

Sustainability Practices of Businesses in Scotland: Implication for Policies and Strategies to Net Zero Transition

Track: Sustainable and Responsible Business

Abstract

Sustainable transitions are deliberate and require an understanding of the dynamics of new innovations to promote the transformation of unsustainable business practices. In sustainability transitions and innovation studies, sustainable practices in small businesses of the food and accommodation sector remain understudied, despite their vast number, contribution to the gross domestic product, and key role in achieving Scotland and the UK's net zero targets of 2045 and 2050, respectively. In this study, we investigate the key barriers, enablers, and drivers of the adoption of sustainable business practices in the Scottish food and accommodation sector. A qualitative approach was adopted, and semi-structured interviews were conducted with four owners/managers of small businesses, with a specific focus on Aberdeen city which will serve as a pilot for this research. This study adopted a novel approach by weaving the multi-level perspective, diffusion of innovation and SWOT theories. Preliminary findings indicate lack of specific funding directed at accelerating sustainable practices, particularly for small business models in Scotland. This research provides a blueprint for other sectors in the UK, such as the manufacturing sector, and supports countries with a similar socio-economic context.

Keywords: Sustainability, Multi-level perspective (MLP), Policies, Businesses, Scotland, Sustainability Strategies

Introduction

Globally, countries have committed to achieving Net Zero by balancing human-induced greenhouse gas emissions, identified as a primary cause of climate change (UN, 2015). Some countries, including the UK, have set 2050 as their target, in line with the United Nation's goal. Scotland has set a 2045 goal (Gov.UK, 2022). Accordingly, the UK has created a net-zero strategy aimed at decarbonising all sectors of the economy, including driving the sustainability of businesses. Sustainability is regarded as a key issue for businesses (Moursellas et al., 2024) as it is suggested to facilitate competitive advantage (Shibin et al., 2020). Moursellas et al., (2024) define sustainability as the responsible management of resources in meeting current needs while minimising environmental impact and ensuring future use of resources. Businesses are increasingly required to consider the economic, social and environmental implications of their operations (Dey et al., 2019). This obligation on businesses, reinforced by the UN's 2030 Agenda for Sustainable Development, underscores the importance of responsible practices in enhancing societal wellbeing and preserving natural resources (Rodríguez-Espíndola et al., 2022; Moursellas et al., 2024). In the UK, businesses are key to the achieving net zero target by 2050, especially small and medium-sized businesses, which make up 99.8% of the UK's businesses (Federation of Small Businesses, 2024; Department for Business and Trade, 2024). However, despite efforts and pressure on businesses to embrace responsible management practices, Small and Medium Enterprises (SMEs) remain less engaged, with little uptake on sustainability management tools especially in the food and accommodation sector due to various barriers such as lack of resources and/or awareness (Johnson and Schaltegger, 2016).

Hence, this research empirically addresses this issue by critically investigating the key barriers, enablers and opportunities impacting small businesses' adoption of sustainable practices in the accommodation and food sector in Scotland, with the goal of achieving net-zero by 2045. This research has the following three research objectives: a) assess the key barriers inhibiting small businesses from adopting sustainable business practices in the food and accommodations. b) investigate the key enablers of sustainable business practices in the context of small businesses in the food and accommodations sector? Evaluate the opportunities that exist for small businesses when they embrace sustainable business practices. The novel contribution of this study is in two folds. Firstly, it focuses on Scottish

small businesses sustainability implementation practices as they have not gained much focus in the literature even while constituting majority of businesses in Scotland; about 355,805 businesses with statistics showing an increase of 57,000 between 2023 and 2024 (Department for Business and Trade, 2024; Business and Innovation Statistics, 2023). In addition, it is projected to increase, and the context and challenges of these businesses differ from those of other types of businesses (medium and large businesses). Secondly, this study contributes to sustainability, business strategy and innovation studies by weaving these domains together through the adoption of the Multi-Level Perspective (MLP), which provides an understanding of the dynamics of transitions. It also applies the Diffusion of Innovation (DOI) theory and the SWOT technique. Thirdly, it provides insights to business owners, managers and policymakers on how to accelerate innovative, sustainable practices for Scottish small businesses in the food and accommodation and serving as a foundation for other sectors.

SMEs in the Food and Accommodation Service Sector in the UK

Micro, Small and Medium-sized Enterprises (MSMEs) have numerous definitions, which vary based on the region and country of consideration (Mandviwalla and Flanagan, 2021). In the UK, the Business Energy Industrial Strategy (BEIS) defines a small business as an enterprise with fewer than 50 employees, an annual turnover and balance sheet total of under 10 million, euros with medium-sized businesses beyond these thresholds (BEIS, 2023). While micro-businesses are defined as those with 0-9 employees, an annual turnover, and a balance sheet under 2 million euros. This study focuses on small businesses, as this category of businesses is very dynamic and often neglected. According to the UK government, there are 16 key sectors of operation (House of Commons Library, 2024). However, this study focuses on the food and accommodation sector, as it shows a high percentage of registered businesses and represents a significant contribution to the Gross Domestic Product (GDP). The food and accommodation service sectors comprise organisations that provide lodging services and/or prepare meals, snacks, and beverages for immediate consumption (Revoredo-Giha and Dogbe, 2023).

In Scotland, as well as the United Kingdom (UK), the food and drink sector is significant, with a turnover of around £14,748.2 million representing 9% of total GDP as of 2020 and accounting for one in five manufacturing jobs in Scotland (BIS, 2025). This sector comprises

approximately 17,450 businesses, employing around 129,000 people (4.9% of total employment in Scotland) as of 2021. This sector contributes approximately £5 billion in gross value to the Scottish economy, representing 3.4% of the Scotland's onshore GDP in 2019. In addition, it was the largest employing sector of the economy, employing approximately 200,000 jobs pre COVID-19 pandemic, making the sector a vital sector to investigate. However, the sector faces major sustainability challenges. Available literature suggests that transition to sustainable food systems is one of the main challenges facing national and international action plans. It is estimated that food services and lodging accommodation activities are under pressure in terms of resource consumption and waste generation, and several tools are required to monitor their ecological transition (Bux et al., 2022). Evidence shows that Government policies and financial incentives are critical in promoting sustainable practices (Ingram et al., 2013). For example, regulations surrounding waste management, food sourcing and energy efficiency can influence businesses to adopt sustainable practices (Milicic, 2016). In addition, financial support, in grants and tax breaks for businesses that adopt sustainable practices, can further incentivize adoption (Milicic, 2016). There is also room for government policies to shape consumer behaviours through awareness campaigns and public education programs.

However, effort has focused more on larger organisations in terms of these policies and financial incentives with little attention paid to micro and smaller businesses. This study addresses this gap. We therefore investigate the enablers and challenges facing these small businesses, as well as the opportunities, if any, that exist for them.

Theoretical Background

This study adopts a unique approach by introducing theories from sustainability transition, business strategy and innovation studies. The specific theoretical perspectives applied include a multi-level perspective, SWOT analysis and diffusion of innovation theory. The multi-level perspective (MLP) originated from the sustainability transition domain and aim to understand the dynamics of transitioning systems and innovations to promote transformation. MLP involves three socio-technical analytical levels, namely the landscape, regime and niche levels. The socio-technical landscape refers to heterogeneous elements and trends; regime refers to a level that comprises existing institutions, technologies,

norms, actors, values, users' practices, infrastructures and culture, providing reinforcement and stabilisation to an existing system over time (Fuenfschilling and Truffer, 2014; Geels, 2019). On the other hand, niche levels are phases where new innovations emerge and are protected from mainstream influences. Notwithstanding the benefit of MLP in understanding the dynamics of transitions, it has been criticised for lack of adequate attention to the reaction and influence of incumbent players to the adoption of sustainable practices (Geels, 2019). We address this critique by focusing on existing business practices and adding the Diffusion of Innovation theory and SWOT analysis framework to the mix.

The diffusion of Innovation theory focuses on how new innovations, in terms of new ideas and technologies, are developed over time (Roger et al., 2014). Innovation diffusion comprises various elements that impact the adoption of innovative sustainable practices, with the key principles being relative advantage, compatibility, complexity, trialability, and observability (Roger et al., 2014). This study applies these principles to understand the factors impacting small business sustainable practices in achieving a net zero transition.

SWOT is a popular business management framework used to critically analyse the internal factors influencing a business in relation to its strengths and weaknesses, as well as external factors beyond the control of a business which are opportunities and threats (Panagiotoun, 2003; Ghazinoory and Azadegan-Mehr, 2011). SWOT analysis enables the understanding and identification of key factors influencing the sustainability transition processes of small businesses. A key limitation of SWOT analysis is that it is described as ineffective as a stand-alone framework (Helms and Nixon, 2010). Hence, in this study, we will close this gap by applying the SWOT analysis as a unit of analysis alongside the multi-level perspective and diffusion of innovation theory.

Methodology

To investigate the key barriers, enablers and the opportunities available to small businesses in the accommodation and the food sectors to adopt sustainable business practices, the most suitable philosophy is interpretivist research paradigm. This philosophy aligns with understanding the social construct and realities of the research context through the views and opinions of participants (Creswell and Tashakkori, 2007; Pretorius, 2024). This is because

it enables the application of approaches that allows us to critically understand the barriers, enablers and opportunities for sustainable practice adoption in the sector under study. This approach also aligns with a case study method and our use of qualitative methods to enable us to extract rich insights from participants and understand complex phenomena (Morgan, 2013; Venketesh et al., 2013).

Based on the literature review and purposive sampling technique (Patton, 1990; Rapley, 2014) participants were recruited for the qualitative study based on their size and location in Scotland. To better understand their sustainable business practices and the challenges they face, we conducted in-depth semi-structured interviews with owners and managers based in Scotland. The interviews allow for the collection of real-time and retrospective accounts (Gioia et al., 2013) and facilitate the generation of valuable explanations of their experiences. For the purpose of an initial study, empirical data were restricted to businesses in Aberdeen City with scope for expansion to other businesses in Scotland in future studies. Interviews lasted between 45 to 60 minutes, were conducted online on Teams in English and were transcribed immediately. The interview protocol included questions that allowed participants to reflect on their experiences and sustainable business practices. Thematic analysis protocols (Gioia et al., 2013) were employed for analysis using the three stages recommended by Strauss and Corbin (1990). First stage: familiarisation through iterative readings, open coding to identify codes and comparison of codes across individual participants. Second stage: conceptualisation of codes into concepts, and the third stage involved the development of emergent themes.

Results and Findings

From our initial analysis, we have identified three emerging themes. One around the key enabler to sustainable business practice and two which form barriers to adoption by sole proprietors and small businesses in Scotland operating in accommodation and food services sectors. We identified that there are available regulatory requirements within the North Sea for small business in terms of adopting sustainable practices with the aim to address climate change and gaining competitive advantage. In contrast, the key barriers were a lack of specific funding geared at accelerating sustainable practises and a lack of awareness and information around how to incorporate sustainability into existing small business models.

Potential Contributions

Practical steps will be identified, and achievable and actionable solutions will be recommended to food and accommodation businesses to enhance their adoption and implementation of strategies geared towards achieving net-zero in the UK. Policy implications and recommendation will focus on removing roadblocks to small businesses' adoption of sustainable practices. A limitation of the study is that the findings are not generalisable; however, future studies could explore this issue using a survey. This study provides a foundation that can be applied to the food and accommodation sector in other countries and offers a blueprint that is applicable and can be adapted by other sectors in the UK such as the manufacturing sector.

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