A literature review: What are the SDG issues, directly linked to SMEs, that should be considered by an entrepreneur setting up a new business?

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# Abstract

This review collects research from a large number of pioneering authors within the field of transportation and urbanism, as well as input from active travel charities and news reports on relevant events. It aims to investigate the obstacles to achieving sustainability in both the financial and environmental sense, highlighting political intrusion, red tape, and the effects of the pandemic. There is also an emphasis made, and further investigation into the need for good, well-maintained and inclusive infrastructure if an active travel hire network is to succeed. It looks particularly at the importance of wider industry context including the problems that rival firms large and small, state and private have faced when operating similar schemes and concludes with tailored solutions for a new start-up on how to overcome such issues.

# Introduction

This literature review aims to look at some of the implications and considerations that a start-up active travel mobility hire business should take into consideration when setting up in an already heated market. There is a renewed focus on the United Nations Sustainable Development goals in particular goal 11, about how we as a society build sustainable towns and cities fit for the future *(United Nations, 2021)*. There are four themes that many sustainable transport journals pick up on: Political and legal hurdles, the mixed support for active transport policy making, the sharp increase in rental schemes and rental hires and also the struggle to generate a profit out of these businesses.

# Findings

## Political and legal hurdles

There are a lot of legal hurdles particularly surrounding the safety of e-scooters. As this is a relatively new means of transport, there are a lot of laws heavily regulating their activity. Current e-scooter hire operators in existence are wary of the liabilities they face if a customer - and there have already been a number of accidents *(Evening Standard, 2021)* - are injured. *Sikka et al. (2019)* say there must be more safety awareness campaigns and policymakers, operators and town planners need to be more inclusive of those with disabilities however there is often reluctance to do this *(Nikitas, 2019)*. Active travel operators are also subject to strict privacy protection laws when they collect data on customers which means extra funds may need to be diverted to maintaining security of such data *(Mantalero, 2015).*

Funding for these schemes often come from local governments who can be deliberately obstructive *(Vigar, 2000)* to benefit their own cause, namely politicians seeking re-election by not doing anything their constituents deem too ‘radical’. There is often too much bureaucracy to achieve anything quickly in transport investment, too *(Egan, 2006).*

## Mixed support for active transport infrastructure policy-making

A mass network of segregated cycle lanes have been established, expanded or upgraded in London over the last year *(Sustrans, 2021) (Aldred and Goodman, 2020) (BBC News, 2020).* This has been met with much support, but also vocal opposition particularly from motorists.

In order for active travel in an area to grow, there needs to be high quality cycling and scooting infrastructure *(Toderian, 2007).* People statistically feel less safer and incentivised to cycle in areas with minimal segregation and so cycle and scooter hire schemes typically do not perform as well *(Schepers et. al, 2017).*  A good example of this is locally in Brighton where some of the quietest BTN Bikeshare hubs (averaging two hires a day per hub) are around the self-contained University of Sussex hub in Falmer, where there is no protected cycle path linking the Falmer campus with the rest of the city *(Brighton & Hove Council, 2021).*

A rather controversial active travel scheme has been trialled since last year in the capital and has landed with mixed results. Low traffic neighbourhoods (LTNs) are traffic filters that stop motorists ‘rat-running’ in order to lower pollution and noise in residential areas and enable more active travel. Active travel has increased in many LTNs and has become popular *(Aldred and Goodman, 2020).* This has created pushback in other areas particularly in Ealing and Wandsworth *(Evening Standard, 2021) (The Times, 2021)* where these have been vandalised and ultimately removed after fierce opposition claiming driving time is slower because it is more congested.

On the contrary, it can be argued that the pushback is mostly pent-up motorist frustration at the very quick rise in the cost, and also the inconvenience of driving within the space of a year. The Ultra Low Emission Zone was also expanded last month (October) to cover almost half of London’s population, forcing owners of older cars to abandon their vehicles or pay a daily charge to drive within the zone *(Evening Standard, 2021).*

## Sharp increase in rental schemes and bike and e-scooter hires

Arguably, there has never been a better time to invest in an active travel scheme. Since the beginning of the Covid-19 pandemic, there has been a massive uptick in active travel infrastructure investment by local and national governments *(gov.uk, 2020)* around the country.

Recently, petrol and diesel prices reached an all time high in the UK. Congestion charge hikes and a rise in traffic calming measures have also led to backlash from vocal motorists. However, active travel has its place to convert these drivers as statistics show that 66% of all car journeys in London in 2010/2011 are only less than 3 miles long *(TfL, 2011)*, a short enough distance to reasonably cycle or scoot and discourage car use *(Wood, 2011) (Matthew et. al, 2019) (Aldred and Goodman, 2020)* with great health benefits *(Cavill and Rutter, 2010).*

An e-scooter trial in some London boroughs, and Canary Wharf, earlier this year which has seen over 350,000 hires as of last week [November 5th] *(Evening Standard, 2021)*. A 30% increase in account registrations for the scheme happened in the week following the ULEZ expansion prompting 10% more journeys being made overall. Santander Cycles has celebrated some of its highest ever level of hires during the last two summers as good weather and better infrastructure prompted an influx of casual fairweather cyclists to take to two wheels *(TfL, 2021) (london.gov.uk, 2021).* However it is important to stress that active travel usage is seasonal, with peak demand being in the summer months when the weather is encouraging *(Nankervis, 1999).*

## The struggle to generate a profit

To many businesses, the bottom line is about profit and many similar active travel hire operators have had to face difficult calls in order to remain financially sustainable. Toderian *(2007)* believes profitability should not be the decision maker as these schemes should operate for the greater good. He does not address how the scheme can fund itself sustainably which is important for an SME. Toderian’s suggestion, given his background working for various local governments, indicates a belief that such schemes should either be directly operated by local authorities or receive a form of subsidy from [them] to be viable. It is noteworthy that most bike hire schemes in the UK have a form of government involvement, usually through directly operating or overseeing the scheme *(Sustrans, 2019).*

A recurring point mentioned from other journal articles is how expensive it is to operate these schemes. CNN *(2019)* mentions that rival hire firm *Jump* had to retract a lot of its overseas operation as it became financially unsustainable to operate. They cited vandalism, theft and high maintenance costs as one of the biggest drivers of loss. This is a point also mentioned by *Nikitas (2019).* In the first six months of the cycle hire scheme in London in 2010, over two-thirds of the bike fleet needed significant repair *(Sutton, 2011).* TfL has tried to combat theft by rolling out GPS-technology on their fleet of bikes and also retrofitting bikes with anti-puncture tyres *(TfL, 2017)* in a bid to minimise scheme running costs. It is crucial to keep costs as low as possible; Litman *(2004)* stressed a point that over-investment in rental hire schemes is something that must be avoided if they are to expand in the future. Financial sustainability is a key component in enabling environmental sustainability.

Profitability is still possible. The Guardian (2010) reported that the TfL cycle hire scheme was on track to be profitable, just weeks after launching. This was attributed to not over-investing with unnecessary features such as integrating the scheme into the Oyster card ticketing system or providing riders with safety helmetsand carefully expanding the network only in areas where high demand was expressed. NextBike, a private operator, operates bike hire schemes within Glasgow and stays profitable through sponsorship with various corporations such as RBS, similar to the sponsorship deal between London’s bikes and Santander *(BBC News, 2017).*

# Conclusions

It has been proven despite the amount of hurdles presented, that bike hire schemes in the United Kingdom can be profitable but this does require quite a bit of capital to make it work. This requires careful planning. Issues regarding legal obligations and safeguarding regulations can be overcome by seeking legal and technological expertise and employing someone to oversee these issues.

It is important to have safety and safeguarding initiatives in place to protect customers but also the enterprise in the event of any accident. To achieve this, it is imperative to form a meaningful partnership with politicians, the local authorities and city planners in a bid to improve and create active travel infrastructure within your network area. They will often fund many infrastructure upgrades and award grants or loans if the enterprise can present a strong business case which in turn will see more cycle and e-scooter hires. Try to also diversify income and strike a deal with potential sponsors who can provide lucrative income, like in London.

Exploit any infrastructure already or upcoming in your area, and plan your network around this. It’s shown that there is a direct correlation between infrastructure quality and the amount of people who cycle and scoot. Look at areas where there are LTNs, high density housing and low car ownership. Plan the network around landmarks such as town centres, amenities and transport connections. Avoid starting the scheme in areas with high levels of anti-social behaviour when capital is limited. Install technology such as puncture-resistant tyres, guards, and GPS technology to deter theft and damage.

Understand that active travel demand is seasonal and consider that it may be best to start in the early Spring to exploit revenue in the first six months of operation from leisure, fairweather riders. Market the scheme as a healthier way to travel to target the health conscious and have a plan moving forward to grow the business in the longer term.

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# Appendix One - Assignment Brief

**Overview/Assignment Task**

A local entrepreneur starting a new business has requested you to undertake a literature review relating to a functional business area within the enterprise environment. The literature review should lead to conclusions that may help them take actions as s/he begins to establish their business. The entrepreneur has asked that you choose one of the following topics for your review:

Human Resource Management e.g., staffing, workplace policies, compensation and benefits, training and development, regulatory issues, and worker safety.

Marketing e.g., competitors, pricing, sales

Marketing Communications e.g., advertising, digital marketing, personal selling, public relations, sales promotion, and branding

Legal forms of business e.g., Sole Trader, Unincorporated Associations, Partnerships, Limited Companies, Trusts, Community Interest Companies (CIC), Community Interest Organisations (CIO), Industrial and Provident Societies, Commercial Benefit Societies and Financial Mutuals.

Finance e.g., personal funds, family finance, Banks, Government funding, Angel Investors, Venture Capital/Private equity, Grants, Subsidies and Crowd- funding

New Product/Service Development e.g., research including demand and competition, design, and development

Sustainable Development Goals e.g., identify which SDG is directly linked to the start up business - developing targets and KPI’s (Key Performance Indicators), measuring and communicating progress/results, collaboration, SDG strategy

Whichever topic you select you are required to consider the various options, sources, issues and provide recommendations.

The title of your assignment should be framed as a question – please use the following (as appropriate):

A literature review: What are the HRM issues to be considered by an entrepreneur setting up a new business?

A literature review: What are the marketing issues to be considered by an entrepreneur setting up a new business?

A literature review: What are the marketing communications issues to be considered by an entrepreneur setting up a new business?

A literature review: What legal forms of business should be considered by an entrepreneur setting up a new business?

A literature review: What are the different types of finance available to an entrepreneur setting up a new business?

A literature review: What are the new product (or new service) issues to be considered by an entrepreneur setting up a new business?

A literature review: What are the SDG issues, directly linked to SMEs, that should be considered by an entrepreneur setting up a new business?

The entrepreneur has asked that you draw upon a wide range of current academic sources. They feel it is important to call upon well-grounded research and to get a range of perspectives. They recognise it may be necessary on occasions to draw upon sources outside academic journals, perhaps to outline the area or provide current statistics, but ask that these sources are chosen carefully to ensure their accuracy. They ask for a systematic approach to the review and presentation of the findings.

The entrepreneur has asked for the literature to be coherently classified into key themes around which sources and perspectives are drawn, rather than a temporal presentation of materials. They have also asked that different perspectives and views be drawn upon to highlight potential tensions and compromises to be made when taking action. Above all, the entrepreneur wants the review to be useful to them, so the review should synthesise the literature into conclusions and recommendations for them to implement.

The entrepreneur is commissioning several similar reviews so has asked that all reviews follow a common format to aid cross comparison. The guidelines are as follows:

Arial 12-point font

Sub-headings in bold

 Harvard style referencing following the *Brighton Business School Referencing Handbook* (Taylor, 2019)

Only include items in the references that are cited in the main text.

1.5 line spacing, double spacing between paragraphs.

The following structure:

**Title page**

**Contents page**

**Abstract** (not included in the word count of 1500 words +/- 10%)

 o Capturing the key outcomes of the review.

**Introduction** (circa 100 words)

o Set the context.

Briefly explain the approach.

**Findings** (circa 1000 words)

 o Sub-headings for the key themes.

 o The number of key-themes **is set at four.**

Juxtaposition different perspectives and views of issues.

Do not just accept claims from sources, but probe and critique their value. Ensure to explore alternative views.

Provide some form of synthesis at the end of each theme.

Evidence your insights and the intellectual challenge.

**Conclusions and recommendations** (circa 400 words)

o Synthesise the findings from the key-themes into a coherent well-argued answer to the entrepreneur’s question.

 o Develop the themes into a well-argued set of actions for the entrepreneur to consider.

**References**

o Harvard style following BBS Referencing Handbook

o Minimum of 12 relevant academic journal references.

o Minimum of 3 respected industry, government, text or media sources.

No appendices.