

Small Business, Green Growth

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Foreword

Michelle Ovens CBE

Founder, Small Business Britain

Sustainability has been at the heart of our thinking at Small Business Britain for some years, since we launched our Sustainability Basics programme with Oxford Brookes Business School after COP26. Continuing the insight with them and our partners at BT has brought great insights into the opportunities, and challenges, facing small businesses right now, and how we need to change the world for small businesses in 2024 and beyond.

It is clear that there is engagement, excitement and even passion in the approach to sustainability from small businesses. What is less clear to both us and them is the path forwards for them from here to a point of net zero and the fundamental changes we will need to make to combat climate change.

However, I am really encouraged by this research and our work with BT as it shows that small businesses are up for the challenge and that the private sector is ready and willing to provide leadership in this critical issue.

Leadership is urgently needed, as is collaboration across society and with Government to solve the major challenges businesses are going to face.

At Small Business Britain, we are up for the challenge and look forward to working with partners across the eco-system to make a sustainable future for small businesses a reality.

Foreword

Chris Sims

Managing Director, Small and Medium Business, BT

I am delighted to introduce the Small Business, Green Growth report from Small Business Britain, BT and Oxford Brookes Business School, which was created to understand the sustainability needs of UK small businesses, identify gaps in current support and offer key recommendations to help entrepreneurs on their sustainability journeys.

At BT, we recognise the critical role that small businesses play in driving economic growth and innovation, and understand they have huge potential to lead the way with sustainability; and we are committed to supporting this through upskilling and educating the UK's entrepreneurs in actionable ways they can reduce their carbon footprint.

As a company, we set our first carbon reduction target more than thirty years ago, and have sustainability embedded into our overarching business strategy. We are focused on reducing our own carbon emissions and becoming a more circular business. We are using 100% renewable electricity to power our buildings and networks and we have collected 190,000 mobile devices through our trade-in schemes, which have been refurbished, re-used or recycled.

Our involvement in this report cements our commitment to empowering small businesses with the support they need to integrate sustainability into their operations. The findings underscore the need for action to tackle sustainability challenges and more support for small businesses looking to reduce their carbon footprint.

This report serves as a call to action for policymakers, industry leaders, and stakeholders to prioritise sustainability and provide the necessary support to small businesses, so that we can empower entrepreneurs to contribute to a sustainable future.

Key Findings

Initial Green Shoots

1 in 4 businesses are leveraging sustainability as a growth opportunity amid financial constraints. However, a significant gap in sustainability knowledge and application persists, with businesses expressing a need for external support and guidance.

Financial Impact and Constraints

Despite recognising sustainability's importance, small businesses cite financial limitations as a major barrier. While 80% are inclined to adopt more sustainable practices, nearly half report that access to finance is their primary hurdle.

Lack of Governmental Support

The research indicates a disconnect between government initiatives and small business engagement. Over a quarter of respondents feel unaffected by the Government's net-zero commitments, revealing a demand for more direct, impactful support and clearer communication from governmental bodies.

External Support and Leadership Vacuum

Businesses express a preference for advice from organisations like Small Business Britain over governmental sources where they feel support is lacking. The data suggests a leadership void in guiding small businesses towards sustainable practices, with a significant opportunity for both public and private sectors to step in.

Opportunities for Action

There's a consensus on the need for practical support, including financial aid (with 65% expressing a preference for grants), training and mentoring to navigate the complexities of sustainability effectively.

Recommendations

Awareness and Education

Launch comprehensive awareness campaigns demystifying sustainability benefits and practices for small businesses. These include emphasising long-term gains over short-term costs, as well as the money-saving opportunities that sustainability can bring

Governmental Strategy Rethink

Urgent re-evaluation of current government strategies to better align with small business needs, ensuring clarity, relevance, and accessibility of support.

Private Sector Involvement

Encouragement for the private sector to fill the leadership gap, providing expertise, resources, and financial solutions to facilitate small business sustainability initiatives.

Community and Collaboration

Foster a collaborative ecosystem involving businesses, Government, and educational institutions to share knowledge, best practices, and resources in sustainability.

Enhanced Support Structures

Development of targeted programmes offering mentorship, training, and financial support tailored to small businesses' unique sustainability challenges.

Executive Summary

BT, Small Business Britain, and Oxford Brookes Business School conducted a comprehensive survey with over 2,000 small businesses to delve into their sustainability efforts, requirements, ambitions, and prospects.

As 2024 unfolds, the economic climate presents limited growth opportunities for small businesses amidst a technical recession, persistently high inflation—albeit slightly improved from previous peaks—and elevated interest rates. The preceding year was notably challenging, yet small businesses are poised to embrace 2024 as a year of potential growth, customer engagement, and supply chain interaction.

Sustainability emerges as a significant opportunity, increasingly critical in the coming years, as small businesses navigate the dual forces of customer expectations and supply chain demands. The surge in sustainable actions is evident, yet a recurring challenge is the businesses' lack of clarity on capitalising on these opportunities or addressing these pressures effectively.

Small businesses within the B2B supply chain are likely to encounter escalating demands, particularly from larger corporations that expect clear communication of sustainability objectives, climate impact mitigation efforts, and emissions reductions. This will influence the need to report on sustainability efforts, regardless of the preparedness of the small business.

Those selling directly to consumers are witnessing a discernible shift: consumers, especially those with constrained budgets potentially due to the cost-of-living crisis, are becoming more discerning about aligning their spending with their values. Previous research conducted by Small Business Britain and Oxford Brookes Business School found that nearly two-thirds of consumers find the sustainability credentials of a small business important. Consequently, small businesses are feeling the combined pressures from customers, supply chains, and their own conscience to be exemplary corporate citizens, resulting in an upshift in sustainable activities.

As we can see, small businesses stand to benefit significantly from sustainability, yet they often require assistance, lacking expertise and formal training in this area. Many have already made strides towards sustainability, but fail to claim credit or publicise their efforts.

The year 2024 and beyond is anticipated to solidify sustainability as a fundamental business pillar—essential for operation, sales, and industry integration.

Our research indicates a startling scarcity of support, with fewer than 2% of surveyed business owners feeling that there are significant sustainability resources at their disposal. Given the dynamic and innovative nature of sustainability, businesses need ongoing vigilance, which can be time-consuming and complex. Many seek external partners or advisors to aid their sustainability journey, with over a third preferring insights from organisations like Small Business Britain over government sources.

The Government's commitment to net-zero emissions by 2050 seems to have a minimal direct impact on small businesses' sustainability plans, with many lacking an understanding of its implications. This highlights an urgent need for leadership in this area.

Despite these challenges, small businesses are clearly positive about sustainability, with over 80% of entrepreneurs inclined to escalate their sustainability measures. Some perceive sustainability as an expense, yet a quarter of those surveyed see potential financial benefits. Nonetheless, nearly half are hindered by inadequate access to finance.

There is a two-fold opportunity here: firstly, to better educate small businesses about how sustainability can be cost-saving and financially beneficial, and secondly, to address the market gap for financing sustainability projects, such as renewable energy installations.

Nearly 40% of small businesses fund their sustainability actions from existing resources, with a vast majority favouring grants as the optimal support mechanism. Yet, apart from financial aid, 40% also value training programmes and mentoring to craft actionable plans and understand the best sustainability strategies.

Currently, no clear leader in sustainability support exists, with the Government and private sector failing to provide necessary guidance. This gap presents an immense opportunity for 2024 to recognise and address the needs of small businesses with appropriate leadership, encompassing a range of activities from mentorship and inspiration, to accessing finance.

Despite the lack of external guidance, personal values are the predominant driver in sustainability decisions for more than 60% of businesses. Small businesses are resolute in their commitment to being responsible corporate citizens and contributing positively to the world.

The infrastructure to bolster these aspirations is now the pressing need.

Small Business Sustainability in the UK

Summary

This report looks into the current landscape of sustainability within small businesses across the UK, with a focus on their perceptions, current activities, governmental impact, and the challenges they face.

Despite a growing awareness and commitment to sustainability, significant disparities exist in terms of actions taken, understanding of governmental intentions, and the influence of financial constraints. The report provides a deep dive into how these elements are shaping small business approaches to sustainability.

Small Businesses Are Starting To Engage

Only 14% of small businesses identify sustainability as a central pillar of their operations, while a slightly higher 20% have committed significant resources toward becoming more sustainable. There is still a large gap to be filled in businesses making sustainability central to their organisation, a gap that will need to be filled to meet the UK's Net Zero commitments, and to meet the broader needs of combatting climate change.

Notably, an additional 43% have taken the first steps on their sustainability journey, which is encouraging and a base to work on. Women-led small businesses show a slightly higher commitment to sustainability compared to male-led ones, with 15% versus 10% respectively making it a central pillar of the organisation.

Regionally, the East of England leads with 18% of small businesses considering sustainability core to their operations, contrasting with Yorkshire and the Humber's mere 8%. Northern Ireland and Wales, and also London, show a higher percentage of businesses taking significant steps towards sustainability compared to the English regions of the North-East and North-West. Understanding these regional differences may offer insight into where increased focus of support and attention is required.

In the East Midlands, 62% of small businesses report undertaking various activities to lower emissions but acknowledge the potential for more. Conversely, 32% of businesses in the North-West are not currently active in reducing emissions but express a willingness to commence. A small 4% have no plans to address emissions.

Government Having Limited Influence

Despite the Government's commitment to Net Zero by 2050, there is limited understanding amongst small businesses about what this means, and perhaps as a result, few businesses see Government as a key influencer in their sustainability journey.

Approximately 47% of small businesses are aware and understand the UK Government's net-zero intentions by 2050. Awareness is notably higher in the North-East, Wales, and Northern Ireland. However, a substantial portion, 40%, admits to awareness without understanding, particularly in the East Midlands, Greater London, and the South West. There's a small gap in understanding among women-led businesses compared to those led by men, but overall women are more likely to ask for support, suggesting this gap can close.

The Government's role in influencing business sustainability approach appears to be minimal, with 42% of businesses reporting little to no impact. Nevertheless, regions like Wales and various parts of England reported some positive governmental influence on their sustainability approach. As small businesses make up 44% of the UK's emissions (according to the British Business Bank) and contribute considerably to scope 3 in UK PLC supply chains, it makes sense for Government to look to have a greater positive influence on small business action in sustainability.

Not Enough Support

Broadly, small businesses do not believe there is much support available to them. Whether this is a perception or reality, clearly any support available is not reaching the businesses.

A significant 47% of businesses believe there to be minimal support available for sustainability in their business, with 17% claiming a total absence of support. Only a small fraction, 2%, believe there is significant support available.

With many businesses putting support at the top of their list of needs – after financial grants, understandably – this is a gap that needs to close.

Financing Sustainability

There are clearly arguments to be made around sustainability cutting costs for small business – reducing waste, reducing energy usage and travel – but the perception of investment required for sustainability is still a dominant sentiment in the sector.

Financial perspectives on sustainability vary with 38% of small businesses seeing sustainability as an additional cost, while 25% believe it can bring savings for the business. Interestingly, younger businesses are more optimistic about the financial benefits of sustainability compared to older ones.

Most sustainability projects are self-funded, reflecting a need for more substantial external funding solutions. Looking forward, small businesses show a strong preference for local government grants, national grants, and tax relief to support future sustainability projects.

Should businesses be brought along for further sustainability engagement, there needs to be either more support on engaging with the cost saving aspects or more support in raising the finance for required investment.

It Is Personal

Personal values predominantly drive sustainability decisions among small business owners, with potential customers, current customers and suppliers also playing significant roles. Government influence on these decisions remains low.

Sources Used to Answer Sustainability Questions

The majority of small businesses turn to online search platforms for sustainability information, with lesser engagement with local and national government resources.

Sustainability Actions

Actions toward sustainability vary, with energy efficiency measures and business process improvements being the most common. The data indicates significant regional differences in the implementation of these actions.

Internal and External Preventing Factors

Financial access, internal resources, and time are major internal constraints hindering small businesses from acting on sustainability. Externally, unclear national guidance and sectoral standards pose significant barriers.

Getting Help

Small businesses express a clear preference for grants, training programmes, and mentorship to advance their sustainability journeys. There is a notable difference in preferences between men and women, as well as between newly formed and older businesses. For example, 38% of women entrepreneurs stated they would like more sustainability mentorship, compared to 23% of men. 39% of newly formed businesses said they would benefit from training programmes, compared to 28% of businesses that are more than 10 years old.

Moving Forward

Businesses are clearly positive about sustainability, with a significant portion of small businesses likely to increase their sustainability activity in the coming years, especially among new and micro-sized businesses. Training and education, alongside personal values and potential customer influence, are key drivers for this likely increase.

Whilst the commitment to sustainability among small businesses in the UK is growing, there are clearly challenges that need addressing, and interventions needed to reach a speed required to meet the UK's climate commitments overall. Enhanced support, clearer guidelines from the Government, and better access to funding are crucial for small businesses to effectively contribute to the UK's net-zero goals and integrate sustainability into the core of their businesses.

Methodology

We surveyed 2000 small businesses online in Q1 of 2024 for this report.

Location

7%	Scotland
3%	England (North East)
8%	England (Yorkshire & the Humber)
1%	Northern Ireland
8%	England (North West)
8%	England (East Midlands)
7%	England (West Midlands)
6%	Wales
7%	England (East of England)

12% England (Greater London)
18% England (South East)
14% England (South West)

Age of business

< 1 year 10%
1 - 2 years 16%
3 - 5 years 29%
6 - 10 years 20%
> 10 years 26%

Industry

25% Café, Restaurant or Retail
24% Other
12% Arts and Recreation
11% Health and Beauty
5% Professional & Scientific
4% Hospitality & Events
4% Information and Communication
4% Administration and Support Services
3% Manufacturing
2% Wholesale Trade
2% Tourism & Travel
1% Accommodation
1% Finance & Insurance
1% Construction
1% Primary (fishing, farming, mining, etc.)

Number of people working in the business

1: 59%
2 – 9: 36%
10 – 24: 4%
25 – 49: 1%
50+: 0%

Annual turnover

<£10,000	29%
£10,000 - £49,999	32%
£50,000 - £99,999	15%
£100,000 - £249,999	13%
£250,000 - £499,999	6%
£500,000 - £999,999	3%
£1,000,000 - £2,000,000	2%
>£2,000,000	1%