Assessing Sustainability Support to Small and Medium Sized Enterprises (SMEs)

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Abstract: The aim of this paper is to evaluate qualitatively the impact of sustainability support to Small and Medium Sized Enterprises (SMEs) where quantitative results are often difficult to appraise. Many of these organisations require sustainable business support to enable them to start or build their business concepts on sound sustainable platforms. Many SMEs are unable to quantitatively evaluate the benefit which they have received from support programmes because they are in the project planning stage or have limited financial data. Without a form of evaluation, support networks often cannot retain funding support.

This paper is based on the grounded theory approach to analyse qualitative data received from participants in a sustainability support programme. Research on such programmes to SMEs is scant. This paper proposes the use of qualitative data collection and its evaluation to be considered when making the case for funding such programmes, along with quantitative data when available.

Keywords: Sustainability, business support, SMEs, qualitative assessment.

1. Introduction

In recent years, there has been an increase in predominantly government-funded support programmes offered to SMEs in order to help them set up or grow their businesses. Often as a condition of continuing funding, the deliverers of the support must demonstrate clear, usually quantitative participant benefits to the programme sponsors. For many SMEs, it is often not possible to accurately assess specific quantitative outcomes because they are either in a very formative stage or they have inadequate financial data or skills. Without this evidence, many support programmes may be deemed a failure and funding withdrawn. However, the participants in these programmes often derive significant qualitative benefit which has caused them to (re)-assess, (re)-focus or (re)-define their businesses without which intervention they may have wasted resources or at worst, failed.

There is an increasing belief that well-embedded sustainability practices can be a key factor to longer term business success [10]. Jenkins [11] believes that in order to gain competitive advantage, it is essential to take full advantage of the opportunities available in the sustainability arena. However, there is a perception that SMEs find it difficult to engage in sustainability [7].

This paper examines the qualitative evaluations of participants’ experiences of a publicly-funded sustainability support programme in the UK. It assesses these evaluations using a grounded theory approach to demonstrate the perceived value of the support. By omitting to collect qualitative data on support programmes, funders risk undervaluing the significant benefits many SME participants derive from the help they receive. This research helps to fill the gap on literature on sustainable business support to SMEs and to suggest a not purely quantitative approach to support programme evaluation.

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By exploring the literature on the business case for sustainable business practices, and looking in particular at the perceived obstacles faced by SMEs in adopting them, this paper makes the case for increased involvement of SMEs in sustainability. In order to address the resource issues often faced by SMEs, support programmes are often an ideal way for firms to gain knowledge at key stages of their development. Access to specialist intermediaries to provide a range of tailored support can provide significant value-added to a SME. This is in contrast to traditional training provision which is often seen as inflexible and irrelevant to SME needs.

2. Business Sustainability

2.1 SME Engagement in Sustainability

Sustainability, in its most commonly used definition from the World Commission on Environment and Development [1987] [1] is defined as ‘development that meets the needs of the present without compromising the ability of future generations to meet their needs’. It is a concept that has been growing in importance throughout the business world in recent years, due to globalisation and increased international trade [2].

Despite the neo-classical view that a firm’s primary purpose is to generate as high a return for its stakeholders as possible [3], there is growing adoption of a broader stakeholder view of the firm [4]. This view seeks to address the concerns of a wider variety of stakeholders invested in the business [2]. By integrating sustainability into its core practices, the firm goes beyond mere legal compliance to enhance relations with these wider stakeholders across a range of social, economic and environmental concerns [5, 6].

The benefits of having a successful sustainability strategy are cited as higher sales, cost reduction, risk reduction, increased resource productivity, improved reputation/brand value, greater attractiveness as a ‘good’ employer, enhanced opportunities for innovation, the reduction of adverse environmental impacts, (e.g., waste) and greater stakeholder accountability [6, 8, 9].

Engaging in sustainability and embedding it within corporate products and processes can also often present new opportunities for innovation [5]. These ‘eco-innovations’ can either reduce or avoid negative impacts on the environment, and may result in the firm modifying its behaviour or processes which can also result in increased efficiency. This may encompass process change, product improvement and organisational change [12, 13].

Although widely incorporated into business agendas in large organisations, as evidenced by the plethora of CSR documents in annual reports, SMEs do not routinely engage with this agenda in the same way. They are often more reactive in their approach and focused on environmental control issues such as emissions reduction and ‘end of pipe’ management [14]. Hillary [14] estimated that SMEs may be responsible for as much as 70% of all pollution worldwide, so it would seem a policy imperative to increase their engagement in sustainability.

Whilst there is general acceptance by SME owner/managers that sustainability is a ‘good thing’, many do not engage in outwardly sustainable activities [5]. This may be for a variety of reasons, such as the belief that their environmental impact is too insignificant to warrant investments of time and/or money [15], or that their own customers or wider stakeholders show little concern for their environmental performance [14]. They also cite having insufficient time or resource, whether financial, human, technical or organisational to invest beyond mere legal compliance [15, 16, 17, 12, 18]. However, since many laws do not always apply to SMEs, they can largely remain ‘under the radar’. This may not be
positive for SMEs, as legislation can encourage not only improvements in environment management and performance, but can also be the source of innovative thinking [5].

Jenkins [11] believes that far from being inhibited by their size, SMEs can be well equipped to take advantage of sustainability opportunities. SMEs possess the ability to adapt to changing environments at speed and the flexibility to adopt new niche markets. They tend to be more in tune with the local community than large corporates and are prepared to be innovative to survive. The owner/manager of such organisations is pivotal in making change happen. A flatter organisational structure has clearer and quicker communication lines enabling change to occur more rapidly. It is essential however, that such processes are adequately supported [20].

Due to the vast scope and differing interpretations of sustainability, it is often a difficult concept to measure [10] and therefore to get to grips with. See Table 1 below for Callens and Tyteca’s list of possible sustainability indicators [19]. Although appealing, this may be overwhelming for some SMEs.

**Table 1:** List of Possible Sustainability Indicators, adapted from Callens and Tyteca [19]

<table>
<thead>
<tr>
<th>Economic aspects</th>
<th>Short Term</th>
<th>Long Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover, value added, output production, resources used as inputs</td>
<td>Profitability, competitiveness, market shares, product durability, research and development efforts</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Social aspects</th>
<th>Short Term</th>
<th>Long Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment, salaries, labour intensiveness or productivity, injury risk, noise, odour</td>
<td>Welfare, education, availability of [non-] renewable resources, size, personnel rotation rate</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Ecological aspects</th>
<th>Short Term</th>
<th>Long Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural resources, wastes, pollution, transportation, modes and distances</td>
<td>Global impacts: biodiversity, global warming, acid deposition, landscape, ultimate waste disposal, product recycling ability</td>
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</table>

For many, investment in sustainability is viewed as cost with an uncertain payback [21]. The firm may lack the specific skillsets needed to select and implement the most appropriate investment opportunities [16]. However, pressure is increasingly mounting on many SMEs to contribute to sustainable development [15, 22]. They may start small by adopting recycling first. This later can be extended to waste reduction, material reuse and supply chain optimisation, culminating in the implementation of a more formal environmental policy, e.g., ISO 14000 [5, 12]. Often the key to adopting environmental management actions is knowledge about the opportunities available and which are most appropriate to the firm. Jenkins [11] states that SMEs should be encouraged to see how they can achieve ‘added value and competitive advantage’ by regarding sustainability more as the presence of opportunities. The use of intermediaries, through a training and support medium, can provide this insight. Even companies that do have some skills in sustainability, whether managerially or through technical competence, recognise that to retain a competitive edge, they need to continually engage with external resources [23].

### 2.2 Intermediaries in Business Support and Training

Intermediaries, variously described in literature as bridges [23], intermediate institutions [16] or third parties [24], can provide a range of support to SMEs to develop knowledge or skills. This can be achieved through a variety of media, such as consultancy projects, training courses, advisory activities, specialist knowledge transfers and networking [23, 25]. They can enable a more appropriate assessment of SME needs and facilitate the process of achieving required outcomes, by understanding priorities and organising...
resources and opportunities to reduce the chance of failure. Their involvement can also provide a greater sense of ‘legitimacy’ as to the relevance of sustainability to a SME owner/manager [5]. Ciasullo [6] asserts that intermediary involvement is essential in the development and implementation of a successful sustainability strategy. Howells [25] proposes a range of functions which intermediaries can provide in their interactions with firms, listed in Table 2.

<table>
<thead>
<tr>
<th>Table 2: Functions which Intermediaries can provide: Adapted from Howells [25]</th>
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<tbody>
<tr>
<td>1. Foresight and diagnostics</td>
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<tr>
<td>2. Scanning and information processing</td>
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<tr>
<td>3. Knowledge processing and combination/recombination</td>
</tr>
<tr>
<td>5. Testing and validation</td>
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</tbody>
</table>

Business support through intermediaries has changed dramatically in focus over recent years, moving away from mass training provision to more customer-centric, tailored and focused support which has more impact on performance capability, often encouraged within a network of similar firms [26]. The support programme which is the subject of this paper provides sustainable support to SMEs, based on specific participant needs. It is this breadth of services which makes it difficult for funders of such programmes to evaluate their success and their impact on the firm’s value chain, which as Howells states:

‘Assessing the impact of innovation intermediaries is also going to be difficult, given their indirect (and intermediate) effect on a business’s value chain, but the growth in the number and range of these actors within the system belies the benefits they create to their clients and to the innovation system overall.’ [25] pp. 726.

Increased emphasis on accountability, particularly at the level of government-backed funding, has meant that more focus is made on evaluating business support and training programmes [27]. This has led to a range of often quite demanding targets to demonstrate ‘impact’ and ‘hard’ outputs, such as gross value added, numbers of businesses supported, numbers of jobs created etc. Whilst understandable, this can often restrict the participants which may not be able to demonstrate such improvements or because they are often at a very early stage of business development. Measurement of the impact of support in these cases may not be able to be expressed in purely economic or financial terms. This can often deter SMEs from engaging in such programmes, fearful of the level of data required.

2.3 Enhancing the Value of Sustainability Support to SMEs

Engaging SMEs in formal training and development programmes can be problematic due to time constraints, lack of perceived relevance, diversity of training need and lack of matching of need with appropriate resource and support [28]. SMEs do not tend to be attracted to this kind of training due to their inflexibility and pitch to larger companies [27]. As a result, fewer SMEs engage in training than large corporates [29].

There is considerable debate about whether organisations who are open to learning perform better and can react better to their environment and its challenges [27,30-33]. Chaston [34] challenged this view, and found no link between organisational performance and organisational learning. Perron [9] also found no discernible difference between the environmental knowledge of employees who had attended an environmental awareness programme versus non-attendees. Although more positive about the beneficial effects of training, Gibb [27], did concede that training provision does need to address more closely the specific requirements of SMEs in order to reap benefits, a finding echoed by several
authors [11, 12, 28, 33]. Perren and Grant [35] suggest that it is necessary to join SMEs ‘in their world’ in order to facilitate the internalisation of training into their day-to-day operations. This would counter the tendency of policymakers and training providers to regard SMEs as just smaller versions of larger firms [36] or as a homogenous body of businesses [11]. Training provision needs to be adapted to the more focussed requirements of SMEs, avoiding the use of unnecessary and alienating jargon and terminology. [26].

Methods of training delivery can also impact on training outcomes, with many SMEs preferring a ‘bite-sized’ approach rather than longer, formal sessions which consume more precious time resource [12, 30]. Westhead [36] also found that SMEs, through economic necessity, tend to take a shorter term view of their investment in training and expected to see results in a shorter timespan than their findings suggested they would take to emerge.

Jamali [2] makes the link between the learning organisation and the success of companies to achieve progress in sustainability. Companies need adequate facilitation in the process of transitioning to a more sustainable business in order for it to be successfully integrated. Without adequate support, even those who are committed to ‘doing the right thing’ can find it difficult to progress [2, 11].

‘Learning within the context of learning organizations is thus increasingly conceived as a dynamic mechanism of continuous adaptability that underpins a positive change orientation. It is therefore hardly surprising that advocates of corporate sustainability and practitioners of organizational learning are beginning to perceive common threads between the two streams of activity, in the sense that both require a challenge to mental models, fostering fundamental change, engaging extensive collaborative activity, and in some cases, revisiting core assumptions about business and its purpose.’ [2]

Klewitz [12] agreed that many SMEs often need significant and long term support to realise objectives such as eco-innovations. Intermediaries are essential in delivering a more business-specific support package, including introduction to wider networks to facilitate this more holistic range of support. Samujh [20] similarly supports the need for continuing support for SMEs and in particular micro enterprises. As the dominant organisational form globally, failure to provide support could continue to undermine any attempts to get such businesses engaged in sustainability within the wider society, which could have great economic and environmental impact in the long run.

3. Methodology

The programme under study was a publicly funded initiative targeted at SMEs to develop sustainable business practices, particularly at the early stages of the company’s existence. Its focus was to help to design out unnecessary processes, materials or operations, and to encourage more sustainably-managed practices, such as carbon neutrality or recycling.

A questionnaire was sent out to all 184 companies who had received some method of support, whether that was initial business needs analysis, training courses, networking events or a supported student placement. Although the main thrust of the questionnaire was based on the quantitative outcomes required by the funding partners of the support programme, respondents were also encouraged to provide open-ended feedback on their experiences. This approach did not aim to guide participants in any particular direction, so they were asked to describe any other (i.e., non-quantitative) impacts or improvements programme involvement had provided.

A grounded theory research methodology [38] was chosen due to the open-ended nature of the data collection and its ability to manage the bias in deriving theory from empirical data [39]. This structured and systematic approach is able to accommodate a
wide range of responses, reflecting both the variation in types and stages of businesses involved and the differing levels of support they received. All qualitative feedback responses were initially coded into broad groupings and then further reanalysed by more focused coding [40] into key themes of benefit reported by the SMEs.

4. Results and Discussion

A total of 184 different businesses were contacted, with 70 total responses, of which 45 provided qualitative feedback. Businesses were a mixture of sole traders and limited liability companies and many had been in business for less than five years. 16 respondents demonstrated some quantifiable financial benefit, 5 cited no financial benefit, although they did not specify whether this was merely due to not having been long enough on the programme or for any other reason. 16 respondents found it was too early in their development to demonstrate specifically quantifiable results, but they still valued the support and 4 felt that financial benefits would accrue in time. The key themes derived from the analysis were as listed in Table 3.

<table>
<thead>
<tr>
<th>Support for business maintenance or growth</th>
<th>Research</th>
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<tr>
<td>Business planning</td>
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<tr>
<td>Attract new business</td>
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<tr>
<td>Networking</td>
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<th>Personal perceptions or skills</th>
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<tbody>
<tr>
<td>Staff development and training support</td>
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<tr>
<td>Encouraged mind-set of sustainable future</td>
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<th>Cost and/or time Reduction</th>
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<tbody>
<tr>
<td>Reduced cost or increased efficiency</td>
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<th>Innovation</th>
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<tr>
<td>New material usage</td>
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<tr>
<td>Ideas generation</td>
<td></td>
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<tr>
<td>Redesign: product, process, packaging, delivery system</td>
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<table>
<thead>
<tr>
<th>Reduced Carbon Footprint or Emissions</th>
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| Compliance/development with International Management Systems [e.g., ISO 14000] |

There is some overlap between categories, as progress to reduce material waste or carbon emissions can also impact cost reduction. However, the aim of the research was to allow participants the opportunity to offer their own perceptions of impacts on their business. The largest perceived impact was business support to maintain or grow the business. The nature of support varied from participant to participant, and could range from basic support, around issues such as business needs analyses, workshops and sustainability reviews through to project planning, expert consultancy, product design, development and testing, access to specialist resources and supported placement positions.

One notable impact was the facilitation of new contacts. Many cited networking and new contacts as a way to increase business, develop additional skills and in one case, a partnership. Comments included: ‘It is a great way to meet the key people of the industry’ and ‘The outcome of the support was an introduction to potential partners to pursue patent
licensing agreements’. This supports several research findings into the benefits of networking in particular for SMEs [12, 15, 37].

Innovation was also another strongly cited benefit, ranging from support in generating new ideas (particularly for sustainable material usage), but also in product and process redesign. This encompassed changes in product design, production processes, packaging and delivery systems to reduce environmental impact. This finding strongly supports the literature on both sustainability and intermediaries facilitating innovation as cited earlier. In particular, two participants stated: ‘[the support helped to] develop and redesign the packaging of my product not only to fit British standards requirements but also to stand out from the crowd and attract the interest of more business’, and ‘The real savings were made in the production times which were reduced significantly and made this a more viable product.’ One SME in the programme completely re-designed its product offering in the light of the environmental advice obtained, such that a costly launch of a previously inappropriate product was avoided.

Just over 20% of participants felt they had actively reduced their carbon footprint or emissions as a result of involvement with the programme. This ranged from ‘Reduced CO2 for urban environment up to 60% for freight transport’ [which could arguably be quantified into financial benefit], to ‘Have been developing a much more measurable and coherent approach to waste management, carbon management and key product sustainability for our business which will result in better practice.’

However, the success of the programme in terms of participant engagement and perceived benefit appears to be around the ability of the programme to offer tailored experience and be a facilitator and enabler. An analysis of language used showed that participants most commonly used nouns such as ‘future’, ‘support’ and ‘impact’ and verbs such as ‘helped’ ‘develop’ and ‘increased’ to describe their perceptions of support. By providing a needs-based assessment as the first point of entry to the programme was invaluable in pinpointing needs more precisely, and prioritising areas which required further follow-up.

Therefore this paper asserts that the key to success in engaging SMEs in not only training initiatives but also sustainability issues is to make the offer relevant to the SME. This supports Perren and Grant’s [35] assertion that training needs to be in the ‘world’ of the SME. It also concludes that for many SMEs, attempting to quantify what they have gained from programmes can be challenging, but understates the impacts these programmes have if only quantitative data is evaluated. As many SMEs are start-ups or sole traders with limited financial backgrounds, they do not always have the capability to be able to quantify programme benefits even if there is a financial benefit. Some impacts, such as having avoided going to market with an inferior product offering or developing new materials cannot often be quantified easily at all, but the benefits are potentially great for that individual business, and can be the route to greater innovation.

5. Conclusions

There have been a number of government-sponsored training and business initiatives in recent years targeted at SMEs [34], including initiatives designed to further the sustainability agenda. Many of these programmes have clear expectations in terms of the financial or economic improvements which must be demonstrated by those co-partners who are delivering the programmes to the companies. Whilst this is often challenging for large businesses, for SMEs, many of whom operate less comprehensive tracking systems
or who are in start-up mode, this is far more demanding and may discourage involvement in a potentially very beneficial activity.

Whilst the main emphasis of post-investment programme reviews by funding bodies will remain the quantitative results, there is a strong case to capture and consider the qualitative impacts of these programmes for SMEs. The ability to source specialists at low/no cost at a crucial point of most SMEs’ development could potentially make the difference between the business being developed or perhaps in the worst case scenario, ceasing to trade, with the associated impacts that has on the economy and employment.

As SMEs are so crucial to many economies, support which targets their development, by producing high quality, tailored programmes could pay back more in the longer term than initial quantitative assessments alone might suggest, as many of the impacts of the support take much longer than the average post investment review period to come to fruition.

This paper helps to fill the gap on literature on sustainable business support to SMEs. The sample size of this study was very small, so the extrapolations of its findings are necessarily limited. A larger, longitudinal study should be developed to evaluate the longer-term effects on SMEs of these programmes to determine their overall effectiveness in conjunction with the more routinely-collected quantitative data. This is an important area for research as the sustainability agenda develops and the need from the policymakers for more sustainable economic growth to come from the SME sector continues.

References

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