the importance of community. Several of the businesses in the Sustainable Group mentioned the importance of local communities and provided some examples of how they are supporting local activity but no one highlighted the influence of their local community on their own business development.

The way in which the Control group and the Sustainable Group approached sustainable business development highlighted a major difference in the thinking of the owner/managers. For the Control group the discussion about sustainability centered around '*practical approaches*' and '*commonsense*' activity to reducing energy and waste. For many of these companies they viewed this activity very much in terms of standard business '*cost benefit*' analysis or being '*project driven*' without integrating this into their wider business thinking. With the exception of the two companies, who employed specialist project managers, the move to sustainable business change would appear to be sporadic and generally focused around step by step business improvement. Hence the Participant Company MF noted, "*I think its all about continuous improvement ...the EMS system makes it clear what the steps are*". When asked about their vision of a sustainable business most of the control group companies talked about this in terms of efficiencies and ongoing process improvements. Whereas the Sustainable Group were different as they engaged with the issue throughout their business development and planning process.

It is interesting to consider what role knowledge and personal interest of the owner/managers plays in such a clear and important difference of approach between the two groups. To try assessing this the responses of participants were analysed by 'business need' or 'personal interest' and their knowledge of

sustainable business issues. This was then linked to the owner/managers likelihood of integrating sustainability into the business model (see Table 14).

Table 14: An assessment of owner/manager knowledge and the propensity to take action

Sustainable Business Driver	Key Drivers	Knowledge Level	Number of Companies	Step Development	Sustainable Business Model
Control Group	Business need	Limited knowledge - to meet business needs	2	Limited steps - limited knowledge growth	Low
	Business need, Personal Interest	Developing knowledge-beyond initial business needs	3	Accelerating steps-moving to high knowledge	High
Sustainability Group	Personal interest	low knowledge but developing	2	Limited steps - sporadic knowledge growth	Medium
	personal interest	High Knowledge	5	Holistic approach - constant knowledge updating	High

Source: MSc Dissertation Survey August-Sept 2009

Those who would appear to already be interested or have begun to develop a more personal interest in sustainability appear more likely to take action and perhaps more importantly are constantly looking at ways to meet business goals in a more sustainable way. Goal setting may not be formal and in some cases may not directly relate to business need. An example of this would be Participant Company D who had got to know more about “*all this*” because of “*natural curiosity*” but freely admitted that in terms of company ‘need’ there was no strong business case for change.

From comments made during the survey, by several participants in both groups, an increase in knowledge, initially to meet a pure business need such as energy savings or legislation, appears to grow into a more personal interest. This does not occur in all businesses. For those within the Sustainable Group the boundaries between personal and business interests are most difficult to separate.

4.3 Profit - the primary motivation for business?

Whilst the research did not ask businesses to rank profit against other business motivators, Evidence emerged of the importance of certain major benefits provided by the company that were not simply financial. Examples of motivations 'beyond profit' were found equally across both the control group and the sustainability group suggesting it is a feature common in many SMEs. However, no company interviewed had taken the step to run as a charitable concern or in another profit limited structure, so profit, or at least making money, unsurprisingly is likely to remain the principal business motivator.

Participant, Company P articulated this by saying: *like it or not, you're seen as a successful company if you make profit at the end of the day. There is no point in arguing against that. We must get across to people that the (sustainable business) ideas we have are not directly opposed to those for running a business. Success as a business is very, very important.....because if we failed we would be labeled as the green lot that tried but didn't know how to run a business.*

For many of the business owner/managers the ability to control their own destinies was a major driving force in setting up and continuing to run their own companies. Several voiced similar feelings to Participant, Company T: *"Running your own business...you're in control. You can take the decision you want....we just say right and get on with it"*. Two of the companies highlighted that the desire to start the company was to create a working environment that they would enjoy:

to run a business that they would like to be employed in, rather than have to continue to suffer bad 'management'.

Several companies also saw the business as the vehicle to satisfy their own personal drive and ambitions, *"I need something to challenge me"* noted Participant, Company P. This point was echoed by Participant Company L *"we want to see the whole industry change. We want to be leaders"* and in simple articulation of their own priorities Participant, Company EC commented on his goals: *"three things really....one- affecting change, two - making a living and three- balance"*.

For at least one company there was a very strong feeling that work was an integral part of their life. Business development wasn't planned and the owner clearly wanted it to remain at a size that was comfortable for him and the people he worked with: *"Is there a driver, I don't know...it just develops. I enjoy doing it...I really don't have any great plans to be a millionaire. For me it's really about making sure I can pay for the family and make sure the guys are well paid. If all you are about is the profit...it will fall flat."* by Participant, Company D.

Several other company participants had similar feelings that their businesses were not just about making money. As was noted earlier in the review of background literature, it is well documented that a large number of companies are in existence to support owner/managers and staff rather than to offer high growth potential. Traditionally these so called 'life style' companies have received only limited government attention, as they are unlikely to provide the launch pad for high growth and innovation or provide the basis for future corporate development. However, they do remain a significant part of the business landscape.

If in the future business needs to take into account a much more sustainable and holistic view of success. It is feasible that 'lifestyle' companies may be able to

align themselves with this agenda more effectively than a traditional, purely profit-motivated business structure. Already one of the participant companies has begun to operate a simple triple bottom line approach. Here they account for the cost of their positive and negative impacts on the environment and society as part of the traditional accounting process. Company LA are passionate about the land they work and *“we actually figure-in land use and degradation alongside our financial accounts....its all part of the costing”*.

4.4 The links between owner/managers private views and workplace activity

To understand the level of personal understanding of climate change those taking part in the survey were asked several questions used by DEFRA in their recent behavioral survey (DEFRA, 2008b). Overall, there was a high level of awareness amongst respondents and they were articulate and interested when asked about their personal views on climate change and global warming. Most of them felt informed enough on the issues to provide a response to most of the questions but there was a wide range of perceptions in terms of time scale and opportunity to influence change.

All of the participants agreed that disaster was imminent but what disaster and imminent meant was not clear, with people offering a range of time periods from *“50-100 years, not in my lifetime and a long way off”* to *“we’re nearly on the edge”*. One respondent felt that this was something that would happen elsewhere in the world but not in Europe. In response to the question of whether the scale of disaster had been exaggerated by the government, climate change bodies or other interested groups those within the control group were the least sure whilst the owner/managers within the Sustainable Business group were most likely to feel the information was correct. All of the participants who responded agreed with the statement that human behavior had played a part in climate change but when asked if humans could find ways to overcome the problems they had helped create there was an overall feeling of helplessness. In both groups the

respondents felt that people “*could but probably wouldn’t*”, that we were “*indulging in mass self-sabotage*”, and that “*we can but that we don’t yet have the wisdom to do it*”. One person within the control group felt that ‘corporates’ were the key, but another noted that business goals are so short term it is not possible to drive long term change. Despite this negativity all of the participants said they still felt personally obliged to ‘do something’ or ‘what they could’.

Only those within the Sustainable Group participated in or were members of ‘environmental/sustainable’ support groups. These varied from environmental groups such as Friends of the Earth, WWF, local Wildlife Trusts, to the Green Party, the Ethical Consumers Association and membership of professional groups such as the Institute of Environmental Management and Assessment (IEMA). Many of the respondents were also involved in local support bodies or advisory groups. All those within the Sustainable Group were actively talking to other companies and individuals about their views. Formal settings for this activity included lectures and presentations as well as through networking. The majority of this activity was unpaid and, whilst it offered promotional opportunities for the business, it was clear that for all of these respondents that the driver for their activity was a personal interest in engaging others in agenda they were passionate about.

All of the survey participants were able to highlight work they had done at home to be more sustainable. For most this related to simple changes such as recycling, insulation and changing to low energy light bulbs. One was proud of their vegetable garden, another would love to fit rainwater harvesting but it was just not economically viable and another, fascinated by technology, had fitted radio controlled lighting. Several commented that the easier it was for them to take action the more likely that they would do it. All of the respondents also had some level of guilt or virtue linked to their use of a car to travel to work. Several of the respondents walked to work as they had made sure that their home and work premises were close together, one had bought a smaller engine vehicle,

two cycled and at least two wanted to change their own/company car when they could for something more environmentally efficient. One business owner drove a 5 series BMW but felt a level of embarrassment about this and noted it was diesel and that they used cruise control.

Many of the participants frequently referenced TV or radio news and documentaries as the basis for their knowledge on climate change and global warming. Few had elected to read independently on the subject and those that did were primarily within the Sustainable Group. A number of people from both groups also showed a strong personal affinity with some aspects of the 'natural world'. Throughout the interview process references came unprompted from many of the respondents about their views and experiences. One of the participants had campaigned to preserve a local pond on wasteland and one owner/manager worked closely with the local wildlife trust. For Participant Company T there was a passionate and practical issue of our impact on wildlife. He noted *"being a cyclist and a walker you have a greater sense of the vulnerability, we're not so invincible. I guess you are more sensitive to these issues.when you see all the dead stuff on the roads. Sustrans (cycling group) did a ride from Inverness to London and counted all the road kill – it was huge"*. Two people highlighted the importance of their involvement with outdoor activities during their upbringing, another simply took great pleasure in having found an office situated in the countryside with a great view.

4.5 How owners/managers engage with new business issues and how they learn about sustainability

From the general survey questions several points emerged strongly. Firstly, there was a wide range of academic backgrounds amongst the respondents and whilst there does appear to be a greater proportion in the 'Sustainable' Group that have degree level qualifications it is difficult to draw firm conclusions from such a small sample. It is certainly the case that those participants in the Sustainability group have read more widely around the subject area, have worked to formulate a

more holistic view of sustainability and involved themselves with a much wider range of sustainable business networks than those in the control group. Only two participants had taken any formal qualifications connected to sustainability, one a diploma, the other a short two-day EMS course (See Table 15).

Table 15: Education levels attained by survey respondents

Group	Highest Educational Level Achieved (all subjects)					
	GCE/GCSE	A Level	NVQ	HND/HNC	Degree	Diplomas
Control	1	1	1	2	2	
Sustainable		1			4	2

Source: MSc Dissertation Survey August-Sept 2009

The way in which respondents had continued to learn was primarily through *“learning as you go along”, “on the job”* and a feeling that *“much of it is just commonsense”*. For one of the recently started companies it has been a case of *“just sort of jump in a the deep-end...its been very much trial and error. We work out what works for us as a business”* (Participant, Company POS). For others just starting on the sustainable business journey it has been a less comfortable experience until they found an external source of help *“before this we really felt a bit out of our depth”* (Participant, Company L).

Individual reading provided a basis for learning for the greatest number of owner/managers and several companies mentioned using trade bodies or publications to help them keep abreast of issues, especially relevant legislation. This was not universal and not all trade bodies were viewed as dynamic, especially in the area of sustainability. Through discussion it also became clear that learning from other companies, often at a very practical level, was hugely influential (See Table 16).

Table 16: Methods of learning – sustainable business issues

Group	Learning processes used to up skill on Sustainable Business issues - mentioned					
	Reading	Formal Network	Peer Learning	Inspirational Figure	Accreditation	Further formal learning
Control	5	2	5	0	2	
Sustainable	5	4	5	5	3	1

Source: MSc Dissertation Survey August-Sept 2009

For some participants this learning was achieved through working with their peers, benchmarking their business activity against their competitors, or listening to their customers. Peer to peer learning also involved getting together with other likeminded businesses, sometimes in the same sector, or meeting those with similar interests. These contacts appear to be more ad hoc and related to business activity and business relationships than formal networking. The following quotations provide a sense of the importance of this learning process.

Participant, Company MHC comments; *“we have learnt mainly from understanding the way other companies work... sometimes looking at big business, but we would not want to emulate them. We look at companies we are impressed with and discovering why....that’s been useful”*. For another respondent, *“I like to be able to follow a train of thought and then be comfortable with the detail and then be able to start to talk to other people both inside and outside the company to develop greater knowledge”* (Participant, Company MOC) and finally *“finding out comes from talking to people...actually, just talking to you has made me think!”* (Participant, Company MHC).

Active involvement in more formal networks was only mentioned by six of the participants. Of those who cited these as a route to learning the most active were in the Sustainability Group. Here there was a clear interest and enjoyment of being part of multiple network groups which were linked to an agenda they found personally interesting and stimulating. It provided the participants with both the opportunities to learn, and the opportunity to influence others. Several of the

respondents were major contributors to at least one of the groups they were involved with.

Equally striking with the Sustainability Group was that throughout their interviews they were the only participants to highlight the importance of key inspirational figures in changing the way they thought. Generally, the contact with them had been personal, hearing them speak or talking to them, rather than just reading their words. The personal contact and effectiveness of listening seemed to make a much greater impression. Not all of the speakers mentioned by companies as inspirational were involved directly with the sustainability agenda, but all had the charisma to stimulate their listeners. On this point Participant, Company MHC said, *"We have to change the way we work and live. It all comes down to having an interest.....many people just can't be bothered. It needs people to inspire. Over the years I've met a lot of people...John Harvey Jones, he spoke with no notes, very inspirational...Red Adair...he was a great speaker...just enthralling"*. Another company commented *"I got to hear George Monbiot speak....you know him... he was thundering about how we must all act now. I was asked to give an ecology talk the other day...he was in the audience...it was a bit daunting"* (Participant, Company LA). Interestingly only two of the nine mentioned by name were not well known public figures. Of these one had led a major cycling campaign in Montreal in the 1960s, the other was an environmentally passionate local landowner. For one of the companies in the sustainability group it was not just an issue of inspiration but also of leadership.

Lastly it also became clear in talking to the participants, both as individuals and as owner/managers that a large number of them were aware of key issues around sustainability not from industry specific reading or networks or through formal learning but from general media sources. Only a small number used newspapers, the FT was mentioned as an impartial source, one listened to Radio 4 but a surprising number mentioned documentaries. The Age of Stupid, the 'Al Gore film' (An Inconvenient Truth), a TV programme on climate change effects in

Yellowstone Park and a documentary on the rubbish being deposited on the Midway Islands were all highlighted.

4.6 Awareness of government action and uptake of business support

Unprompted only three companies could talk in any detail about government support for businesses or the action government was taking to drive change. The response to environmental legislation, the cornerstone of government action, varied from no awareness to a comprehensive understanding. The higher levels of knowledge appeared to be greater with the larger companies working in manufacturing and those associated with land-based businesses. The largest company had a legislation register as part of their ISO14001 accreditation and many others were able to name a number of relevant legal drivers. The exception to this was two of the smaller companies within the Sustainable Group. Here legislative knowledge was very high, with Participant, Company EC qualified as a 14001 assessor and the other owner/manager had developed a personal interest in the area and was a member of the Environmental Law Foundation. He was extremely positive about legislation as a driver for action *“....we just wouldn't have some of the changes otherwise. I'm all for it. The law is a cheap external instrument for getting people to change”*.

Amongst the smallest companies, and those outside the two sectors noted above, knowledge was very limited. A couple of companies had no awareness of any legislation whilst one was aware of some waste requirements having recently experienced the practical issue of trying to find a company to take away and recycle waste. As part of this process the suppliers provided him with information about his duty of care and waste collection notes. One of those who had no knowledge commented *“no...I wouldn't know about it at all”* which may support the Environment Agency research discussed earlier that many companies do not feel that environmental legislation is relevant to them.

During the course of the discussion, or when specifically prompted, several companies mentioned government business support bodies, such as the Carbon Trust, Business Link, Envirowise and the Environment Agency. In some cases, this was awareness only, whilst a few had had site visits and audits.

Table 17: Total Awareness (prompted) of government funded support bodies

Group	Main government support agencies mentioned					
	Carbon Trust	Envirowise	NISP	Business Link	Env. Agency	Netregs
Control Group	6	3	1	6		1
Sustainable Group	4	1		3		

Source: MSc Dissertation Survey August-Sept 2009

Of the 25 'mentions' by the SMEs, only 12 comprised some form of interaction rather than a general awareness. This was primarily audits from the Carbon Trust for the larger companies, assessing how to reduce their energy bills. However, one of the smaller companies had looked at their website and worked out their carbon footprint. NISP was actively working with one company to manage a waste stream as a raw material. Business Link, as expected from the sample source, was known and used by the majority of the participants. The majority of the interactions appeared to be on an ad hoc, as needed basis but with two of the larger manufacturing companies there was an indication that they were managing a range of support bodies in a more strategic and holistic manner.

There appears to be a disjunct in the minds of many owner/managers between 'the government' and the publicly funded bodies that provide support. This finding is corroborated by work done at the Department for Business, Innovation and Skills (BIS) to assess over 3000 business support schemes currently being funded in the UK. They found clear evidence that businesses failed to understand the logic behind the funding, that government was funding the support and confusion about how to access it. The government launched its

streamlined support portfolio, 'Solutions for Business' in spring 2009. (BIS, 2009b).

For at least two of the business's government had not been a positive force for change, one did not see any link between government funded activity and their work around cost reduction, the other as a barrier to change. For at least one participant (Company POS) the cuts in they had made in their business energy use had been sparked by EDF television adverts. In the case of Company EC there was a huge frustration as they saw government bodies *"lagging behind the market in innovation...they are slow on the uptake....the Carbon Trusts technology list, it's out of date"*.

Within the Sustainable Group, where the most holistic appreciation of the subject existed, at least two companies voiced levels of concern about the scale and approach of the governments support activity. When discussing the way in which government was promoting and supporting the basic cost reduction and risk based legislation messages and actions Participant, Company P stated, *"and if you said that was a first step to a bigger plan somewhere down the line... then yes I would say government have been successful...I hope...I really, really hope that that's not their end game. I hope its step one in the big plan"*.

5. CONCLUSIONS

It is clear from the literature review that the UK SME sector itself is not widely researched, and that its environmental and social impacts have not been identified. This lack of understanding and visibility is a key barrier to effective change within this subdivision of UK industry and commerce. A literature review of SME owner/managers values and interests also highlighted the limited nature of the research so far achieved.

As far as the research material is able to support it would appear that small and medium sized businesses have an enormous impact on UK society and the environment but because individually their impacts are frequently small and the complexity of dealing with millions of companies they have not had the focus associated with larger companies.

The literature review and the qualitative survey highlight the importance of the owner/manager in the business decision-making process. The qualitative findings provide insight into how integrated 'personal' and 'business' thinking is, especially within micro and small SMEs and that owners in taking 'business' decisions are likely to be meeting their own needs. Owner/managers do not have formal qualifications in management, and their 'education' almost exclusively comes from 'on the job learning' and from a wide range of other informal sources. This is as relevant for acquisition of basic business skills as it is for sustainable business knowledge. They are most likely to be aware of resource efficiencies than low carbon and only a few of those most interested have a more holistic vision of sustainable business models.

Whilst the UK government has done much to address the issue of resource efficiency, with all sizes of business, it has done so mainly through legislation and voluntary action. The research would appear to suggest that legislation is poorly understood or unknown by most of those SMEs questioned and that whilst efficiency is becoming more widely considered it is not driving step change. This report would suggest that harnessing the interest and values of the owner/manager more directly could increase the speed at which companies move to more sustainable business models.

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APPENDICES