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A HABERMASIAN VIEW OF ACCOUNTANTS AS SUSTAINABILITY ADVISORS FOR SMES

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Abstract

We present emerging research on the potential of small accounting practices as advisors on environmental sustainability for their small and medium sized clients (SMEs). Enabling this resource could have substantial implications to improve sustainability because SMEs are notoriously difficult to reach and influence, but their most 'trusted advisor' is consistently their accountant. Using Habermas' notion of steering, we present research data primarily from interviews with accountants which suggests that although SMPs are key steering media for offering environmental sustainability advice, their potential for doing so is hampered by an overdependence on relational steering mechanisms based on the personal trust. We argue that the provision of sustainability advice by accountants beyond reflection on their own experiences is inadequate to guide SMEs into changing their activities and behaviours. In contrast to previous research which stresses the importance of relational steering, in our research we argue that transactional steering mechanisms are necessary for more purposeful direction to be achieved. We conclude with recommendations for future research.

Keyword List: Small and medium sized enterprises, Habermas, steering, accountants, environmental sustainability advice.

As questions of sustainability and business responsibility become more readily accepted in the mainstream, practical issues of how firms are supported in addressing their sustainability challenges need also to be addressed. This paper reports on research which seeks better to understand the arena of provision of sustainability advice to small and medium sized enterprises (SMEs). Building on previous research on advice provision to SMEs, we focus on the potential role of the accounting profession. Accountants have long been a source of support and advice beyond strictly financial matters for businesses, being consistently the most commonly used advisors for small and medium sized enterprises (Bennett and Robson, 1999). Rather than large accountancy firms, it is usual for SMEs to turn to (local) small and medium sized accounting practitioners (SMPs), with whom there is the opportunity to develop a trusted relationship over the long-term (Blackburn and Jarvis, 2010; Hasle *et al*, 2010). Small and medium sized enterprises are by far the most common organizational form, comprising 99% of European businesses¹. While individually their effect may be small, collectively they are critically important in terms of their economic, environmental and social impact (CEC, 2008).

This paper will report on part of a wider research project on accountants as advisors on sustainability to SMEs². The accounting profession has acknowledged the importance of corporate social responsibility including sustainability as an emergent key issue at a global level (IFAC, 2010). We focus particularly on the nature of the SMP/SME relationship as a forum for sustainability advice. The research questions addressed here are accordingly:

1. *What is the nature of trust in the 'trusted advisor' relationship between small and medium accounting practitioners and their small and medium sized enterprise clients?*

¹ http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/index_en.htm Accessed 23 February 2011.

² With thanks to the Association of Certified and Chartered Accountants for funding this research.

2. What are the implications if any for the potential of SMPs as environmental sustainability advisors for SMEs?

This interdisciplinary paper contributes to the accounting, sustainability and SME literatures. We find that there are limits to the efficacy of the 'trusted advisor' role and its incumbent attributes in promoting sustainability in SMEs by small and medium sized accounting practitioners. Whereas previous research has promoted the benefits of the relational and social mechanisms available to long-term business partners such as SMEs and their SMPs, we find that this alone is insufficient to facilitate sustainability awareness and actions in clients. We find that formalized and transaction-based mechanisms are necessary in order to embed sustainability in SME systems via the accounting relationship.

The paper comprises of five sections. In the next section we provide a background literature review that explores the nature of the SMP/ SME relationship. We then discuss the Habermasian notion of steering (Habermas, 1984, 1987; Broadbent, Laughlin and Read, 1991; Broadbent and Laughlin, 2009) and employ this framework to examine theoretically how and whether SMPs may steer SME behaviour. In the third section we discuss our research approach, followed by which we present our empirical findings. In the discussion and concluding section we note the implications of our study for future research.

Literature Review

Research on the role of SMPs has recognized 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 (Dyer and Ross, 2007; Gooderham et al., 2004). In a context of the changing nature of competition, the effects of technological developments have different implications for small and medium-sized accounting practices, where the provision of specialized 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 providing 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 (e.g. 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 advisor' 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. The first prerequisite that is perceived as necessary for survival and maintenance of competitive advantage is competence. Often the owner-managers of SMEs lack of 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 of business advice where trust represents the other fundamental condition. The establishment of trust (through perceived "value for money" advisory work undertaken by SMPs) within relationship 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 recognizes 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. On the contrary, SMPs operate in a context centred upon 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, p. 160).

Lewis et al. (2007) examine the 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 correspondent interactions, can be influenced by several characteristics such as stage of firm development (younger firms are more likely to seek assistance, as opposed to older firms), gender of assistance interaction, age of assistance choices, managers’ personality and issues SMEs seeks assistance for. However, the sought for assistance is not always fully implemented. Nahavandi and Chesteen (1988) investigate the impact of consulting on SMEs, providing insights into the degree to which owner-managers employed the recommendations they have 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). In the second instance, 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, participation in the project) and cost of the assistance.

SMPs-SMEs and the potential for environmental sustainability advice

Evidence of an ongoing 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 advisors to SMEs. However, there is a gap in accessing advising and supporting SMEs in this area and reasonable grounds for investigating the potential of SMPs to fulfil this role alongside their other activities (IFAC, 2012). However, environmental sustainability will likely represent a very specialist and technical area for advisors, also compelled by regulatory frameworks, and commonly associated with account, standards and guidelines (AccountAbility, 2011; GRI, 2011).

The changing landscape of environmental challenges and business support has created, some argue, room for a response by accountants and SMPs to the increasing importance of sustainability and sustainable development for SMEs (IFAC, 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 and improve the usefulness of their communication and reporting and familiarize with the integrated reporting (Gould, 2011; IIRC, 2011). Second SMPs can help businesses to measure their sustainability performance in terms of their positive and negative environmental impact, to calculate organizational or product carbon footprint, improve energy efficiency, reducing waste and water consumption (Stubblefield Loucks et al., 2010). Third, for those working in close contact with the owner-managers, accountants can play a leading role in establishing the business case for sustainability by ascertaining that proper accountability mechanisms are in place, and finally 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. Among the factors that can be considered when it comes to providing environmental advice to SMEs are the following:

- in many cases SMEs are not aware of their own environmental impacts (NetRegs, 2002);
- in Europe, only a small proportion of SMEs adopt standardized environmental management systems to implement sustainability strategy (Hillary, 2004);

- the business case for environmental sustainability is unlikely to be the same for each business but each organization has to determine its own case by learning about the environmental practices that are most relevant for their business (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; 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 of core operations (Walker and Preuss, 2008);
- typically SMEs have not been subject to regulatory oversight to the same extent as larger firms (Labonne, 2006);
- SMEs tend only to react to strong pressures from external stakeholders that they have relationships with (Stubblefield Loucks et al., 2010).

Theoretical Framework: Habermas’ steering

From a business ethics perspective we are perhaps most familiar with Habermas’ concept of discourse ethics from his work on moral consciousness and communicative action (Habermas, 1990). In this paper we draw from an element of Habermas’ broader work on the theory of communicative action, that of steering media. Since this concept is intended to explain how norms, values and behaviour are changed, we use it as a lens to understand how and whether accountants may change the sustainability-related behaviours of SMEs.

Habermas (1987) considers that the social world consists of two distinctive and yet inter-related spheres known as “lifeworld” and “systems” (Habermas 1987: 118) that co-exist simultaneously but are analytically separable. The lifeworld reflects the convictions and values of society and represents the lived experiences that give meaning to everyday life (Rasmussen 1990; Roslender 1995). Its concerns should be predominant and guiding of all social action since societal norms and values reside within the lifeworld. In contrast to this, systems are “tangible definable arenas of action” that should operationalize the lifeworld’s desires. To ensure that the functional systems remain anchored to the lifeworld there exists a third element of the theory, the mediating systems, that steer the functional (operational systems) towards the lifeworld values. These mediating systems or steering media have coordinating roles and carry out steering processes that achieve legitimation by meeting lifeworld norms and values.

According to Habermas, steering media guide the synchronization and harmonization of actions between the lifeworld and systems because with societal development there is the tendency for the two spheres to grow apart. Coordination between lifeworld and systems should, in an ideal situation, be achieved through communication, debate and dialogue between social actors. The aim of steering through communication is to gain mutual understanding and consensus within society based on societal norms and values. However over time and within advanced capitalist societies instead of communication and discursive practices coordinating activities between the lifeworld and systems, more areas of life become subjected to the influences of money and power. The use of finance and funding begins to dominate and crowd out communicative rationality.

.Broadbent et al (1991) have developed these Habermasian ideas, taking them from a societal “meta-theory level” and placing an organizational slant on them. They argue that societal steering media consist of a range of government, professional and financial institutions. In our study, small professional accounting practices, in the context of the theory of steering may be analysed as steering media whilst small and medium enterprises analytically represent the operational systems tasked with delivering societal functions. Whilst the work of Broadbent and Laughlin has concentrated on government departments as examples of societal steering media, our particular focus is on the role that small professional accounting firms play in steering or guiding small medium enterprises towards sustainable activities and behaviours.

In developing their earlier project, Broadbent and Laughlin (2009) build on the work of Habermas, provide pointers to how steering may take place arguing that it depends upon the “model of rationality” underpinning actions of the steering media. Rationalization, that is the pursuit of reason in human affairs, may be undertaken in an instrumental manner or in a communicative manner. Instrumental rationality refers to “goal orientated rational social action” with clearly specified goals that are formally decided upon based on theoretical rationality, underpinned by an authority structure. On the other hand, communicative rationality “pursues ends that are discursively agreed” between participants and stakeholders leading to consensus as in Habermas’ ideal situation discussed above. Broadbent and Laughlin (2009) and Broadbent, et al (2010) suggest that instrumental reasoning will tend to lead to *transactional* steering mechanisms developing. These are likely to have a high level of specificity about the ends to be achieved (e.g. through performance measures, targets, etc.) and often a clear specification of the means needed to achieve these defined ends similar to a simple, in effect, ‘exchange transaction’ to achieve a particular end state through a defined set of means. In contrast, communicative reasoning will lead to *relational* steering mechanisms developing where the expectation is that the ends and means are deliberately subject to a discourse between the stakeholders and chosen by them. Often the specific focus will be less like a defined project, less short-term in nature and more concerned with the long term survival of the organization/unit through which the stakeholders are working. (Broadbent and Laughlin, 2009: 289)

Transactional and relational steering exist on a continuum and are the extreme ends of this continuum. Organizations that act as steering media will most likely select mechanisms that enable them to achieve their intentions. The most active protagonists in this arena are Broadbent and Laughlin and their work has concentrated on how funding and governmental regulatory practices operate as steering mechanisms for different government departments, mainly in health and education. Our work, uniquely, considers small professional accounting firms and investigates the nature of the steering mechanisms they employ to steer small medium enterprises into sustainable practices. The position of small professional firms differs from that of government departments that have positional power through legislation and financial resource control. Small professional accounting firms however have “a trusted advisor relationship” with small medium enterprises. This study investigates how and whether this facilitates their roles as steering media for sustainability. It also considers the nature of the mechanisms used to steer SMEs behaviour, whether relational or transactional.

Methodology

Taking a broadly qualitative approach to this exploratory study, research interviews were completed with nine practicing accountants working in small and medium sized accounting practices, three representatives of small and medium sized enterprises and two environmental advisors. The accounting practitioners were selected on the basis that they were sensitive to environmental issues.

Agreement to be interviewed was considerably more challenging than anticipated and in comparison to similar studies previously completed by the researchers, in part apparently due to the economic challenges at the time of the study (2011/12). We interviewed three SME representatives in order to gain a perspective from small businesses to counterpoint the accountant’s viewpoint. It was not possible to interview clients of the accountant’s interviews in order to triangulate the data due to reasons of client confidentiality. We adopted the broad European Union definition of an SME as having fewer than 250 employees, although we acknowledge that this is not uncontroversial. An international perspective was included at the behest of the funders, thus some data is from Canada and Hong Kong alongside the majority from the UK.

Details about the interviewed respondents and the corresponding code we use when citing them in this report are given in Table One below.

Table One - 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 Advisor	HKEA
Netherlands Environmental Advisor	NLEA

The literature review informed an interview schedule for SMPs which was varied according to the respondent type. The questions ranged beyond the topic of this current paper, but here we focus on the aspects of the broader study relating to our research questions. All UK and Hong Kong interviews were face-to-face, the Canadian and Dutch interviews were by telephone conference. In all but 3 cases (due to logistical reasons), 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 advisor found in any European 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, and with the Habermasian steering framework as a broad lens. The data were treated as socially constructed accounts of the SMP/SME relationship and advisory role in relation to environmental sustainability and analyzed accordingly. Additional supporting documentation and web-based material were gathered where possible but this is very limited due 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 the necessary interdisciplinary approach to the topic was achieved.

There are a number of limitations to the research. As a small scale study we were only able to access a limited number of respondents. This was especially constricted in terms of the international element, with only a few inputs from outside the UK possible. Hence the study is not seeking to be generalizable and only gives 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 due to reasons of client confidentiality. It was also clear from the outset that the research was sponsored by the professional

accounting association in the UK, and since most of our respondents were active members of this body, they may have been influenced in their responses.

Findings and Discussion: Steering for sustainability?

In our study, we found extremely strong evidence of the *opportunity* for relational steering by SMPs as steering media on the behaviour and activities of SME. Notwithstanding this strong opportunity for relational steering, in our study we found the provision of environmental sustainability advice to SMEs to be highly limited. The nature of the relationship, we found to be based on 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 reflecting on environmental issues in the SMP practice itself. Alternatively, SMPs based their discussions on their knowledge of both personal and commercial experiences of other clients. As we discuss later in this section, evidence of transactional steering in relation to sustainability was scant.

In this section we reflect on our data using the lens of relational steering. As noted earlier, communicative rationality pursues ends that are discursively agreed between participants, resulting – according to the theory - in long term behaviour change towards, in this instance sustainability. As we will show, this is not the case in our research. Our identification of relational steering is in light of the common experiences of SMPs and their clients as both being small and medium sized enterprises; their ability to draw on the experiences of other clients; and the trust and proven track record of the accountants. The physical format of any advice given was precisely in keeping with a relational steer, being as a conversation rather than formal advice. Heavily influential in these aspects is the role of the accountant as a respected peer.

SMP experiences as SME businesses

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

We're always seeing our clients and as we built this extension, which was... twelve 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. To their minds SMEs behave in similar ways and thus it was necessary to draw upon the experiences of their 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 most small businesses are... Life is so hard 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).

Our 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 our sample did not charge SME clients for environmental sustainability advice provision. Our 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... they're [SME clients] bored to tears hearing about my solar panels (SMP5).

In most cases, however, personal interest in environmental sustainability issues was only transferred to SMP 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, the 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... you know... energy charges?' (SMP7).

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 learnt about the environmental regulations that transport companies faced from a previous job.

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.

But yeah, water consumption is another topic I've really got to grips with to great extent with clients ... it in the context of the garden and telling them about my rainwater-harvesting tank. I can't stop telling people about them, yeah, no, 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 SMPs some credibility as is discussed 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, isn't it, 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 just a conversational way, was the well of trust between accountant and client. SMPs reported the feeling that the environment was a kind of 'alternative' topic, not necessarily a hard business one. However, 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 proven track record as a sound financial service provider and trusted advisor.

Because we're the most trusted advisor. 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 advisor to the small businesses. (SMP6).

SMPs sought to contrast this generalist multifaceted role to a specialist environmental advisor who would usually only have 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 advisor, 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 advisor, 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).

However, there were limits voiced. For example, one SMP noted the difficulty of appearing to preach to clients, who, after all, are paying for your services, and felt this would inhibit discussing environmental

sustainability issues. Another SMP cautioned against being seen as experts on sustainability issues. SMPs remained generalist advisors.

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 but I think there's got to be some limitation to it. The carbon offsetting, you know the whole environment; we're definitely not the experts on that (SMP1).

A conversation rather than formal advice

The format of any environmental sustainability advice by SMPs to SMEs was almost entirely informal in nature, taking the format of 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 always has a lot of environmental talk as well as accounting talk and then we go away and do their accounts ...they [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

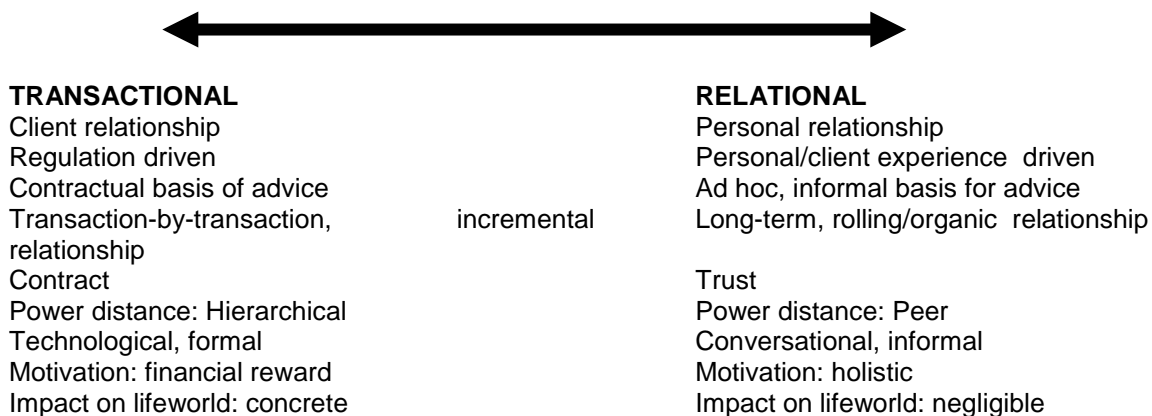
his practice into an environmental consultancy firm and was therefore not typical of most SMPs in our sample.

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 and this is what”, you know they don’t want to waste too much time looking at detailed reports (SMP7).

Thus, SMPs are able to draw on their role as a 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 advisors on environmental issues. 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. Those already offering more substantive environmental advice felt that accountants were the ideal professionals to engage in this topic. Others acknowledged limited subject knowledge. Others felt that the special position of the most ‘trusted advisor’ role facilitated the giving of environmental sustainability advice.

Our data shows a lack of evidence for transactional mechanisms to promote sustainability among SMEs by their accountants, that is, there is no current precedence for the offering of concrete advice on sustainability which accountants can present in an invoice and make chargeable. Such evidence would take the form of formal reports, chargeable services in the provision of sustainability advice, environmental accounts and reports, yet none of these were evident among our accountants, even when the organization was specifically branded as taking an environmental perspective. Table Two summarizes the potential for provision of sustainability advice by SMPs. Clearly, according to our data, the exchanges are very much at the relational end of the continuum, yet the accountants themselves say that this lack of formalization limits the possibility for the influence of behaviour change around sustainability.

Table Two: Steering in the offering of sustainability advice by SMPs to SMEs



SMPs are consistently noted in surveys as ‘the most trusted advisor’. Our research suggests that the nature of this role is however limited. We see a more accurate description of the relationship as being one of ‘a trusted peer’ . The usual long-standing relationship between SMP and SME, the build 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 be hiring the SMP if they could attend to their financial requirements in-house, thus the expertise is missing from the SME and this is likely to garner respect for the services offered, acting as the basis for the ‘trusted advisor’ status. Our research suggests a subtle shift in our understanding of the SMP/SME relationship, however. Rather than there being some kind of hierarchical affiliation, with the professional accountant as superior in their abilities and knowledge, we suggest a much more equitable relationship, with each having certain competencies which garner

respect, but is more readily described – where it goes beyond the financial - as a relationship of peers rather than advisor and advised. This shift in perspective has wider implications in our understanding of the dynamics of the SMP/SME relationship. Rather than 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.

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 degrees or postgraduate qualifications in other subjects. As such, each individual accountant has their own set of knowledge based capabilities from which to draw beyond the standard financial perspectives required for their professional status. We found in our research 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.

Conclusion

In this paper we have used Habermas’ concept of steering media to explore the provision of sustainability advice by small and medium sized accounting practices to their SME clients. We find evidence of relational mechanisms, embedded in the social conversations which take place around the core financial business of the SME/SMP exchange. Accountants in our sample drew on their own personal experiences and interest in sustainability, and sometimes relayed the experiences of other clients, in order to engage in conversation with their clients. According to this perspective steering is towards broad (rather than tightly defined) intentions to improve sustainability and “are the result of existing shared assumptions and values or from the process of deriving these through a relational discourse between stakeholders” (Broadbent *et al*, 2010: 508). Building on this work we argue that the trusted advisor role of the SMP enables the introduction of sustainability issues into informal discussion with SME clients based only on personal (rather than professional accounting) experience and personal knowledge. However, the practical change achieved in terms of influencing sustainability in organizations – the change in lifeworld to use Habermas’ terminology – is negligible as a result of these communicative processes. Substantive change, we suggest, would come only from the concrete implementation of accounting processes and technologies to embed change in the behaviour of the organization and its members. These would take the form of transactional steering.

There are barriers to shifting to transactional steering (i.e. formalized advice) due to a range of reasons including a lack of institutional trust by SMEs in the profession of accounting as environmental sustainability experts, as well as a personal lack of confidence and knowledge by SMPs themselves to transfer accounting skills to environmental accounting processes and developing this to the offering of environmental sustainability advice through formal transaction mechanisms. Future research should investigate further our claim that transactional steering is needed and will be critical in changing organizational practices around sustainability. Other theoretical perspectives might illuminate the research findings from different disciplinary and practical viewpoints which we would welcome. Indeed, since this research is exploratory in nature, a wider empirical study which seeks to test the findings more reliably internationally and across a range of SMP and SME types would also be of value.

This study does not take place in a policy vacuum. Environmental sustainability advice 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 to develop an understanding of the dynamics of environmental sustainability in SMEs and the role, if any, of the accountant. Furthermore, 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.

Much has been written and claimed about the role of the accountant as the most 'trusted advisor'. This research does not undermine this position 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 advisor on all topics. Further research could profitably explore in more detail the limits of the 'trusted advisor' status and the limits for the accounting profession.

Finally, this paper is founded on the notion that practices must change if sustainability is to be enhanced. We have sought to use Habermasian theory to better understand inter-organizational influences on practice in small and medium sized enterprises. We hope that this will ultimately better enable policy makers to set the environment for a sustainable future, and businesses to affect change both internally and externally.

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