low carbon liverpool

Building the Low Carbon Economy on Merseyside

Findings: No.2 - Supporting low carbon businesses

The "Building the Low Carbon Economy on Merseyside" project is a Liverpool University-led Knowledge Exchange Partnership funded by the Economic and Social Research Council and three local partners: Liverpool Vision, Liverpool Chamber of Commerce, and Groundwork Merseyside. The project ran from September 2009 to December 2010, and had three objectives:

- Now Liverpool has re-branded itself, how can its economic development agencies effectively facilitate the transition to a low carbon economy?
- Does the city have the right policies to combine a healthy, vibrant and socially inclusive local economy with what we need to do to avoid dangerous climate change in the future?
- Specifically, what does this mean for the support of new and existing businesses and social enterprises? How can we ensure that socially excluded communities can benefit from low carbon opportunities? This brief focuses on support for businesses.

Key recommendations

1. Levels of support for businesses engaging in low carbon issues on Merseyside reflect international best practice well, but support is inconsistent and often confusing.
2. Business people act on low carbon from a range of motivations, not just economic rationality.
3. Marketing strategies based on information deficit models rarely work. Low carbon support could reflect more widely the full range of motivations business people have.
4. There is a danger of good practice being lost in the current funding crisis. If so, business leadership will be crucial in driving low carbon forward. Businesspeople value 'war stories', and practical advice provided by another businessperson who has 'done it'. This is not public funding dependent.

1. Support for the transition to a low carbon economy on Merseyside

1.1 A review of international best practice in SME support in the move to a low carbon economy suggests that the North West has a support service that compares well with global best practice in terms of the range of organisations providing a range of support mechanisms.

1.2 The range and accessibility of support delivered locally, as opposed to nationally, was felt to be a particular strength. This is important given current discussions about the 'new localism', the future of former-RDA functions, Local Enterprise Partnerships, the centralisation of the Regional Growth Fund and of support for inward investment. Businesses like local support.

1.3 A particular strength of existing provision is the perception that the support agencies are publically-funded and hence felt to provide impartial, trustworthy, high quality advice.

1.4 However, business people could also struggle to find out what services were offered from what they often perceived to be similar organisations. A survey by Northwest Chambers of Commerce suggested low awareness and confusion about what support was available. Given the scale of the transition to a low carbon economy (80% lower emissions by 2050), we are some way off providing levels of support that reflect the ambition of the agenda.

1.5 We also found evidence that business people were adroit at using the web to find their way around information sources in their own way, that the quality of web-based information was high, and that they valued a range of information sources, meaning that they were more likely to find someone to meet their needs. The agencies felt that they were effective in guiding clients to the right source of sufficiently specialised advice and support. Feedback suggested businesses felt they provided a good service.

1.6 Awareness of the range of support organisations and of how to access them was consequently variable. Some sectors were felt to be better organised than others. Sectoral agencies were felt to be suppliers of very good, specialised advice about environmental issues and climate change – their specialism giving them an edge.

1.7 Effectiveness in accessing support also depended on the personality and expertise of individual businesspeople, with some more aware than others of what was available and how to access it. Some businesspeople could appear to the support agencies as unfocused and opportunistic, with little understanding of how grant processes worked or what was, and what was not, appropriate for grant aid. These businesspeople, who might just have been inexperienced, might have perceived the agencies to be less than supportive.

2. Why do businesses fail to take action?

2.1 A review of the literature suggests that SME owners are uninterested in low carbon issues. They are too busy running their businesses, especially in hard times. Climate change is not their problem, and their environmental impact, and what they can do about it, is limited.

2.2 They feel climate change is an issue for government. They can feel that the public sector does not recognise their contribution to wealth creation and makes inappropriate calls for them to change their ways which, they fear, could have adverse impacts on competitiveness if not globally applied. They don’t like being preached at, especially when they feel that competitors are not under the same pressure and get more support than they do. They want to see a level playing field.

2.3 There can be a perception that the investments required to move to low carbon are beyond the capability of most SMEs. Benefits from low carbon investments can be some way off. For a business concerned with its immediate cash flow, this can be a major problem.

2.4 SME proprietors can lack knowledge about or interest in new technologies. With limited funds and time to explore and test unfamiliar options, they can be reluctant to invest in new, untried perhaps unreliable technologies. They can be more comfortable with the ‘tried and tested’ than the new, unpredictable and perhaps risky.

2.5 Even when SME proprietors do want to take action, they can run up against inevitable barriers. Communicating their frustrations to others simply reinforces conceptions that low carbon innovation is not possible, or not the concern of business.

3. Findings. The early adopters: why do businesses act on low carbon?

3.1 We spoke to Merseyside ‘Early Adopters’: businesses that had taken significant steps toward a low carbon commitment, to find out what drove them to do what they did.

3.2 Low carbon for its own sake was rarely a driver. We found that the overall driver was reducing the use of expensive limited resources, including energy, as part of driving costs out of their business to stay competitive. Reducing avoidable costs was seen as an obvious part of running a business, part of a commitment to quality and efficiency. We identified long-standing manufacturing companies based on Merseyside who, because of this commitment to quality and to efficiency, had stayed in businesses through previous periods of economic hardship. The same commitment was now driving low carbon innovation.

3.3 SME proprietors do not necessarily focus on profit maximisation to the exclusion of social and environmental factors. There may be environmental commitment from managers and staff. They can argue that wasting precious resources is both immoral and inefficient.

3.4 Other drivers included (1) a commitment to corporate social responsibility and to the company’s good name feeding into marketing, thus helping the business win orders that it might otherwise not have won; (2) identifying new markets and income streams from wastes; (3) improving staff recruitment and retention, especially of young, educated people.

3.5 Some businesses had adopted low carbon measures because the proprietor, or some other champion, was prepared to drive it through as part of a commitment to quality and efficiency, and/or health and safety. They involved all members of the team in quality circles.

3.6 They had accessed support from the agencies successfully, and had a commitment to overcoming barriers. They did not give up, describing themselves as ‘committed’, ‘bloody minded’, ‘stubborn’, and ‘entrepreneurial’ minded. The same skills they used to run a business through difficult times were those needed to cut costs associated with carbon.

4. Recommendations. How to maintain and improve business support

4.1 The coalition government’s public spending cuts mean that much of this valuable support could be lost. The opportunity is to focus and refine business support, cutting duplication, ending confusion, and making advice and funding easier to access. Depending on available finance, a one-stop shop or website could capture existing knowledge in the form of online work sheets to enable businesspeople to work through the practicalities of moving to low carbon at their own pace. Business clubs could also provide mutual support to businesses.

4.2 Existing agencies could explore social enterprise status. There are concerns about SME willingness to pay for support, but also examples of support offered on a commercial basis. The Green Deal and Feed In Tariffs could provide an income stream to offset the cost of low carbon inspired changes in business practices. Any successor organisation or network would need to avoid any perception that any particular business was driving the network.

4.3 Private sector leadership needs to step up. Businesses felt that the best driver of carbon reduction was peer referral from businesses showing and telling others what they had done in practice. "Businessmen like to share war stories". The Chamber's Green Ambassadors could be used as a cost effective and politically neutral business voice to spread the low carbon message in this way. Some ambassadors felt they could or should be funded to do this. This sort of business-led activity is not vulnerable to cuts in public spending. ENWORKS should be retained.

4.4 Private sector leadership on low carbon needs to provide clear and determined leadership – not mixed messages. Low carbon "matters". The message needs to be optimistic, focussing on efficiency, quality and meeting new opportunities from new markets. It should not be one of control, regulation or looming austerity or crisis. A commitment to low carbon is a commitment to quality and long term sustainability, not to protecting poorly managed and inefficient businesses.

4.5 A marketing strategy taking the A-I-D-A (Awareness-Information-Decision-Action) approach assumes that making people aware of an issue by providing them with information will lead to a decision to do something about it, then action. The reality is more complex. Business leadership needs to develop its capacity to communicate in different ways to different businesses. A more focused strategy could be developed through segmentation analysis.

4.6 Businesses want more, accessible financial support. Opportunities from the Green Investment Bank should be explored, as should be opportunities for a revolving loan fund.

4.7 Business leadership needs to address the perception that business in the UK is less well supported than in Europe, and more regulated than competitors in the Far East. The innovation literature suggests that, while there may be some short term loss of competitiveness suffered by inefficient businesses subjected to new levels of regulation, the most innovative companies are found in highly regulated economies like Germany and Japan.

4.8 Local business leadership can take advantage of the coalition government's commitment to decentralisation to be clearer about the sort of businesses we want to support, invest in, and invite to locate here. A low carbon economy needs to be constructed: it won't just happen.

4.9 The focus at present is addressing the 'low hanging fruit': cutting energy. This is sensible. But as we move beyond 2015 and begin to aggressively cut emissions, business support will need to drill down to business processes, cutting carbon out of everything businesses do. The extent that the existing business support structure, even before cuts, is well developed enough to support this deeper transformation is doubtful. Again, businesses will need to lead this process as part of their long term commitment to innovation and efficiency

4.10 Fundamentally unsustainable businesses are not viable or profitable in the long run. These businesses need to be supported into diversifying into low carbon activities. Once a price is set for carbon, they will in all likelihood become uncompetitive. In the run up to 2015 this support needs to be targeted on the worst emitters to help them to evolve.