

Environmental Aspects of Sustainability: SMEs and the Role of the Accountant



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Glossary

DEFRA	(Department for Environment, Food and Rural Affairs): UK government department that makes policy and legislation, and works with other bodies to carry out its policies in areas such as the natural environment, biodiversity, plants and animals, sustainable development and the green economy, food, farming and fisheries, animal health and welfare, environmental protection and pollution control, and rural communities (www.defra.gov.uk).
Environmental sustainability	Envisaged as a long-term perspective that aims to ensure that economic activity can progress without damaging the environment.
Envirowise	Government programme that aims to help businesses implement resource-efficient practices in order to cut costs, increase profit, and benefit the environment. Now part of WRAP (www.wrap.org.uk).
EMAS	(Eco-Management and Audit Scheme): voluntary management tool available for organisations aiming to improve their environmental and financial performance and communicate their environmental achievements to stakeholders and society in general. Currently, more than 4,500 organisations and approximately 7,800 sites are EMAS registered in Europe.
EMS	(Environmental Management System): refers to a management tool for improving environmental performance. It addresses the management of an organisation's environmental impacts in a systematic, planned and documented way. It includes the administrative structure, the planning and sourcing for developing, implementing and maintaining policy for protection of environmental integrity.
FSB	(Federation of Small Businesses): UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms (www.fsb.org.uk).
GRI	(Global Reporting Initiative): non-profit organisation that promotes economic, environmental and social sustainability. GRI provides all companies and organisations with a comprehensive sustainability reporting framework that enables them to measure and report their economic, environmental, social and governance performance. The GRI framework has now reached its third update and is widely used around the world (www.globalreporting.org).
ISO14001	International voluntary standard and guidance document to help organisations address environmental issues. ISO14001 sets out how a business can go about putting in place an effective environmental management system (EMS) (qv), describing its specific requirements. ISO14001 is regarded as the dominant environmental management system in the world (www.iso.org/iso/iso_14000_essentials).
SME	(Small and medium-sized enterprise): the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises that employ fewer than 250 persons and that have an annual turnover not exceeding 50 million euros (about £42 million), and/or an annual balance sheet total not exceeding 43 million euros (about £36 million).
SMP	(Small and medium-sized accountancy practice): an SME accounting practice whose clients are mostly SMEs that use external sources to supplement limited in-house technical resources, and contain a limited number of professional staff.
Sustainability	In a broad sense this represents the aptitude for endurance. For human beings it is the potential for long-term maintenance of well-being of the current and future inhabitants of the Earth, which implies the alleviation of poverty and starvation, and comprises the well-being of the natural world and the responsible use of natural resources (www.un.org/en/sustainability/index.shtml).
WRAP	(Waste and Resource Action Programme): not-for-profit company that works in England, Scotland, Wales and Northern Ireland to help businesses and individuals reap the benefits of reducing waste, developing sustainable products and using resources in an efficient way (www.wrap.org.uk).

Executive summary

The importance of environmental sustainability is being recognised by mainstream business practices in many sectors. Challenges relating to resource depletion and the production of green house gases are attracting increasing attention owing not least to regulatory, supply chain, reputational and consumer pressure. While there is evidence of some awareness and good environmental practice among small and medium-sized enterprises (SMEs), this segment of the business community remains notoriously difficult to influence. Given that the vast majority of private enterprises are small and medium-sized (with 250 or fewer employees), and that they are responsible for well over half of employment and business turnover, we can ill-afford to neglect their practices.

The 'most trusted adviser' for SMEs is their accountant (Bennett and Robson 1999; Blackburn et al. 2010). This status has been understood to be a primary reason why, in addition to their financial services, small and medium-sized accountancy practices (SMPs) routinely give advice to their SME clients on a wide range of topics, including taxation, financial management/budgeting, succession and debt administration (Marriott and Marriott 2000). There is also some evidence of and interest in the provision of advice on more general business topics such as administrative routines; organisational issues; human resource management; salary administration and training; marketing and strategic planning; and health and safety (Gooderham et al. 2004; Dyer and Ross 2007; Blackburn and Jarvis 2010; Hasle et al. 2010; Jarvis and Rigby 2011).

This research study investigated the potential for further widening SMP advice provision to include the topic of environmental sustainability. This is of interest because sustainability and corporate social responsibility have been identified as emergent key issues for the accountancy profession, alongside the importance of addressing SME needs (IFAC 2010, 2012).

RESEARCH QUESTIONS

1. What type of advice on environmental issues do SMPs already provide to SMEs?
2. What resources are drawn upon by SMPs in the provision of environmental sustainability advice?
3. What capabilities do SMPs need to support SMEs in environmental aspects of sustainability?
4. How do contextual factors (eg legislation and sector context) influence the provision of support and advice on environmental aspects of sustainability?

METHODS

This exploratory study took a broadly inductive approach to the research. The researchers undertook qualitative interviews with nine practising accountants working in SMPs as well as with three SME representatives and two environmental consultants, to reflect alternative perspectives on the research questions. The research was primarily UK based (9 out of 14 respondents), but at the request of the funders also drew data from Canada, Hong Kong, and the Netherlands. The practising accountants were all professionally qualified.

KEY FINDINGS

In summary, contrary to early indications and expectations (CICA, AICPA and CIMA 2011; IFAC 2012), environmental sustainability advice was not found to be widely provided by the SMPs in the sample. They have very limited resources on which to draw, lacking knowledge of environmental sustainability and the confidence to use their accounting skills in this respect. They need training and education to address this, as well as access to specialist information. Key contextual factors influencing the provision of environmental sustainability advice include the industrial sector, relevant local and national legislation and regulation, and the economic climate.

The key findings include the following points.

- Where the SMPs in the sample were offering environmental sustainability advice to SME clients it generally pertained to cost reduction opportunities that could be identified in areas such as energy consumption, transport costs, and generic resource input reduction (eg paper).
- Where environmental sustainability was being discussed between SMEs and their accountants, any advice tended to be ad hoc and provided only informally as part of a conversation. Resources drawn upon included:
 - personal interest on the part of the accountant in environmental sustainability; very occasionally, an accountant possesses more formal training/ qualifications on environmental matters on which to draw
 - personal experience or knowledge of other clients' experience
 - the professional and peer-based trust relationship between an SME and an SMP with a proven track record
 - the existing multipurpose nature of SME/SMP exchanges (ie beyond straightforward accountancy/financial services).

- Nevertheless, there are a range of capabilities that the present research indicates need to be developed in order to support SMPs in providing environmental sustainability advice. In particular, SMPs need:
 - the confidence to adapt their accounting skills to environmental accounting tasks such as cost analysis in areas such as energy, waste, water, transport and environmental protection
 - detailed knowledge of environmental sustainability issues and regulations such as the Green Deal in the UK, or the European Water Directive
 - access to arguments for the ‘business case’
 - the support of a profession seen as credible in the area of environmental sustainability.
- Professional bodies such as ACCA can promote this agenda by providing members, either directly or through partnerships, with:
 - awareness of potential information sources on environmental sustainability (including relevant regulation)
 - education to understand specific environmental sustainability issues for business, such as the implications of resource depletion and energy scarcity
 - knowledge of the SME aspects of the ISO14001 and Global Reporting Initiative (GRI) standards and industry-specific regulations and standards
 - training in specific environmental accounting techniques (including development of environmental auditing skills; knowledge of carbon costing, etc).
- The research suggests that several contextual factors have an impact on the process of providing advice. Not all contextual factors operate to encourage environmental sustainability and there are often tensions between them. Relevant contextual factors include the following.
 - The nature and type of industry with which the SME is engaged: the research here shows that SMPs have a ready affinity with the environmental sustainability issues for other professional service advisers, and that many of their clients are already fully versed with the needs for the sector through their own trade bodies.
 - The existence of industry-specific regulation and pressure from the particular supply chain: SMPs in the sample were aware that for some SME clients the industry-specific regulation (eg for farmers) and communication with supply chain partners (eg supermarkets) was already driving environmental sustainability activities.
 - The existence of legislation, regulation and local government initiatives.
 - The state of the economy: for example, tough economic times were cited by respondents as a reason for a focus on cost-cutting, including cutting energy and fuel costs. Conversely, however, it was proposed that in a stronger economy SMEs would have more resources available for investment but be less motivated by potential financial gain.

RECOMMENDATIONS

Future research

Since the research reported here was exploratory in nature, a wider study which seeks to test the findings more generally internationally, and across a range of SMP and SME types, would be of value.

Environmental sustainability needs for SMEs are changing in a context of new regulatory frameworks, legislation, public interest and competitive demands. Research on the dynamic nature and projection of environmental sustainability requirements for SMEs would be advantageous for understanding this complex but important terrain. In-depth, longitudinal case studies would be suitable methods for developing an understanding of the dynamics of environmental sustainability in SMEs and the role, if any, of the accountant.

The research was carried out during 2011–12, a time of economic crisis. Respondents consistently referred to this as a major influence on attitudes to environmental sustainability. A comparable study in times or regions of economic prosperity would be very valuable, to illuminate the extent of the impact of the economic context.

The research indicates that SMPs hesitate to grasp a new opportunity, create a new market and diversify their business. Accordingly, this study points to some interesting questions around the innovation and entrepreneurship of small and medium-sized accounting practitioners that could fruitfully be explored.

Much has been written and claimed about the role of the accountant as the ‘most trusted adviser’. This research does not undermine claims to this position but has revealed a more nuanced understanding of the limits of this role. The research indicates that when going beyond financial advice, the accountant is indeed a trusted business peer with useful experience, but may not be a suitable adviser on all topics. Further research could profitably explore the limits of the ‘trusted adviser’ status.

Practice and policy

The research was concerned with two levels where recommended changes can promote accountants as environmental sustainability advisers to SMEs: individual small and medium-sized accounting practitioners, and professional accountancy bodies such as ACCA. In many cases, similar activities are reflected at these different levels, though of course they may take different formats. Some of the proposed measures could be immediately implemented, others are longer-term goals.

For individual SMPs

Partnership: SMPs should establish collaboration with local environmental sustainability experts in order to gain local access to credible knowledge.

Gaining experience: this begins in the SMP's own business. Practitioners should review the environmental sustainability of the business, then use that valuable experience to have rounded, relevant conversations with clients based on genuine experience. This also has the advantage of introducing the topic to colleagues within the SMP who do not already have a personal interest.

Seeking information: practitioners should familiarise themselves with information sources that they could recommend to others or use to broaden their own knowledge. Some useful resources are shown in Appendix 2.

Formalising commitment: where appropriate, practitioners should formalise their commitment to offering environmental sustainability advice through marketing and profile-raising in newsletters and the SMP's documentation and website.

Seeking recognised training and education: this is necessary for those wishing to offer chargeable environmental sustainability advice in the future.

For professional accountancy bodies

Providing easy access to resources for members.

Accountancy bodies should:

- increase the visibility of environmental sustainability on professional association websites and media.
- provide 'signposts' through a website for members with links to a range of useful information sources (including regulatory and industry-relevant information) and toolkits. Some suggestions are given in Appendix 2.

Developing capacity among members.

Accountancy bodies should:

- offer 'self help' review packages of environmental sustainability for members' own businesses
- offer short courses on environmental accounting
- embed environmental accounting in professional qualifications
- develop or endorse a bespoke toolkit for accountants on environmental sustainability.

Building institutional trust in the accountancy profession for environmental sustainability services.

Possible actions include:

- partnership, by collaborating with respected environmental bodies
- raising the profile of the accountancy profession to demonstrate credible leadership, eg sustainability awards for small and medium-sized enterprises and small and medium-sized accountancy practices
- ensuring organisational compliance with and certification for an environmental management system, which should be publicised accordingly.

1. Introduction

This report presents the results of a project on the potential role of small and medium-sized accountancy practices (SMPs) in providing support and advice to their small and medium-sized enterprise (SME) clients on environmental aspects of sustainability.

First, previous research on the role of SMPs as SME advisers is presented, alongside the environmental sustainability perspective. Building upon the existing literature, this project investigated the following research questions.

- What type of advice on environmental issues do SMPs already provide to SMEs?
- What resources are drawn upon by SMPs in the provision of environmental sustainability advice?
- What capabilities do SMPs need to support SMEs in environmental aspects of sustainability?
- How do contextual factors (eg legislation and sector context) influence the provision of support and advice on environmental aspects of sustainability?

The research methods and the main findings of the research are presented, followed by a discussion of the implications of the study and recommendations for practice and further research.

2. Previous research

THE ENVIRONMENTAL IMPERATIVE

Scientific evidence suggests that business activities have an impact upon the ecosphere and that the negative consequences of current practices will be detrimental to the natural environment (Stern 2006). Economic growth that is based on serious resource exploitation and intensive pollution is environmentally unsustainable. It is this environmental aspect of sustainability that represents the focus of this report. The goal of environmental sustainability is envisaged as a long-term perspective that aims to ensure that economic activity can progress without damaging the environment. Specific examples of relevant technical areas include knowledge and understanding of the pollution of soil, water and the atmosphere; sustainable development and use of renewable natural resources; protection of biodiversity, including endangered species and sensitive ecosystems; safe use of dangerous substances; efficient production, delivery and use of energy; pollution prevention and waste minimisation; pollution controls (liquid effluents and air emissions); and solid and chemical waste management.¹

The past 20 years have seen a radical change in the relationship between business and society. Environmental sustainability is increasingly regarded as an important part of the business environment. There is widespread acknowledgement and increasing regulation underpinning the fact that business and public sector organisations have environmental responsibilities (Gray et al. 1987; Gray et al. 1997; Unerman and O'Dwyer 2007), and practitioner claims that engaging in environmental sustainability is an important activity for organisations (ACCA 2006; AccountAbility 2008; Lacy et al. 2010; GRI 2011a, 2011b; IFAC 2011c;). Key drivers of this change have been, for example, the increasing acknowledgement of the role of businesses in impacting on their communities by polluting or protecting the natural environment (Stubblefield Loucks et al. 2010) and the reinterpretation of environmentalism to business as something that is not only beneficial to society but is also harmonious with the interests of industry in economic performance (Rutherford et al. 2000). Schaper (2002) argues that knowledge of environmental problems has the potential to improve performance in two ways: first by helping to show *why* action is needed, second by providing a means by which firms can learn how and when to act. These findings are echoed by Mir and Feitelson (2007) who found that firms with more formal management of environmental data are more aware of environmental issues and practice better environmental behaviour.

THE SME IMPERATIVE

Much of the research on sustainability focuses on a small proportion of private sector organisations, that is, large multinational enterprises (Hillary 2000; Labonne 2006). While the individual impact of small and medium-sized enterprise activities is usually small, and they are by no means homogeneous, collectively they are critically important. According to the United Nations Industrial Development Organization (UNIDO), SMEs represent more than 90% of global businesses and account, on average, for about 50% of Gross Domestic Product (GDP) of all countries and for 60% of their employment (UNIDO 2006). Hillary (2004) argues that as a sector, SMEs could contribute up to 70% of all industrial pollution. This has resulted in an increasing recognition of SMEs' social and environmental impact. There is a growing trend in the sustainability movement that increasingly focuses on SMEs, and not just on multinational enterprises (MNEs), as part of the process of creating a more sustainable world. Most of the economic, environmental and social impacts of MNEs occur through their supply chain and the SMEs in those chains (GRI 2011a). The Federation of Small Businesses identifies the key environmental issues for SMEs as being the reduction of energy use (eg heating, lighting, office equipment, compressed air, motors, drives, fans and pumps) and water bills; waste minimisation; reduction of transport costs (logistics, vehicle choice, fuel choice); and compliance with legislation (FSB 2003).

Previous research indicates a range of responses by SMEs to environmental challenges (Hillary 2000). In a review of the literature, Revell et al. (2010) find that previous studies conclude that owner-managers have a poor understanding of the knowledge and skills required for environmental management and a sceptical attitude to using external support.

Advice is nevertheless available for the SME. Bennett and Robson (1999) observe that in the private sector a large range of sources of advice is available to businesses, varying from professional and technical specialists to more general consultants. Against this background, small and medium-sized accountancy practices are the most frequently employed source of external advice for SMEs and are identified as the most important source of consultancy (Blackburn et al. 2010) as they seek to understand the business using their accounting skills and business acumen (Perry and Coetzer 2009).

While there is a significant amount of research that focuses on facilitating the understanding of social and environmental accounting issues of large organisations

1. Drawn from the Equator Principles on environmental and social risk management for project finance (www.equator-principles.com).

(Gray et al. 1996; O'Dwyer 2002; Unerman and O'Dwyer 2006; Adams and Larrinaga-Gonzalez 2007; Unerman et al. 2007; Bebbington et al. 2008; Cho et al. 2010), it is notable that little research has concentrated on an examination of the role that accountants may have in the embedding of environmental concerns in small and medium-sized enterprises. Hence, the primary objective of this report is to provide new research evidence aimed at clarifying the role of business assistance on environmental aspects of sustainability for SMEs and the role of accountants as a source of that assistance.

THE ACCOUNTING IMPERATIVE

Appropriate accounting information is important for successful management of a business (European Commission 2008). As a consequence, the effective provision of assistance has come to be viewed as vitally important for improving the accounting and other systems of smaller enterprises in order that SMEs can contribute fully to economic growth (European Commission 2003), as well as providing owners, directors, employees, local communities and other stakeholders with suitable accounting data.

Environmental accountability is an important issue for SMEs because they have very strong linkages to specific stakeholder groups (such as employees and local communities) and feel most directly responsible for those that are closely tied to the business itself (eg employees, clients and suppliers) (Uhlener et al. 2004). The significance of environmental concerns is further emphasised by McKeiver and Gadenne (2005), who suggest that SMEs are often engaged in informal environmental management systems (EMSs), in that they are involved in a combination of environmental activities (eg waste reduction, energy and water conservation) without engaging in a formal EMS such as the EU Eco-Management and Audit Scheme (EMAS) or ISO14001.

SMEs are, in effect, subject to several and at times conflicting sources of pressure to institute some form of environmental management system. On the one hand there are both external and internal dynamics able to influence such implementation positively. McKeiver and Gadenne (2005) argue that an increasing number of stakeholders, such as consumers, customers, local communities, suppliers and employees are expecting SMEs to improve the management of their environmental impacts. Hillary (2004) maintains that the owner-manager perception of the organisational, financial, societal, commercial and environmental benefit associated with the implementation of an EMS also encourages SMEs to engage in a formal environmental management system. On the other hand, however, there are moderating forces that have the potential to hamper EMS implementation. Limited staff numbers, lack of information, and the shortage of financial resources constitute, among other things, some examples of such factors (McKeiver and Gadenne 2005).

This form of environmental sustainability is also closely linked to accounting and accountability. Indeed, in the same way that a range of management and financial accounting techniques have been regarded as powerful tools used in managing, planning, enhancing and communicating the economic performance of businesses, broader systems of environmental accounting and accountability have the potential to be powerful tools in managing, planning, enhancing and communicating the environmental impact of organisations (Unerman et al. 2007). Environmental accounting can therefore be considered as covering all areas of accounting that may be affected by the business response to environmental concerns, risks or pressures, and will cover, for instance, the issues reported in Box 1.

Box 1: Environmental accounting, auditing and management functions

Cost analysis in areas such as energy, waste, water, and environmental protection

Budgeting and investment appraisal programmes to include environmental factors

Cost-benefit analyses of environmental programmes

Development of the accounting and reporting system to cover all areas of environmental performance.

Establishment and maintenance of environmental management systems and complying with international and European standards (eg ISO 14001)

Product life-cycle assessment

Eco-label application

Pollution prevention programmes

Development of environmental auditing

Environmental business plans, including costs, investments and revenue projections.

Adapted from: Gray and Bebbington (2001)

Against this backdrop, small and medium-sized accounting practitioners can play an important role in fostering environmental accounting and accountability practices.

Although a universal understanding of what constitutes an SMP is problematic, the International Federation of Accountants (IFAC) has defined an SMP as an accountancy practice with:

the following characteristics: its clients are mostly small- and medium-sized entities; it uses external sources to supplement limited in-house technical resources; and it employs a limited number of professional staff (IFAC 2011a, 2011b).

Typically, SMPs provide a wide variety of professional services that assist their clients in complying with regulation and enhancing their business performance. These services vary from conventional accountancy-based services (eg audit, accounting and tax), to other forms of value-adding business assistance (eg risk management, financial management, strategic planning, strategic performance measurement, human resource, payroll, and health and safety issues (Blackburn and Jarvis 2010; IFAC 2011b). Additionally, accountants could contribute to environmental sustainability by:

- introducing environmental performance indicators to the accounting system (eg total materials use; direct energy use; greenhouse gas emissions; total amount of waste by type and destination; environmental impacts of products and/or services; total environmental expenditures by type)
- planning for the financial implication of the environmental programmes (ie within the budgeting process)
- incorporating environmental performance into internal management reporting and annual reports
- developing new accounting and information systems (eg full cost accounting and environmental balance sheet).

To examine what environmental accounting may look like in practice, the range of environmental sustainability accounts may be considered in two broad groups (Gray and Bebbington 2001).

- General discussion around business and environmental reporting: this consists of both the provision of information about environmental performance and the discourse that surrounds the categories of items to be disclosed (see Box 2).
- Initiatives aimed at providing an articulation of environmental sustainability at the organisational level: that is, seeking to account for the environmental sustainability of an organisation through financial and/or non-financial quantification (see Box 3).

Box 2: Examples of environmental disclosure items

- Environmental policy adopted
- Improvements made since adopting environmental management practices
- Environmental issues material to the company and the industry
- Response to local/national/regional government regulations
- Accounting policies for recording liabilities and costs
- Fines and penalties incurred

Adapted from: Gray and Bebbington (2001)

Box 3: Examples of environmental accounts of business programmes

- Cost of energy, waste handling and disposal, water usage
- Cost of recycling, reuse or reduced waste production
- Cost of restoration or remediation of soil, water, or land caused by the operating activities
- Cost of environmental expenditure
- Provisions for remediation and for legal costs
- Depreciation of inventory made obsolete by environmental concerns
- Legal compliance costs

Adapted from: Gray and Bebbington (2001)

THE SMP-SME ADVISORY RELATIONSHIP

Research on the role of SMPs has recognised that the relationship between small firm owner-managers and their accountants is primarily an economic one (Marriott and Marriott 2000). In this regard Blackburn et al. (2010) argue that the provision of business advice to SMEs focuses mainly on financial management, where trust, competency, culture and communication are significant variables that influence the SMP-SME relationship (see also Dyer and Ross 2007; Gooderham et al. 2004). In the context of the changing nature of competition, the effects of technological developments have different implications for small and medium-sized accounting practices. For them, the provision of specialised services is likely to represent a key to success, with many smaller firms concentrating on particular services and sectors (Martin 2004). For example, Jarvis and Rigby (2011) discuss different models used by accountants to provide advisory services about human resource management and employment issues, while Hasle et al. (2010) look at accountants' provision of advice in terms of health and safety issues. Accountants have also been shown to be the primary source of advisory services when it comes to the implementation of change (eg growth, succession or takeover, change in government regulation or an external environmental change)(Blackburn and Jarvis 2010). Finally, Martin (2004) analyses the business area of ownership succession in which medium-sized accountancy practices are increasingly involved. Underlying much of the research in this area is the idea of the accountant as the most 'trusted adviser' for the SME.

Gooderham et al. (2004) identify some of the conditions that have contributed to making SMPs a source of advisory services for small firms. Competence is the first prerequisite perceived as necessary for survival and maintenance of competitive advantage. Often, the owner-managers of SMEs not only lack the financial skills and knowledge of how management accounting systems might be used to aid decision making but also have difficulties in acquiring or retaining competent persons (Blackburn and Jarvis 2010; Deakins et al. 2001). Therefore, small firms are particularly dependent on being able to access the market for business advice, where trust represents the other fundamental condition. The establishment of trust (through perceived 'value for money' advisory work undertaken by SMPs) within relationships appears to be most important for the use of the accountants for non-conventional services (Gooderham et al. 2004).

Accountants perform their professional activity within a government-backed self-regulating framework of training, qualification, code of conduct, trading standards, discipline, enforcement, and group insurance, which is supposed to govern the behaviour of the supplier (Bennett and Robson 1999). Therefore, advisory services are provided inside a very specific institutional regulatory framework that acknowledges them as having a high level of institutional trust. Big accounting firms, for instance, benefit from a high level of institutional trust, and are

acknowledged as having a high level of competence. Conversely, SMPs operate in a context of personal acquaintance and social relations with their clients. Consequently, SMPs draw on a system of high personal trust and low institutional trust. Different levels of trust, and the balance between personal and institutional trust, 'lead to very different expectations about the extent and form of use of advice services for different sources' (Bennett and Robson 1999: 160).

Lewis et al. (2007) examine business assistance interactions from the perspective of SMEs' ability to use what is provided, aiming to understand what makes assistance successful. The authors argue that assistance choices, and the corresponding interactions, can be influenced by several characteristics such as stage of firm development (younger firms are more likely to seek assistance than older firms), gender and age of those seeking assistance, managers' personalities and the nature of the issues for which assistance is sought. In fact, the sought-for assistance is not always fully implemented. Nahavandi and Chesteen (1988) investigated the impact of consulting on SMEs, providing insights into the degree to which owner-managers employed the recommendations they received, and the reasons for non-implementation of such recommendations. In the first instance, most owner-managers perceived assistance as having a positive impact upon the business fundamentals (sales, profit, net worth). But perhaps more interestingly, the reasons cited for not implementing were, in this order: not perceiving the need to implement 100% of the recommendations; issues related to the capability of the consultant (not able to understand the business, incompetence, confusing advice); and the cost of the assistance.

SMPs-SMEs and the potential for environmental sustainability advice

Evidence of sustained provision of advice on a range of topics, and an established level of trust in SMPs does not of itself recommend SMPs as good environmental sustainability advisers to SMEs. There is a lack of advice and support for SMEs in this area and reasonable grounds for investigating the potential of SMPs to fulfil this role alongside their other activities (IFAC Small and Medium Practices Committee 2012).

Some argue that the changing landscape of environmental challenges and business support has created room for a response by accountants and SMPs to the increasing importance of sustainability and sustainable development for SMEs (IFAC Small and Medium Practices Committee, 2012; Steadman et al. 1995). The opportunities for SMPs to play a support role beyond traditional compliance work are manifold. First, accountants may provide assistance to link SMEs' performance on environmental sustainability to traditional business metrics and value creation, improve the usefulness of their communication and reporting, and instruct their clients to integrate reporting (Gould 2011; IFAC 2011c; IIRC 2011). Second, SMPs can help businesses to measure their sustainability performance in

terms of their positive and negative environmental impact, to calculate organisational or product carbon footprint, improve energy efficiency, reducing waste and water consumption (Stubblefield Loucks et al. 2010). Third, accountants working in close contact with owner-managers can play a leading role in establishing the business case for sustainability by ascertaining that proper accountability mechanisms are in place, and by engaging stakeholders.

To conclude this section, there appears to be potential for SMPs to assist SMEs in progressing environmental sustainability practices and at the same time turning moderating factors into business opportunities. The list below shows some of the factors that can be considered when providing environmental advice to SMEs.

- In many cases SMEs are not aware of their own environmental impacts (NetRegs 2002).
- In Europe, only a small proportion of SMEs adopt standardised environmental management systems to implement sustainability strategy (Hillary 2004).
- The business case for environmental sustainability is unlikely to be the same for each business so each organisation has to determine its own case by learning about the environmental practices that are most relevant to its own activities (Spence and Rinaldi 2010; Stubblefield Loucks et al. 2010).
- ‘Regulation’, ‘business performance’, and ‘supply chain pressure’ seem to be the most important drivers of SMEs’ environmental practices (Rutherford et al. 2000; Spence and Rinaldi 2010; Williamson et al. 2006).
- SMEs may be hesitant to apportion time to address concerns that are not obviously related to business, and sustainability-related issues are often misperceived as being outside core operations (Walker and Preuss 2008);
- SMEs have typically not been subject to regulatory oversight to the same extent as larger firms (Labonne 2006).
- SMEs tend to react only to strong pressures from external stakeholders with whom they have relationships (Spence and Rinaldi 2010; Stubblefield Loucks et al. 2010).

This review of the literature relating to SMPs as potential advisers on environmental sustainability has covered the importance of environmental sustainability, the impact of the SME sector, the trusted adviser role of the SMP and the role of accounting in environmental sustainability. Further understanding the potential for SMPs to be key partners for SMEs in developing their environmental sustainability agenda leads to the investigation of the following research questions in this project.

- What type of advice on environmental issues do SMPs already provide to SMEs?
- What resources are drawn upon by SMPs in the provision of environmental sustainability advice?
- What capabilities do SMPs need to support SMEs in environmental aspects of sustainability?
- How do contextual factors (eg legislation and sector context) influence the provision of support and advice on environmental aspects of sustainability?

3. Research methods

Taking a broadly qualitative approach to this exploratory study, research interviews were completed with nine practising accountants working in SMPs, three representatives of small and medium-sized enterprises, and two environmental advisers. The accounting practitioners were selected on the basis that they were sensitive to environmental issues. All the practising firms were registered with ACCA and most of the accountants were members of ACCA. An international element was introduced at the request of the funders, resulting in the inclusion of perspectives from Canada, Hong Kong, the Netherlands and the UK. Access was partially supported by ACCA.

Gaining agreement to be interviewed was considerably more challenging than anticipated, in part apparently owing to the economic challenges at the time of the study (2011–12). Interviewees included three SME representatives, who provided a perspective from small businesses. The broad European Union definition of an SME as having fewer than 250 employees was used.

Details about the interviewed respondents and the corresponding code used when citing them in this report are given in Table 3.1.

Table 3.1: Respondents and codes

Respondents	Code for citations
UK accountant	SMP1
UK accountant	SMP2
UK accountant	SMP3
UK accountant	SMP4
UK accountant	SMP5
UK accountant	SMP6
UK accountant	SMP7
UK accountant	SMP8
Canadian accountant	SMP9
UK SME representative	UKSME
Canadian SME representative	CSME
Hong Kong SME representative	HKSME
Hong Kong environmental adviser	HKEA
Netherlands environmental adviser	NLEA

An initial literature review informed an interview schedule for SMPs, which was varied according to the respondent type. The interview guide for the core data of the practising accountants is shown in Appendix 1. All UK and Hong Kong interviews were in person, but the Canadian and Dutch interviews were by telephone conference. In all but three cases (for logistical reasons), at least two researchers participated in each interview, with accounting and SME/sustainability expertise respectively. The Dutch respondent was included because he was the only qualified accountant working full-time as an environmental adviser found in any country, and therefore offered a valuable complementary perspective to the study. Nevertheless, the dominant group of respondents is UK based and this is the main context for the research. All interviews were in the English language and were recorded and transcribed in full. The interview transcripts were coded according to the emerging themes relating to the research questions. The data were treated as socially constructed accounts of the SMP/SME relationship and advisory role in relation to environmental sustainability, and were analysed accordingly. Additional supporting documentation and Web-based material were gathered where possible but this is very limited owing to the lack of external reporting by small businesses and the confidential nature of the material handled by accountants. The research team included individuals with specialist knowledge in accounting, sustainability accounting, and sustainability in SMEs, ensuring that the necessary interdisciplinary approach to the topic was achieved.

There are a number of limitations to the research. As it was a small-scale study, only a limited number of respondents could be recruited. This was especially constricted for the international element, with only a few inputs from outside the UK being possible. The UK-based SMPs that form the focus of this study are in fact all based in England, whereas other regions of the UK might have slightly different local and regional influences. Hence the study can not be generalised and gives only an indication of points for future research and substantiation. The accounts given by the SMPs could not be verified by any of the SMEs with which they worked for reasons of client confidentiality. It was also clear from the outset that the research was sponsored by ACCA, and since this is the professional association for most of our respondents, knowledge of ACCA's involvement may have influenced their responses.

4. Findings

This chapter provides details of the empirical findings, addressing the four research questions. Comments made by the SMPs illustrate their views about the extent to which they provide advice on environmental sustainability issues to their SME clients.

The types of environmental sustainability advice provided by SMPs are explained, as well as the forms the advice takes. The resources SMPs consider important in the provision of advice are described.

This chapter also explains the capabilities required by SMPs to enable them to increase the level of environmental sustainability advice provided. Nonetheless, there was little evidence in the research sample that SMPs provide substantial advice to SMEs on environmental sustainability issues. They do, however, use their personal knowledge and experience of environmental sustainability issues and draw on their 'trusted adviser' relationship with SME clients to have informal conversations about environmental aspects of sustainability.

This chapter also draws on the views of three SME representatives from the UK, Hong Kong and Canada. Their perspective counterpoints that of the SMPs, and gives an indication of the extent to which there is a demand for environmental sustainability advice from SMEs and whether, in their view, there is a role for SMPs as advisers to SMEs on environmental sustainability.

The chapter concludes by identifying contextual factors that may influence the provision of environmental sustainability advice.

TYPES OF ENVIRONMENTAL SUSTAINABILITY ADVICE

The substance of any advice on the environmental aspects of sustainability offered by SMPs was exclusively related to cost reduction in relation to considerations such as energy use (the most commonly mentioned issue, perhaps unsurprisingly given high-profile rising energy costs at the time of the study), transport costs, and generic resource input reduction. One SMP suggested that the 'hook' was cost reduction.

The conversation is always cost-driven, and I think that's the hook, that's the opportunity to really create change, it's to realise that people would like to be environmentally sound, but they're more likely to do it if there's a direct cost benefit to them. (SMP2)

I think you'd bring it up in trying to save money by cutting electricity bills, I mean, I think that really would be...an opportunity there to open a discussion with [SMEs] about it. (SMP6)

Energy and fuel

Several discussions seemed to relate to the use of energy and fuel and the ways in which these costs could be minimised. Discussions on energy costs often began with energy saving light bulbs, as the quotation below

demonstrates. This would then lead to a conversation about environmental impacts more generally.

You start talking about whether it's worthwhile replacing your lights with LEDs, which reduces your power, but it costs a lot of money to do it. And then we get going into the nitty-gritty about whether there's a lower carbon footprint from the birth to death of a product, even if it uses lower energy, is it worse because of the way they make it and then you've got to destroy it...I have some quite interesting conversations with people. (SMP5)

Similarly, SMP7 suggested that within the conversations, cost savings, energy use and carbon footprints had to be discussed together.

I think the way to start it is 'you can save money if you look, if you count your carbon footprints, because there's lots of technology out there that can help you be more efficient, use your energy more efficiently, that's basically in terms of electricity, gas consumption and mainly the fuel cost for fleet consumption'...So I think by showing businesses that you can control an energy cost you might then be able to open their eyes to other things...by controlling costs you are... managing your carbon footprint but by de-carbonising you could change the way your whole business operates and make it more sustainable and durable'. (SMP7)

SMP7 was particularly interested in the business opportunities that offering environmental sustainability advice could bring his firm and was unusual in the approach he took. For example, he extended the discussions about energy efficiencies to providing advice about alternative technologies that could help to improve efficiency and reduce the environmental impacts.

Most of the SMPs interviewed recognised that the cost of alternative energy sources was often higher than conventional ones and, therefore, these alternatives were not attractive to SME clients. The need for investment, for example for halogen bulb conversions, was seen as a barrier to take-up of environmental advice.

With small businesses, energy is about electricity and the green issue is always...a bit more expensive rather than cheaper. (SMP8)

Indeed, the circumstances of the SMEs in question, as sometimes lacking individual bills for energy use, and operating in rented properties, were noted as a further hindrance to engaging with clients on energy-related environmental issues.

SMPs discussed ways of reducing fuel costs of transportation by encouraging SMEs to consider fuel-efficient vehicles.

In the case of that school bus company, we did have that meeting where we looked at how [they] can...we [encouraged them to] upgrade their buses in order to ensure that it was cost-effective to them and yet reduce the pollution to the environment. (SMP9)

The paperless office

The costs and benefits of working towards a 'paperless office', so reducing stationery costs and storage space needs, were also mentioned, especially in relation to service-based clients.

We would talk a lot about...scanning a lot of their work and that sort of stuff rather than just pack[ing] it up in files because... in some cases, people may have storage problems, so we might talk from time to time [about] how best they can keep the records on electronic media [so that] they can reduce that pile of boxes or whatever they might have, in the corner. (SMP9)

...we talk about the carbon footprint generally and how that can be used to advantage in reducing costs and one of the hot topics always...because of the nature of the businesses we deal with, is paper. Clients and service industries are paper-generators, paper-users, and if they can reduce their paper generation, it's not a lot but it all helps. It's got a bit of a feel-good factor about it and it does save them money and then we're on to recycling. (SMP5)

Waste management and other issues

Several other issues of environmental sustainability and reduction of operating costs were mentioned. For instance, the Dutch environmental adviser focused particularly on waste issues, and saw the reduction of waste and its disposal as a key cost and resource issue for SMEs: 'I recognised that it can be a very profitable change to their internal policies and save money on waste' (NLEA).

One 'green' branded accountant also sought to promote time savings associated with the use of public transport options, and covered a range of issues such as the use of second-hand office and furniture equipment. The discussions were all very general and related to a sharing of ideas, rather than offering advice: 'just again giving them the ideas...that you can go and buy everything second hand and therefore re-use stuff' (SMP8).

It was noticeable that other aspects of environmental sustainability such as water consumption were touched on only very briefly during conversations with clients.

So, yeah, you could save some water by installing this kind of water saving device and this kind of thing. But, you know, if it's at that kind of level of detail...(SMP8)

I haven't actually focused on looking at water as such... I'm aware that water is an issue and I think it's more of an issue for the developing world rather than the UK at present although I suspect if water costs rise sharply it will become an area of focus. (SMP7)

One SMP suggested that, although proprietors of SMEs recycled domestically, recycling was non-existent on a commercial level. As a result, recycling was not a topic often discussed.

I do think that it's...still not on the radar in that small commercial world. At home they might be recycling like mad, you know, they've got their compost bins going and everything else but I don't think people are thinking about it so much unless they make it a unique selling point. (SMP6)

Environmental sustainability and financial sustainability

A large part of the SMPs' discussions with their SME clients was aimed at ensuring that the businesses survived. The accountants talked about environmental sustainability only as part of financial sustainability conversations. It was often in the discussion about costs, profits, budgets, risk management and strategy that many of the exchanges about environmental sustainability took place.

Yeah, it's the sort of discussions...I just raise it with people when I'm talking to them about profitability; I just sort of say 'Have you thought about any measures you can take to reduce your carbon footprint that might improve your profitability?' (SMP5)

Really we share a common sense that financial sustainability is the starting point, because it's financial sustainability that allows you to be environmentally sustainable and help with the community, etc. So I think that we are both at a macro level and the micro level within the SMEs, it's one can't come without the other, because the business has to be there to be environmentally friendly, unless you argue that we'd be better off without the business and its impact. (SMP3)

So there's got to be wins for [SMEs]. (SMP6)

In their comments the SMPs were in line with previous research findings that suggest that measuring environmental sustainability costs and raising awareness of the links between carbon consumption and cost to the business – ie promoting the 'business case' – will result in improved environmental and financial efficiency. This being the case, the typical accountant's skills of measuring and subsequently analysing and reporting data to the client is of potential concrete value in environmental sustainability terms and to the SME. Nonetheless, there was very little evidence that SMPs are making the leap from a largely latent interest in environmental sustainability to envisioning how their accounting skills could be used to offer advice of value to clients. Indeed, there seemed a distinct lack of confidence among the SMPs interviewed (with only two exceptions) in acknowledging that the skills they possess could be of formal value in this way. Furthermore, when asked what environmental sustainability issues were relevant to SMEs, the majority of accountants visibly struggled to identify a range of issues beyond those mentioned earlier, focusing primarily on the cost-cutting opportunities of reducing energy consumption. None of the respondents drew on any formal sources of information on environmental sustainability issues or mentioned any regulation or industry standards that their clients might follow. Some SMPs conflated environmental sustainability with the whole Corporate Social Responsibility agenda.

RESOURCES USED IN THE PROVISION OF ENVIRONMENTAL SUSTAINABILITY ADVICE

The largely ad hoc conversational nature of the environmental sustainability advice given was shaped in the most part by the limited resources drawn on by the SMP. Key resources employed were personal experiences from environmental issues in the SMP practice itself. Alternatively, SMPs based their discussions on their knowledge of both personal and commercial experiences of other clients.

SMP experiences as SME businesses

SMP respondents suggested that they shared their experiences of running their practices in an environmentally friendly way with their SME clients. This casts SMPs as the respected peers who lead by example.

We're always seeing our clients and as we built this extension, which was...12 months ago. And as we went through the process of getting the low-energy bulbs in, you just find yourself talking about it. In the next conversation that crops up, you find yourself passing on what you have done. (SMP2)

SMPs were interested in saving money through making adjustments to their working practices. They believed that SMEs behave in similar ways and thus it was necessary to draw upon the experiences of their own practices within the conversations about environmental sustainability. In the following comment, SMP6 equates her own experience within the business with the requirements of SME clients.

That's something that we're personally aware of and that's partly because I'm interested. So from a completely selfish point of view the greatest benefit of sustainability on the micro-scale is the fact is it usually saves you money. It's a very small-scale thing, I mean, we use less and less paper now, for instance, we scan documents, which means every time we send a letter out... But sometimes we're sending letters out electronically now anyway. But when we send a letter out in the post we don't have a back copy anymore, we scan it before it goes so we have an electronic copy so therefore that's halving our stationery bill, which is quite considerable. So we'll do things like that but nothing too clever. When it comes to clients, again, I think...life is so hard [for most small businesses] at the moment...that the most interesting thing to them is the money saving. I mean, I'm sure they would tick the box saying, would you like to save the planet? Yes, of course I would, I'd love to do that. But fundamentally would you like to cut your stationery bill? Yes, I'd like to do that. So I think that's the real driver that will have an influence on small businesses. And if they can get down their fuel costs then that's something that makes people sit up and listen. (SMP6)

Past experiences with clients

Past experiences with other clients and in previous work situations provided SMPs with knowledge and information that they used in their conversations. For instance, one

SMP had learnt in a previous job about the environmental regulations that transport companies faced.

The transport industry's been way ahead for years on sustainability, environmental issues. I mean, the company I worked for recycle 100%, it had no waste, and that didn't come because the owner thought, 'Well, I really need to be responsible to the environment', it came because a letter came through the post and said, 'Right, in three years you will have to do ABC' (SMP1)

Past experiences with clients gave the SMPs ideas to share with their SME clients.

Water consumption is another topic I've really got to grips with to a great extent with clients...in the context of the garden and telling them about my rainwater-harvesting tank. I can't stop telling people about them.... I've had those sort of conversations with a number of clients about harvesting rainwater to reduce their mains water consumption, but mainly for domestic purposes, not business. (SMP4)

In another example, reference was made to the needs of construction firms. Knowledge about how to be environmentally sustainable was gleaned from working with a client who was building a house for personal use. Such information was useful for the informal conversations about environmental sustainability issues of commercial builders. It gave the SMP concerned some credibility, as is explained further below.

We've got several construction clients and that is an area where there is real scope but their problem is it's tough to build a house and to sell it at a profit. And it's all the cost up-front...in the design, in the construction of the house, to build into it additional systems or more sophisticated systems, which would have a real impact, but the moment isn't there yet where the person on the street is prepared to pay for it. (SMP5)

Trust, proven track record and the importance of credibility

A significant resource drawn upon in introducing new topics such as environmental sustainability, even in a merely conversational way, was the trust between accountant and client. SMPs reported the feeling that the environment was a kind of 'alternative' topic, not necessarily a hard business one. Nonetheless, credibility and opportunity to go beyond the 'financial services' remit was gained from the goodwill embedded in the commonly very long-term relationship between SMP and SME, and the SMP's proven track record as a sound financial service provider and trusted adviser.

Because we're the most trusted adviser. Because our clients listen to us, and again I'm speaking for the profession. Our clients listen to us, they really take heed of what we say, because they're seasoned business people, at the end of the day.(SMP2)

Since the SMPs usually provided a wider service than straight accountancy and financial services, SMPs were

also able to draw on their multipurpose relationship with their clients.

Because, one, they trust us. Two, we're there for everything...just everything. That's our real area of expertise and we provide a general practice service to them because the size of client we have are not big enough to have their own in-house qualified accountant, so they might have a book-keeper, they might do the books themselves but on the whole they will rely on us for everything, pretty much everything. So if they get anything to do with accountancy, tax, HR. Law, if they could get away with it, they'd have us sorting all their little problems out for them as well. But pretty much we are the one-stop shop as a business adviser to the small businesses. (SMP6)

SMPs sought to contrast this generalist multifaceted role with that of a specialist environmental adviser, who would usually have only a single basis for a relationship with an SME and would be less likely to build up a working partnership over many years. As the trusted adviser, the SMP was well placed to provide environmental sustainability advice. This trust-based relationship and proven track record was positioned as a unique resource for the SMPs we interviewed.

I personally would like to see accountants take a lead in this, because I think they are well-placed to carry out these sort of [environmental] audits because of their close business relationship with clients and they are the trusted adviser, whereas 'energy consultants', if we lump them under that label, don't have the relationships and perhaps don't quite have the credibility because it's new and nobody knows whether they're any good or not. (SMP4)

Even so, limits were voiced. For example, one SMP noted the difficulty of appearing to preach to clients who, after all, are paying for the SMP's services, and felt this would inhibit discussing environmental sustainability issues.

To conclude this section: SMPs are able to draw on their role as respected business peers in order to introduce new topics to the SME, but they need to ensure that they maintain their business credibility. There were mixed responses to the question of the credibility of accountants as advisers on environmental issues. Those already offering more substantive environmental advice claimed that accountants were the ideal professionals to engage in this topic. Others acknowledged limited subject knowledge while still others argued that the special position of the most 'trusted adviser' role facilitated the giving of environmental sustainability advice. In the next section, the capabilities necessary for providing environmental sustainability advice are addressed.

THE EXTENT OF ENVIRONMENTAL SUSTAINABILITY ADVICE PROVISION TO SMES BY SMPs

In the research sample, the extent of environmental advice provided by SMPs to SMEs depended on the interest shown by both parties. The indications were that any engagement with SMEs on environmental sustainability was in an informal, conversational manner.

Limited interest from SMEs

The literature review suggested that SMEs are in need of environmental sustainability development. Since their accountant is their most trusted adviser, he or she may be the source that they turn to for any relevant environmental sustainability guidance. The data gained from the sample, however, tended not to support this. None of the SMP respondents reported that their SME clients had asked – either formally or informally – about environmental sustainability issues alongside other enquiries. They explained this apparent lack of interest among SMEs by suggesting several reasons, including financial and other resource constraints, and perceptions of lack of relevance.

Small businesses find it difficult to engage with it because they haven't got the funding. (SMP2)

Perhaps they think sustainability's all a little bit theoretical. (SMP6)

Personal interest shown by SMPs

The SMP respondents suggested that where environmental sustainability was discussed with SMEs, it was at the initiative of the accountant. The driver for the SMPs to do so was personal interest rather than expected financial gain. Most SMPs in the sample did not charge SME clients for environmental sustainability advice provision. The SMP respondents showed a range of levels of stated interest in environmental sustainability, from one who had sought a qualification in environmental management through to the majority of others who claimed some personal interest. For example, one practitioner suggested that he talked to clients constantly about his interest in solar panels:

I've got a very keen interest in sustainability and solar and ground source technology. I'm interested in it and I've just had solar panels installed...[SME clients are] bored to tears hearing about my solar panels. (SMP5)

In most cases, however, personal interest in environmental sustainability issues was only transferred to SMPs' working practices to a minimal degree.

There were two exceptions. One accountancy practice had branded itself as 'green' from the outset and had a significant client base of environmentally and socially aware clients as a result. This firm gave all their SME clients some basic environmental sustainability advice routinely as part of an introduction to the firm's services: 'We're professional accountants but we do the environmental thing as a kind of, 'here is an idea and something you can take forward'. (SMP8)

Despite this, and although the SME clients were often already engaged with environmental issues, this practitioner suggested that clients did not consult their accountants on environmental issues. Consequently, the SMP did not charge clients for the advice given: 'So, in terms of income, it's all accounting and not environment work. And then in terms of actual time spent working, it's quite a small amount on the environmental issues' (SMP8).

A second accounting practitioner, operating at the time as a sole trader, was actively seeking out heavy manufacturing clients with substantial potential to reduce their carbon consumption and costs. This SMP sought to position the business as an environmental consultancy. This work was, however, still in the development phase and the outcome of the initiative unclear. Although he initiated environmental sustainability discussions with clients, he suggested that this advice was limited because: [It] became apparent very quickly that the notion of sustainability wasn't a primary driver, it was 'can I save money, can I save...energy charges?' (SMP7).

A conversation rather than formal advice

The format of any environmental sustainability advice by SMPs to SMEs was almost entirely informal in nature: an ad hoc conversation exchanged during a visit – usually annual – for the provision of regular financial services. Several of the accountants attested to the informality of the conversations, which they initiated.

It's something to talk about, when you go and see clients, sometimes there's not a lot to talk about so you need to find subjects to talk about and I often bring up sustainability issues as a topic of worthwhile conversation. (SMP5)

Speaking personally, I'm not geared up for advising on this subject, okay, in terms of a formal report, etc, so it's conversations... (SMP4)

Again, just on the ad hoc basis, when we're talking about the numbers and talking about the results and talking about utility costs within that, talking about people that we know are putting solar panels up on their roofs and someone down the road has put a wind turbine up and the impact of that. It's that sort of discussion. (SMP2)

The environmental sustainability discussions were purposely informal and general because the SMPs felt that they were not providing expert advice. They could not charge clients for this type of advice. They were more comfortable with sharing information and personal experiences of environmental sustainability issues. The following comment was typical of the views expressed by most SMPs.

I'm not entirely sure that we are the experts in certain parts of this, and I have reservations about whether we should be giving people advice, or what we should be doing is sharing information because we see other businesses do processes in very efficient manners, and

maybe that's where we come in, we can just share experience or give them ideas. (SMP1)

In only two cases did the accountants seek to impose rather more structure on the exchange. One SMP completed a spreadsheet assessment of carbon costs as an additional part of their regular financial accountancy service provision. This approach was to stimulate conversations about environment sustainability with clients. In most cases, despite the use of the spreadsheet, clients did not pursue the environmental discussions.

So, our idea is to help people with these things but it's to give an entry-level approach...the conversations with the client, it [sic] always has a lot of environmental talk as well as accounting talk and then we go away and do their accounts... [the SME clients] don't follow up anywhere near as much as we would like in terms of the actual carbon accounting and all of the impact work we're talking about. (SMP8)

The other SMP compiled presentations and mini reports for clients as a way of focusing on the key messages and meeting the needs of busy clients. This SMP was particularly interested in developing his practice into an environmental consultancy firm and, therefore, was not typical of the SMPs in the sample.

I think businesses are much more eager now to get a very short, focused PowerPoint presentation that says 'this is what we've found, this is what you can do...', you know, they don't want to waste too much time looking at detailed reports. (SMP7)

Overall, we found very little evidence of the formal provision of advice on environmental sustainability, when understood as a chargeable component of the SMP service.

Capabilities

In order to develop the capabilities necessary to offer environmental sustainability advice to SMEs, the main challenges for the SMPs are the acquisition of the technical knowledge relating to environmental sustainability and gaining the understanding of how to use their accounting-based skills to measure and report on these in a manner suitable for the client.

When asked what environmental sustainability issues were relevant to SMEs, the majority of SMP respondents struggled to identify a range of issues beyond those mentioned earlier, focusing primarily on the cost-cutting opportunities of reducing energy consumption. None of the respondents drew on any formal sources of information on environmental sustainability issues or mentioned any regulation or industry standards that their clients might follow. Some referred to the international environmental management standard ISO14001, though they did not detail the issues dealt with therein. The two exceptions to this in the SMP group were those who had had specialist education on sustainability.

The need for further knowledge of environmental sustainability

The SMP interviewees recognised that they needed more knowledge if they were to offer environmental sustainability advice.

You actually need a skill set that's probably...an energy...a technology professional, someone who understands...how do you really use electricity and what does it mean? (SMP7)

I am discussing it with them; I am certainly not discussing it with them as an expert. I mean, I can talk the numbers to death. I am quite happy, comfortable talking about the numbers. When it comes to sustainability...it is more life experience than expertise really. If I am talking to a client then it would [be] person to person and we all have our slightly ignorant views... (SMP6)

The carbon offsetting, you know the whole environment; we are definitely not the experts on that. (SMP1)

The Dutch accountant who operated as an environmental consultant made it clear that although accountants had some relevant skills (as explained later in this section), they needed extra, formal education and training to support them in offering environmental sustainability advice.

What everybody should know [is], if you step [out of] your domain of expertise, you have to do some further education and it's not a matter of a one or a two-day course, but you have to go to university for several years. (NLEA)

Acquiring more knowledge: 'toolkits' and professional body involvement

SMPs gave different suggestions about how to gain the new knowledge. Most seemed to favour an approach that they referred to as the 'toolkit'. They argued that it was for their professional body to develop a manual about environmental sustainability issues that would offer a 'how to' approach. Since this was very much stressed in the respondents' comments we collate them here in detail in Box 4.

Box 4: Calls for the accountancy professional body to develop a toolkit

A professional body comes in and they can put together...a product...You can basically just buy the toolkit as you need it. (SMP6)

This goes back to what we were saying about the ACCA coming up with a 'flat-pack'; 'ISO 14001 processes for accountants'. (SMP2)

So if there was some form of [toolkit]...I think it's important to get the understanding that actually, we can actually save ourselves money and get Brownie points, yeah, and get people on board within our business...so a profit-improvement little toolkit or something. (SMP5)

But it is the difficulty of actually quantifying things. You give us a really good means of measuring against something, you know, we're your man, we will measure against it, but when it's just not clear or is so complicated, what do you measure? (SMP4)

But I think the Institutes, they could help in pump priming, so we were talking earlier on about it would be really helpful if we had a simple tool and a structure within which to use it. (SMP5)

Quite simple, there's got to be a standard, there's got to be a way of doing carbon accounting and this is the absolute thing that I've been on at ACCA... But what would help is just a system that's simple, robust and then gives comparability, ideally to come up with a sensible figure for CO2-equivalent emissions per thousand pounds turnover and then people can benchmark and just use that as safe information. (SMP8)

I think carbon foot printing could itself become quite simple, it could become quite simple and quite major, it's just a question of structuring data...if the data [are] in a format that computers can process it's done in seconds...at the moment the data [are] not put into computer systems in the way that the output, the information, can come out very simply. And I think that could change, I mean if there was a mandatory requirement for carbon accounting and carbon reporting – which I believe...has been pushed back a bit further – ...that information requirement and that data definition requirement would be accelerated and businesses would know their carbon footprints. (SMP7)

Knowledge of global standards, legislation and regulations

Training from the professional bodies was also suggested as a way of gaining the necessary knowledge on the technical aspects of environmental sustainability. It was explained that this needed to cover a wide range of topics. Specific education to develop technical knowledge of the range of environmental sustainability issues relevant across different business sectors and for SMEs in particular would be valuable.

From identifying the issues through to giving the training and imposing on people the need to do it...Well, I think the whole business of understanding carbon emissions and greenhouse gas measurements...I've read the papers and they're quite difficult, they've got some quite nebulous concepts in them and there are alternative ways of measuring. What we need is a level playing field and a clear way of measuring what people do, how they do it and what the impact of it is. (SMP5)

Globally recognised initiatives (such as the Environmental Management Standard ISO 14001 and the Global Reporting Initiative) offer guidelines and standards that are frequently used by large customers and required of their supply chain partners. In order to support SME clients, SMPs should have knowledge of these standards and their particular application to SMEs. In addition, knowledge of current and forthcoming environmental regulation and risks issues is also a critical capability to be gained in this field.

I think if you created a framework for accountants to go through their own ISO 14001 simply and cost-effectively, I think you immediately build knowledge within the profession and in theory you build a contact with whoever came in and did theirs, and I think it's that direct experience which is probably the best option to get us talking about it. (SMP2)

Working with environmental management consultants

Although SMPs in the sample did not employ the services of specialist environmental consultants, they recognised that these individuals and organisations could be drawn upon for guidance.

But we talk loosely about teaming up with consultants where we...offer some sort of package because we don't have any great expertise in measuring and we're also just about looking at...one of our own clients, actually, who is a CSR consultant, and we start talking about that to interested people and seeing whether we can get some activity there. (SMP5)

Well, carbon footprinting companies that do kind of product...lifecycle, complicated carbons, carbon accounts, Scope 1, 2 and 3 and all this kind of stuff that I understand to some extent but I don't do...in work because I think that's beyond what we do. So carbon accounting, carbon footprinting specialists...may be useful. (SMP8)

SMPs were willing to direct their SME clients to these specialists if necessary. Some were prepared to work with the specialists in ways that are more formal. While the SMPs recognised the contributions these specialists make, some SMPs implied that by working with accountants the credibility of environmental consultants would be enhanced. Their perception was that SME clients did not trust environmental consultants and thus as SMPs they had a mediation role to play. Currently there was little evidence that SMPs were working with environmental consultants.

We are a signpost basically and...we know what we know and we know what we don't know so pretty much that's what'll happen. So, I mean, it might be another model in the future is that we're actually signposting to specialists. So, we might have somebody in sustainability that you trust and so they [SME clients] are more likely to go and see somebody like that if we recommend them because they feel that they know what they're getting. A little bit less of the used car salesman about it really. (SMP6)

Me personally, I think my job is to be able to help the client and advise them, but whether that means that we then have a relationship with an expert, maybe that should be our next step. (SMP1)

In a lot of fields, we outsource everything we don't think we can be exceptionally, well, expert on. We outsource that. I think that would be the route that you'd go...We've had [people we've recommended]...over the years...we had employment advice, obviously. There was a health and safety guy who I recommended to a few people because I knew he was very well experienced, but I don't think I've ever come across an 'environmentalist'. (SMP2)

Well, it could work at any level, from having a loose arrangement where we referred clients to a consultancy to do the project for them, to actually having somebody in the firm that could do that work. And that must be the ultimate goal when there's the demand. (SMP5)

The environmental consultants interviewed emphasised the need for a multidisciplinary approach to the provision of advice on environmental sustainability. While large accountancy practices had sufficient resources to this, SMPs did not. Thus working with and alongside environmental specialists could be a feasible solution.

For smaller firms, it's not possible [to have a multidisciplinary team]. You need very large investments for it, [then you can see that] some of these firms recognise, for instance, that there's a problem of energy and there are specialised advisers on energy and they can contact them and have a meeting. (NLEA)

Accounting skills are adaptable

The perception from the environmental specialists interviewed was that accountants had a role to play in advising on environmental sustainability because they had the necessary accounting skills to collect and collate data on environmentally relevant business costs such as energy/fuel/waste/water costs.

So we think the accountant can do more because... everything involves costs, like social cost and environmental cost, so we think that it may be a trend for the accounting [professionals] to include environmental costs into their accounts, and their reports. They also need to...calculate the costs...Say you need to build a waste water treatment plant, then you've got to have a project, so the accountant needs to [employ]...project appraisal [skills]. (HKEA)

The Dutch environmental adviser suggested that he employed his accounting training in many ways. Examples of accounting techniques he gave included overhead cost analysis with respect to waste management and controlling of energy costs; internal control; performance data analysis; auditing and verification. Quotes from NLEA are shown in Box 5.

The overwhelming view of the consultants was that accountants by their training could develop their understanding of what is relevant in terms of environmental sustainability and of how to extract data, and ultimately measure and report them.

Box 5: Accounting skills can be adapted: the view of an environmental adviser

I recognised a problem with [cost of] the waste and waste re-processing inside the company...and making a good analysis...you can [improve] waste efficiency.

Also energy was part of the overhead costs...make analyses for [each] department...and can see where you can save energy.

And we used the expertise of information accounting and internal controls in design for organisations in having control on the waste flows and rendering account on it and [we] even have some performance data on it.

I think the theoretical concepts of financial reporting – you are able to design high-quality environmental reports. So, you see, my contribution was, typically, an accountancy background.

I'm convinced that only accountants can do the verification work because certification and the accreditation bodies have a complete[ly] different way of reviewing management systems.

So you can see that typical accountancy expertise can be used.

Leadership and persuasion skills

Finally, this research indicates that the position of SMPs as advisers on environmental sustainability would benefit by the development of individual and institutional confidence in this field. This would encourage SMPs to be more proactive and to persuade SMEs to consider environmental sustainability issues associated with their businesses. The sense was that it was only by being able to show benefits to SMEs that SMPs could contribute by providing advice. In order to do this, SMPs needed to be confident that they understood the issues.

Some SMPs are reactive in nature, and would only be influenced if clients were demanding a service on environmental sustainability:

That's a slightly tricky issue there because you can sell it to them if there's a benefit to them. So the question is what's the benefit? And the obvious benefit is saving money. It's the selling message. For us to have a reason to sell something, one, it's got to make us money, we're in business and that's what we're here for. Or, it's got to be something that clients are asking for and if you've got a client saying, well, don't you offer sustainability.... I'll go elsewhere, then that's a good reason to do something. (SMP6)

Others saw the need for the accounting profession and SMPs to show more proactive leadership.

I think if you get the business case for sustainability into the minds of SMPs, you should, if they're good SMPs, get it in the minds of SMEs, if it's not already there. (SMP2)

The first thing is to get a good chunk of accountants... ACCA members let's say, to want to do this...If there are enough people wanting it then training courses will come. But it's getting to that point where firms want to take up this idea and take it to small businesses because they benefit and their clients benefit from it. (SMP8)

What I'd really like is the whole accountancy profession to be talking about all of these things and then...spread the message that small businesses could be making choices. (SMP8)

Box 6: Views from representatives of SMEs in the UK, Hong Kong and Canada

Part of this research involved interviews with three organisations with responsibilities for representing SMEs in the UK, Canada and Hong Kong, respectively, to ask their views of the needs of SMEs for environmental sustainability advice and whether the SMP accountant had a role in providing this type of advice. Although there are several institutional, social, economic and cultural differences between them, the three countries are similar in that small businesses contribute significantly to their economies. Each representative highlighted similar operational problems faced by SMEs, including the cash flow problems and resource constraints that these businesses had to manage. These affected the ability of SMEs to be fully engaged with the environmental sustainability agenda.

The need for environmental sustainability advice

The UK SME representative belongs to a body that lobbies for the interests of small businesses. According to him 'environmental concerns are moving up the agenda'. The driver for this was the perceived economic benefits associated with it. The government had changed its message from 'help us save the planet' to 'help your bottom line and save yourself money'. Furthermore, there were increased pressures from the supply chains where in order to get contracts and new orders, SMEs had to 'prove their green credentials'. Further pressure on SMEs came from regulations from the European Union.

I mean just being seen to be green is now commercially important... rather than your motivation to help save the planet...just to be seen to be green in front of your client base... (UKSME)

The Hong Kong SME representative, on the other hand, suggested that SMEs were not interested in environmental sustainability but were very concerned about increasing operational costs such as the cost of wages and rent. He argued that in Hong Kong, there was a need for financial incentives to be introduced to encourage SMEs to consider environmental sustainability issues and to reduce resistance.

I think for the time being, the SMEs in Hong Kong are not worried about environmental sustainability...it is not on their agenda... [but] if the bank offers green finance to SMEs...that means that they can buy energy saving and green machinery. (HKSME)

In Canada, environmental sustainability was seen by the representative to offer commercial opportunity for small businesses. The SME representative suggested that for small businesses environmental sustainability could give them competitive advantages.

Because of their smaller size and status, it allows them to be more flexible and more responsive and adaptive to the shifting market. There are many opportunities for small business in the so-called 'green economy' because there is the ability to be innovators, to re-tool, to expand your existing product lines...it's not just the negative connotations. (CSME)

Nonetheless, there were several barriers that Canadian SMEs faced, including having to understand complicated material about the environment from the local, provincial and federal governments. This, coupled with operational issues such as cash flow problems and other resource constraints, meant the take-up of environmental initiatives was low.

The issue is that this stuff is not that easy to find and to understand, there's a lack of awareness. If there's a benefit in environment management initiatives, this needs to be made clear to small companies in order for them to justify spending time and money on the process and making the changes, and low level of awareness negatively affects the level of implementation of environmental initiatives. So there's a lot of work to do, I think, to explain why they need to do this and explain it in a language that they understand. (CSME)

Does the SMP have a role to play in advising on environmental sustainability?

The key message from these SME representatives was that accountants were not necessarily the first choice for SMEs for advice on environmental sustainability. SMEs were more likely to seek information from national or regional information websites on environmental issues in the first instance, or be guided by their customers and business peers.

I think at the moment people wouldn't put two and two together, you wouldn't associate an accountant with environmental advice. I think your first stop would be the Business Link website that would probably be the first one or go onto DEFRA websites. The problem with a lot of environmental advice and this is something we always point out to DEFRA, it's everywhere, there's no real one-stop shop for environmental advice...or they go to NetRegs. [But] your average small business owner is very resource constrained... (UKSME)

Similarly, the view from Canada was that:

They would contact provincial government officials more readily. Another one I mentioned, the Department of Environment Canada, is the federal government and also, the Industry Canada Department... they do produce press releases and the various publications that I think come across the desks of small business. And other sources could include their business colleagues, for example, like if one company knows about a particular... initiative, they may tell their peers and also I think another example would be the sector associations. (CSME)

Yet despite these views, the SME representatives interviewed identified four areas of advice where they suggested the accountant could contribute. Not all areas were mentioned by all the representatives, however, perhaps reflecting the different contextual country issues. These are summarised in Table 4.1.

In summary, the SME representatives suggested that there was the potential for accountants to be involved in providing environmental sustainability advice as the quotes below suggest.

Accountants are very trusted people as you can see from the data. They are trusted because they're the money experts...they are the ones who understand the money and.. it would probably be a more credible source to say if an accountant turned round to you and said 'why don't you think about energy efficiency because it will save you 15% on your energy bill', rather than...an environmental consultant who is often perceived maybe by small businesses as wishy-washy green stuff. Whereas if you've got an accountant, a hard-nosed money guy, telling you 'you should be thinking about this because you can save money', I think that would make people listen. (UKSME)

In Hong Kong, what they are worried about is the operating costs so they need information about new initiatives to handle this. But I think the accountants do have a role to play... In a report, you know, they can itemise the account entries with...how much energy is saved or they can save. (HKSME)

I think SMEs require expert advice and guidance and one part would be accountants and there could be very important roles that they can do to assist them. (CSME)

Box 6b: Potential advice SMPs could provide to SMEs on environmental sustainability: SME representatives' views

	UK SME representative	Canada SME representative	Hong Kong SME representative
Accessing services (eg waste and recycling)	The SMEs have a nightmare in terms of accessing decent waste and recycling services, because they're very small		
Understanding regulation and legislation	EU (macro and micro regulation) Green Deal	Local, regional, provisional and federal	
Opportunities from the Green Economy	The opportunity offered by environmental sustainability as compared with the costs associated with it	For example, in the area of long-term planning, it could make a big difference for them to work with accountants, and accountants can prepare screening tools, for example, to help them identify, better ...the risks and opportunities and to help them better understand	Applying for green financing
Energy and other resource use. Ways of reducing and gaining efficiencies	[How can] we deploy resource efficiency, energy efficiency as extra, that is, as a way to gain commercial advantage?	And audit like a waste audit, where are you wasting? What can you recycle? These audits, certainly accountants could assist them or point them in the right direction.	They need some kind of indicators in the accounts to show whether they are successful in their attempts to save energy

CONTEXTUAL FACTORS THAT AFFECT THE PROVISION OF ENVIRONMENTAL ADVICE BY SMPs TO SMES

This research, while focused on the UK, included a small sample of Canadian, Hong Kong and Dutch participants. Although these were not representative in any way, they helped to illustrate some of the contextual influences on the possibility that SMPs could give environmental sustainability advice to SMEs. Interviewees included SMPs from a range of geographical settings, and serving a variety of clients in differing industries. Thus, in addition to the resource and capability challenges outlined above, contextual factors served to facilitate or hinder the provision of environmental sustainability advice, sometimes counteracting each other. Key contextual factors were the state of the economy, the nature and type of industry and the extent to which there was a regulatory requirement for compliance.

The state of the economy

Tough economic times were cited regularly as the reason SMEs were interested in cost cutting, particularly in relation to energy and fuel costs. The accountant's role is more aligned with promoting the economic prosperity of the business, and it is on this basis that conversations were initiated, especially those promoting the 'business case' for environmental sustainability. Indeed, SMPs were keen to find ways of showing their clients that there was an economic gain to be had and requested illustrative 'proof' of the business case, to convince themselves and their clients that environmental sustainability was a worthy investment. Some SMPs suggested that the economic downturn did provide a good reason to engage in environmental sustainability conversations, though the clients were less likely to invest extra resources without a clear business gain. Although it encouraged the conversations, the message about the need for sustainability was often not heard.

I think we would find there was a lot greater interest in taking steps to make their businesses more sustainability-compliant, if I can put it like that, if it weren't for the crushing economic pressures at the moment. It's not the desire, it's just the inability to do things. (SMP5)

I think the economic downturn is focusing [sic] on how people spend money and they don't want to spend money on things that are going to cost them money or aren't going to pay back quickly. And that does present a problem because some of the paybacks and energy efficiency investment are extending and you might find five- to seven- or ten-year paybacks are common on the more expensive technologies and I think that is deterring investment in those options. (SMP7)

In better economic times, in contrast, it was argued that SMEs would have more available resources for investment but would be less compelled by a clear financial gain from environmental initiatives. Thus the economic environment did not always act as a driver for environmental sustainability advice and could also deter interest in these issues.

...If things ease off a bit. But then one driver's replaced by another driver then because if things ease off a bit people aren't so desperate to save money so they lose that driver. (SMP6)

Industrial sector

The SMPs suggested that many SMEs were already well aware of the needs of their own industries, though generic issues for smaller firms were common to both SMPs and SMEs. Thus SMPs sought to introduce generic topics such as energy costs and recycling in their conversations.

A lot of our clients are really at the forefront of what they do. They're into technology, and I feel bad that we're sat [sic] here thinking, 'Well, they could do better'. (SMP 1)

And a lot of our clients are not-for-profits in one way or another, charities or just social enterprises or all sorts of... industrial provident societies, community groups and so on...It's no use us trying to give them advice on green [issues]...carbon accounting or anything like that because they're way ahead of us in terms of their knowledge on those kinds of subjects. (SMP8)

SMPs showed an affinity with other service sector clients, such as solicitors, being able to draw on their own experiences as service-based firms. Here the dominant topics of paper use and efficient building use were a comfortable topic of discussion, but again were generic to service firms rather than specific to the sector. There was a sense that the nature of their client base meant it was not necessary for the SMPs to advise on more sophisticated higher-level sustainability discussions.

So we can't have the conversation about replacing the plant and machinery with more energy-efficient plant and machinery and getting the government grant because we don't have that sort of client...we talk about the carbon footprint generally and how that can be used to advantage in reducing costs, and one of the hot topics always... because of the nature of the businesses we deal with, is paper: clients and service industries are paper-generators, paper-users, and if they can reduce their paper generation, it's not a lot but it all helps. (SMP4)

Service industries, they're relatively light carbon footprint-type businesses, you know, if we had lots of power-consuming people who were over the 500 megawatt threshold, where it was critical for them to start looking at these things...that would be a different kettle of fish altogether, so these tend to be conversations, and very few people, in the sectors that we work in, understand carbon measurement. (SMP5)

Industry-specific issues also occurred through supply chain pressures. SMPs and SME representatives noted the need for some SMEs to meet formalised standards set by their clients in order to receive or continue their contracts. These were, however, perceived as something for SMEs to deal with within their supply chain rather than an issue that SMPs might be able to lead on.

And increasingly for SMEs who serve large corporate clients or public sector departments, if they haven't got a sustainability strategy or knowledge of their carbon footprint, they could well struggle to retain clients on a long-term basis.... So there would be some downward pressure, either through market structural change, which is forced on businesses, or led by leaders like Tesco's and M&S and Waitrose, etc...forcing smaller businesses to toe the line. (SMP7)

In sum, there was very little evidence that SMPs reflect on the relevance of the sector of their clients and what the particular environmental sustainability issues might be in that regard.

Legislation and regulation: regional, national, supra-national

Regulation was not frequently mentioned by the SMPs in this study. Given the common role of SMPs in advising their clients on compliance issues, this was somewhat surprising. Several SMPs suggested that legislation could act as a driver, forcing SMEs to consider their environmental impacts. In practice, in the current recessionary economic situation, governments have been loath to increase regulatory burdens on SMEs.

Well, if people aren't coerced into doing it, lots of things won't happen but it's not politically the flavour to impose more regulation on them, particularly the small business, to the extent of perhaps requiring them to report on emissions, for example, that wouldn't be welcomed by the government, they've just not got the appetite to do... they're trying to do the opposite at the moment, remove red tapes, reduce reporting burdens, so we can't look for that as an assistance. (SMP5)

I don't know if it would be driven by legislation or [what] it would be driven by...and at the moment, you're not going to get that sort of legislation because everybody's trying to make it easier for small businesses during this current recession. The last thing they're going to do is slap them with a bit of legislation that says, 'you must have the equivalent of the HIPS report for houses'...you've got to do this, you cannot trade unless you've got this certificate... so in the future I could see that happening and I could see the accountant's role being there to help people apply and even to verify the information that they put forward for that...I don't know what you'd call it, qualification or something. (SMP6)

...there are some issues about environmental policy and strategy that if the SME sector is not directly regulated in terms of carbon reduction and energy efficiency...I think that's potentially a failing. (SMP7)

SME representatives pointed to the importance of local government, and regulation at the local level, as particularly important. This makes some sense given the claimed local embeddedness of SMEs and the locally based nature of environmental issues such as recycling and waste disposal. In fact, in Europe the majority of relevant environmental legislation comes from the European Union level and this suggests some limits to a localised approach. In addition, as has been discussed, the sector-specific issues are less pertinent at the local level except in the particular case where SMEs in the same industry are clustered together, in which case localised initiatives could be extremely important and valuable.

5. Discussion and recommendations

This chapter builds on the evidence presented in the literature review of Chapter 2 and findings of Chapter 4. It develops some reflections on the research and its wider implications for a future research agenda, with practical recommendations.

DISCUSSION

The results of this small-scale research project throw a different light on a range of issues relating to the role of the accountant as an adviser on business issues beyond accountancy and financial services. In particular, this research goes beyond a basic survey on the extent of environmental sustainability advice provision, and enables a better understanding of the nature of advice giving by SMPs.

The nature of the SMP–SME relationship and the ‘trusted adviser’ role

SMPs are consistently noted in surveys as ‘the most trusted adviser’. This research suggests, however, that the nature of this role is limited. A more accurate description of the relationship may be one of ‘a trusted peer’. The usual long-standing relationship between SMP and SME, the building up of trust and respect for the accounting and financial services offered, is part of this, but so is the fact that SMPs are also SMEs. As such, they are peers to the SME client, albeit ones with financial acumen. The SME would be unlikely to hire the SMP if they could attend to their financial requirements in-house, thus the expertise is missing from the SME. This is likely to garner respect for the services offered, which creates the basis for the ‘trusted adviser’ status. Nonetheless, this research suggests a subtle shift in understanding of the SMP/SME relationship. Rather than there being some kind of hierarchical affiliation, with the professional accountants as superior in their abilities and knowledge, the findings suggest a much more equitable relationship, with each having certain competencies that garner respect. This relationship is more readily described – where it goes beyond the financial – as a relationship of peers rather than of adviser and advised. This shift in perspective has wider implications in the understanding of the dynamics of the SMP/SME relationship. Instead of the popular notion of SMPs as a ‘one-stop-shop’ for SMEs, it suggests a more complex association relating especially to the aspect of trust in an equal partner than trust in the quality of expertise given. Thus, this also links to the findings about the nature and limits of expertise that SMPs hold and the areas on which they are able and willing to offer advice.

SMPs and their limits

SMPs offer long-term financial service to their clients, and this important professional role must not be undervalued. Even so, it is apparent that there are limits to the additional roles that they can fulfil. These limitations relate to their knowledge base and their entrepreneurial orientation.

Knowledge base

SMPs are qualified and trained in their role as providers of accountancy and financial services. Many accountants also have other qualifications – which may or may not be related to business – such as undergraduate or postgraduate qualifications in other subjects. Hence, each individual accountant has his or her own set of knowledge-based capabilities from which to draw, beyond the standard financial perspectives required for professional status. The interviews show that the real basis of knowledge for environmental sustainability advice was experiential or, in some cases, based on observed experiences of other clients. SMPs used their own environmental sustainability experiences rather than any extended qualifications or formal toolkit or guidance. It should also be noted that environmental sustainability is an emerging, highly complex subject, requiring trade-offs and compromise, wherein even specialists fail to be certain about outcomes (Spence and Rinaldi 2012).

The strong financial capability of accountants, clearly an advantage in many respects, could also narrow the perspectives they are able to offer. The interviews show that if environmental sustainability advice were part of conversations with SMEs, it was only through the finance lens. This is one perspective, but does not fully encompass environmental issues, as the long-running debate on ecological modernisation has demonstrated. This shows that there is a limit to the economic argument where environmental issues are concerned (Revell 2005). Some respondents recognised that the so-called business case was just the hook for the conversation, but without the wider perspective and knowledge, it is difficult to see how SMPs might develop their advice-giving beyond the financial aspects.

Entrepreneurial orientation

It should be kept in mind that SMEs are known to focus on day-to-day survival and their core business, not necessarily seeking new income streams. This research shows that this is true of SMPs, which were often concerned with serving their long-term client base and replacing any lost clients as needed rather than seeking new specialist markets. Hence SMPs, just like SMEs, are neither necessarily entrepreneurial in nature nor growth-orientated profit maximisers. Instead they are concerned with maintaining existing business (Spence and Rutherford 2001). In order to develop new markets such as that for environmental sustainability advice, SMPs would require strong skills of persuasion to convince clients that they are suitable advisers (and that advice is needed in the first place) as well as the knowledge-based command of the subject matter. Some SMPs pointed out that since environmental issues are increasingly legislated for, there may be a legal risk when giving environmental sustainability advice. This may also counter any desire to step into the environmental sustainability advice market.

The case of environmental sustainability advice

This research included interviews with environmental advisers as well as SMPs. This gave an insight into the difference between the two professional types in relation to their role as potential and actual advisers on environmental sustainability for SMEs. Summarising many of the points already made, Table 5.1 shows that SMPs have many advantages, in particular their established existing relationship with SMEs, but lack the knowledge of environmental issues that specialist advisers clearly possess.

The indication from this study is that to overcome the gap between SMPs and environmental sustainability advisers, the ideal solution would be partnership between the two, supplementing their respective weaknesses.

It is perhaps helpful to compare the environmental case with other advice subjects. For example, human resource management has been found by Jarvis and Rigby (2011) to be a topic on which advice is commonly given by SMPs. They show that payroll service can lead to the giving of HR advice, and it could be that offering basic environmental accounting services could also lead on to a wider environmental sustainability remit.

Table 5.1: Comparison between environmental advisers and SMPs giving environmental sustainability advice

	Typical environmental adviser	Typical current SMP giving environmental sustainability advice
Frequency and purpose	One-off Single purpose	Long-term, regular contact, at least annual. Track record with the SME. Multiple purposes (already advise on other aspects than financial)
Nature of relationship with SME/ attitude to adviser	Suspicious No track record	Most trusted adviser Respected peer Track record Seen as having business acumen Serving clients
Driver for SME interest	Supply chain pressures Reputation Regulatory	Cost reduction Reputation Regulatory
Driver for adviser	Seek to improve environmental performance and reduce environmental impact (environmental advisers act as environmental guardians of their client's business) Own financial success	Seek to improve financial sustainability of the client (accountants as financial guardians of the client business) Own financial success and long-term success of the client
Potential content of environmental sustainability advice	Strategy Marketing Mission statements Collation of data (eg carbon footprinting) Simple reporting Environmental audits Environmental aspects of accessing funding for green initiatives	Risk assessment Generalised regulatory compliance Collation of data (eg energy/fuel/water/waste costs) Financial aspects of accessing funding for green initiatives
Format of advice	Contracted Formal report Presentation	Ad hoc Conversational
Financial reward for adviser for the service (current situation)	100%	0%
Highest credibility	Environmental issues	Financial issues
Source of environmental sustainability expertise	Expertise substantiated by formal qualifications	Lay personal interest SMP experiences and learning Other clients' experiences and learning

Finally, it should as always be kept in mind that SMEs are not a homogeneous group. They are different in terms of life-stage, experience of the owner-manager, financial stability, and ownership structure and so on. One of the clearest distinctions is the sector of the business. For example, several of the SMPs in the sample were in rural or semi-rural areas, with a client base of predominantly agricultural or service- and office-based clientele. This, they argued, influenced the type of advice that they were able to offer. For agricultural clients, the expectation was that their needs were industry-specific and attended to by industry bodies and trade associations (such as the National Farmers Union, NFU). There are clear sector-specific issues for environmental sustainability. Taking the case of agriculture, there are grant funding opportunities for environmental stewardship, regulation of fertiliser use, regulation based on the EU Industrial Emissions Directive, and particular perspectives on the agri-environment, climate change, renewable energy, soil, waste and water, as well as wildlife issues.² The NFU, for example, also publishes a monthly newsletter, *Environment Matters*, for farmers. SMPs are highly unlikely to be able to compete with this level of detailed applied knowledge. It is likely that farmers will turn to their trade association for support on such detailed perspectives, but an informed SMP might usefully engage with agricultural clients and consider how additional accounting could support the farmers in attending to their environmental needs.

FUTURE RESEARCH

Since this research is exploratory in nature, a wider study that seeks to test the findings more reliably internationally and across a range of SMP and SME types would be of value.

Environmental sustainability needs for SMEs are changing in a context of new regulatory frameworks, legislation, public interest and competitive demands. Research on the dynamic nature and projection of environmental sustainability requirements for SMEs would be advantageous for understanding this complex but important terrain. In-depth, longitudinal case studies would be suitable methods for developing an understanding of the dynamics of environmental sustainability in SMEs and the role, if any, of the accountant.

The research was carried out during 2011–12, a time of economic crisis. This was consistently referred to by respondents as a major influence on attitudes to environmental sustainability. A comparable study in times or regions of economic prosperity would be very valuable, to illuminate the extent of the impact of the economic context.

The research indicates that SMPs hesitate to grasp a new opportunity, create a new market and diversify their business. Accordingly, this study points to some interesting questions around the innovation and entrepreneurship of small and medium-sized accounting practitioners that could fruitfully be explored.

Much has been written and claimed about the role of the accountant as the most ‘trusted adviser’. This research does not undermine such claims but has revealed a more nuanced understanding of the limits of this role. Our research indicates that when going beyond financial advice, the accountant is indeed a trusted business peer with useful experience, but may not be a suitable adviser on all topics. Further research could profitably explore the limits of the ‘trusted adviser’ status.

RECOMMENDATIONS: PRACTICE AND POLICY

The results of this research indicate two levels where recommended changes can promote accountants as environmental sustainability advisers to SMEs. The first level is individual small and medium-sized accounting practitioners, and the second is professional accountancy bodies such as ACCA. In many cases, similar activities are reflected at these different levels, though of course they may take different formats. Some of the proposed measures could be immediately implemented, others are longer-term goals.

For individual SMPs

Partnership: SMPs should establish collaboration with local environmental sustainability experts in order to gain local access to credible knowledge.

Gaining experience: this begins in the SMP’s own business. Practitioners should review the environmental sustainability of the business, then use that valuable experience to have rounded, relevant conversations with clients based on genuine experience. This also has the advantage of introducing the topic to colleagues within the SMP who do not already have a personal interest.

Seeking information: practitioners should familiarise themselves with information sources that they could recommend to others or use to broaden their own knowledge. Some useful resources are shown in Appendix 2.

Formalising commitment: where appropriate, practitioners should formalise their commitment to offering environmental sustainability advice through marketing and profile-raising in newsletters and the SMP’s documentation and website.

Seeking recognised training and education is necessary for those wishing to offer chargeable environmental sustainability advice in the future.

2. www.nfuonline.org

For professional accountancy bodies

Providing easy access to resources for members.

Accountancy bodies should

- increase the visibility of environmental sustainability on professional association websites and media.
- provide 'signposts' through a website for members with links to a range of useful information sources (including regulatory and industry-relevant information) and toolkits. Some suggestions are given in Appendix 2.

Developing capacity among members.

Accountancy bodies should:

- offer 'self help' review packages of environmental sustainability for members' own businesses
- offer short courses on environmental accounting
- embed environmental accounting in professional qualifications
- develop or endorse a bespoke toolkit for accountants on environmental sustainability.

Building institutional trust in the accountancy profession for environmental sustainability services.

Possible actions include:

- partnership, by collaborating with respected environmental bodies
- raising the profile of the accountancy profession to demonstrate credible leadership, eg sustainability awards for small and medium-sized enterprises and small and medium-sized accountancy practices.
- ensuring organisational compliance with and certification for an environmental management system, which should be publicised accordingly.

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Appendix 1: Interview guide for SMPs

Date:

Interviewer(s):

Gloria Agyemang, Leonardo Rinaldi, Laura Spence

Respondent name and position:

Business name:

Transcription code:

Introductory statement: exchange business cards. Inform them of the objectives of research; anonymity; research ethics, protocol, etc. Permission to tape record proceedings, etc.

- Background to the firm:
 - When was the firm established?
 - What is the legal structure of the firm?
 - Size of practice (number of partners and number of employees).
 - Total number of SME clients.
 - Percentage of SME clients to whom advice about environmental sustainability is given.
 - Percentage of income that derives from provision of environmental sustainability advice.
- Why did you get involved in providing this type of advice?
 - Did you instigate or did the request come from your clients or anyone else?
- What type of environmental sustainability advice, if any, do you provide?
 - If driven by you, why do you focus on this type of environmental advice?
 - When did you start to give this advice?
 - How often do you give this type of advice?
 - How do you provide the advice (what methods do you use? Eg verbal discussion; written).
- Do you feel comfortable in providing this type of advice?
 - Are there any barriers or impediments to giving the advice?

- Are there any particular resources (physical and or human) that you use when giving the advice? Please list them.
 - Could you tell us why employ these particular resources?
- Do you have specialists that you employ for this role?
 - Do you employ external agencies?
 - Why/why not?
- Thinking about small firms generally, what are their main needs for environmental sustainability advice?
 - Why do you think they need these types of advice?
- Thinking about yourself and your practice, what support would you like your professional body to provide you with to enable you to develop your role as advisers on the environment?
- Are there any points you would like to add which have not been covered?
- Are there any questions you would like to ask us?
- May we contact you again if we need further information?
- Can you recommend any other SMPs giving sustainability advice?

Thank you for your time.

Appendix 2: Resources on environmental sustainability

SECTOR PERSPECTIVES

- Agriculture Industry Environmental Sustainability Issues, National Farmers Union:
<http://www.nfuonline.com/Our-work/Environment/Environment/>
- Envirowise – WRAP: sector-based perspectives with fact sheets and posters. Subjects include chemicals and pharmaceuticals, commerce, construction, electronics, engineering, food and drink, furniture hospitality and catering, printing, retail public sector.
<http://envirowise.wrap.org.uk/uk/Sectors.html>

CASE STUDIES

- Envirowise – WRAP: video case studies on how companies have developed resources efficiencies
<http://envirowise.wrap.org.uk/uk/Our-Services/Video-Case-Studies.html>
- International case examples (UK, US, Canada) of how SMEs have embedded sustainability and prospered, written for an accountant audience and published by the American Institute of Certified Public Accountants, Canadian Institute of Chartered Accountants and Chartered Institute of Management Accountants.
<http://www.cimaglobal.com/Thought-leadership/Research-topics/Sustainability/SMEs-set-their-sights-on-sustainability/>

TOOLKITS

- Climate Resilience Toolkit: interactive online tool designed by DEFRA and the Chartered Institute of Management Accountants (CIMA) to prepare businesses for both climate risks and opportunities,
www.businesslink.gov.uk/climaterisk
- Embedding Behaviour Change in Organizations, Envirowise – WRAP: an interactive training tool for embedding behaviour change in your business,
<http://envirowise.wrap.org.uk/change/>
- Envirowise Indicator: an interactive Web-based tool designed to allow all UK businesses, irrespective of their size or industry sector, to gain a useful indication of their company's environmental impact and the financial savings that can be made by addressing it,
<http://envirowise.wrap.org.uk/uk/Our-Services/Tools/Envirowise-Indicator.249257.html>

- International Finance Corporation, World Bank Group, SME Toolkit on Creating an Environmental Management System:
<http://www.smetoolkit.org/smetoolkit/en/content/en/279/Creating-an-Environmental-Management-System-EMS>
- IFAC Sustainability Framework 2.0. This revised Sustainability Framework consolidates the important aspects of embedding sustainability within an organisation and can be applied to entities of all sizes and complexities. It focuses on the integration of sustainability factors from three perspectives: business strategy, operational, and reporting, and highlights the roles professional accountants can play in facilitating the sustainable development of their organisations.
<http://www.ifac.org/publications-resources/ifac-sustainability-framework-20>
- EMAS (Eco-Management and Audit Scheme) Toolkit for Small Organisations: includes an introduction to the scheme, and explanation of costs and benefits. Key elements are 'performance, credibility and transparency',
<http://ec.europa.eu/environment/emas/toolkit/>
- EU DG Enterprise and Industry: SMEs & the Environment Toolkits:
<http://web.me.com/kkalog/SMEENV/>
- NetReg: Toolkit to assess environmental compliance including regulation on hazardous substances, air emissions, equipment, packaging waste, water use assessment. Answers generate a report containing environmental guidance relevant to the business. This includes guidance on the legislation with which the business must be comply and the permits, licences and exemptions that may be needed,
<http://www.businesslink.gov.uk/bdotg/action/layer?topicId=1079438165>
- WRAP: Rethink Waste: free online training programme by WRAP, with support from EEF, to help manufacturers reduce waste, improve resource efficiency and save money,
http://www.wrap.org.uk/business/sme/rethink_waste/
- WRAP: The Ripple Effect: 'Rippleeffect' support package provides free advice and support to help businesses to save money by using water more efficiently.
<http://www.wrap.org.uk/business/sme/rippleeffect/>
- WRAP: Guidance including case studies, a step-by-step guide and an online searchable database of recycling service providers suitable for SMEs,
<http://recycleatwork.wrap.org.uk>

LEGISLATION

- DEFRA (Department for Environment Food and Rural Affairs):
<http://www.defra.gov.uk/environment/>
- NET-REGS: Plain English Guidance on Environmental Regulations for Business. This is an Environment Agency-backed initiative that includes guidance on compliance with environmental law and on protecting the environment,
<http://www.environment-agency.gov.uk/netregs/>

ENVIRONMENTAL ISSUES – GENERAL ADVICE FOR SMES

- Envirowise – WRAP: topic-by-topic guides to environmental issues such as eco-design, hazardous waste, EMS, legislation, managing behaviour change, packaging, and waste, management, water. Includes links to relevant UK regulation.
<http://envirowise.wrap.org.uk/uk/Topics-and-Issues.html>
- FSB (Federation of Small Businesses): clearly written introductory-level guide on environmental issues from an SME perspective,
http://www.fsb.org.uk/policy/rpu/scotland/assets/publi_resou_energytoolkit_oct2003.pdf
- EU DG Enterprise and Industry: sector-by-sector summary of environmental opportunities knowledgebase, best-practice examples,
<http://web.me.com/kkalog/SMEENV/SectorPerspective.html#Topic8>

FURTHER ADVICE

- Envirowise – WRAP: email contact with an adviser on environmental issues,
<http://envirowise.wrap.org.uk/uk/Our-Services/Ask-an-Advisor.html>
There is also the Resource Efficiency Helpline on 0808 100 2040.

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