

# Introduction

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Small and medium-sized enterprises (SMEs) are the most important sector of a nation's economy. They provide and create jobs, especially during times of recession; they are a source of innovation and entrepreneurial spirit; they harness individual creative effort; and they create competition and are the seed bed for businesses of the future. In short, small and medium-sized firms are vitally important for a healthy dynamic market economy.

The SME sector is vast. In the UK alone 99.8% of all enterprises fall into this sector. In Europe around 90% of all enterprises are small or medium-sized. The percentages are similar in countries all over the world. And their numbers are set to increase. Advances in technology that allow more flexible production methods, the reorganisation, downsizing and outsourcing by large firms and the increase in franchising and self-employment will all result in greater numbers of small firms. But these crucial businesses are also plagued by problems: they are more likely to fail or experience stunted growth than large firms; they suffer more from financial problems, such as late payment of bills and access to loan finance; they can find it difficult to adapt to changing markets; and they lack the human and financial resources to tackle new pressures such as environmental regulation and stakeholders' concern about their environmental impacts.

The total environmental impact of SMEs is unknown. A figure of 70% is bandied around as SMEs' contribution to pollution levels—a figure that has taken on mythical status. Although unsubstantiated, it is quoted widely, as if it carries some authority. Generally, national economic statistics on SMEs do not tally with data collected on emissions, waste generation and effluents from firms, so it is doubtful whether smaller firms' contribution to pollution can be calculated at all. In fact, there is little hard data to determine the sector's contribution to pollution load. Collectively, their sheer numbers may mean their environmental impacts are substantial. While at a national

level their combined impact is unknown, in pollution terms their significance at a local level can be important. Many smaller firms, especially those in developing countries, are characterised by their use of older technologies, their lack of awareness of legislation and of their own environmental impacts and their less structured management of such issues—all of which means that their impact on local ecosystems and communities can be potent.

The sector is under-researched. Little is known about its attitudes to and control of its environmental impacts. Its very vastness and importance for a healthy global economy (in the EU alone, the SME sector accounts for 70% of economic activity) means that its survival and growth is crucial. Its unquantified contribution to pollution load and unknown management of its environmental impacts means it has a critical role to play in contributing to sustainable development. This book goes some way to filling a yawning information gap by drawing experiences on SMEs from over 28 different business sectors in 18 different countries. The book is important in that it characterises the sector's diverse reactions to the environmental issues it faces. Its contributors understand the potential opportunities to be derived from engaging SMEs in the drive towards sustainable development.

### *What is an SME?*

Any book on SMEs has to meet head on the use and abuse of the term 'small or medium-sized enterprise'. 'SME' is a catch-all term, bandied around whenever non-large firms are being discussed. At present, its popularity is high among policy-makers, support organisations, government and researchers—in fact, many groups except probably the most important group of all: SMEs themselves. Size matters, but daily businesses' interactions are normally couched in terms of customers and suppliers, profit margins and cash flow, growth and markets. Quite simply, SMEs regard themselves as businesses. Why, then, define an enterprise by size at all? What sort of categorisations are used and are they appropriate—especially since the sector is not a homogeneous group of companies?

Definitions for 'SME' are very blunt instruments when understanding the variety of businesses in the sector. There are broadly two categories of definition: operational definitions and theoretical definitions. Those of an operational nature are used for working purposes, e.g. to provide a cut-off level in the award of grants (see examples in Appendix 1, page 20), and those of a theoretical nature are employed to characterise the sector (see examples in Appendix 2, page 22). The failing of all of these definitions is that they cannot take into account the undeniable importance of the sector's diversity.

A degree of convergence in SME definitions has been brought about, in Europe at least, by the introduction in 1996 of the EU SME definition.<sup>1</sup> This uses a combination

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1 The EU defines SMEs based on employee numbers, turnover or balance sheet total and ownership (CEC 1996b).  
An *SME*:

of employee numbers, turnover or balance sheet total, and ownership to classify enterprises. While this is certainly a welcome move for the standardisation of data collection on enterprises (a major reason for defining SMEs), it does little to help us understand the diversity of the sector. In fact, harmonising definitions may obscure characteristics that more varied definitions try to draw out.

In this book the reader will come across a range of definitions for SMEs. This is totally appropriate because there is no single right definition of what an SME is and because the information in this book is drawn from such a wide range of sectors and countries. In employee numbers, for example, Danish SMEs have fewer than 500 staff (in the Pedersen study, Chapter 16), whereas the Mexican and Brazilian small and medium firms investigated by Dasgupta *et al.* in Chapter 23 have between 1 and 100 staff, and those in Australia in the Gerrans and Hutchinson chapter (Chapter 5) employee fewer than 200 people. In Bratasida's Indonesian case study (Chapter 24), SMEs are not defined by employee numbers at all but by assets and are classified as 'small' if they have less than \$800,000-worth of assets. In contrast, Whalley (Chapter 9) suggests it is business culture not employee numbers or turnover that defines a small firm.

The variety of different ways of defining small and medium-sized organisations is relevant as we grapple with a useful way of grouping the organisations we wish to discuss. Studies that seek to investigate the sector as a whole and draw conclusions about it are comparing not just apples and pears but all the fruit in the fruit bowl. The SME definition changes depending on the sectorial or country context; a more sensitive method needs to be developed. It is recommended that, in future, the sector is considered in parts either as sub-groups by size—i.e. micro, small and medium—or by industrial sector.

## About the book

*Small and Medium-Sized Enterprises and the Environment: Business Imperatives* begins with a section on the mind-sets of small and medium-sized firms. It details the attitudes, perceptions and behaviour of smaller firms to the environment and sustainability. A national survey of UK small and medium-sized companies by Smith *et al.* in Chapter 1 provides the opening snapshot of their attitudes. It highlights the sector's low level of awareness of environmental issues and the potential business benefits of positive

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- Has fewer than 250 employees, and either
  - An annual turnover not exceeding ECU 40 million, or
  - An annual balance sheet total not exceeding ECU 27 million, and
  - Is an independent enterprise, i.e. 25% or more of the capital or voting rights cannot be owned by a larger enterprise/s.

### *A small enterprise:*

- Has fewer than 50 employees, and either
- An annual turnover not exceeding ECU 7 million, or
- An annual balance sheet total not exceeding ECU 5 million, and
- Is an independent enterprise, i.e. 25% or more of the capital or voting rights cannot be owned by a larger enterprise/s.

environmental management. Overridingly, small firms view their environmental impact in proportion to their size, i.e. small, and are woefully unaware of applicable environmental legislation.

Petts delves deeper into the attitudes of UKSMEs to environmental compliance in Chapter 2, revealing not just the attitudes of management but also non-management. She suggests smaller firms are 'vulnerably compliant'. Management in these firms believes that compliance is the right thing to achieve; but the workers have a more jaded view, believing that 'things are tidied up' before the inspector arrives. In fact, non-management thinks environmental legislation should be tougher. Both groups think self-regulation is an opportunity for the slacker firms to do nothing.

This view of self-regulation fostering and encouraging the 'cowboy' element in the sector is backed up by Tilley's research into the neglected area of small firms' environmental ethics (Chapter 3). She makes the point that small firms are not little versions of big firms and that their environmental attitudes and behaviour are distinctive and non-uniform. These companies are on the sidelines of the environmental debate, falling below or outside compliance requirements of environmental legislation, their environmental behaviour governed by regulation not an environmental ethos.

These first three chapters highlight a common characteristic of SMEs: i.e. their preference for environmental legislation to control environmental impacts and their sceptical view of self-regulation and the opportunities it might offer. Spanish SMEs prove to be little different to UK ones (Ludevid Anglada, Chapter 4). They perceive little opportunity from tackling environmental issues and have jaundiced views of fellow businesses, which they fear practise widespread 'environmental dumping' by moving to regions and countries with the lowest environmental standards. Environmental destruction is attributed to overpopulation and poverty and these Spanish companies believe developed countries are exonerated by their better management of the environment.

Sustainability and SMEs are considered in the last two chapters of Section 1. Gerrans and Hutchinson in Chapter 5 confirm that Australian small and medium-sized firms in the food production, manufacturing and services sectors are ignorant of their legislative requirements and oblivious of international environmental management standards. They are uninvolved in sustainability activities, remaining unconcerned with the most basic facets of environmental protection, let alone voluntary initiatives such as ISO 14001. In Chapter 6 Johansson develops the notion that SMEs' participation in ISO 14001 could be a practical step towards sustainable development. Citing Canadian smaller companies as an example, she highlights their general exclusion from the international standards development process and the consequent potential for the ISO 14000 series, and ISO 14001 in particular, to act as barriers to their trade.

Appraised of the unaware, unengaged and probably non-compliant SME, readers move onto the second section of this book where experts present a suite of environmental management tools firms can employ to manage their environmental impacts. Starkey opens the section by providing in Chapter 7 an overview of the voluntary management tools available to improve environmental performance, e.g. life-cycle analysis, environmental auditing, environmental management systems (EMSs), etc. He assesses the tools' relevance to SMEs, citing examples from Malaysia,

Germany, Denmark and the UK. He concludes that not all of the tools are appropriate to all SMEs, but that their careful selection and use is essential for improvement in the sector's environmental performance.

The next three chapters investigate the barriers and drivers for the uptake of such environmental management tools. Gerstenfeld and Roberts in Chapter 8 identify three drivers for environmental management in SMEs: legislation, business-to-business relationships and stakeholder pressures; however, they detail a longer list of seven barriers—such as the lack of training and awareness, expenses involved and ill-suited nature of standards for SMEs, etc.—which prevent change. Any solution to overcome these barriers needs to be inexpensive, co-operative, locally based, flexible, unique and accessible.

In Chapter 9 Whalley first challenges the notion of an all-encompassing definition for SME, suggesting 'independent-minded' or 'owner-managed' businesses better reflect the varied cultures found in the sector. Looking closely at owner-managed businesses, he suggests that, rather than the millions in the sector that could take up EMS standards, it is only those posing a substantial risk that are suitable candidates for such standards. In the UK, that means between 100,000 and 750,000 enterprises.

My own chapter (Chapter 10), presenting a major review of 33 studies on SMEs, indicates the lack of relevance of formal EMSs to many smaller organisations. It details the barriers, benefits and stakeholder drivers for SMEs' adoption of formal EMSs in the UK and the European Union (EU). While examples can be found of the extensive benefits accruing to SMEs adopting formal EMSs—ISO 14001 and the Eco-Management and Audit Scheme (EMAS)—the majority of the sector remains unaware of the initiatives, unconvinced of the benefits and beset with largely internal barriers—but some external barriers—to their adoption. Customers, the major stakeholders driving EMS adoption, are of little help, especially for micro firms. They seem disinterested or else satisfied with SMEs' current environmental performance.

Changes in SMEs' production and products to bring about sustainable development are the focus of Chapters 11 and 12. Hobbs suggests the most effective way of coping with unsustainable practices is to prevent pollution and waste occurring in the first place by using cleaner production strategies. He acknowledges that many cleaner production initiatives have been demand- as opposed to supply-led, inhibiting their uptake, but suggests roles for international agencies to alleviate this problem. He concludes that there is a long way to go in engaging SMEs in active sustainability actions. Holmberg *et al.* then present a qualitative model to enable smaller firms to build sustainable criteria into product design. This model purports to be more accessible and cost-efficient than life-cycle assessments (LCAs) and therefore could aid enterprises' improvements in product development.

Meredith argues in Chapter 13, the last of Section 2, that environmental legislation and its demands places SMEs in turbulent and unpredictable situations, which should provide the drivers for environmental innovations. The SME sector is the source of many innovators. Smaller firms have a distinct advantage over large firms when innovating because they are normally less bureaucratic, able to respond quickly to change and have efficient internal communication channels. However, Meredith also suggests three conditions crucial to environmental innovations: business competences, strategic orientation and network involvement, which are often missed by SMEs.

The assertion that small and medium-sized organisations are isolated from the mainstream movement in environmental management tools and thinking, but are nonetheless capable of using appropriately tailored techniques once engaged, provides the *raison d'être* for the next section of this book: 'Practical Strategies for Reaching SMEs'. The section begins with an insightful review of the most effective ways of communicating environmental best practice to SMEs (Clark, Chapter 14). International organisations are rarely good at communicating with SMEs because their remoteness makes them ineffective at reaching and stimulating the sector. She concludes this communication role is better left to trusted intermediary organisations such as trade associations.

In Chapter 15 Hunt supports the international analysis in Clark's chapter, with her analysis of how information reaches SMEs. She suggests networks that are trusted and/or have perceived relevance, e.g. supply chains, trade associations, etc., are key routes for information dissemination to SMEs, but that the idea that information will lead to rational behaviour fails to take account of the real experience of smaller enterprises. A powerful, established and effective network in Denmark is the local authority partnership with SMEs. Pedersen in Chapter 16 shows how small and medium-sized companies derived significant advantage by engaging in open dialogue with local authorities, which acted as a catalyst or coach to improve the environmental performance of these enterprises. Recognition was given to the conflict between the regulator and helper roles of local authorities; however, as guides they proved effective at bringing about environmental improvements in smaller enterprises.

Another partner that can coach and engage small and medium-sized companies in environmental improvements is the large company. Tunnessen in Chapter 17 shows how mentoring in the US has benefited not only the mentee, i.e. the SME, but also the mentor, i.e. the large firm. The non-large company benefits from free expertise while the large company can use mentoring along its supply chain as a route to go beyond compliance. It is suggested that mentoring provides a non-threatening, low-risk, low-cost and effective means of introducing and engaging SMEs in strategies to get better environmental results. And, as Powell points out in Chapter 18, supply chain management is a key business issue of the future. Customers will no longer be buying from a single company but be purchasing along an integrated supply chain. The incentive, therefore, for large companies to look at and drive environmental improvements along the supply chain is increasing. This means smaller firms, most frequently suppliers to large ones, will come under increasing pressure to modify their environmental behaviour.

The regulator has a crucial role to play in improving SMEs' environmental performance. However, for most small enterprises, the first time they come into contact with the regulator is when some environmental problem or non-compliance situation has arisen. In Chapter 19 Fanshawe argues that there is a role for the regulator in improving the environmental performance of non-large firms, in addition to the regulatory role. The focus on non-compliance by the regulators and support organisations has prevented effective communication with smaller companies in order to bring about real change. He proposes a model to engage SMEs in a long-term dialogue to achieve incremental improvements in their environmental performance.

Macro-level strategies are presented in the last two chapters in Section 3. Bichard in Chapter 20 takes an unusually critical look at the support services and advice offered to SMEs in the UK. He asserts that there is an over-supply of help with a vast array of organisations and a wide range in quality of advice—which results in confusion among companies. These shortfalls are powerful reasons for a radical review of support services. This experience contrasts sharply with the consensus-based community network model in the Netherlands. In Chapter 21 de Bruijn and Lulofs review the success of this policy network approach which uses intermediary organisations, such as trade associations, to build pacts with SMEs to improve their environmental performance. These voluntary networks are set against a backdrop of penalties for laggards and the threat of legislation if predefined sector environmental objectives are not achieved.

The final section of *Small and Medium-Sized Enterprises and the Environment: Business Imperatives* presents case studies from around the world. The first two are from small-scale plants in developing countries. In Chapter 22 Scott investigates small-scale industry in Zimbabwe and Bangladesh. He suggests small firms are significant in terms of pollution not on a national scale but on a local scale, where clusters of enterprises cause locally significant pollution. However, he found that, per unit output, small-scale enterprises do not necessarily pollute more than large industry. A ineffective regulatory framework plagues these two developing countries: it is poorly enforced and unable to detect most pollution incidents. These shortcomings, he argues, open up the opportunity to use self-regulatory mechanisms to improve small-scale industrial environmental performance.

Dasgupta *et al.* in Chapter 23 also seek to quantify pollution from small industry, in comparison to large industry, but in relation to its impact on local populations in Mexico and Brazil. The authors found that small plants were more pollution-intensive per employee than large plants. However, paradoxically, in Brazil it appears to be the wealthier regions and high-income populace that suffer the greater affects of air pollution because these richer areas hold the greater concentration of large industry.

A major economic crisis in Asia did not lead to the anticipated reduction in pollution from the closure of many industries unable to absorb the economic shock. Quite the reverse: smaller firms in Indonesia simply dispensed with end-of-pipe controls to cut costs. Hence, Bratasida in Chapter 24 shows the need for effective cleaner production and EMS approaches to engage SMEs in longer-lasting and more profound environmental improvements. In Chapter 25 Terui suggests an earlier crisis: the oil shocks in the 1970s started Japanese business on the route to energy efficiency and environmental awareness. The high numbers of Japanese businesses registered to ISO 14001, he suggests, is because EMSs are seen as meshing well with existing quality systems and because the rapid global uptake of the standard is seen as a competitive issue. SMEs are being strongly targeted with advice and support so that they, too, can prepare for ISO 14001 certification.

Innovative SMEs are the subject of the last pair of chapters in this book. In Chapter 26 Palmer looks at small and micro UK firms and their effort to improve environmental performance. This unique group of companies challenges the way SMEs are viewed. Many have strong social and ethical reasons for their actions and highlight personnel

motivation and commitment as being the key factor in achieving environmental improvements. This finding is expanded on by Walley in Chapter 27, who highlights the importance of having an environmental ‘champion’ in a small company. In this case study company, the champion networked for support and ‘greenjacked’ the environmental initiative onto a mainstream business activity—*viz.* creating a paperless office—to give the whole process a fillip. The emphasis on training and communication was paramount to convey the new ethos of the firm.

## *General conclusions*

In *Small and Medium-Sized Enterprises and the Environment: Business Imperatives* the reader is taken through a journey of the experiences of SMEs operating in a range of sectors in diverse locations. The reader is shown SMEs’ attitudes and perceptions to the environment, the management tools they can adopt to manage their environmental performance and the strategies taken to engage such firms in environmental improvements. If generalisations can be made about such a vast and diverse sector, they are that the sector is:

- Largely ignorant of its environmental impacts and the legislation that governs it
- Oblivious of the importance of sustainability
- Cynical of the benefits of self-regulation and the management tools that could assist it in tackling its environmental performance
- Difficult to reach, mobilise or engage in any improvements to do with the environment

This dark and depressing picture of the sector as a whole contrasts with some of the shining examples that are presented in this book, which depict innovative and dynamic SME leaders on the environment; novel approaches to activate firms to tackle their environmental aspects; and real and tangible benefits from tackling environmental issues.

This stark contrast between the majority of inactive small and medium-sized firms and the very small minority of sector leaders on the environment poses a problem not only for policy-makers and legislators, but also for those that seek to support the sector. Current environmental policy seems not to touch the majority of SMEs, and support organisations fail to reach this group. However, for the benefit of the environment and the wider societal and policy need to engage all actors in the drive towards sustainability, this vast and important group needs to be reached. The focus of governments needs to shift away from large businesses, which can and do look after themselves, towards real and practical assistance of SMEs. In the UK, for example, the 6,600 large firms have disproportionately more influence than is warranted by their importance to the economy. They employ the lobbies, sit on the committees and are asked their opinions. However, the smaller firms do not have the strong

associations to lobby effectively, do not have the personnel to get involved in networks that influence policy and, most importantly, are rarely asked for their opinions. This is particularly the case for the 2.33 million 'size class zero' businesses, i.e. sole traders and partnerships with no employees.

It is an error to neglect the SME sector. If sustainability is to become a meaningful objective for societies, and fully integrated into their structures, then small firms must be brought into the process. Whether or not SMEs pollute more or less than large firms—and there is little evidence to suggest either conclusion—becomes irrelevant if they are unengaged and inactive. Small and medium-sized organisations need to be part of the process not just because they employ so many people and have influence throughout the community but because their alienation and isolation from actions on the environment means that sustainability will never be achieved. SMEs comprise the fabric of all societies. Change their attitudes towards the environment and we have a chance to achieve sustainable development. Ignore them and we all suffer.

## Appendix 1: Selected operational SME definitions

The following two tables present a summary of the range of definitions of SMEs used for operational functions by organisations with interests in such firms.

Function of definition	Maximum no. of employees	Turnover (ECU million)	Maximum balance sheet (ECU million)	Other criteria or information	Source
<i>Statistics on SMEs</i>					
Micro-sized enterprises	1-9				European Commission DG XXIII and Organisation for Economic Co-operation and Development (OECD)'s Working Body for SMEs.
Small-sized enterprises	10-19				
	20-49				
	50-99				
Medium-sized enterprises	100-199				
	200-249				
	250-499				
Large-sized enterprises	>500				
<i>State financial aid to SMEs*</i>					
Small-sized enterprises	50	5	2	Maximum 25% of capital to be owned by a big enterprise (with exceptions)	European Commission DG XXIII
Medium-sized enterprises	250	20	10		
<i>Annual Accounts†</i>					
Small-sized enterprises	50	4 (5)	2 (2.5)		European Commission DG XXIII
Medium-sized enterprises	250	16 (20)	8 (10)		
<i>Insurance (non-life)‡</i>	250	12.8	6.2		European Commission DG XXIII
<i>VAT exemption (VI Directive)</i>		0.005			European Commission DG XXIII
<i>European Investment Bank Global loans</i>	500			Maximum one-third capital owned by a big enterprise (net amount real estate less than ECU 75 million)	European Investment Bank and European Commission DG XXIII
<i>European Investment Bank (yet-to-be approved loans)</i>	250	20	10	Maximum 25% capital owned by a big enterprise (with exceptions)	European Commission DG XXIII European Investment Bank
<i>Research &amp; Development Craft Feasibility primes</i>	500	38		Maximum one-third capital owned by a big enterprise	European Commission DG XXIII

### Notes

\* It is enough that one of the two criteria (turnover or balance sheet) is verified besides the number of employees.

† It is enough that two of the three criteria (maximum number of employees, turnover, maximum balance sheet) are verified. Figures in brackets are concerned with the review proposed by the European Commission to the Council in 1993.

‡ It is enough that two of the three criteria are verified.

Function of definition	Maximum no. of employees	Turnover (ECU million)	Maximum balance sheet (ECU million)	Other criteria or information	Source
<i>Government grants</i> Small-sized enterprises	100				Department of Trade and Industry (DTI) DTI Small Firms Division
Medium-sized enterprises	250–500				
<i>Membership policy</i> <i>Lobbying for legislation and government tax policy</i>	50			96% of their members employ fewer than 20 people	Small Business Federation
<i>Lobbying for:</i> Statutory sick pay	10			No strict definition/no threshold because there is no difference in CBI membership. Definitions vary for different functions.	Confederation of British Industry (CBI)
Access to finance	500				
<i>Administrative</i> <i>Modal level of membership:</i>	500			Privately owned, owner-manager, not dominant in the marketplace 30% sole proprietor 30% partners 40% limited company  Total membership = 22,029	The Forum of Private Business
33%	1–4				
32%	5–9				
18%	10–14				
3%	15–49				
1%	50–99 >99				
<i>No set definition for SMEs</i> For some projects number of employees may be used.	250			If loan amount is below US\$15 million, it is passed onto a financial mediator who may have a definition for SMEs. (Investment breakdown: one-third EBRD, one-third company, one-third other investor)	European Bank for Reconstruction and Development (EBRD)
<i>To define target population for projects</i> Micro enterprise	<20			Some projects will define a target 'SME' population	International Finance Corporation (IFC)
SME	100–500				

## Appendix 2: selected theoretical SME definitions

The following table presents a summary of selected theoretical definitions of SMEs.

Term/issue	Definition																
Small and medium-sized enterprises	Enterprises with fewer than 500 employees, whose capital is less than ECU 75 million and of which less than one-third may belong to a larger company (Gondrand 1992)																
General definition of small firms	A small firm is an independent business, managed in a personalised way by its owner or part-owners, and with a small market share (Bolton Report 1971)																
More specific definition	<table> <tr> <td>Manufacturing</td> <td>200 employees or fewer</td> </tr> <tr> <td>Retailing</td> <td>Turnover of £50,000 per annum or less</td> </tr> <tr> <td>Wholesale trades:</td> <td>Turnover of £200,000 or less</td> </tr> <tr> <td>Construction:</td> <td>25 employees or fewer</td> </tr> <tr> <td>Mining/quarrying</td> <td>25 employees or fewer</td> </tr> <tr> <td>Motor trades</td> <td>Turnover of £100,000 per annum or less</td> </tr> <tr> <td>Miscellaneous services</td> <td>Turnover of £50,000 per annum or less</td> </tr> <tr> <td>Transport</td> <td>5 vehicles or less</td> </tr> </table>	Manufacturing	200 employees or fewer	Retailing	Turnover of £50,000 per annum or less	Wholesale trades:	Turnover of £200,000 or less	Construction:	25 employees or fewer	Mining/quarrying	25 employees or fewer	Motor trades	Turnover of £100,000 per annum or less	Miscellaneous services	Turnover of £50,000 per annum or less	Transport	5 vehicles or less
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Update of turnover figures from the Bolton Report to 1983 figures	Update of turnover figures from the Bolton Report to 1983 figures (Sengenberger <i>et al.</i> 1990) <table> <tr> <td>Retailing</td> <td>£315,000 per annum or less</td> </tr> <tr> <td>Wholesale trades</td> <td>£1,260,000 per annum or less</td> </tr> <tr> <td>Motor trade</td> <td>£630,000 per annum or less</td> </tr> <tr> <td>Miscellaneous services</td> <td>£315,000 per annum or less</td> </tr> </table>	Retailing	£315,000 per annum or less	Wholesale trades	£1,260,000 per annum or less	Motor trade	£630,000 per annum or less	Miscellaneous services	£315,000 per annum or less								
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Best indicator of small enterprise	Major policy decisions are taken by one or two people who usually own, manage and risk their own money in the business (Clarke 1972)																
Companies Act 1981	Two (at least) of the following criteria must apply (Sengenberger <i>et al.</i> 1990):																
Small company	<ul style="list-style-type: none"> <li>a) Turnover does not exceed £14 million</li> <li>b) Balance sheet total of assets does not exceed £0.7 million</li> <li>c) Average weekly number of employees does not exceed 50</li> </ul>																
Medium company	<ul style="list-style-type: none"> <li>a) Turnover does not exceed £57.7 million</li> <li>b) Balance sheet total of assets does not exceed £2.8 million</li> <li>c) Average weekly number of employees does not exceed 250</li> </ul>																
General definition	<p>A small firm is one that has only a small share of its market, is managed in a personalised way by its owner or part-owner and not through the medium of an elaborate management structure and which is not sufficiently large to have access to the capital market for the public issue or placing of securities.</p> <p>A branch of a large company cannot be a small firm, because, although it is small and may even be independent with regards to decision-making, it will still have access to capital and technical assistance from the parent company (Bannock 1981).</p>																
Business format franchising—a form of small business	The franchise not only sells the franchiser's product or service but does so in accordance with precisely laid-down procedures. In return the franchiser provides the franchisee with assistance, e.g. training, marketing, management, research and development, in carrying on his/her business; however, like any other small business, the franchisee provides the capital for his/her business, but agrees to run the business in accordance with the franchiser's guidelines (Hough 1982).																
Problems with the Bolton Report definition of small firms	If a small firm, in statistical and organisational terms, was the sole supplier of particular goods to a large company, the small firm would have 100% of the market share but would still be considered by many as small. This may be because the market share of the firm has grown beyond the stage of smallness but whose ownership and management are still highly centralised (Chestermann 1982).																