



Sveriges lantbruksuniversitet  
Swedish University of Agricultural Sciences

Department of Economics

# **Driving forces in small-firm investment in local environmental management systems**

A Case study in the Gothenburg food service industry

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**Driving forces in small firm investments in local environmental management systems: A case study in Gothenburg, Sweden**

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## **Abstract**

The aim in this study has been to investigate the driving forces and stakeholders involved small firms' environmental investment decision making. Slow adoption of environmental management systems among SME has been noted throughout Europe, yet it is recognized that SMEs account for well over half of environmental pollution. Major driving forces are identified from previous SME research and are combined with stakeholder theory to map key environmental stakeholders. The empirical evidence is based on a case study of the food service industry in Gothenburg, Sweden, using in- depth personal interviews with restaurant managers as the main source of data.

The study results identify distinctly different driving forces behind middle and smaller restaurants' motivation to invest in environmental measures. The middle size restaurant, which were typically more dependent on single business customers, were motivated by their external stakeholders; whereas smaller restaurants, which were typically more consumer oriented, were more motivated by the internal stakeholders. These results suggests an extension to stakeholder theory, where it is noted that firms are influenced by different sets of stakeholders depending on their size and their customer orientation.

## **Abbreviations**

AMEM- alternative model of environmental management systems

CSR- corporate social responsibility

EC-European Commission

ED-Environmental diploma

EMS –Environmental Management systems

EMAS-European Eco-Management and Audit Scheme

EU- European Union

SBA- Small business act

SME- Small and medium sized enterprises

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## 1. Introduction

Human activity and the pressure it places on earth systems has reached such a level that global and environmental changes cannot be ignored. (Rockström and Noone, 2009). These issues need to be addressed by all levels of society, from individuals, corporations, communities, states through to the global level. Most business operations have significant environmental consequences (Levy and Newell, 2005) and business should play a vital role in reducing and preventing environmental destruction (Henriques and Sadorsky, 1999; Shrivastava, 1995). Corporate social responsibility (CSR) is argued as a way to improve private firms' performance in relation to social and environmental concerns without compromising the economic performance (European Commission, 2011)

A firm engaging in CSR becomes a contributor to their society in contrast to the traditional conventional view of firms acting only as a goods and service providers (Williamson et al., 2006). Engaging in CSR activities can increase costs and requires high levels of involvement and thus it can compromise the competitive advantage of the company. At the same time, increased pressure from various stakeholders are driving firms to act more socially and environmentally friendly (Henriques and Sadorsky 1999), as is reflected in the many large multinational big companies that have developed and deployed CSR strategies and plans in their business activities in the last 50 years (Brammer et al., 2012).

Research has shown that Environmental Management Systems as a tool or a set of processes and practices that enable an organization to reduce its environmental impacts and increase its operating efficiency are a common and valued tool in CSR efforts (Zorpas, 2010). Yet most of the empirical research on CSR and environmental management has been focused on larger enterprises, with only limited attention being given to the environmental management in Small and medium sized enterprises (SME). This limited research suggests, however, that SME are less engaged in developing CSR policies and activities (Masurel, 2007).

A variety of reasons for the low engagement of SME's in environmental issues has been identified in prior research. Environmentally friendly practices may be limited in small businesses due to: (1) little pressure from the stakeholders (Masurel, 2007), (2) SME strong orientation to daily activities (Brammer et al., 2012), (3) the need to concentrate on their core activities (Brammer et al., 2012) and (4) a lack of financial and human resources (Hillary, 2004). Nevertheless researchers of CSR and environmental management have been arguing for importance of integration of CSR and EMS into SME activities and management for well over the last a decades (Cramer, 1998).

Studies also have shown that environmentally friendly practices could differ from industry to industry (Kirk, 1995). Resource intense industries have more pressure from the stakeholders compared to service industry, and are therefore more likely to have some environmentally friendly practices (Henriques and Sadorsky, 1999). Due to the extensive use of resources, the manufacturing industry has also been more studied compared to the service and hospitality industry (Burke and Gaughran, 2006; Masurel, 2007; Williamson et al., 2006).

However recent years, research in the hospitality industry has been increasing, though still the number of studies within food service industry remain relatively limited (Chan and Wong, 2006; Chan, 2009; Ustad, 2010).

The European Eco-Management Audit Scheme (EMAS) and ISO 14001 are the two popular environmental management systems used in recent years. However due its complexity and the high cost it's argued to be less suited for smaller firms. In contrast alternative models for environmental management (AMEM) have some major advantages for small firms: better adapted for regional circumstances, lower costs and support from regional government (Heras and Arana, 2010). In 2005 Gothenburg municipality deployed AMEM, called Environmental diploma which now has been adopted and utilised by 12 other municipalities in Sweden.

### **1.1 Problem background**

SME play a vital role for the European economy, covering 99% of all European business sectors and employing almost 70% of the European workforce. In 2008 the European Commission recognized the importance of SME and endorsed the Small Business Act for Europe (SBA) in order to improve the legal environment for SME and facilitate their growth in Europe and decrease their regulatory burden. Within the framework of the SBA, the Commission is taking action to raise SME awareness of environmental and energy-related issues and is providing assistance to them for implementing legislation, assessing their environmental and energy performance and upgrading their skills and qualifications (European Commission, 2011). The European commission estimates that 60-70% of the environmental impact is caused by the SME. The amount of environmental impact caused by SME varied from country to country, where Swedish SME accounted for 58% of all environmental pollution (European Commission report, 2012).

In 2011, 80% of the SME reported having no Environmental Management systems of any type or having not heard about it before (European Commission, 2011). The adoption and usage of common and integral international and European systems such as ISO 14001 and EMAS accounted for only 6% of all SME. National and regional standards of practice were more widely adopted with a 14% rate of adherence (European Commission, 2011).

In 2006, there were 20 million SME recorded in Europe, however only 20 thousand of all SME have adopted some type of EMS. In 2009, Sweden had less than 50 organizations using EMAS, 3800 organizations adopted ISO 14001 and 700 organizations were certified by Environmental diploma. It's evident that SME are reluctant to adopt more environmentally friendly behaviour (Calogirou et al., 2010)

## 1.2 Problem

As mentioned earlier, SME cause the majority of the environmental impacts in Europe and Sweden but have little or no interest in investing in environmental measures and generally face problems integrating them into their activities (Halila, 2007).

Also the current understanding of EMS and its integration is largely based on large firms. Researchers tend to concentrate on easier-to-reach large businesses and organizations, while small businesses are excluded as a group that is too expensive to reach (Rutherford et al., 2008). Compared to larger corporations, SME have more serious problems in investing in EMS due to more limited expertise and knowledge, human and financial resources (Hillary, 2004). It is important therefore, to understand why SME adopt green management into their business organizations and how they go about doing so (Lee, 2009).

Environmental impacts and environmental management practices differ from industry to industry. Previous literature has mostly researched general environmental impacts of small firms due to the heterogeneous nature of the sector (Bianchi and Noci, 1998; Heras and Arana, 2010; Masurel, 2007; Zorpas, 2010). However among the a few industry specific case studies, the majority of these have been concentrated on manufacturing industries (Masurel, 2007; Williamson et al., 2006). The industry specific studies in the hospitality and service industry remained as one of the largely unexplored areas (Kasim and Ismail, 2012).

Food service industries' volume and environmental impacts makes it difficult to ignore. In Sweden this industry accounts for the third of consumers total food expenditures to approx. SEK 109 billion and restaurant sector makes about 70% of the sales volume (Swedish chamber of commerce, 2011). The majority of the restaurants environmental impacts comes from the energy, water use and food waste. According to Pacific Gas & Electric's Food Service Technology Center (FSTC), restaurants are the retail world's largest energy user. They use nearly five times more energy than any other commercial entities and produces carbon dioxide emissions of 490 tons per year per restaurant (Spoor et al., 2014). Swedish Environmental protection agency also accounts food service industry accountable for 642,000 tons of food waste every year (Swedish EPA, 2011)

### **1.3 Aim and delimitations**

The aim of this study is to increase the understanding of how small and medium sized restaurants respond to publicly supported environmental initiatives. A conceptual theoretical framework first developed by Banerjee et al.,(2003), based on Freeman's stakeholder theory, will be used to investigate internal/external stakeholders, institutional pressures and driving forces influencing decision-making of small firms concerning the implementation of an environment management system.

The overall findings will contribute to the empirical research on environmental management in service industry, and especially in the restaurant industry. The results from this study also contribute to our theoretical understanding of how stakeholders and institutional pressures influence environmental decision making in SME.

The specified research question is:

- How do stakeholders and driving forces influence small food service firms to invest in environmental management measures?

The research scope will limit focus to the food service industry, and more particularly, the restaurant industry in the Gothenburg area, Sweden.

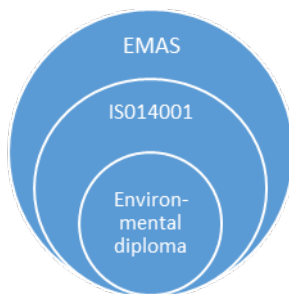
## 2 A conceptual framework

This chapter is aimed at providing a basic understanding of different EMS, how they are utilized by the small firms and will continue by discussing the stakeholder perspective in relation to environmental decision-making of SME by introducing the conceptual framework of environmental stakeholders.

### 2.1 Environmental management systems in small firms

The European Union recognizes the challenges of SME adoption of EMAS systems. Therefore, in order to facilitate this process in 2008, the EU launched the EMAS easy project (European commission, 2014). This led to an increase in the diversity of national standards and alternative models of environmental management systems (AMEM) within the EU. Among the AMEM, Norwegian Eco- Lighthouse and Spanish Ekoscan models are considered to be the most successful.

According to Brammer et al. (2012) Environmental Management Systems have the following objectives: (1) encouraging SME to develop an EMS in their production process, (2) guiding SME in adopting EMS in order to reduce their pollution, comply with regulations parallel with saving costs and increasing productivity, (3) developing environmental awareness among SME and (4) being a solid foundation for further development of international standards



**Figure 1. The scope of EMSs**

In 2005, the Gothenburg municipality introduced a simpler and easily adoptable EMS called Environmental Diploma (ED) which now has been adopted and utilized by 12 other municipalities in Sweden. The ED standards are derived from both ISO 14001 and EMAS. All of ISO 14001, EMAS and ED are voluntary for companies to use. The scope of EMAS covers most aspects including external auditing and proof of complete environmental legal compliances. Due these extra criteria EMAS is less popular compare to ISO 14001 among companies. Both EMAS and ISO 14001 are less utilized by the small firms due to their high cost.

Compared to EMAS or ISO 14001 the AMEMs, such as ED have some major advantages for SME including less documentation required, better application to regional circumstances, better communicated, the costs are lower or sometimes subsidized, more political and

financial support from the regional governments (Heras and Arana, 2010). Also Burke and Gaughran (2006) found that SME in general are less engaged in formal and long term initiatives but alternatively prefer to be involved in small scale or one-off initiatives. This could explain the low adoption rate of international standards among SME compared to local EMS.

From a neoclassical economic point of view rational firms should make cost and benefit analysis and only make decisions if it gives a net positive benefit. Engaging in CSR, EMS activities can increase costs and requires high levels of involvement and thus it can compromise the competitive advantage of the company (Lee, 2009). Freeman (1984) however argued that the business environment is changing and business managers therefore need to recognize the importance of internal and external stakeholders influence on firms’ strategic decisions. An adoption of such voluntary EMS can be a good tool for continual environmental improvements in both products and processes for the firms (Cramer and Stevels, 1997).

**2.2 Stakeholders’ perspective**

Firms in general, including SME are subjected to different stakeholder pressures related to their environmental performance and their adoption of EMS (Hillary, 2004). Therefore it is important to understand the roles of those environmental stakeholders driving SME towards more environmentally friendly business practices. Freeman (1984) has defined stakeholders as any group or individual who can affect or are affected by the achievement of the firms’ objectives (Freeman 1984: 25). Following this definition Henriques and Sadosky (1999) named: regulators, organizational members, community members and the media as the

<b>Environmental stakeholders</b>	<b>Examples</b>
Regulatory	Government, municipality, financial institutions, trade unions, informal networks
Organizational	Customers, consumers and employees
Community	Community groups, NGO, general public
Top management	Owners and managers

environmental stakeholders.

**Table 1. Environmental stakeholders**

Banerjee et al (2003) argues that these environmental stakeholders can internally and externally influence the firms’ environmental orientation and environmental strategy. Environmental orientation can be defined as the degree of managerial recognition of the firms’ environmental issues and impacts, environmental strategy is the degree of how much of it is actually integrated in the firms’ core strategic plan (Banerjee et al.,2003). Internal environmental orientation reflects on the firms’ internal cultures, ethical behaviour and commitment of environmentally engaged activities. External environmental orientation affects the firms’ external stakeholders’ relationship with the government, financial institutions and their local communities (Banerjee et al., 2003).

Regulatory stakeholders include government and financial institutions, trade unions and informal networks for technology transfer. These stakeholders, apart from the government,

may have the ability to convince government to standardize an environmental practice (Henriques and Sadorsky 1999: 89).

Organizational stakeholders are the stakeholders who can have direct influence on an organizations' bottom line: including customers and employees. They have been cited as one the main stakeholders driving corporative environmental initiatives (Hillary, 2004). Some also argue that a successful EMS implementation requires an active participation of employees (Henriques and Sadorsky 1999).

The third group are community stakeholders including community groups, environmental, non-governmental organizations and other potential lobby groups. They have the ability to mobilize the public opinion and thus are considered as an important stakeholder for a firms' environmental orientation and strategy.

On top of these three main stakeholder groups, the owners/managers and their decision-making will be considered. Given SME nature, most of them are family owned small companies and they are the backbones of the strategic decision-making process. The top managements' commitment to environmental protection plays a vital role in successful implementation of EMS in the organization. Their strategic decision making is also influenced by the other environmental stakeholders and therefore understanding this stakeholder group will play important role in explaining small firms' environmental friendly behaviour (Mitchell et al., 2013). The media has been excluded for the same reasons as (Banerjee et al., 2003), the influence of media is difficult to separate and since that other stakeholders use media as an information source. Therefore the media is not considered in this case study.

In previous studies about environmental friendly behaviour of SME, researchers have identified several driving forces: Institutional pressure from regulations or similar organizations, keeping the relationship with key stakeholders, cost- saving from environmentally friendly practices to increase business performance, strategic decisions to expand the market and proactive recognition of environmental impacts. These driving forces are strongly associated with the aforementioned environmental stakeholders. Below, in Table 2, SME's driving forces and associated stakeholders are summarized.

**Table 2 .Stakeholder groups driving SME's environmental investment**

Stakeholders	SME's Driving forces	Examples	Authors
Regulatory	Institutional	a. Regulations b. Mimetic.	(Babiak, 2011; Brammer et al., 2012; Williamson et al., 2006)
	Relationship with key stakeholder	a. Customers b. Government and municipality	(Heras and Arana, 2010; Masurel, 2007)
Top management	Business performance	a. Cost savings b. Efficiency	(Williamson et al., 2006; Teng, Wu and Chou, 2014; Brammer et al., 2012)
	Strategic	a. New market b. Image	(Babiak, 2011; Brammer et al., 2012)
	Community		

	Recognition of general environmental impact	a. General recognition (reactive)	(Heras and Arana, 2010; Masurel, 2007)
Organizational stakeholders		b. Strategic recognition (proactive)	

These driving forces are associated with more than one environmental stakeholder and the following section will discuss the each stakeholder in relation to their influences to SME' environmental investment driving forces.

### 2.2.1 Regulatory stakeholders

In literature there are external and internal factors that could potentially influence the SME environmental investment behaviour. The motivation of SME investing in voluntary environmental measures are often argued to be extra costly and effect the core business activity of the firms. Strong and well-enforced regulation in place considered to be one of the strongest motives among the SME (Henriques and Sadorsky1999). According to Williamson (2006) the most effective way for SME to change their investment behaviour in environmental measures in the short to medium term is to further develop and enforce regulations and standards. He further argues that the current market dominated decisions making frames do not encourage SME to undertake voluntary actions to benefit the wider society.

Along with legitimacy pressures, other important external factors also should be considered. Campbell (2007) brings up another important factor of how the institutional conditions that may influence the company's motivations behind adopting socially responsible behaviour of any kind. The chances of an organization acting responsibly increases when it becomes a normative standards and their behaviour is affected by the community leaders and stakeholders' perception of their effort (Babiak, 2011).

### 2.2.2 Organizational stakeholders

EMS is the part of the overall management system that includes organizational structure, planning activities, responsibilities, practices, procedures, processes and resources for developing, implementing, achieving, reviewing and maintaining the environmental policy (BSI, 1996). Successful implementation of EMS is directly related to and revolves around the employees' involvement (Hillary, 2004; Lee, 2009). According to Callenbach et al. (1993), in order to carry out green management, employees must be inspired, empowered and environmentally aware for greening to be successful. Employee's welfare and taking care of the environment go hand in hand, since the environmental measures can be offered in combination with improvement of working conditions (Bianchi and Noci, 1998; Masurel, 2007). Legislative compliance, serving ones moral duty as a top manager and controlling order and cleanness could be also some prerequisites for this reason.



Turning organizations into greener entities demands investments, employee training, and redesigning organizational structure. Many executives of SME are sceptical of the extra cost burden and employees are against extra work load, however when environmental performance improvement is achieved, both the top management team and employees should understand the importance of it and address continuous improvement in green management (Lee, 2009).

Unfortunately companies experience some difficulties at the operations level due to the low understanding of environmental management among employees (Lee, 2009). This process is also often considered to be an added burden for them. However with careful internal training and auditing from the top management, engaged and motivated employees become susceptible to change greener operations and production (Lee, 2009).

### 2.2.3 Community stakeholders

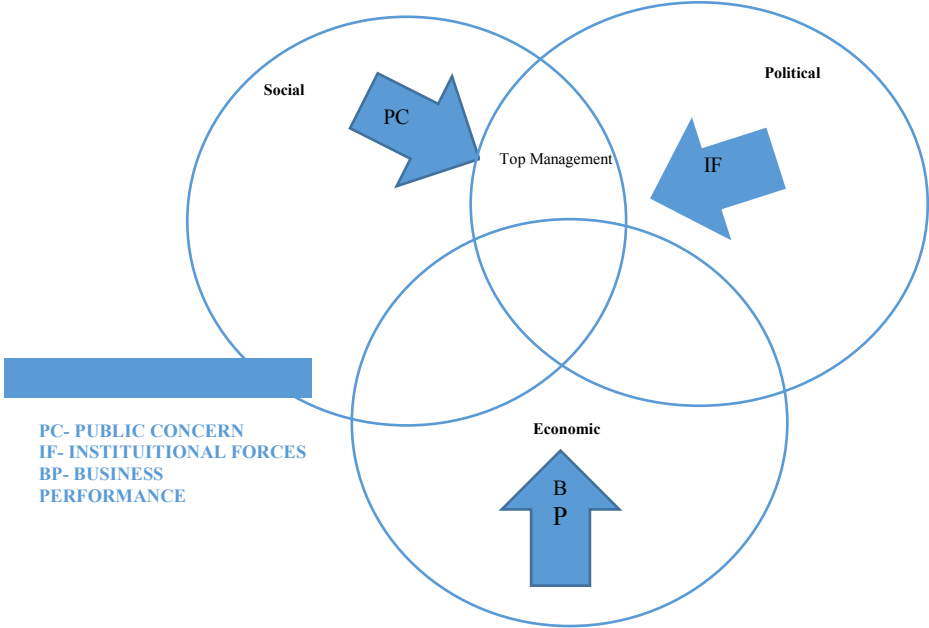
Since the 1990s the public institutions, financial communities and non-governmental organizations have increased their concern for environmental issues (Bianchi and Noci, 1998), resulting in increased public concern for the environment and the will to pressure firms towards changing their attitudes. Public concern for the environment may influence the firms to have a greener image, to respond to community stakeholders or environmental activist pressures. On top of that, firms may also develop a strategy to target the environmentally conscious customers or to green/clean their production cycles due to their customer pressures (Forsman, 2008a). Investing in environmental measures also allows businesses to reach out to non-profit groups and communities (Babiak, 2011).

Environmentally proactive strategies within the SME can be fostered by the change in the level of environmental awareness in public opinion (Bianchi and Noci, 1998). The pressure from public opinion led some companies to create programs to improve their environmental performance.

### 2.2.4 Top management

Most SME are family owned and therefore top management decision and motivations play a special role in in the successful implementation of EMS in the organization. Top managements' direct involvement in environmental issues is more prevalent in firms whose customers come from an environmentally friendly segment. Top managers of SME play a vital role in the adoption of environmental management programs within the firm. Especially, because most of SME lack appropriate external support and guidance (Hillary, 2004). Bianchi and Noci (1998) argues that in these kinds of cases the top managers become the main 'engine' in driving the overall process of development of environmental programs. However due to the insufficient managerial skills of the managers, small firms are likely to engage in informal management practices as opposed to sophisticated planning and control techniques (Forsman, 2008a).

The effect of regulatory factors, public concern and business competitiveness all influence top management decisions. Top management will lobby or form alliances with governmental agencies in writing regulations that will eventually affect the business. Firms could partner with other businesses or non-profit organizations instead in order to modify their industry in a manner beneficial to their own business (Banerjee et al., 2003). Environmental regulations also get the top management’s attention (Mitchel 1999) in shifting the company focus from mere compliance to pollution prevention. In order to fully understand top management decisions and their commitment to environmental initiatives, it is crucial to specify the socio-economic and political circumstances that firms operate within.



**Figure 2. Socio-economic political environment (Banerjee et al., 2003 et al., 2003; Mitchell et al., 2013; Williamson et al., 2006)**

### **3 Method**

The aim of this chapter is to elaborate on the research method and technique employed during the research by explaining the rationale for choosing the research strategy in chapter 3.1. This is followed by the chapter 3.2- research design and finally data collection procedures will be provided as a part of the method.

#### **3.1 Research strategy**

Choosing an appropriate research methodology is an important part of any scientific research. It involves the entire process of the research study, including the conceptual theoretical framework, data collection and analysis, as well as developing solutions for the problem (Wedawatta et al., 2011). The research methodology depends on the problem investigated and therefore it varies depending on the nature of the problem in question. Case studies, experiments, action research and grounded theory can be named as examples of research methodologies.

Research methodologies are guided and oriented by the research strategy employed. The research strategy can be defined as a general plan of how a researcher will work towards answering the research questions (Saunders, et al., 2009). Saunders et al. further suggested that appropriate research strategies should be based on the research questions and objectives, the sphere of existing knowledge of the subject and resource availability of the researcher. Among the above mentioned different research methodologies, case study research was chosen as an overarching strategy for this study. Given SME heterogeneous nature, case study research strategies were preferred over quantitative research methods in order to reach a deep understanding of this particular case within the food service industry. Previous research on SME have successfully utilized case study methods as an overarching research method (Brammer et al., 2012; Forsman, 2008a; Friedman and Miles, 2001; Heras and Arana, 2010; Lee, 2009; Masurel, 2007; Mohamed and Sawandi, 2007; Wedawatta et al., 2011; Yin Wong and Merrilees, 2005).

A case study is an empirical enquiry that investigates a contemporary phenomenon in depth and within a real life context especially when the boundaries between the phenomenon and context are not clearly evident (Yin, 2009). A case study deals with technically distinctive situations, relies on multiple sources of evidence and benefits from prior development of theoretical propositions to guide the data collection and analysis (Yin, 2009).

The purpose of a case study is to learn about an actor or phenomenon and to develop an understanding of specific issues (Stake, 1995). Thus, studying the particulars enables a case study researcher to understand the SME environmental investment decision-making process in all of its complexity. Contextually, a case study is preferred as a research strategy when the phenomenon and the context are not readily distinguishable (Yin, 2009). The following will explain the rationale behind choosing the case study as a research method.

According to Robert Yin the appropriateness of case study research as a research method depends on (1) the type of the research question proposed, (2) the degree of control of an investigator has over the actual behaviour or an event, (3) the focus on contemporary phenomena. The essence of a case study, the central tendency among all types of case study, is that it tries to illuminate a decision or set of decisions: Why they were taken and how they were implemented and with what result (Yin, 2009) and therefore the research questions taking the form “why” and “how” is preferred for choosing a case study. For this research study, the developed research questions was: How do stakeholders, institutional pressures and driving forces influence small food service firms to invest in environmental measures? Thus favouring the first condition for a case study research approach.

The second criterion was the degree of control an investigator has over the actual behaviour or an event. The researcher had no control over the SME environmental investment behaviour and worked outside of the case as an observer. There was no possibility of manipulating the SME in order to understand environmental investment behaviour.

The last condition for case study was the research questions focus to be contemporary. In this study, the focus is why some SME are investing environmental measures and investigating the current cause behind such investment behaviour. Also to suggest possible solutions to sustain their interest in maintaining investment in environmental protection. Thus it satisfies the last condition for choosing case study as a research method.

Furthermore, case study research is gaining acceptance in the small business sector and is highly relevant to the service sector (Forsman, 2008b). Previously researchers have successfully used the case study method in the service industry (Chan and Wong, 2006; Chan, 2009; Kasim and Ismail, 2012) but the application of case studies in the service sector remains very limited, especially in the food orientated service sector. It can also be argued that case studies, where in-depth knowledge can be acquired, suits the SME heterogeneous nature, where it is difficult to generalize and make meaningful data due to significant differences that exist between different SME working in the same sector (Wedawatta et al., 2011).

While case study research presents many advantages as a research methodology and allows the researcher to do a thorough investigation, there are still various criticisms and drawbacks to the method. Yin (2009) identified a lack of rigor, ease to show bias, difficulty to generalize, taking too long and insufficient documentation for limited time as some of the most common criticisms of the case study research approach. In response, Robert Yin noted that the quality of a case study can be enhanced by following four tests that are common to empirical research: (a) construct validity, (b) demonstrate internal validity, (c) demonstrate external validity and (d) reliability. This test was carried out and is summarized on the table below, and demonstrates how these issues have been addressed.

The validity was constructed by using multiple sources of data. The secondary data collection, literature review was done prior to the research question formulation. The primary data was

collected through in-depth interviews with the municipality and restaurant owners/restaurants.

The internal validity test is carried out through data analysis, and seeks to establish casual relationships to understand and explain which conditions led to one another (Yin, 2009). Pattern matching, explanation building, re-reading and going through the notes and transcripts to look for key concepts and phrases to further classify, describe and interpret responses were

Tests	Research stage	How
a) Construct validity	Data collection	Multiple sources of evidence
b) Internal validity	Data Analysis	Pattern matching, explanation building
c) External validity	Research Design	Use of existing environmental stakeholder theory
d) Reliability	Data Collection	Interview protocol and database

methods used to ensure internal validity Creswell (1998).

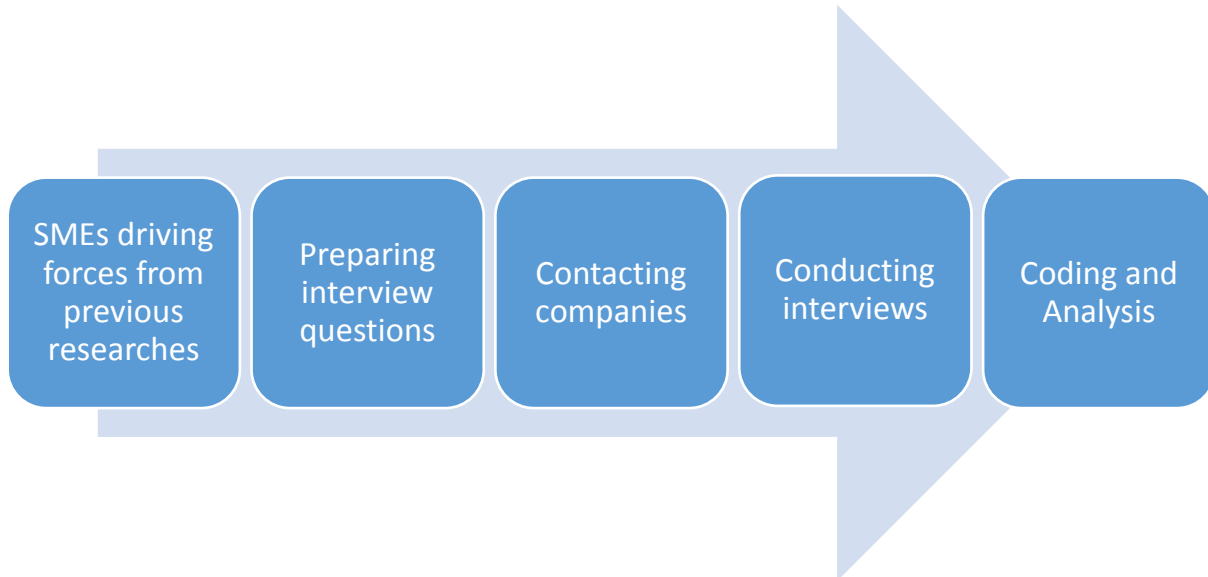
**Table 3. Validity test for case study**

The external validity test is used to find out whether the particular case study observation can be generalized to other broader theory. This has been established by using external environmental stakeholder theory (Banerjee et al., 2003).

Reliability was established by using interview protocols and interview database. The interview protocols were reviewed and revised by the supervisor upon the interview process. Multiple sources of data were collected to identify the circumstance that leads the restaurants' environmental investment behaviour. Literature research, municipality interview, restaurant manager/owners' interview and Swedish environmental legislation summary will be served as basis for the analysis.

### 3.2 Research design

Firstly the literature research was conducted by gathering the most cited driving forces of SME' environmental investment behaviour as in Table 1. Then these driving forces were categorized in relation to a conceptual theoretical framework of environmental stakeholders. This was followed by creating the interview questions in themes of driving forces and stakeholders involved. Lastly, the gathered data will be categorized into different driving forces by pattern matching and coded into themes.



**Figure 3. Research process**

Firms in general, including SME, are also influenced by the economic and political environment of the physical location in which they are operating. Therefore review of Swedish environmental efforts and policies was conducted and summarized as a base for the analysis.

It has become more evident that there was a need for empirical research on driving forces for environmental investment in the food service industry. The following has become more apparent during the literature search (1) there exists a lack of empirical studies assessing SME green investment, especially in the food service industry and (2) a lack of empirical studies on local environmental management systems.

The first municipality interview was conducted in order to confirm the researchers' hypothesis about the research gap and the decision of the case study unit. The municipality interview confirmed the absence of the empirical research mentioned above and made the research question clear and valid.

### **3.3 Data collection**

The contact details of the restaurants operating in the area was provided by the environmental department of Gothenburg municipality. A total of 43 restaurants were first emailed in Swedish followed by English to see if they would be interested in participating in a masters' thesis research in restaurant industry. A brief explanation of the project followed by request for their availability during two weeks from November 9 to November 22. After 2 weeks emails have been sent off, 5 of them agreed to be interviewed, date and times were set.

All interviews were conducted in English. Given all the respondents were Swedish, some of them did not feel comfortable speaking in English. Due to this reason, the interviews were not recorded; instead the researcher took notes and transcribed them. The transcribed interviews then were sent to the respondents for confirmation.

Two interviews were conducted with Gothenburg municipality officials and five interviews with restaurant managers/owners. Municipality interviews were done in order to get familiar with the background of the environmental diploma; open-ended semi-structured interviews were conducted. The first municipality interview was done in person prior to interviews with the restaurant owners and the second one was done afterwards over the phone due to location restrictions. Both municipality interviews took 30-40 minutes.

Interviews for restaurants were predesigned within the theoretical framework (Banerjee et al., 2003) themes of environmental stakeholders of the organization: top managers, public stakeholders, institutional stakeholders and other strategic motives. Two extra themes were added in order to better understand the restaurant managers, barriers and suggestions. The barriers were adopted from (Hillary, 2004) work on SME barriers and challenges adopting environmental management systems.

Two different sets of interview questions were prepared, one for restaurants already using the environmental diploma (2) and one for restaurants that are not using environmental diploma (3). During the research it became clear that three restaurants are not using the environmental diploma have already started the process and have not yet completed it. Therefore the first set of interview questions have become relevant to use for all.

## 4 Empirical data presentation

This purpose of this chapter is to provide an overall understanding of the empirical data collected during the research by firstly laying out the general Swedish context in relation to ED and finally supporting the food service industry cases in the city of Gothenburg.

### 4.1 Swedish context

Sweden is famous for its progressive environmental initiatives, including the Swedish environmental objectives. Every Swedish company should work with environmental issues in different forms and environmental sustainability courses also have become one of the most important subjects in school. Swedish public awareness and environmental concerns rank very high internationally (Pratt et al., 2014). However, only by the early 1960s Sweden started to concentrate on environmental conservation due to the negative industrial impact. The Swedish environmental protection agency (SEPA) was founded in 1967 and their first environmental act came in force in 1969 and remained active until the 1990s (SEPA, 2010). The act regulated the permissions for industrial plants and emission levels of different industries.

#### 4.1.1 Swedish Environmental initiatives and effort

Up until the 1930s, Sweden had a very low standard of living, a low quality of drinking water and poor housing conditions in the countryside (Karlson and Kuznetsova, 2007). After 3 decades the Swedish society for nature and conservation (Naturskyddsföreningen) launched a campaign to change the populations' attitude towards littering and motivate people to take care of their environment. At that point, rubbish collection was also made compulsory.

In 1983 the National Environment Protection Board and Swedish Recycling were founded (SEPA, 2010), from then on aluminium cans and plastic bottles were recycled.



**Figure 4. Development of Swedish environmental efforts**

After Agenda 21 in Rio de Janeiro in 1992, the Swedish public became very active and started all kinds of environmental projects (Karlson and Kuznetsova, 2007) such as ecological schools, environmental teams of households and the environmental diploma.

The main idea of Agenda 21 was that governmental bodies, municipalities, businesses and other organizations were to work together for the environment. The Gothenburg environmental inspectors at that time found a need to reward the environmentally progressive organizations in contrast to poor performing ones (Municipality Interview 2). The environmental diploma came into act when Gothenburg city was hosting the World Athletic Championships in 1995. The city council considered the world championship as a good



opportunity to market Gothenburg City's environmental efforts made so far (municipality interview 2).

#### **4.1.2 National level and municipality level environmental regulations**

In 1999, the new Environmental code, compliant with all the EU environmental legislation framework, came in force as a more coordinated and powerful legal tool (Swedish EPA (Environmental Protection Agency), 2010). The aim of the Environmental Code is to promote sustainable development and ensure a healthy environment for both current and future generations. The environmental code also covers the regulations for national parks and reserves as well as biotope and shoreline protection. Along with regulations regarding the protection of species, the purpose is to preserve biological diversity (Swedish EPA (Environmental Protection Agency), 2010).

The municipal environmental policy in Gothenburg states that environmental consideration should be an integral part of the decisions takes at all levels and everyone should work together towards achieving a good living environment and sustainable development (Gothenburg Environmental report, 2013). There are also environmental quality standards for both water and air for municipalities (Gothenburg Region administration, 2014). The municipalities are required to monitor and follow the standard.

In 2013, Gothenburg municipality produced the first environmental program along with the action plan extending until 2020. Gothenburg municipality has developed 15 environmental objectives in their action plan derived from the Swedish national environmental objectives: reduced carbon footprint, increased proportion of sustainable travel, a healthier living environment, promotion of biodiversity, availability of varied parks and natural areas and to remain as a pioneering city (Gothenburg environmental report, 2013).

In relation to one of Gothenburg's environmental objectives to support sustainable travel, Gothenburg & Co. launched the Sustainable Gothenburg project, to make the city a world leading sustainable destination for meetings and events in 2010. Gothenburg & Co. manages this project in co-operation with the Environmental department, hotel and restaurants associations, transport companies, exhibition and conference venue organizers. The efforts paid off and Gothenburg became the most sustainable Nordic destination in 2013. As a part of the project Gothenburg & Co. aims to have more environmentally certified venues for the visitors (Gothenburg & Co., 2014). This is exemplified by the fact they aim to have all restaurants in the restaurant association certified by 2020.

#### **4.1.3 The environmental diploma**

The environmental inspectors in the municipality were using an environmental checklist to determine the organizations environmental friendliness prior to Agenda 21 and the launch of international and European environmental management systems (Municipality interview 2). In 1995 the environmental diploma found most of its shape and become more of an

environmental managements system rather than just the inspectors' tool. The environmental department worked on developing a less complicated EMS that fits SME in comparison to ISO 14001 or EMAS. The World Athletics Championships in 1995 proved to be a great channel to promote Gothenburg's green profile. The environmental department, field biologists and the Gothenburg regional administration council joined forces to create Gothenburg's green profile as a part of the world championship organizing committee. The greening of the service industry was the main focus throughout the Gothenburg region. Around 57 organizations were certified during this period. After this, the environmental diploma work was extended to the construction industry and others. Later the scheme extended to 25 other municipalities. After three years, the basic environmental education training for employees was added to the diploma work (Municipality interview 2).

By the early 2000s, there were many different organizations working with different environmental schemes in Sweden. The Swedish national research council (Vetenskapsrådet) took the initiative of creating a Swedish environmental base standard (Svensk miljö bas standard) that can be shared and used among private, public actors using any type of environmental scheme. In June 2005, the Swedish Society for Environmental Base was founded. By combining seven existing Environmental Management Systems, a common environmental certification standard was created. Currently there are 700 organizations certified with an environmental diploma in Sweden. Around 500 of those are in Gothenburg region, 200 private firms and 300 public organizations including schools (Municipality interview 1).

The typical environmental diploma process for an organization starts with environmental legislation compliance. An organization should be compliant with the Swedish environmental code and other specific municipal regulations. After having fulfilled that, they should create an environmental policy, action plan, purchasing plan and fill the checklist. The environmental training for the employees should also be conducted prior to the review process. Once an organization has provided the required paper work, the issuing organization conducts an environmental review (Municipality interview 1).

If the organization fulfils 75% of the initial criteria, it grants the environmental diploma. The issuer of ED then suggests improvements and the organization is asked to implement the improvements until the next review. The review is conducted on a voluntarily basis once a year.

The costs associated with environmental diploma are as follows: a diploma fee, an environmental review and environmental training for staff. For a micro organization it would cost around 4000-5000 SEK and bigger organizations can cost up to 30,000SEK -40,000 SEK for the environmental review. An organization pays a yearly fee of about 4000SEK for the diploma. The last, but the most expensive cost to the firm is the environmental training for all their staff. Four hours of basic environmental knowledge training should be provided and depending on the size of the group, the training cost differs and can be up to 1900sek/person.

Further environmental education training should be provided once every 3 years within the firm's businesses area (Municipality interview 1).

The hotel and food service industry is one of the slowest and most reluctant in using these systems. Recently Gothenburg & Co. initiated a project to involve restaurants to improve their environmental impact status. With help from the Gothenburg restaurant association, they are offering the environmental training free of charge for all the restaurants in the association. The first phase of the project ran well and 5 restaurants were certified with environmental diplomas. The second phase of the project is given introduction seminar to 35 restaurants in total but the adoption rate is still unsure (Municipality interview 1).

#### 4.1.4 The environmental legislations for restaurants

Food serving entities including restaurants operating in Sweden are obligated to follow a set of environmental regulations at their work place. This includes sorting and handling the wastes properly, creating labelled list of all the chemicals, employing people with relevant skills and constantly doing internal inspection control.

**Table 4. The environmental legislation for restaurants operating in Sweden.**

Area	Supporting regulations	Requirements
Hazardous Waste / Waste Disposal Ordinance	SFS 2011: 927 The Swedish waste ordinance	-Responsible for collection of waste and makes sure they are sorted and handled properly. -All employees should be informed about the procedures.
Chemical Handling	Environmental Code Chapter 2 and 14 SFS 1998:808	-All the chemicals should be labelled and listed - Eco labelled chemicals should be preferred
General rules of procedures	Environmental Code Chapter 2 SFS 1998:808	All staff have relevant skills for their job
Food Act SFS	SFS 2006:804	Internal operation and inspection control

Detailed description of the environmental legislations for restaurants operating in Sweden and its unique environment and procedure is discussed below.

##### *Hazardous Waste / Waste Disposal Ordinance*

In Sweden, each municipality is responsible for their waste collection systems, the municipalities produce their own guidelines and regulations. Swedish waste collection responsibility is divided among different stakeholders depending on the origin of the waste. Household and business wastes are collected either by municipality or the private waste management companies. In Sweden 70% of the household waste is outsourced as public procurement for private companies.

According to the Swedish waste ordinance (2011) producers are responsible for disposing their own packaging waste, this applies to the entire supply chain. The producers'

responsibility organizations have founded many recycling collection centres all around Sweden. Most small businesses use the same infrastructure as households for collection of their wastes in comparison to bigger organization where they make contracts with waste management companies.

One more interesting fact about Swedish waste collection is that public institutions can engage commercial activities in competition with private sector. The local Government act regulates and sets the conditions for what activities the municipality may engage in within certain sectors. Though municipalities may not impose a price for profit making. The imposed fee only should cover the necessary cost of the operation. When the municipality offering low cost services makes it hard for private companies to compete against each other. Therefore Stockholm city court (2010), Anti-competition act was in practice. According to this act the public entities that have engaged anti-competitive sales activities will receive a penalty or fine (Organization for economic Co- operation and Development, 2013).

Under this ordinance the restaurants are asked to be responsible for their waste collection. All the employees also should be informed and updated about the procedures on how to handle wastes and hazardous wastes.

#### *Chemical handling and General Procedures*

The Swedish environmental code aims to ensure a healthy and sound environment for present and future generations. Human health and the environment should be protected from damage by any negative impacts. This act contains general considerations such as precautionary principle, polluter pays principle, recycling and localization of activities (Swedish EPA (Environmental Protection Agency), 2014).

According Chapter 2 in Swedish environmental code, chemicals should be handled carefully and should not infringe upon human health or the environment. The users and producers of the chemicals should know and possess all the necessary information about the risk of their characteristics in relation to human health and the environment. All the chemical products should be properly labelled including all the relevant information.

In relation to chemical handlings and waste collection ordinance, all the staff members should be informed and educated about the general procedures of handling chemicals and waste separation. All members of the organization pursuing any activity must take precautions to conserve raw materials and energy to re-use and recycle them.

### *Food act*

The Food act (2007) is to reinsure the protection of human health and consumers' interests in relation to food. The act covers the stages of food production, processing, distribution and delivering for the final customers.

The local government or government authority has the right to issue regulations to protect human life and the interests of customers. According to Gothenburg Municipality, the food inspections are done on a yearly basis and the inspections can be done spontaneously within a year frame.

The Gothenburg municipality procedures demands the restaurants to have (1) control systems with simple routines, (2) Safety and maintenance of the equipment and facilities, (3) Proper packaging and labelling of raw materials, (4) Safe handling of chemicals, allergies, pests, (5) food waste and storage, (6) Cleaning and Disinfection routines, (7) drinking water quality and (8) staff hygiene (Gothenburg Municipality, 2014)

According to the Food act, the food business operators should exercise internal control of operations to provide safe and healthy food and should demand to present animals for slaughter to provide information.

#### **4.2 Food service industry case description**

The following section will represent the information recorded during the interviews and will partly serve as a basis of analysis for the next chapter.

Two of the interviewed restaurants already had granted their ED and the other three restaurants were in different stages of the environmental diploma process. All of the five restaurants were members of the restaurant association and had received the environmental training for staff free of charge. All of the restaurants were well established, running for 9 years on average with one outlier of 30 years. As Swedish west coast nature, most of them were serving either seafood or Swedish gastronomy.

The restaurants had 12-50 full time and part time employees. Two out of five could be categorized as upscale fine dining restaurant and the remainder of them were midscale dining restaurants. The restaurant businesses were holding personal and business events, catering and serving daily customers. For the two upscale restaurants, holding events for business network was one of their major activates. Among the midscale restaurant, one was catering intense and other two were generally serving the daily customers.

**Table 5. General information of the restaurants UA\* Unavailable**

Restaurant	Position of the interviewee	Number of employees	Food service type	scale	Estimation of income
R1	Restaurant manager and environmental manager	37+10	B to B and B to C	Upper scale	UA*
R2	Owner/ environmental manager	25 on average	B to B and B to C	Upper scale	20-27 million SEK/year
R3	Restaurant manager/Environmental manager	10+10	B to B and B to C	Mid upper scale	UA*
R4	Head chef/ Environmental manager	18	B to C	Mid upper scale	200-250 customers/week
R5	Head chef/ environmental manager	16	B to C	Mid upper scale	700-750 customers/week

The interviewees were the environmental managers of the restaurants. The environmental ‘managers are responsible for documenting the current environmental status of a restaurant, producing the environmental and purchasing policies, planning & implementing the environmental improvement plan, integrating the environmental policies to their daily activities, etc. The environmental manager’s duty in the restaurants were attached and added to one full time top management position. There were three restaurant managers and two restaurant chiefs interviewed.

**Table 6. Environmental diploma process among the restaurants**

Restaurants	Environmental review	Environmental training for staff	Student consultant
R1	Yes, 2014/Sep	Trained	Yes
R2	Not yet	Trained	Yes
R3	Yes, 2014/ Sep	Trained	Yes
R4	Not yet	Trained	Yes
R5	Not yet	Trained	Yes

Out of five restaurants interviewed two of them have done the environmental review and awarded with the environmental diploma in September 2014. The rest three were in different stages of the diploma process. All five restaurants also had received environmental training for their staff free of charge, funded by the local restaurant network. Each restaurant also received help from student consultants during the paper work consolidation.

#### **4.2.1 Institutional stakeholders**

Given all the restaurants were a part of the restaurant network and agreement of employing Environmental diploma among the restaurants served as an institutional force. The managers were asked to express their opinion in relation to current environmental legislation they are following and whether if the legislation was the only reason to take care of the environment. All the managers were generally happy with the current environmental legislation but some mentioned more strict regulations on pollution control also could be helpful. Also all refused that legislation is not the only reason that they do things about the environment. There are always people doing more than others regardless of the regulation.

#### **4.2.2 Internal stakeholders -values and interests**

As the managers asked to explain their motivations for investing in an Environmental diploma, the two upscale restaurant managers' main motivation was to keep their strategic business customers, which are Gothenburg municipality, Gothenburg &Co and other businesses. These two restaurants hold events and activities for afore mentioned organizations and they require them to have an environmental diploma. Both restaurants would consider continuing investment in environmental diplomas for later years to keep their agreement with the restaurant union and business customers. For these two restaurants ED adds value for their business customers. However one of them expressed his unwillingness to invest in ED unless it was for the restaurant union.

The three midscale restaurants all wanted to communicate their environmental work to their customers. Show their customers that they care about the environment. All also agreeing on they would have considered an adoption of environmental diploma without municipality and restaurant association involvement. Although all assured the restaurant union initiative played a big role on starting with the actual environmental diploma process.

The three midscale restaurants also shared a common expectation from investing in an environmental diploma. The involvement of employees in their environmental effort to make them feel included and communication of their environmental work to their customers.

Questions regarding if the restaurants would save costs and attracted more customers with the environmental diploma: three managers were absolutely negative about environmental diploma will help them to save cost or either attract more customers. Only one manager could see an improvement in reducing food waste and hoped to reduce even more so does the costs for handling it.

### **4.2.3 Public stakeholders**

All five restaurant-managers did not feel any pressure or demand from their daily customers demanding ecological or ethically produced food. This was only rarely questioned when holding or catering bigger events when the end consumers have no decision over the product or service provided. Four managers also expressed that their colleagues and boss do not engage in any conversation about environmental or environmental impact of the restaurant in their work place. Only one of the managers mentioned the efforts of their colleagues' initiatives in doing things better.

All but one manager said the employees were very happy about their environmental initiatives. Employees felt included, excited and very happy about the fact the work place was doing something about the environment.

### **4.2.4 Top management**

When the managers were asked about individual and business responsibilities in relation to environmental impact, all of them emphasized the importance of everyone taking responsibility for their action. Leaving a safer place for future generations and the importance of taking care of the environment was mentioned as reasons for why people should be responsible for their actions towards the environment. Four out of five respondents gave concrete examples of what they do at their work place and their personal lives to reduce their environmental impact. Using bikes and public transportation as a means of transport, sorting garbage, buying ecological products, using energy saving lights, the use of renewable energy was named as common practice.

Also the cost and other limitations on ones' or businesses' environmental friendly behaviour was noted. Ecological and environmentally certified products are sometimes less preferred due to the budget limitations.

### **4.2.5 Additional forces**

The managers were also asked to address the difficulties and challenges they were facing through the Environmental diploma process. All 5 managers felt the environmental diploma was affordable and were very satisfied with the help they got from students through Miljöbron<sup>1</sup>.

Three managers felt the paper works were hard and took time for them to finish working on it. Especially they did not know where to find the information that's asked. One manager even mentioned that it was not designed to be easily understood. Though with help they received from students they all managed to finish the paper work.

Since the restaurant industry is very busy and the environmental manager does work for two positions, it took most of them longer time to complete the diploma process.

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<sup>1</sup> <http://miljobron.se/> a NGO connecting students with companies.



Nevertheless all managers were also satisfied with their integration of the environmental diploma at their work place. As the managers said, most of them had well established working routines and therefore it was easy to integrate some new routines.

#### **4.2.6 Identified weaknesses in ED**

Managers were asked to reflect on the slow adoption of ED among restaurants and efforts of the municipality in relation to greening the SME.

Pre-assumption of high cost and time (3) unawareness (2) has been mentioned as potential cause for slow adoption. Also difficulty finding a key person dealing with the environmental diploma. That person needs to be someone who knows the business well, the kitchen, the suppliers, the customers, the employees and also someone whom truly cares and understands the importance of it (R3). Most of the time those people are the restaurant managers, owners or the chiefs and they are the busiest of all. To some, the diploma documentation process can be complicated and time consuming, especially for the key busy personals.

Regarding the ED training, responses varied among: the training was useless and boring (1), the training made no difference (1), interesting and encouraging (3). There were a number of suggestions raised for the municipality's effort and work towards receiving an environmental diploma: (1) examples to utilize ED for marketing, (2) a clear separation of inspection and ED coaching duties, (3) more and proactive coaching techniques, (4) direct and easy to reach contact person, (5) simplification of ED documentation process, (6) introduction of environmental diploma at restaurant schools.

#### **4.2.7 The municipal context**

The two municipality interviews were conducted in order to familiarize with the general procedures of the environmental diploma work also to understand the municipality's perspective and their efforts in relation to greening the SME. One of the founders and current specialists for ED work was interviewed. Some parts of the municipality interviews is already included in previous parts of the research. Therefore relevant complementary municipality interview data is presented here.

Municipality does not offer any tax or other initiatives for environmental diploma granted organizations and did not keep complete records of ED certified organizations. Gothenburg municipality is one issuer of ED among other private organizations who are licensed from the Environmental base. Therefore as a public sector actor they do not have any rights to promote ED as an issuer. The municipality mostly relies on word of mouth to spread the words about environmental diploma and understands the need to update the information on the website.

When asked about the first step of the ED, the environmental compliance of the organizations. It has become clear that environmental department does not provide any support for the interested organizations and noted this was communicated by the other departments of the municipality not by the environmental department.

The municipality was asked to reflect on low adoption of ED among restaurants and they considered time and resource limitations as the main barriers for organizations adopting environmental management systems. The difference between the industries was noted: for business to business companies it is easier to define and demand the suppliers to be environmentally certified compared to business to customer oriented organizations. They do not have power to influence the supply chain and customers do not demand certain environmental certification.

Low awareness in the general public and less customer demand was also mentioned as potential drawback in adopting ED, even in the public sector. Hence another problem related to slow adoption of ED could be that inspectors from the municipalities may lack of time and competence to help the SME. (Municipality interview 2)

## 5 Analysis and discussion

This chapter aims to address the research questions stated in chapter one, based on the theoretical framework and empirical data. The research questions was: How do stakeholders, and driving forces influence small food service firms to invest in environmental measures? From the empirical data, it became clear that public and legislative stakeholders had no motivational influence for the restaurants environmental investment behaviour. Although all the restaurants were affected differently by the institutional pressure from the local restaurant network and tourism bureau initiative to green the industry. The upper scale two restaurants were somewhat more affected by this institutional framework, which could also be related to their other incentives for their business.

All 5 respondents felt absolutely no customer or public pressure for environmental responsible act, instead some (R3, R4) were trying to educate and communicate their environmental work by offering locally produced products and including more vegetarian options on the menu. Legislation did not play any role in respondents' environmentally friendly behaviour as a pressuring factor. But on the other hand as described in the previous chapter, the restaurants working in Sweden are obligated to follow certain environmentally friendly practices by default. Some believed there's always someone doing more regardless of the regulations.

**Table 7. Restaurant pressures from different stakeholders.**

Restaurants	Top management commitment	Intuitional and legislative pressure	Public pressure	Business performance incentives
R1	High	High	Low	High
R2	Low	High	Low	High
R3	High	Low	Low	Low
R4	High	Low	Low	Low
R5	High	Low	Low	Low

There were two main driving forces among the restaurants invested in environmental diploma: (a) keep relation with key stakeholders, (b) to show their customers and employees that they care about the environment. Behind these driving forces there were two important factors to relate: green state of the business, size and business area. Firstly the "green" state of the restaurant had a role to play. All three restaurants (R3, R4 and R5) had already very good environmental status prior to the environmental diploma process. And therefore it was a natural transition for them to want to show their environmentally friendliness to the customers and employees.

Second factor was the size and service area of the restaurants. Both R1 and R2 were bigger in size compare to the other three and their main driving force to invest in environmental diploma was to maintain the relationship with key stakeholders. These two restaurants have business to business sales orientation and work with a few big business customers for holding events and conferences for them. In contrast the mid-scale, smaller restaurants were business to end consumer oriented and motivated by their internal stakeholders.

From the empirical data presented in previous chapter following can be summarized as important stakeholders in driving ED among restaurants business in Gothenburg area: (1) local government and legal framework, (2) Local restaurant network and tourism bureau, (3) Environmental manager/owners and (4) Student consultants as catalyst.

### **5.1 Institutional forces**

The Swedish legal framework allows the municipalities to do commercial activities with no profit making reason. This also allows and gives incentives for the municipality departments to do consulting for the environmental diploma. Since the municipality can compete for the consulting work against the private consulting firms they also have a good incentive for broadening the environmental diploma framework. The fact that the municipality consulting service is not the cheapest compared to the other consulting firms helps to maintain the fair competition among the public and private entities.

Though more systematic municipality work in relation to environmental diploma seems to be lacking. The municipalities' current approach is more ad hoc strategy relying on word of mouth and other local network's initiative. The municipality also has the power to use push strategies for the restaurants cooperating with municipal organized bigger social events.

However municipalities' position in relation to ED could be confusing for some. From the current web content its' difficult to understand the municipalities position for the diploma certification whether they are issuing, consulting, coaching or organizing. This also might have caused confusion for some of the restaurants since the environmental department of the municipality is also the inspection body for the restaurants. R4, R3 and R5 has also expressed that it was difficult to reach the contact person or it was unclear who to contact.

On top of these more comprehensive action plan on how to communicate ED seem to be missing. This also could be related to the lack of knowledge and competence of the inspectors at the municipality.

### **5.2 Social network forces**

The adoption of environmental diploma in all 5 restaurants were related to the local restaurant network to some extent. The tourism bureau, Gothenburg & Co. has developed an ambitious goal of becoming the most sustainable destination for international events and conferences by 2020. This includes the greening of the service industry, restaurants and hotels. As part of their master plan, bureau cooperated with local restaurant network to fund the environmental training costs for the restaurants within the network. The environmental training cost is considered to be the biggest lump of cost in environmental diploma process.

However all five respondents would have invested in the environmental diploma regardless of the training compensations. For some (a) communication of environmental work and (b) maintaining key customers, were reason enough to invest in an environmental diploma.

Though the restaurant managers also expressed, bringing ED to a local network was a kick start for many of them. Monetary compensation for training was a less incentivizing factor compared to greening the network. Individual restaurants seemed to be more encouraged to do ED by finding out doing all together and greening the network.

### **5.3 Internal values and interests**

The restaurants whose driving force was to communicate their environmental efforts, had higher environmental managers' involvement in comparison to those motivated by their key stakeholder pressure.

Environmental managers/ owners' commitment, attitude and their involvement in the environmental diploma work had high correlation with their efforts and success of their environmental management systems implementation. The environmental managers with high involvement in implementation (R3,R4,R5) could bring up problems they have faced during the process and openly discuss how it can be improved. Their effort in including the employees in the process was also much higher than the ones that were less engaged. They also have mentioned the employees are much happier and more engaged and included with the work they were doing regarding the environment. "The employees were excited and engaged after the training, some implemented changes in their personal life too "(R3)

In contrast the ones who had less involvement (R1, R2) with the environmental diploma process, said they had more help from the consultant students and heavily relied on their involvement. In these cases employees were either indifferent or bored after the environmental training process, and therefore employees were also less involved and interested in their work in relation to environmental protection.

### **5.4 External forces**

As mentioned in previous chapters, one of the factors that were pulling back SME in investing in environmental measures was proper consultancy and guidance. Gothenburg municipality in cooperation with the local restaurant network and with help of Miljöbron has solved this problem by bringing environmental field students in. Miljöbron is bridging organization between students and other organizations within the environmental and sustainability field.

All five restaurants had 2-3 students coming and helping them for the environmental diploma work. The students provided the expertise they lacked and gained practical experience, short internship credits for their studies. The restaurant managers were all very satisfied with the help they got from the students, some even mentioned, "the work would not have been done without their help." They knew exactly who to call and what to ask "(R1). The consultant students seem to be play very big catalyst role in speeding up the implementation process for receiving an environmental diploma.

## **6. Discussions**

The purpose of the study has been to investigate driving forces behind small firms' environmental investment decision making and increase the understanding of how small and medium sized restaurants respond to publicly supported environmental initiatives. In this chapter research implications of the case study will be presented as a general discussions on how to better involve the SME in environmental work and further make suggestions for Gothenburg municipality's environmental diploma work.

As presented in chapter 6, there were four driving forces behind the restaurants motivations investing in environmental measures. In relation to those driving forces, the following research implications are stated to involve more small firms in environmental protection.

### **6.1 Institutional forces**

There is a framework that allows public and private stakeholders to cooperate in working towards solving environmental and sustainability issues. Having a local legal framework that allows the municipality to be a part of such environmental schemes and engage in commercial activities could foster involvement of more SME in environmental protection. Since the involvement of local governments can serve as a bridge between environmental policies and objectives of the local government. The Gothenburg municipality environmental policy states that environmental consideration should be an integral part of the decision in all levels and everyone should work together towards achieving a good living environment and sustainable development (Gothenburg Environmental policy, 2013). Thus the environmental diploma work is also supported by the local government in the policy level and serves as the Gothenburg municipality environmental policy implication tool.

### **6.2 Social network forces**

Utilizing local networks to incentivize the greening of the industry could be an effective method to involve more SME in environmental work. Institutional conditions may influence the company's motivations behind adopting socially responsible behaviour of any kind (Campbell, 2007). The chances of an organization acting responsibly increases when it becomes as a normative standard and their behaviour is affected by the community leaders and stakeholders' perception of their effort (Babiak, 2011). Therefore using the local networks and communities as a channel to communicate the importance of small business responsibilities in environmental protection could be effective.

### **6.3 Internal values and interests**

The importance of engaged top management and employees played integral part in ED implementation. During the research, the vital role of environmental manager/ owner's efforts and commitment in overall environmental work of the small firms became more evident. This also aligns with findings from previous research on SME (Bianchi and Noci, 1998; Hillary, 2004). The owners/environmental managers were the main force in driving the overall process of development of the environmental programs. Thus creating more awareness and

informed managers/owners in small firms could foster involvement of more firms towards investing in environmental measures.

#### **6.4 External forces**

As previous researchers have found out, one of the most pressing challenges for small firms to integrate environmental management systems was a lack of proper guidance and consulting. As from this study, environmental and sustainability students who worked as consultants to the firms filled the gap perfectly. The students gained important practical experience working with real life problems and the firms received the proper guidance and help that was needed. Therefore in absence of proper and expensive guidance for small firms the student consultants can be utilized.

#### **6.5 Municipal context**

As stated in the research implications, there are some good practices that could be learned and utilized from local environmental management systems used in Gothenburg. Though as noted, during the previous chapters in the study, there are some measures that could be improved. Three recommendations for the existing framework of environmental diploma in Gothenburg in order to involve more small firms are summarized below.

- (1) Creation of a complete database for the environmental diploma including incoming, outgoing and upgraded organizations over the years. Knowing the number of the diploma organizations maintained, discontinued and upgraded after a number of years would help the municipality to understand the behaviour of the organizations and the reasons behind their actions. This also could be complemented with the environmental diploma feedback systems.
- (2) Creation of a constant environmental diploma feedback system. The municipality and other organizations issuing certifications to firms seem to have a very little feedback after the environmental review process. This feedback system could create a better understanding of the problems and difficulties that firms are facing during the environmental diploma process and to further develop more effective and easy to use environmental management system. This also gives the opportunity for Gothenburg municipality to evaluate their environmental diploma method and update it with practical adjustments.
- (3) Creating a proactive action plan for spreading environmental diploma instead of using reactive strategy and relying on word of mouth. Having a well-planned proactive strategy with easily available up to date information about environmental diploma and frequent information session and campaigns would definitely change the rules of the game.

## **7 Conclusions**

The aim of the study was to investigate driving forces and related stakeholders for small firms investing in environmental measures and to understand how to motivate them and to sustain their interest. This started by defining the main stakeholders driving their environmental investment decision and has been tested throughout the case study.

The study has found two main driving forces behind the restaurants' environmental investments: (1) keep the relation with key stakeholders and (2) to communicate their environmental efforts. There were also a high correlation between the firms' size and their environmental investment behaviour. The bigger firms main driving force was to keep the relationship with their key stakeholders and smaller firms wanted to show their employees and customers that they care about the environment.

The upscale, business customer oriented restaurants driving forces were their business performance and were mostly affected by the external stakeholders, including institutional stakeholders. In contrast, smaller, end consumer oriented, mid-scale restaurant driving forces were the internal stakeholders and were oriented towards communicating their environmental affiliation. This finding suggests an extension to stakeholder theory that firms are influenced by different sets of stakeholders depending on their size and their customer orientation.

By recognizing the varying driving forces among different sized restaurants, appropriate strategies to sustain their interest in environmental protection should be considered. For the bigger restaurants using the institutional pressure from local authorities and pressure from other business networks would be a more effective method to motivate them and sustain their interest in investing in environmental measures. In contrast, since the smaller restaurants were motivated by their internal stakeholders, their interest in investing in these measures will be maintained as long as they have enough financial and human resources.



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## **Appendixes**

### **Interview questions for companies already using Environmental diploma**

#### Basic information

1. For how long the restaurant is running for?
2. Number of employees?
3. Number of customer a day/week/ month
4. Amount of sales?
5. Type of food
6. Average lunch/dinner cost:
7. Position of interviewee

#### Top Management Commitment

1. Do you think individuals and businesses should be responsible for their environmental impact? Why and why not?
2. What do you personally and in your working life to reduce your Environmental Impact?
3. Do you think you are an environmentally conscious person? Why? Why not?

#### Strategic motivations

1. What is your competitive advantage? What makes you unique and better than other competitor restaurants?
2. For how long have you been using ED? How long has it been since you know about it?
3. What was the reason you wanted to invest in ED? (Reduce cost, environmental impact awareness, key stake holders, institutional, new market) would you have done it otherwise?
4. What was your expectation from investing in ED? Have it reached your expectations?
5. Have you been able to cut down your costs?
6. Do you think using ED would help you to attract more loyal customers? Has it?
7. How do you feel about your organization's environmental impact after using ED?
8. Can you name some more benefits of using ED?
9. How does your boss feel about the system?
10. How do you as an Environmental manager feel about it? Does it take a lot of time from you? Too much work?

#### Public Concern

1. What can you say about your restaurants environmental concern and impact? What's is the biggest impact?
2. What do you think about Swedish general public's environmental concern? Do they expect services to be ethically and environmentally friendly produced?
3. How does your employees and customers feel about the use of ED?
4. Do your colleagues and your boss talk about environmental impacts often?

### Legislation

1. Would you consider Environmental diploma, if union did not ask you to?
2. Will you agree that strict environmental regulation is the main reason for you to concern about the environment?
3. How do you feel about the current environmental legislation you are following? Is too strict or too loose?

### Barriers

1. How do you feel about the costs of investing ED? Do you think it's fair? How much have you spend on it all together? Cost break downs?
2. How much time have you spend on fully adopting ED for your restaurants?
3. What were the difficulties in adopting ED?
4. Have you hired consultant from certifying organization? Was he/she helpful?
5. How did the implementation process went? Was it easy to communicate?
6. Can you see or feel any fundamental changes in your organization?
7. How do you feel about your time spending on the ED implementation process?
8. Will you consider keep using the ED? Why? Why not?

### Suggestions:

1. If you are out to give some suggestion for other restaurants who are considering ED as EMS what will be your suggestions?
2. If you are asked to give some suggestions on improving the Svensk Miljobas standard and the implementation process
3. If you are asked to give some suggestion for Gothenburg municipality in order to better facilitate the ED process?