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ASSESSING SMES' AWARENESS LEVEL ABOUT SUSTAINABILITY ISSUES: A CASE OF PIETERMARITZBURG (SOUTH AFRICA)-BASED SMES

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ABSTRACT

Sustainability has become a core part of business in the 21st century. Businesses of all sizes and sectors are facing increased expectations to ensure that the world's social and environmental challenges are met, in keeping with the prescripts of Sustainable Development Goals (SDGs). Awareness and knowledge of sustainability concepts is the first step towards encouraging businesses to practice sustainability. This study was conducted to determine the awareness levels of sustainability concepts among SME owners and managers, knowledge of sustainability standards applicable to their enterprises as well as their familiarity on sustainability related regulations that may impact their operations in South Africa. A quantitative research approach was adopted, where questionnaires were distributed to the SME owners and managers in Pietermaritzburg area of South Africa.182 SMEs participated in this study from a sample of 252 SMEs. It emerged that corporate social responsibility is a concept that is well known by the SMEs, while cleaner production and national energy strategy were the least known concepts. Concerning sustainability standards, ISO 14000 is well known while OHSAS, Global Reporting Initiative and Carbon Disclosure Project concepts were least known by SMEs. Lastly, results indicated that SME managers and owners know sustainability related legislations well.

KEYWORDS: Sustainability Concepts, Standards, Sustainability Legislation

INTRODUCTION

South Africa is a country committed to sustainability, in line with the global Sustainable Development Goals (SDGs). According to Sachs (2015), sustainability has been on the agenda of the world to mitigate against the unfavourable activities on the society, environment and scarce economic resources. UNGC (2010) argues that the fight against unsustainable behaviour can be won through adoption of preventative approaches that will not harm the planet, people as well as maintaining their profits. It has been widely acknowledged that SMEs constitute a large number proportion of businesses and therefore they should play a significant role in working towards ensuring that resources are utilized well for the sake of future generations (Hillary 2004; Kongolo, 2010). The roadmap towards successful implementation of sustainability practices in businesses requires a starting point of reference of creating awareness of sustainability concepts, standards and legislation affecting businesses. This is the focus of this study.
The study was guided by the following questions

1. What sustainability concepts are the managers and owners of SMEs aware of?
2. What types sustainability standards are SME owners and managers know about?
3. Do SME owners and managers know about sustainability related regulations affecting SMEs?

THEORITICAL PERSPECTIVES

Knowledge of Sustainability Concepts

The importance of sustainability has been researched widely (Brouwers 2010; CIMA, 2010; Collins et al 2010; Epstein et al, 2010; Kimanzi and Gamede, 2018; Klewitz and Hansen 2014) and consensus has been that sustainability practices lead to increased revenues, lowering costs, increasing competitiveness among others. Saczyna (2015) argues that in order to improve performance in an organization, there is a need for organizational leaders to understand sustainability knowledge. Researchers (Khan 2014; Leon 2013) have argued that there is a paradigm shift in the 21st century business landscape from emphasis on physical aspects of the organization to knowledge management as a basis for business competitiveness. The main source of competitive advantage for businesses has been identified as acquiring of knowledge and the ability to learn faster than the competitors on the changes happening in the business environment in order to be innovative (Hit and Di Marie 1998;Khan, 2014;Jackson et al 2003).

Abidin (2010) argues that factors that initiate sustainable movement are awareness and knowledge and that behaviour changes of individuals come through personal commitment to sustainability (Du Plessis, 2007). Despite this, businesses may not be implementing sustainability due to lack of knowledge, poor enforcement of legislation as well as lack of education among the managers and owners (Sachs, 2015). In addition Mesco and Barch (2014), Banoo (2004) emphasize that one of the main challenges towards transition to greener, cleaner and more equitable economic growth is lack of information, knowledge and awareness among businesses. Several studies conducted have produced contrasting results. A study in Oman on level of sustainability awareness in industrial organizations found out that the concept is not well known, although he asserts that economic and social dimensions are commonly practised in organizations unconsciously (Garbie, 2015). Another study conducted in Malaysia found out that issues relating to environmental aspects of sustainability were well known, while economic aspects were least known (Abidin, 2010).

Sustainability Legislations

Laws created by government's national, provincial or local laws and by-laws may force organizations involuntarily to be sustainable compliant. According to Quaddus and Siddique (2011), governments have imposed regulations on companies, and some of these regulations require firms to directly address sustainability issues by coming up with programs aligned to meet these issues. According to Garbie (2014), some regulations require environmental data to be publicized and this is an indication that there is a degree of awareness of sustainability by the government, which requires translation to the SMEs. As a result of these, organizations may take actions in order to be compliant with regulations. Louw and Venter (2013) argue that the proactive stance towards regulatory demands demonstrates a strategic approach in that potential tangible and intangible benefits can be derived by doing more than required by law. This requires first demonstration of knowledge and awareness of the laws.

On the other hand, firms run the risk of heavy penalties and fines if they do nothing towards meeting the legal requirements (SAICA, 2012). Thus, firms would be wise to ensure that all regulatory requirements are met regarding laws and statutes related by sustainability, in order to minimize risks. SMEs are therefore required to be aware of these laws and incorporate them in their operations (Chou and Chou, 2013).

Increasing awareness of global climate and natural disasters has catapulted the emphasis on environmental protection (Rahman et al, 2016). As a result, policies and practices that support sustainable development have become more widespread and businesses are required to respond to this.

RESEARCH METHOD

The study adopted a quantitative method. This method is empirical, uses numeric and quantifiable data and conclusions are based on objective and systematic observations.

Population and Sampling

To gather information, the population used in this study were SMEs in and around Pietermaritzburg area of South Africa with a population of 678 SMEs. The sample method used in this study was simple random probability sampling, targeting 250 SMEs from any industry and sector. A total of 182 SMEs responded.

Data Collection And Analysis Methods

The study used questionnaires as a method of data collection with SME owners and managers. The questionnaire consisted of closed questions which required respondents to pick the statement that described their SME in terms of awareness of concepts, standards and legislations related to sustainability.

The data was analysed using descriptive statistics showing frequencies and presented in tables and graphs. ANOVA tests were conducted on selected data collected from the survey, in order to ascertain whether there were significant differences in the responses of SME owners to selected questions, based on differences in the number of people they employed; and the industry to which the SME owners belonged.

RESULTS

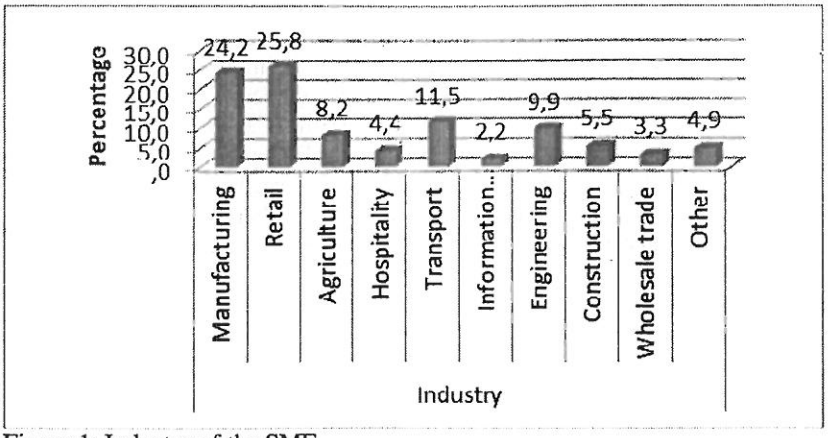

Figure 1: Industry of the SME

Results indicated that the retail industry had the highest number of SMEs in the study.

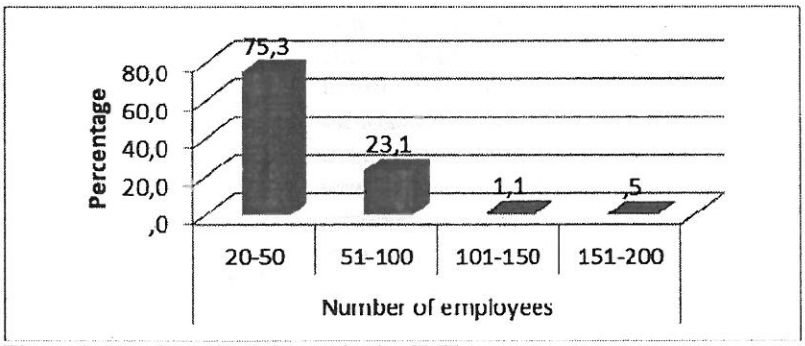

Figure 2: Number of employees in the SME

SMEs with between 20-50 employees formed the largest percentage at 75.3%, SMEs with 51-100 employees followed with 23.1%, SMEs with 101-150 employees at 1.1%, and lastly SMEs with 151-200 at 0.5%.

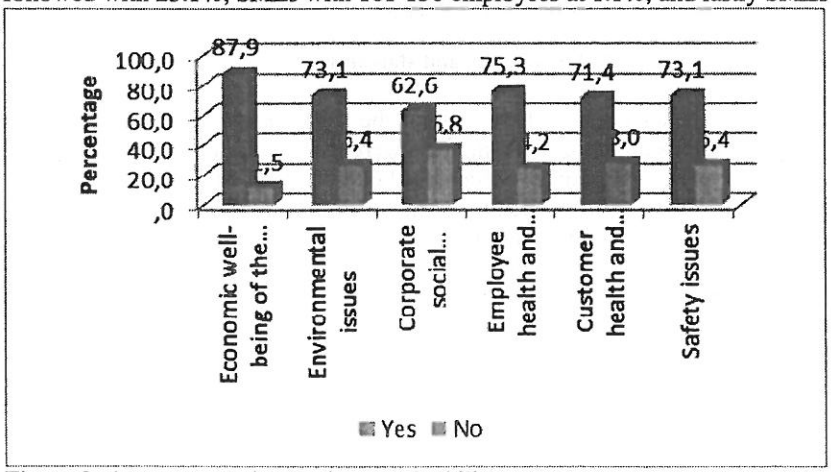

Figure 3: Aspects associated with sustainability

The results indicate that that economic well-being is ranked first, followed by employee health and well-being, then environmental and safety issues, while customers and CSR issues follow at the end respectively. Analysing the question further using Anova, results indicated that there were statistically significant differences in relation to industry in the following aspects.

Environmental issues: a significant number of SMEs in the Agriculture sector associate environmental issues with sustainability, while a significant number of SMEs in the retail industry do not associate sustainability with environmental issues (Fishers exact 18.615, p=0.017). Concerning CSR, a significant number of SMEs in the manufacturing sector associate CSR issues with sustainability, while a significant number of SMEs in the retail industry do not associate sustainability with CSR issues (Fishers exact 18.615, p=0.050). Regarding employee health and wellbeing, a significant number of SMEs in the retail and wholesale industries do not associate sustainability with employee health and wellbeing (Fishers exact 18.615, p=0.050). Concerning customer health and wellbeing, a significant number of SMEs in the agriculture sector associate customer health and wellbeing with sustainability, while a significant number of SMEs in the retail industry do not associate sustainability with customer health and wellbeing (Fishers exact 18.615, p=0.028).

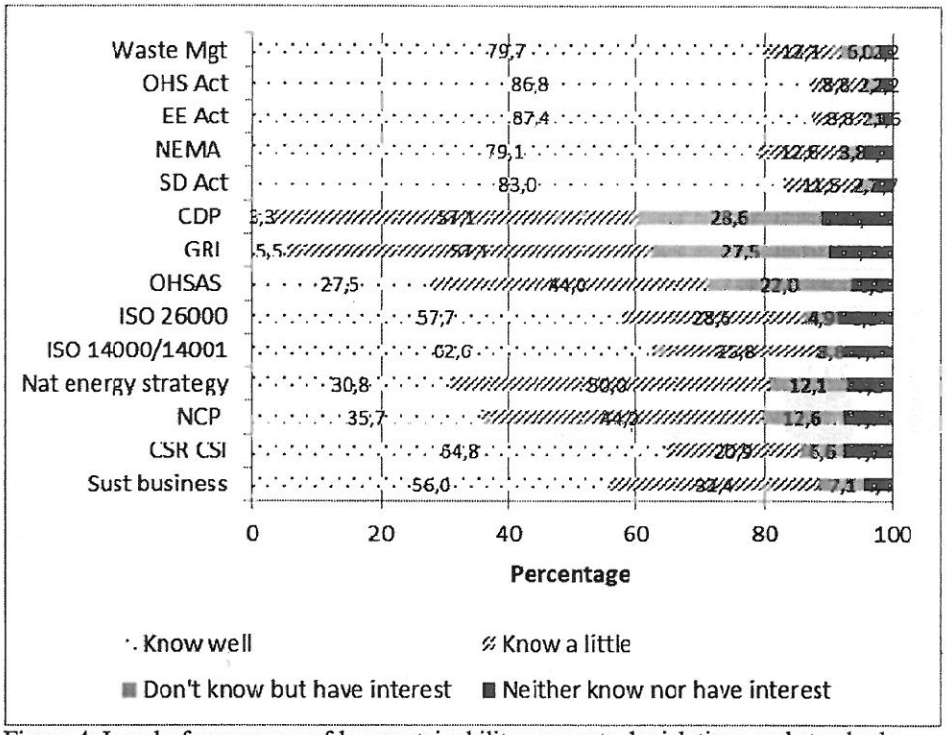

Figure 4: Level of awareness of key sustainability concepts, legislations and standards

The results indicated that the sustainability concept known well by most of the respondents know CSR (64.8%), followed by sustainable business (56%). CP and National energy strategy were least known (35.7% and 30.8% respectively). Anova tests indicated that there were no statistical differences between size of the SMES as well as industry. Concerning sustainability standards, most of the respondents said that they know ISO 14000 well (62.6%), followed by ISO 26000 (57.7%), OHSAS (27.5%), GRI (5.5%) and CDP (3.3%). Anova tests indicated that there were no statistical differences between size of the SMES as well as industry. However, regarding knowledge of legislation, most of the respondents knew them well. EE Act was the most known legislation with 87.4% of the respondents saying they have good knowledge, OHS Act (86.8%), Skills Development Act (83%), Waste Management Act (79.7%), and NEMA (87.4%). Anova tests indicated that there were no statistical differences between size of the SMES as well as industry.

DISCUSSION

Level of Awareness of Key Sustainability Concepts

The results indicated that concepts that are well known are CSR and sustainable business. while CP and national energy strategy were least known. This concurs with Banoo's (2004) argument that the problem with implementation of cleaner production within the South African context is that there is a lack of information, knowledge and awareness in the industry. CSR, being the oldest concept related to sustainability, is well known among SMEs. Sustainable business is also well known by SMEs in South Africa.

Another key observation from this study is that although Cleaner Production and national energy strategy were least known concepts, the SMEs in South Africa are interested in knowing what they are. This contrasts with what studies in India and Russia by Russell (1998) and Hoof and Lyon (2012) showed that SMEs in both countries were not interested in new and clean production. In South Africa, the government has created National Cleaner Production Centers (NCPC) in various parts of South Africa, and this clearly indicates that enough is not being done to create awareness among the SMEs.

SMEs also need to know the services offered by the Department of Energy in relation to the National Energy Strategy. According to the Government Gazette (2016), the department undertakes to support businesses to take advantage of energy efficiency opportunities by facilitating the increased availability of affordable, good quality, energy efficient technologies on the local market.

Knowledge of Key Sustainability Standards

Regarding sustainability standards, ISO 14000 is well known, followed by ISO 26000. The least known standards were OHSAS, GRI and CDP. Although the Carbon Disclosure Project (CDP) is a voluntary standard that is set for large companies, SMEs also emit carbon through their operations (Hanks, 2018). The study indicates that SMEs in South Africa are not aware of CDP. This boils down to information not filtering down from the providers to SMEs. ISO 26000 is a measure of how socially responsible an organization is. The fact that SMEs in South Africa are aware of ISO 26000, concurs with the initial question that shows that SMEs are aware of CSR. This is a great stride for SMEs in South Africa. Lack of knowledge of OHSAS by SMEs creates a concern, taking into consideration that employee health and safety is a requirement by law in South Africa. This concurs with Boston and Artene who say that SMEs should be aware of ISO 26000. Lack of knowledge of OHSAS is an indication that SMEs in South Africa do not create safe working conditions. Occupational risk can be managed and controlled through the application of the OHSAS 18001 international standard, so this standard can be seen as an instrument that contributes to risk management in organizations. The implementation of the standard improves working conditions and lessens personal injuries and material harm, thereby protecting human capital and the corporate reputation, the two fundamental resources for all firms. This is supported by Fernández-Muñiz *et al.* (2009) who put forth that OHSAS 18001 can decrease the number of accidents, material losses and disruptions in the production process, through the deterrence and control of occupational risks.

Knowledge of Key Sustainability Legislation

The results indicated that SMEs are familiar with all the laws listed. Despite that, skills development and waste management Acts ranked the lowest. According to the Government Gazette (2000), the White Paper on Integrated Pollution and Waste Management No 20978 of 2000 outlines government's new thinking in relation to pollution and waste management. The emphasis is that pollution and waste management is not the responsibility of the government; the private sector and civil society have crucial roles to play. It advocates for the fostering of partnerships between government and the private sector, for sustainable and effective pollution and waste management to take place (Government Gazette, 2000).

Laws created by government's national, provincial or local laws and by-laws may force organizations involuntarily to be sustainable compliant. According to Quaddus and Siddique (2011), governments have imposed regulations on companies, and some of these regulations require firms to directly address sustainability issues by coming up with programs aligned to meet these issues. As a result of these, organizations may take actions in order to be compliant with regulations. However, other firms may be proactive and act beyond mandatory requirements. The pre-emptive position towards regulatory demands exhibits a strategic approach in that potential tangible and intangible benefits can be derived by doing more than required by law, or by leading the industry by creating and adopting voluntary standards before they become law (Louw and Venter, 2013).

CONCLUSIONS AND RECOMMENDATIONS

Key observations in the study results were that SMEs are mostly unaware of some key concepts and standards applicable to sustainability, such as GRI, CDP, CP, the National Energy Strategy and GRI. It is strongly recommended that sectoral bodies which are advocating for sustainability should make efforts to create awareness among the SMEs about the importance of those concepts and standards. The advantages of applying these standards and concepts should be communicated to the SMEs through bodies such as the Chambers of Businesses and the various governmental departments such as the DTI and the Department of Energy. Collaboration among these

departments can help disseminate information to the SMEs through conducting seminars and workshops with the SMEs on issues to do with key concepts and their practical application to SMEs.

It is recommended that SMEs should consider the various legislation involved and linked directly with sustainability. More importantly, legislation such as waste management and NEMA. These laws make companies, including SMEs, to be compliant, and to come up with ways to avoid being fined or receiving heavy penalties, such as not dumping waste, pollution, and adhering to SDA, and BEE among others.

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