RHODES UNIVERSITY
Where leaders learn

An exploratory case study on the barriers, challenges and benefits of sustainability reporting by small and medium enterprises (SMEs) in South Africa.

BY

Veliswa Mhlope
G9731058

A thesis submitted in partial fulfilment of the requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION

IN THE

RHODES BUSINESS SCHOOL

SUPERVISOR: Ms Leticia Greyling

11 September 2020

ACKNOWLEDGEMENTS

First and foremost, praises and thanks to God, the Almighty, for His showers of blessings throughout my studies and the completion of this research.

I want to express my sincere gratitude to my supervisor, Ms Leticia Greyling, for the continuous support of my vision for this dissertation, for your patience and motivation. Your guidance helped me in conceptualising and writing of this thesis.

To my friends, family and colleagues, you should know that your support and encouragement was worth more than I can express on paper. I am indebted to each and every one of you for supporting me throughout this journey. Thank you for keeping me accountable. You were always there with a word of encouragement, a listening ear, parenting my kids, making sure we were fed – I am grateful.

To Wanda and my sister Lungi – thank you for holding the fort. We knew it would be a long and sometimes bumpy road, but you encouraged and supported me along the way. Thank you.

To my babies - Buhle, Sihle, Ollie, Katleho, Uzi, Mimi and Soso – thank you for allowing me to claim our legacy.

Dudu, Zukiswa and Mama who were often in my thoughts on this journey – you are missed and I know you will be proud of me.

To Tata, we have a master’s degree! A first in our family.

Camagu!

DECLARATION

I, Veliswa Mhlope, hereby declare that the research presented in this thesis is my own original work, does not, in its entirety or part, exist as someone else's work and was not previously submitted to any institution. All the sources that were used have been presented and accurately acknowledged with the utmost integrity.

Veliswa Mhlope

Date

Table of Contents

Abstract

SMEs in South Africa and other developing countries have been slow to take up sustainability reporting. This qualitative study is aimed to study the challenges and barriers faced by SMEs, together with the potential benefits for SMEs participating in this type of reporting. It also makes recommendations about how SMEs can participate in and benefit from sustainability reporting. The study shows that indeed there are several challenges in terms of getting involved in sustainability reporting for SMEs. On the other hand, the research finds that the SMEs who are already participating in sustainability reporting can show the benefits of engaging in sustainability reporting and that these benefits far outweigh the challenges. The participating SMEs are also able to show that they have attained a competitive advantage as a result of engaging in sustainability reporting. If, however, sustainability reporting is to become entrenched into SMEs, a few changes need to take place to address challenges such as lack of information about sustainability reporting and its benefits, lack of regulations and more importantly, lack of awareness about sustainable development. As the South African government begins to respond to issues such as climate change, skills development and good governance, it will become necessary for them to introduce regulations to manage this risk. It is also highly possible that in the next few years, reporting will become a regulatory requirement that SMEs will be forced to comply with to continue to do business. The SMEs who are already practising sustainability practices will benefit from being first movers. Those SMEs who start sooner rather than later will already have the internal resources and capabilities to take advantage of the legislative environment. They will have a head start over their rivals in terms of gaining competitive advantage.

Chapter 1 – INTRODUCTION

1. Introduction

Although, independently, small and medium enterprises (SMEs) have a relatively small social environmental and environmental impact, as a collective, their impact is much larger (Lawrence, Collins, Pavlovich and Arunachalam, 2006). A report by the Small Business Institute (2018), states that formal SMEs in South Africa make up to almost 98.5% of the number of formal businesses in the economy. According to the World Bank (2019), about 95% of companies around the world are classified as SMEs. They are also estimated to add about 45% to the total employment opportunities available in developing countries and contribute as much as 33% to the gross domestic product (GDP) in emerging economies like South Africa (World Bank, 2019).

The impact of SMEs on the economy cannot be denied. The role that SMEs play in sustainable development is particularly evident in developing countries where their impact on job creation, poverty elevation, and economic growth is discernible (Masocha and Fatoki, 2018). In the context of South Africa, the responsibilities imposed on the local SMEs include assisting the government in the attainment of two of its primary socioeconomic objectives - boosting the national economy by decreasing the unemployment rate and easing poverty levels (Bruwer and Coetzee, 2016).

Hillary (2004) says that due to their size as a collective, SMEs potentially contribute up to 70% of all environmental degradation. As a result of their collective impact, SMEs are increasingly faced with pressure from the general public and investors to implement sustainable practices (Hillary, 2004). Despite this increasing interest in their impacts, the concept of sustainability is still generally unknown among SMEs (Sajjad and Eweje, 2014).

1.2. Small and medium enterprises (SMEs) and sustainability

Altman, Sabato and Wilson (2008) say that there is a wide range of definitions of SMEs which vary from country to country and cover an extensive range of measures and criteria there does not seem to be a global agreement on the definition of SMEs. The various definitions of SMEs consider the total net value of the assets owned by the business, the number of employees, and investments and sales levels (Altman et al., 2008). In South Africa, the National Small Business

Act 102 of 1996, describes SMEs as a separate business entity and includes cooperative initiatives which are managed by one or more owners and conducts business in any sector of the South African economy. In 2019, the Minister for Small Business Development, Lindiwe Zulu updated the definition of micro, small, and medium-sized businesses (de Wet, 2019). The new definition removed gross asset value as a metric because it is often inappropriate and difficult to measure (de Wet, 2019). This change left only two metrics to legally determine the size of a business: the number of employees (full time paid employees, or the equivalent of full time paid employees), and a total annual turnover (de Wet, 2019). According to the new definition, small businesses must have between 10 and 50 employees, and medium-sized enterprises can have up to 250 employees. Turnover ceilings now range from R220 million, the maximum for a wholesale company to qualify as a medium-sized enterprise, to R5 million. The respondents in the study were not asked for their financial statement as part of the study but were asked about the number of employees in the company, the number of employees was used as a metric to determine the definition for use in the study.

From literature, it is clear that SMEs are exceptionally diverse. They differ in terms of the size, industry and organisational structures, internal histories and subtleties (Altman et al., 2008). The review of the literature on SMEs across global contexts also reveals that, notwithstanding their variety, they also have noteworthy similarities. These include the fact that most SMEs are owner-managed, they have limited financial, technical and staff resources, a flat structure, smaller number of customers, lack of knowledge and long-term strategy (Ciliberti, de Groot, de Haan, and Pontrandolfo, 2009). On the positive end of the spectrum, SMEs have been found to have strong relationships with their stakeholders, have closer staff interaction and possess the ability of to adopt environmental initiatives due to their flat structure and flexibility (Lee and Klassen, 2008). Iturrioz, Aragón, Narbaiza and Ibañez (2009) suggest that an SME with a unique mix of the characteristics and capabilities outlined above combined with a strategic plan made up of clear sustainability objectives can facilitate the process of an SME adopting sustainability practices.

1.3. Sustainability reporting and its relevance to business

Literature reveals several practices which are generally discussed as sustainability practices. These include environmental management efforts such as recycling, waste management, energy and water-saving, along with social impact management efforts such as customer satisfaction, employee education, community engagement and training and sustainability reporting (Mahmood, Ali, Iqbal and Fatima, 2019). A focus of this study is sustainability reporting, which includes public disclosure about these activities. The Global Reporting Initiative (GRI) (2019) defines sustainability reporting as a form of non-financial reporting that is used to measure and disclose the sustainability performance of a company. Also, the report should openly outline the positive and negative impacts of the business (GRI, 2019). According to the GRI (2019), sustainability reporting is similar to other terms used to describe non-financial reporting by an organisation. In essence, sustainability reporting is closely related to several modern-day trade and reporting norms which include corporate social responsibility reporting, corporate sustainability reporting and integrated reporting (Hahn and Kühnen, 2013). It aims to enable organisations to remain accountable to their external and internal stakeholders as they perform their operations towards sustainable development (Hahn and Kühnen, 2013).

The GRI (2013) is a global organisation that provides a globally applicable reporting framework for organisations to report on their social, environmental and economic performance in the pursuit of sustainable development. This reporting structure embodies a shared understanding by stakeholders from a wide range of constituencies as to what they recognise as crucial sustainability issues. The GRI (2019) adopts the view that the public disclosure on organisational performance will enable organisations to produce benefits such as amplified credibility, legitimacy, effective and efficient use of their resources, and enhanced relationships between employers and employees irrespective of sector, size or geographical location. Despite the claim by the GRI that the reporting framework can be applied to all organisation regardless of their sector, size or geographical location, SMEs in developing countries are slow to take up sustainability reporting (Fonseca, 2010).

Sustainability reporting aims to communicate methods which a company uses to manage their social and environmental impact. It also aims to showcase the company's evaluation of how each of their impacts is measured and reported according to their materiality (Kolk, 2003). It highlights the company's relationship between its strategy, governance and performance, which includes financial and non-financial performance for more sustainable decision making (Thomson, 2015). The sustainability report is presented either as an online version on the company's website or in a format that has been designed and printed in hard copy.

Integrated reporting takes sustainability reporting a step further by communicating how a company manages how it creates value in the long term through the management of both their sustainability and traditional risks. The integrated reporting aims to highlight the company's relationship between its strategy, governance and their performance which include financial and non-financial performance for more sustainable decision-making (Thomson, 2015). Sustainability reporting is the beginning of an organisation's journey towards integrated reporting. Although sustainability reporting and integrated reporting are closely related, the key focus of this study is on sustainability reporting.

The concept of sustainability development was linked by Elkington (1994) to the notion of sustainability to businesses by calling it the "triple bottom line" (TBL) of a firm that includes its social, environment and economic aspect. According to TBL, an organisation needs to consider the economic, social and environmental impacts of their activities (Dyllick and Hockerts, 2002). The authors also posit that an organisation is likely to create more long-term value it takes its environment, social and financial impacts rather than just focusing on profits (Dyllick and Hockerts, 2002).

By preparing and distributing triple-bottom-line reports, an organisation expresses concern and sensitivity to the social, economic and environmental dimension of their business practices (Dutta, 2011). According to the World Business Council for Sustainable Development (WBCSD, 2002), large organisations can improve the trust of their stakeholders, their image and reputation and create intangible assets that have the potential to improve their economic performance through sustainability reporting. McWilliams and Siegel (2001) further assert that sustainability reporting is voluntary socially responsible behaviour, in this context, by an SME, which may lead to sustainable development for both the SME and the society in which they operate. Shields and Shelleman (2017), however, argue that the triple-bottom-line concept compounds the already complicated process of financial reporting for SMEs by adding social and environmental performance reporting. This difficulty for SMEs to participate in sustainability reporting is evidenced by the number of small and medium South African businesses with sustainability reports that have been uploaded onto the Global Reporting Initiative's Sustainability Database (2019). According to this database, of the almost 14 000 reports on the platform, only 39 of these belong to South African companies. Of these, only 13 are by SMEs (Global Reporting Initiative's Sustainability Database, 2019).

1.4. Statement of the problem

SMEs in South Africa and other developing countries have been slow to take up sustainability reporting. This dissertation aims to analyse the challenges and barriers faced by SMEs, together with the potential benefits for SMEs participating in this type of reporting. It also aims to investigate if indeed, SMEs can attain competitive advantage as a result of partaking in sustainability reporting.

1.5. Aims and objectives

In response to the research problem stated above, this study aims to delve onto the challenges faced by SMEs and the potential benefits that may accrue to an SME from sustainability reporting. It also seeks to make recommendations about how SMEs in South Africa can participate in and benefit from sustainability reporting. Four specific objectives were also outlined as follows:

- To identify and describe the challenges and barriers associated with sustainability reporting in SMEs.
- To identify and describe the drivers of sustainability reporting for SMEs. Through this objective, it will show what factors drive the SMEs who are currently practising sustainability reporting to continue reporting.
- To investigate if/how SMEs use sustainability reporting to attain competitive advantage for themselves, and with this objective, it will be investigated as to whether SMEs gain competitive advantage for themselves through sustainability reporting.
- Lastly, the research also aims to make recommendations on how sustainability reporting can create competitive advantage for SMEs.

1.6. Structure of the document

This dissertation is divided into five (5) sections. Chapter 1 includes the context of the research underway; the statement of the problem; the aims and objectives of the research; and outlines the structure of the study. Chapter 2 consists of a literature review on the concepts related to sustainability reporting. It also introduces definitions for sustainable business practices and outlines previous research done about sustainability reporting by SMEs. Chapter 3 showcases the coherence between the research aims, the research methods, the sampling, and data collection. Chapter 4 describes how the data was collected and presents the findings of the study. Chapter 5 is a discussion of the main findings of the study and puts the research into a broader context and provides recommendations for implementation in terms of sustainability reporting by SMEs in South Africa.

Chapter 2 - LITERATURE REVIEW

2.1. Introduction

In chapter 2, we explore the prevailing literature on the barriers and drivers of sustainability reporting and how this sustainability disclosure has the potential to create competitive advantage for SMEs.

There is substantial research on sustainability reporting in general. The majority of the published works is on sustainability reporting by larger corporates in the developed countries. While these studies provide solutions for the larger corporates in terms of the challenges and barriers of sustainability reporting, they offer little or no answers for the SMEs – particularly those in developing countries such as South Africa. Although there is increased understanding that SMEs should pay attention to sustainability practices for them to remain competitive, a limited body of knowledge still exists in terms of the benefits and the competitive advantages that SMEs can amass as a result of participating in sustainability reporting.

This literature review aims to summarise the barriers and challenges of sustainability reporting for SMEs in South Africa. It also aims to highlight the benefits that SMEs in developing countries, and by extension, South Africa, can benefit from sustainability reporting and to determine if these SMEs can indeed attain competitive advantage from it.

2.2. Barriers and challenges of sustainability reporting

Sustainability reporting is essential as it demonstrates the company's commitment to sustainable economic and social development (Jain, Jain and Rezaee, 2016). This practice has increased in the last few years, particularly amongst the larger corporates (Jain, Jain and Rezaee, 2016). Although SMEs are valuable to a country's economy and by extension, to the supply chains of larger corporates, they have been depicted as being stragglers in terms of being accountable for their sustainability impacts (Das and Rangarajan, 2017). Literature also shows that although many SMEs in emerging markets do engage in sustainability activities, they often do not declare these activities under the umbrella of sustainability reporting (Das and Rangarajan, 2017). Within companies, these activities include the management of employee benefits and human resources along with their environmental impacts through initiatives such as recycling of natural resources (Das and Rangarajan, 2017). External sustainability efforts for these SMEs are mostly concerned with initiatives that involve charitable deeds such as donations to the needy in their communities (Das and Rangarajan, 2017).

The literature on the evolution of sustainability reporting is mostly centred on larger corporates. Carrol and Beiler's study (1975) traced the concept of sustainability reporting to a form of social reporting that Theodore J. Kreps (1948), a professor at the Stanford Business School first referred to in one of his writings in the 1940s. According to the authors, Kreps (1948) argued that the traditional profit and loss accounting system used by companies for reporting was not sufficient (Carrol and Beiler, 1975). Kreps (1948) then started researching different ways in which the social impacts of companies on issues such as health, education and innovation could be better measured. Following Krepps' seminal work, Bowen (1953) introduced the next major work in sustainability reporting. Believed to be the founding father of the theoretical conception and study of corporate social responsibility, Bowen (1953) developed a system for auditors to measure the performance of companies on issues such as community relations and the wages of employees. Bowen's (1953) intention for coining this work was for it to produce the information for internal use (Acquier, Gond and Pasquero, 2011). Bowen's position was in contrast to Kreps' (1948) assertion that the reporting was intended for external stakeholders (Acquier, Gond and Pasquero, 2011).

By the 1970s, most large corporates in the United States and Europe had begun to publish social reports – mostly for internal use (Clayton, Rogerson and Rampedi, 2015). At the same time, external stakeholders were also putting pressure on companies to issue external sustainability reports, while also pressuring governments to enact regulations for this reporting (Clayton, Rogerson and Rampedi, 2015). This period was what was known as the social reporting decade (Clayton, Rogerson and Rampedi, 2015). Although social impacts were the main focus, environmental impacts were not overlooked. (Clayton, Rogerson and Rampedi, 2015). The pressure exerted on business and government did not, however, yield any results and the phenomenon soon lost momentum and began to patter off (Clayton, Rogerson and Rampedi, 2015).

The next wave of reporting began to emerge as environmental reporting in the late 1980s and early 1990s (Buhr, 2007). John Elkington devised the term "triple bottom line" (TBL) in 1994. Initiated as an accounting framework for appraising and reporting the performance of a business, Elkington (1994) described TBL as a means to measure and evaluate business's increasing interest in social and climate issues. Also known as the 3Ps for profit, people, and planet, the TBL framework aimed to allow companies to communicate their sustainability impacts by considering their actions on the environment together with the economic benefits they accrue from doing business and presenting this information to their stakeholders (Sonnenberg and Hamman, 2006). This move was the beginning of what is today known as sustainability reporting (Sonnenberg and Hamman, 2006).

It was during this period that governments in developed countries began to develop regulations for sustainability reporting and providing support for voluntary reporting by corporates with a focus on the larger multinationals (Sonnenberg and Hamman, 2006). Several NGOs also had been part of exerting pressure on governments to regulate disclosures by corporates. As soon as governments were on board, they started providing support to organisations for voluntary sustainability reporting. One of these was the Global Reporting Initiative (GRI), which was developed with the guidance and backing of the United Nations Environmental Programme (UNEP) in collaboration with the Coalition for Environmentally Responsible Economies (CERES) and the Tellus Institute (GRI, 2013). Its inception aimed to provide the international community with reporting guidelines to structure their sustainability efforts (GRI, 2019). Soon after that, the GRI became an independent body that still has close ties to the UNEP (GRI, 2019). It is one of the leading global producers of standards/guidelines for sustainability reporting (GRI, 2019).

As one of the first countries to have adopted sustainability reporting and later integrated reporting, South Africa has made a noteworthy contribution to the international movement of sustainability reporting (IoDSA, 2016). The Institute of Directors in South Africa (IoDSA) initiated the King Commission to promote the highest ideals of corporate governance in the country (IoDSA, 2016). Known as the King III Report, it required organisations to produce an annual integrated report where companies could demonstrate their understanding that strategic areas such as the management of risk, the organisational performance and strategy are cannot be separated from their sustainable development. This line of thinking resulted in the development of an integrated reporting framework that came to be known as the Reporting Framework of South Africa. In 2013 the International Integrated Reporting Council International Integrated Reporting Framework, which was based on the Reporting Framework of South Africa.

In 2016, the IoDSA released the King IV Report (IoDSA, 2016). The release of the King IV Report references the International Reporting Framework, reinforced by the same rational and terminology. King IV recommended that companies that had not reported in the past should prepare integrated reports (IoDSA, 2016). IoDSA (2016) also emphasises that integrated thinking enables the reporting organisation to consider more than just the financial capital but to include the various forms of capitals that are fundamental to its future sustainability which are the environmental capital, intellectual, human, manufactured, social capitals. The preparation of an integrated report also helps the company to entrench integrated thinking in its standard business practices, offers improved understanding its value drivers, risk management and decision-making and facilitates a long term strategic view for the business (IoDSA, 2016). It also applies to all companies, irrespective of their size and sector. According to the IoDSA (2016), the King IV Report can help SMEs grow sustainably and contribute to their sustainable development. Although it provides guiding principles and recommended practice, the application of the report is voluntary for SMEs and does not provide a reporting template for them to report against.

Although the King IV Report is not a legislative requirement for corporate governance in the South African context, the Johannesburg Stock Exchange (JSE) has made sustainability and integrated reporting a core part of their requirements for companies listing on the JSE on a comply or explain basis (IoDSA, 2016). Although this may not have been a response to the need to extend sustainability reporting for smaller companies, the Johannesburg Stock Exchange (JSE) established the AltX in 2003 as an alternative stock exchange for small and medium-sized companies (JSE, 2020). It was intended as a springboard for well-established SMEs who may not meet the requirements to list on the JSE’s main board eventually. There are currently only 15 SMEs listed on the board (JSE, 2020).

The evolution of sustainability reporting is closely linked to some of the barriers and challenges that prevent or make it difficult for more SMEs to participate in sustainable development (Gallo and Christensen, 2011). The increasing role of SMEs in the economy, especially in developing countries, has seen their impacts on both the environment and the economy showing a significant increase (Gallo and Christensen, 2011). However, the environment in which they operate has not evolved to cater for the smaller business. Now, more than ever, it has become imperative for SMEs to take decisions that will allow them to weigh up both their social and environmental impacts along with the financial results of their operations (Gallo and

Christensen, 2011). These can be classified in broad categories which include organisational culture, financial and human resources costs, lack of regulations, lack of information and training, and stakeholder pressure. These factors will be further discussed in the next section of this chapter.

2.2.1. Organisational culture

In most SMEs, the manager and the owner are usually the same person. The owner also has a substantial say over the company's strategic decisions (Bansal, 2003). If the manager is not interested in sustainability efforts, the rest of the company will also not be motivated to implement any such measures (Bansal, 2003). The author also says if employees perceive supervisory encouragement for engaging in sustainability practices, they are more likely to develop and implement creative ideas that positively impact the natural environment (Bansal, 2003). Bansal (2003) further says the support that management gives to their employees' sustainability activities gives impetus to a sustainability culture within an organisation. Murillo and Lozano (2006) also contend that because SMEs are mostly owner orientated, the social and environmental sustainability strategies of the company are based on the owner's values and principles (Murillo and Lozano, 2006). Many SMEs are motivated to integrate sustainability practices into their businesses as a result of the personal beliefs and values of the owner (Vallentin and Morsing, 2008). Cohen (2017) says that although many SMEs engage in some form of corporate social responsibility, they do not always have a clear picture of the benefits that sustainability reporting can bring to their business. As a result, they tend not to disclose these practices publicly and are therefore not able to leverage competitive advantage from their sustainability practices (Cohen, 2017).

2.2.2. Financial and human resources costs

SMEs suffer limitations that are not generally encountered by larger enterprises, such as inadequate financial and human capitals (Parker, Redmond and Simpson, 2009). The level of the upfront and indirect costs, which include time and human resources and the expected time it is going to take for the company to make money back, is particularly important for SMEs (Parker, Redmond and Simpson, 2009). SMEs are generally more sensitive than larger enterprises to any additional costs, particularly those resulting from sustainability practices which may take longer to recoup (Simpson, Taylor, and Barker, 2004). The authors further argue that the costs associated with reporting, which may include the compilation of the reporting data, managing the reporting process, assurance of the data and the publishing the results may be prohibitive and not affordable for SMEs (Simpson, Taylor, and Barker, 2004). Ramasamy, Ting, and Yeung (2007) also argue that because companies are not able to make the connection between what they perceive to be an expensive exercise and the potential benefits of sustainability reporting is a barrier to them participating.

In contrast to the evidence found in literature about the barriers SMEs face in terms of sustainability reporting, the International Federation of Accountants (2013) argues that although the upfront costs of incorporating sustainability practices into the core business plan of an SME can be relatively high and as a result prohibitive, they can be offset by the benefits for the company. These benefits include the reduced organisational risk, long-term cost-saving, the creation of a positive brand, and the company's increased ability to meet the demands of customers, shareholders, and increased competitive advantage. The International Federation of Accountants (2013) also argue that the costs that SMEs incur in engaging in sustainability efforts could be recouped once they access markets and value chains (International Federation of Accountants, 2013). The International Federation of Accountants (2013) also suggests that SMEs should cater for these costs from their running costs. Skouloudis, Evangelinos and Kourmousis (2009), however, contradict this position by stating that the additional resources required for sustainability reporting can harm the bottom line of the SMEs. Due to the perceived cost, SMEs are resistant to participate in sustainability practices and voluntary disclosures (Williams and Schaefer, 2013). The authors assert that financial and managerial resource constraints also harm SMEs because they rely on a small number of clients and employees to remain sustainable (Williams and Schaefer, 2013).

2.2.3. Lack of regulations

A significant barrier to sustainability reporting is that it is voluntary (Dumay, Frost and Beck, 2015). It depends on a firm's voluntary sustainability activities or lack thereof. It also depends on whether the firm chooses to report on these activities, and if they do, how much they choose to disclose (Bouten, Everaert, and Roberts, 2012). Sonnenberg and Hamman (2006) also argue that while the existence of government regulations concerning reporting plays a notable role in the prevalence of sustainable reporting amongst the larger corporates, the apparent lack of similar enforcement for SMEs is one of the reasons why there has been little or no interest in sustainability reporting by the small to medium establishments.

Williamson, Lynch-Wood and Ramsay (2006) emphasise that stricter regulations are the best drivers for improved sustainability reporting and sustainable development. The authors suggest that government involvement is vital for persuading companies to participate in socially and ecologically accountable activities (Williamson et al., 2006). According to Hillary (2004), not only can such regulations encourage sustainability reporting by SMEs but also sustainability practices such as the safeguarding of the environment and the health and safety of the labour force while doing business.

2.2.5. The lack of awareness and information

In addition to there being no readily available information for SMEs about sustainability reporting, SMEs also lack the technical capacity to understand the requirements of sustainability reporting standards and how to adhere to them consistently (International Federation of Accountants, 2017). According to the International Federation of Accountants (2017), SMEs require capacity-building initiatives to guide them through the adoption of, and compliance with sustainability reporting standards. However, not only are they not aware of these programmes, but they also do not know how to access them (International Federation of Accountants, 2017). In the context of South African SMEs, these barriers are compounded by language barriers and inadequate literacy which prevent SMEs from understanding the reporting standards (International Federation of Accountants, 2017). It seems SMEs are not only lacking in the know-how of reporting processes, but they also have limited understanding of their individual impacts on the environment and society (Stubblefield Loucks, Martens and Cho, 2010).

In a study conducted on sustainability reporting by SMEs in China, Yu and Bell (2007) found that lack of training was one of the most significant barriers for SMEs reporting on their impacts. The authors suggested educational programmes should include general awareness training on sustainability-related issues and that it should include sustainability-related concepts, regulations, benefits, relevance, and tools as well as detailed training on sustainability management systems. The training should also include the responsibilities of executives in managing sustainability issues and how their companies can implement sustainability practices at affordable rates (Yu and Bell, 2007).

2.2.6. Lack of stakeholder pressure

Simpson, Taylor, and Barker (2004) say that SMEs recognise their impact on the environment to be minimal in comparison to larger corporates. As a result, they do not experience the same first-mover competitive pressure to report on their impacts (Simpson et al., 2004). This lack of pressure is compounded by the stakeholder belief that it is the larger corporates have more impact on the environment and society – without taking into consideration the collective effect of SMEs (Lawrence, 2006). Although empirical evidence is still limited on stakeholder pressure on SMEs to disclose their sustainability initiatives, it appears that the lack of stakeholder pressure is a barrier to SMEs reporting on their sustainability activities (Lawrence, 2006).

2.3. Drivers and motivators for sustainability reporting

In addition to the barriers and challenges of sustainability reporting for SMEs, the study will also explore the drivers and benefits of the practice. These include improved decision making, increased financial sustainability, transparency and accountability and the legitimacy and the enhanced reputation of the company.

Despite these challenges faced by SMEs, Higgins, Milne and van Gramberg (2015) ague that through sustainability reporting, SMEs can counterbalance these barriers by gaining a competitive advantage, attracting capital, earning a positive reputation, saving on costs, and gaining a full understand of the risks that may face their businesses. By engaging in sustainable practices, some of the financial savings that SMEs can make include reduced consumption of water, electricity and raw materials, improvements to the environment in which they operate, social gains, which include the reduction of risk and improved working conditions (Luken and Stares, 2005).

2.3.1. Improved decision-making

Funders, employees, and customers are not only paying attention to the financial sustainability of SMEs, but they are also concerned about other areas such as decision-making processes (Williams and Schaefer, 2013). Sustainability reporting inspires improved decision making as the process encourages companies to discuss material issues and make strong linkages between their business operations and their performance outcomes (Williams and Schaefer, 2013). In other words, the report enhances the business decision maker's understanding of the various functions and processes within the company and how they are related to the achievement of a sustainable company; thus resulting in improved operational effectiveness (Williams, and Schaefer, 2013). Sustainability practices also contribute towards the breakdown of silos in companies to ensure a movement of information between the different parts of the business (International Federation of Accountants, 2017). Furthermore, the collection and analysis of the required information for reporting forces companies to scrutinise their complete value chain (Williams, and Schaefer, 2013). Investors use these sustainability reports to make investment decisions (International Federation of Accountants, 2017). All these characteristics create benefits for the business as well as for its stakeholders as they now have the means to make decisions that will help the company reduce not only costs but also reduce environmental damage (Schaltegger and Burritt, 2006).

2.3.2. Increased financial sustainability

Reporting on sustainability and related activities signals responsible behaviour by the organisation and may contribute towards enhancing investor goodwill and their willingness to provide capital (Williams and Schaefer, 2013). It gives current and prospective equity investors and other funders with a full picture of how the SME creates value over the long-term (Williams and Schaefer, 2013). Some of the examples in how the cost of capital is reduced for the company include the following: firstly when investors have sufficient information about the sustainability trajectory of a company, this can tip the scales in their favour among investors (Verrecchia, 2001). Secondly, disclosure can lower the return that investors require for investing in the company (Leuz, 2010). Lastly, disclosure can make it easier for investors to estimate future cash flows due to the long-term value that the company can create and sustain (Leuz, 2010). Also, Ameer and Othman (2012) found that companies which focus on sustainable development have sustained financial performance as opposed to those that do not participate in such practices. Sustainability practices are associated with good economic performance, and this tends to lead to positive returns and lower exposure to risk (Ameer and Othman, 2012).

Through sustainability reporting, the SME also gains increased awareness of social and environmental impacts of doing business (Kolk, 2003). The GRI (2019) also argues that sustainability reporting will enable the company to assess its sustainability performance, thus assisting the organisation in effectively meeting its regulatory requirements. The SME can also avoid expensive breaches and cost-effectively collect useful data. Through this process, the organisation will gain competitive advantage as it will now have an increased ability to attract more investment, enter new markets and negotiate better contracts (GRI, 2019).

2.3.4. Transparency and accountability

Amran and Ooi (2014) assert that non-financial reporting for SMEs demonstrates transparency and accountability to stakeholders. Transparency and accountability are significant elements of good governance (Amran and Ooi, 2014). They are described as concepts that ensure that stakeholders are knowledgeable and alert to what is happening within the company and why it is happening (Berthelot, Cormier and Magnan, 2003). Armstrong, Guay and Weber (2010) further elaborate on this statement by asserting that in the same way that Chief Executive Officers (CEOs) show the unseen quality of their company's potential through their observable financial statements, they also display their long-term corporate social responsibility performance through sustainability reporting (Fifka, 2013b). Accountability forces companies to take responsibility for and be transparent about the social, economic and environmental effects of their processes through sustainability disclosures (Fifka, 2013b).

Sustainability reporting is a communication platform which companies use to showcase their image (van Riel, 2000). Transparency is a notion that is linked to sustainability reports (Kaptein and Van Tulder, 2003). As part of the company's communication strategy around its sustainability practices, including sustainability reporting, a company would then determine its level of transparency (van Riel, 2000). Their level of disclosure will depend on the pressure exerted by their stakeholders – whether they be internal or external (Aerts and Cormier, 2009). Since there are no set standards in South Africa for SME reporting, SMEs can determine their level of disclosure (Aerts and Cormier, 2009)

Also, advances in media platforms have raised the exposure of businesses and increased the awareness levels of communities (Amran and Ooi, 2014). Media plays a central role in shaping the perception of stakeholders about business. It also serves as an instrument that the stakeholders can utilise to ensure that the company behaves sustainably and is held accountable for their impacts, while also improving customer and employee loyalty (Amran and Ooi, 2014; Williams, and Schaefer, 2013). The growing levels of attentiveness amongst stakeholders about their consumer rights can be turned into pressure for a company (Amran and Ooi, 2014), thus driving SMEs to participate in sustainability reporting.

2.3.5. Legitimacy and image

Well informed stakeholders have less likelihood to have unfavourable perceptions about the operations of a business, and this aids the company to maintain its legitimacy (Berthelot, Cormier and Magnan, 2003). Legitimacy is built on maintaining what literature refers to as a “license to operate”. It is social permission stakeholders give for a company to operate (Schaltegger and Burritt, 2010). When stakeholders “issue” this permission, they expect companies to allow then to see how they do business and includes their social, economic and environmental impacts as a result of their operations (Schaltegger and Burritt, 2010).

Closely linked to the benefit of a company being able to maintain legitimacy as a consequence of disclosing their sustainability practices, is improved reputation and image, which are also based on the perceptions stakeholders (Hooghiemstra, 2000). Literature suggests that while legitimacy is the cornerstone for a company’s operations, enhanced reputation and image create competitive advantage for the company. Hooghiemstra (2000) says such competitive advantage can be attained through a company’s efforts to heighten the positive impacts of its operations on stakeholders while minimising their adverse effects, and by accurately disclosing these efforts, thus creating substantial goodwill for the company.

Whereas a superior reputation and image for a company are mostly observed in the context of potentially opening new markets and increasing customer satisfaction, these concepts are also vital for ensuring high job satisfaction for existing employees and the attraction and retention of quality employees (Fifka, 2013b). Sustainability reporting is, therefore, an instrument that companies can use to express sustainability to current and future employees (Fifka, 2013b).

2.4. Underpinning theories

The Resource-Based View (RBV) is an approach to achieving competitive advantage that emerged in the1980s and 1990s following significant works published by Wernerfelt (1984) and Barney (1990). The supporters of the RBV claim that organisations must look inside the company to discover the sources of competitive advantage rather than looking for it in the competitive external environment. According to Grant (1991), the company needs to look internally for its source of competitive advantage because the internal strengths and weakness of a company are easier to control and manage as opposed to the external threats and opportunities. The crucial requirements of the RBV are that the relevant resources are specific to the firm and cannot be easily copied by competitors and make up the firm's competitive advantage (Barney, 1991). Because each firm's resource bundle is unique as a result of its management decisions and experience, it cannot be easily replicated (Barney, 1991). The RBV, therefore, suggests that firms can maintain sustainable competitive advantages for themselves by effectively directing and using these valuable and rare resources and capabilities to outperform their rivals (Barney, 1991). The exploitation of internal capabilities can enhance a companies' ability to understand which sustainability practices are necessary for it to attain competitive advantage (Hsu, Chang and Luo, 2017).

To have a clear understanding of why the RBV is relevant for this study, we must understand the components that make up this view, which is resources, capabilities, and competitive advantage. A resource is "anything which could be thought of as strength or weakness of a given firm. More formally, a firm's resources at a given time could be defined as those assets which are tied semi-permanently to the firm" (Wernerfelt, 1984: 172). The three basic categories of resources which can be sources of competitive advantage include the physical, human and organisational capital resources (Barney, 1991). A firm's buildings, equipment, technology, location, and finances are considered to be physical capital resources. The human capital resources include the expertise, training, predisposition for risk-taking and intellect, of its employees (Barney, 1991). The organisational structure, history, corporate culture and human resources are organisational capital resources (Barney, 1991).

McWilliams and Siegel (2001) show a relationship between intangibles and corporate social responsibility and the authors argue that intangibles play an essential role concerning the firm's sustainability activities and that these influence the value of a company. McWilliams and Siegel (2001) also explain how a company can invest in corporate social responsibility activities to generate intangibles for its external and internal benefits. In terms of internal capabilities, when a company participates in sustainability practices, they can develop their human resource capabilities (Nyborg and Brekke, 2004). Baron and Diermeier (2007) further argue that companies with a sustainability focus, the company can entice ethically sound investors. Externally, sustainability focussed companies can use this resource to enhance their reputations or brands (Baron and Diermeier, 2007).

Although the sustainability report aims to provide financial and non-financial information, it meets the social and environmental expectations of both internal and external stakeholders (Paulraj, 2011). It should also contain some information about the intellectual and human capital of the company (Paulraj, 2011).

According to RBV proponents, it is more viable for a company to use its current resources in innovative ways to exploit new opportunities as opposed to attempting to acquire new skills for every opportunity that arises (Richey, Musgrove, Gillison and Gabler, 2014). This view is also applicable to sustainability reporting where the company can use its existing resources to undertake sustainability practices to gain competitive advantage. RBV shows a relationship between the sustainability practices of a business and its performance through the business committing its available resources to pursue long-term strategy focuses on sustainability to benefit from it (Richey et al., 2014). The ability of the company to quickly commit resources to new green market opportunities enables it to develop new technologies and develop them so that it can take advantage of new market opportunities and therefore engage in sustainability practices at a reduced cost (Richey et al., 2014).

Teece, Pisano and Shuen (1997) identified shortcomings in the RBV definition of firm capabilities which saw the advent of the concept of dynamic capabilities. The authors argued that the idea of capabilities as it was, failed to take into consideration the firm's ability to use its capabilities to address the rapidly changing environments. They also argue that for a firm to be agile and responsive to these changes, these capabilities must be dynamic. Teece et al. (1997) defined dynamic capabilities as the company's capacity to integrate, create and rearrange their competencies towards seizing of new opportunities in a dynamic environment. Mintzberg, Lampel, Quinn and Ghoshal (2003) further define dynamic capabilities as the firm's ability to tackle changes in the environment and effectively utilise its resources for the configuration of new routines and resources to maintain competitive advantage. In turn, the company will disclose these sustainability activities in a sustainability report.

Barney (1991) also says that according to the RBV, companies can exploit their valuable, inimitable, and rare resources as their assets to achieve sustainable competitive advantage for themselves. Barney (1991) defines competitive advantage as a firm having the ability to develop and implement a strategy that created value that is not being applied by an existing or potential competitor. He argues that a firm derives competitive advantage by running its business in such a way that it can develop superior capabilities and resources (Barney, 1991). A criticism of this view is that Barney's (1991) definition of competitive advantage is the only definition that can be found in theory (Hoffman, 2000). The author argues that this view lacks a firm functioning definition for competitive advantage (Hoffman, 2000). Without this definition, competitive advantage cannot be measured, and it is therefore not easy to assess whether a company has achieved it by participating in sustainability reporting except by looking at the company's financial sustainability (Hoffman, 2000).

In response to this criticism, Hart (1995), a seminal author of the Natural Resource-Based View (NRBV), offers a link between the resources and capabilities in the company and the natural environment. This view proposes that a company should adopt a natural resource-based view to develop competitive advantage that is specific to the firm by thoughtfully managing its relationship with the natural environment. Hart (1995) proposes that competitive advantage must be looked from the perspective of pollution prevention, product stewardship and sustainable development- three strategies that are intrinsically interconnected. Hart's (1995) theory takes this argument further by stating that as the constraints and pressures placed on the company increase and become more rigorous, the firm's ability to manage them will make its organisational capabilities more valuable, rare and inimitable. He says that this will result in superior economic and social outcomes for the firm Hart's (1995). These are outcomes that the company can disclose in their sustainability reports.

Grant (1991) stresses that for better understanding of the resources necessary for an organisation to adopt sustainability practices, it is essential to distinguish between resources and organisational capabilities. According to Grant (1991), it is when a company has succeeded in bundling its resources, it can then be said to possess the organisational capabilities which are the main drivers of competitive advantage for the organisation (Grant, 1991). Concerning which resources enable the company to develop environment-related capabilities, Russo and Fouts (1997) argue that different types of resources within the firm play different roles. For example, the effective implementation of sustainability practices requires the full involvement of all members of the team, thus highlighting the significance of the firm's human and organisational resources in facilitating the participation in and enthusiasm for sustainability practices (Fisher and Schot, 1993). Fisher and Schot (1993) add that a company's capabilities also have the potential to improve its image and reputation and this will not only help the company to attract good quality employees but will also contribute to increased investment opportunities for the company. The RBV stresses the decisive role that the resources and capabilities of a company play in it participating in corporate sustainability initiatives such as sustainability reporting.

A review of NRBV by Hart and Dowell (2011), they introduced two categories, namely clean technology and base of the pyramid capabilities into sustainable development. The authors suggest that companies should develop capabilities that will allow them to create clean technologies where they will reduce material and energy consumption to provide for human needs without putting a strain on the earth's resources. Companies that can develop these competencies can position themselves for competitive advantage better as their sectors change and evolve (Hart and Dowell, 2011). Innovations related to clean technologies boost the company's efficiencies in terms of operations and production (Hart and Dowell, 2011). As the company eliminates pollutants from their process of production, they not only reduce pollution but also reduce their costs of production but are also eliminating their liability and compliance expenses – thus improving their competitiveness (Hart and Dowell, 2011). A second aspect of the NRBV is the base of the pyramid capability, which looks at the increased focus on the role of companies in easing poverty levels for the poor. The two capabilities raised by NRBV, which are clean technology and the base of the pyramid have a clear correlation with companies participating in responsible sustainability activities Hart and Dowell, 2011). These activities can also form the basis of a sustainability report for the company.

From the perspective of this study, which aims to explore sustainability reporting by SMEs, the natural environment presents the firm with opportunities to develop strategies that lead to their sustained competitive advantage based upon the company's relationship to the natural environment. Porter (1985) further argues that companies in developing countries are more capable of managing environmental issues than those in less developed nations. Porter (1985) attributes this to the fact that developed countries are more likely to have access to advanced technologies and regulations. What this argument suggests is that SMEs in less developed countries such as South Africa are less likely to have the means to adopt sustainability practices.

Chapter 3 – RESEARCH METHODOLOGY

3.1. Introduction

This chapter aims to introduce the research methodology for this qualitative study regarding challenges, barriers, and drivers of sustainability reporting by SMEs. The paradigm approach, research method, sampling, procedures for data collection, data analysis method, the validity, and reliability, as well as the ethical considerations for the study, are also included in this section.

3.2. Objectives of the study

Specific objectives of the study were:

- To identify and describe the challenges and barriers associated with sustainability reporting in SMEs;
- To identify and describe the drivers of sustainability reporting for SMEs;
- To investigate if/how SMEs use sustainability reporting to attain competitive advantage for themselves; and
- To make recommendations on how sustainability reporting can create competitive advantage for SMEs.

3.3. Paradigm approach

The research aimed to adopt a post-positivism paradigm. Kuhn (1977) defines as a research philosophy with established assumptions and shared understandings that a community of researchers has about how the research is conducted. According to Lather (1986), these research paradigms are a real reflection of our beliefs about our world. Scholars who subscribe to this paradigm believe in the multiple perspectives of participants as opposed to the single reality of the observer (Creswell, 2007). According to Weber (2004), contemporary post-positivist researchers recognise the limitation of the knowledge they seek to build, understanding that their culture, experiences, and history impact the research work they undertake and thus their results. According to Henderson (2011), post-positivism brings theory and practice together. Through this paradigm, the researcher aims to build on the knowledge about the benefits and challenges of sustainability reporting, as seen by the reporting SMEs.

3.4. Research Method

Denzin and Lincoln (2003) argue that qualitative research is lifelike and that it aims to study the ordinary lives of diverse groups of individuals and groups in their familiar settings and that it is especially useful for studying settings and processes. According to Stake (2010), a qualitative study is a suitable research method when the aim of the research relies on the perception of a participant's experience in each situation to explain a phenomenon in a way that makes sense to them. The chosen research method allowed for in-depth and exploratory questioning of participants, based on their responses (Stake, 2010). The researcher also attempted to gain a profound understanding of the participants' motivations and feelings (Cresswell, 2003). The qualitative approach was the most appropriate method because this study aimed to gain insight into sustainability reporting by SMEs.

This study employed the deductive thematic analysis method. According to Braun and Clarke (2006), this is a method of isolating configurations or themes within qualitative information. An advantage of this method is that it is not tied to a particular theoretical perspective, which makes it flexible (Braun and Clarke, 2006).

3.7. Sampling

Purposive sampling was used for this study, whereby the subjects chosen to participate in this study are employees of SMEs whose responsibilities include sustainability reporting. Their potential to offer relevant information in response to the research questions was considered. Lewis and Sheppard (2006) define purposive sampling as a technique where participants are selected based on what they know. It is a method of sampling that is not random, and it allows the researcher to selects cases that are rich in information-rich to allow for in-depth study (Merriam, 1998). The researcher determined what information is needed for research and identifies participants who are willing to provide the information because of the experience or knowledge (Lewis and Sheppard 2006). The researcher selects a sample from which they can learn the most (Merriam, 1998). Also, Creswell (2007) recommends that 3-5 participants be used for case study research.

Given the small size of the population of SMEs in South Africa that participates in sustainability reporting, the entire population was included in the study. The population consisted of 13 SMEs in South Africa that had submitted their sustainability reports to the GRI's Sustainability Database (2019) for the last five years. The researcher made initial email contact with each organisation's office of the Chief Executive Officer or Managing Director, as the gatekeeper of the identified organisations, from the GRI database. Within the research process, gatekeepers are the individuals that act as intermediaries between the participants and the researcher (De Laine, 2000). The email communication included an introduction of the study and what it aimed to achieve, the gatekeeper approval form, the ethical clearance certificate, and the interview schedule (see Annexure A). The initial contact was followed up with telephone calls, where the researcher requested the contact details of both the gatekeeper and the individuals responsible for sustainability reporting within the respective companies.

Although there were 13 identified participants identified and contacted, only five (5) organisations responded to the participation request and participated in the study.

3.8. Data collection

In terms of data collection, the interview schedule was administered, and interviews conducted. Five company representatives were interviewed, with one from each firm. Two of the five participants responded to the interview schedule, which they received and resubmitted via email. They self-administered the interview schedule, and the researcher was not present in the room.

The researcher interviewed the other three participants and these interviews took place via Zoom, video and conference technology which offers research participants the ability to communicate in real-time with at different locations using any device that could be a tablet, computer or mobile device (Zoom Video Communications Inc., 2016). A key advantage of Zoom is its ability to record and store sessions securely (Zoom Video Communications Inc., 2016).

The interviews were recorded electronically using Otter (Otter.ai, 2020), a live transcription note-taking application that records interviews and turns them into a text document. The participants sent consent forms before the interviews. The interviews began with the researcher by going over the consent again with the participants. This process was followed up with background information of both the participant and the SME. Following this introduction, more detailed questions followed to collect more in-depth data on sustainability reporting by the organisation. All the interviews took place in a single session, and at the end of each interview, the participants were informed that should the researcher seek more clarity on specific issues follow up contact would be made. Although Otter (Otter.ai, 2020) records and translates interviews into text, it is not 100% accurate. Therefore the interviews were checked for accuracy against the voice recordings and corrections made to ensure the interviews were captured accurately.

3.9. Data analysis

The thematic analysis method was used to analyse the data in this study. Braun and Clarke (2006) define thematic analysis as a technique that is used to identify and analyse themes found within data. Braun and Clarke (2006) suggest that is can be used to examine narrative materials from the stories of participants and breaking data into smaller units and describing phenomena. It involves the researcher looking for identifying common threads that are spread across a set of interviews (DeSantis and Ugarriza, 2000). This approach is relevant for this study, as it allowed the researcher to identify themes that are related to the research questions. Through this method, the data were grouped according to their connections and variances to determine themes (DeSantis and Ugarriza, 2000). By using the thematic analysis, the researcher was able to make the associations between the various ideas and thoughts of the participants to theories that already exist.

The recorded interviews were transcribed and then analysed through the deductive thematic analysis method. This approach allowed for themes to emerge as the reader is required to familiarise themselves with the data so that they can identify and allocate the emerging themes in line with the research questions (Braun and Clark, 2006). Data coding was done manually. It involved using different coloured highlighters to identify significant themes. Male (2016) defines data coding as a method to quantify the data to see that themes exist early on in the data analysis. Once the researcher is familiar with the data, they can expect to see the emergence of patterns in the data (Male, 2016). This approach allowed for themes to be identified, categorised to according to the research objectives outlined earlier on in this study and further investigated through the interview schedules.

The identified themes were also be refined further ensure that they sufficiently reflected the data collected according to the research questions to achieve the research objectives (Braun and Clarke, 2006).

3.10. Validity and Reliability

A method to guarantee the credibility and reliability of a qualitative study is to ensure that the participants have the experience to discuss the phenomenon the researcher sets out to explore (Creswell and Miller, 2000). The validity and reliability of the data collected were maximised through the careful design of the interview schedule that was carefully explained to the participants (Cohen, Manion and Morrison, 2000). To ensure that the participants had the experience to discuss sustainability reporting within their organisations, their background in terms of qualifications and experience with sustainability reporting were explored in the interview schedule.

The questions asked in the interview schedule were determined by the literature about sustainability reporting and SMEs to ensure the validity and reliability of the interview schedule. The researcher also ensured that each of the questions in the interview schedule was aligned with the objectives of the study. The questions were carefully worded to enable the exploration of each of the themes under investigation with specific attention given to questions regarding challenges and barriers, drivers of sustainability reporting for SMEs. The validity of the interview schedule may, however, be affected by the respondents not responding fully to the interview schedule (Oskamp, 1997).

Three of the respondents self-administered the interview schedule as opposed to the researcher interviewing them, and the other two were interviewed over voice platforms (the software Zoom was used). According to Harrison, Birks, Franklin and Mills (2017), the researcher should use verbal communication to avoid missing the non-verbal cues that may not be visible when the participant is being interviewed in person.

3.11. Developing interview schedule

Creswell (1994) argues that researchers must describe their project in terms that are familiar to key groups, peers and funders, for example. The author also suggests that reading the existing literature can help guide and strengthen the study design (Creswell, 1994). In developing the interview schedule, the researcher considered the main concepts dealt with in the research question which is “An exploratory case study on the barriers, challenges and benefits of sustainability reporting by small and medium enterprises (SMEs) in South Africa”. Consideration was also given to the competitive advantage that can be attained from participating in sustainability reporting. The key concepts identified were barriers, challenges, benefits of sustainability reporting and the competitive advantage that can come about as a result of participating in sustainability reporting. The researcher adopted a logical structure by grouping questions into sections and proceeding from the general to the specific.

It would have been ideal for the researcher to have had the opportunity to conduct an in-depth study of the literature before developing the interview schedule. However, this was not possible as the interview schedule was to be submitted as part of the ethical review processes, which has to take place before the research and data collection can take place. Only after these processes were completed did the researcher conduct a more detailed literature study; hence some of the key issues that were identified for the study were identified at a later stage.

3.12. Ethical considerations

To ensure that ethics were prioritised in the study, the researcher followed the ethical procedures as set out by the Ethics Committee at Rhodes University. Before the commencement of each interview, the procedure that was to be followed was explained to the participants. They were also informed of the benefits they could reasonably expect from the research - including that the outcomes of the research would be shared with them. Participants were also informed that they were free to withdraw from the study at any time or not answer any question they did not feel comfortable answering.

The participants were also assured of anonymity and confidentiality for both themselves and their organisations in the final report. At the data collection stage, a safe environment was ensured where others could not hear or see their responses. As per the ethics clearance application process conducted before commencing with the study, each of the participants was assigned a unique study code as SME 1, SME 2, SME 3, SME 4 and SME 5. These were used on the interview schedule and data analysis in place of identifying information to protect the participants’ responses. Also, all the recorded materials will be destroyed after five years, thus further eliminating the risks related to confidentiality.

Chapter 4 - FINDINGS

4.1. Introduction

This chapter will present the findings related to the objectives of the study as set out hereafter for easy reference. It will also provide a profile of the respondents followed by a presentation of the findings based on three broad themes that were identified and further synthesised into seven sub-themes related to the challenges and drivers of sustainability reporting for SMEs. Lastly, a summary of this chapter is provided.

This study aimed to investigate the challenges and barriers faced by SMEs, together with the potential benefits for SMEs participating in sustainability reporting in response to the following aims and objectives:

- To identify and describe the challenges and barriers associated with sustainability reporting in SMEs.
- To identify and describe the drivers of sustainability reporting for SMEs.
- To investigate if/how SMEs use sustainability reporting to attain competitive advantage for themselves.
- Lastly, the research also aims to make recommendations on how sustainability reporting can create competitive advantage for SMEs.

4.2. Profiles of participants

Five interviews were conducted with representatives from the five SMEs. Out of the five interviewees, two were males, and three were females. They all have Bachelor of Commerce qualifications, their primary responsibilities are Finance Director, Chief Financial Officer or Fund Analyst, with two of the participants being Chief Executive Officers for their organisations. Four out of the five participants are Chartered Accountants. All the participants perform sustainability reporting as part of their roles within their organisations, hence their purposive sampling for this study. To maintain the anonymity of firms and participants, the five (5) participating organisations were renamed as SME 1, SME 2, SME 3, SME 4, and SME 5. They will be referred to in this way this report.

An interview schedule was prepared for this study using information drawn from the literature review. In the interview schedule, the participants were requested to answer questions in response to the research question. In addition to these questions, they were also requested to answer questions about their backgrounds and that of the SMEs they represent.

4.3. Identified themes

Three main themes were identified from the data as follows: barriers and challenges of sustainability reporting, drivers and benefits of sustainability reporting and competitive advantage. The identified themes were further broken down into seven (7) sub-themes in line with the literature review in Chapter 2.

4.3.1. Theme 1: Barriers and challenges of sustainability reporting

The first identified theme related to the barriers and challenges of sustainability reporting. The data revealed sub-themes under this theme are as follows:

a) Lack of regulations and guidelines, compliance is voluntary
b) Lack of awareness and information, lack of time, inhibitive costs in terms of time and human resources, lack of training
c) No value in reporting

Table 1 is a depiction of the sub-themes that emerged from the data in the form of keywords that were mentioned by the participants concerning theme 1, which are the barriers and challenges experienced in participating in sustainability reporting.

The red block indicates sub-theme (a) which most of the SMEs noted to be the lack of regulations and guidelines in terms of sustainability reporting and the fact that compliance with this type of reporting was voluntary. The purple block indicates sub-theme (b) which most of the SMEs showed as the lack of awareness and information, lack of time, inhibitive costs in terms of time and human resources and lack of training. The green block indicates sub-theme (c), which showed one of the reasons for SMEs not participating in sustainability reporting was that they saw no value in reporting.

SME 1	SME 2	SME 3	SME 4	SME 5
No regulations – voluntary	No legislation-voluntary	No guidelines	Voluntary – no regulations	No regulations or policies
Lack of awareness	Lack of awareness	Lack of information	Lack of time	
Lack of time	Cost	Cost and time	Lack of resources/manpower	Cost – human resources and financial
		No training	Lack of awareness and understanding	No training
Don't see value		See no value in reporting	See no value	

Table 1: Sub-themes: barriers and challenges of sustainability reporting

a) Lack of regulations and guidelines, compliance is voluntary

The concept of lack of regulations and guidelines is common to all the participants. All the participants are also in agreement that the practice of sustainability reporting is voluntary as there is no policy framework currently in place in South Africa. They also agree that although King IV guides them, the report only recommends that companies should prepare an integrated report but does not provide any guidelines as to what they should be reporting on and what format they should follow. The data shows that in the absence of regulated procedures, the SMEs choose to use whichever framework is the most convenient for them. The data also revealed that the SMEs have, over the years, developed their own templates, on which their reports are based. The participants made the following comments:

- *We use mostly the King Code. There's not a lot of guidelines on it; it just says that you have to report on your sustainability impacts and be transparent. It's not really specific. I think it's more what we think people would want to see. We don't use the GRI or any other international framework. We have an established template that we have been using for years. So I wouldn't say it is based on any guidelines (SME 3).*

- *The King Code regulates that we should produce an integrated report but a sustainability report is purely voluntary and is not covered by any regulations or policies in South Africa (SME 5).*
- *Except for the King Code - no, there's not really guidelines for these things. South Africa is starting to move towards being more transparent reporting, but we're not actually there (SME 3).*

It also emerged that the SMEs make their own discretion as to which sustainability issues they should disclose in their reports as shown by the comments of SME 4 as follows: *So you tend to always favour what you actually do which isn't really what you're supposed to do, you're supposed to look at all the aspects of sustainability. It's easy to just focus on the one you do. Automatically, you don't want to put something negative in the reports were but you need to show that as well as the bad. For instance, if you didn't do any social sustainability practices or maybe you but did not involve the communities, then that should tell you that you didn't meet the metric that you had set for yourself as a company…*

SME 3 uses a combination of reporting standards: *We do try to use the GRI for the NGO sector, but again it has become very much a guide that we used to benchmark. Because also you know having all those tick boxes... They didn't really add value they became a tick box exercise. So we really look at the GRI reporting guidelines and how we can use those standards. And those are the ones that we look at specifically, preparing reports. But basically, AA1000 is the cornerstone of our reporting because it speaks of your inclusivity, your materiality and those kinds of aspects.*

b) Lack of awareness and information, time, inhibitive costs in terms of time and human resources and lack of training

Literature reveals that SMEs are not aware of the need to implement sustainability practices such as reporting and that they find reporting costly both in terms of financial and human resources. The SMEs who do implement this type of reporting found that it supported this perception by indicating that sustainability reporting is indeed a costly and time-consuming exercise. For example, SME 1 responded as follows to the question of what challenges face SMEs in terms of sustainability reporting: *I would say the biggest challenge is awareness.*

SMEs do not know about sustainability reporting. They also do not know what the benefits of doing it are.

SME 4 said: *The biggest challenges is time. It is not an easy report to prepare, that you can just wake and say: "Okay, this is what I'm doing". There is preparation and record-keeping that has to be done throughout the year that guides and lead you into the actual reporting, and that information is simply not readily available.*

It is interesting to note that although the SMEs cited time and cost as one of the barriers to reporting, they also reported that within their organisations, they experienced no additional charges as the sustainability reporting was incorporated into their role within their organisation.

The participants also agreed that although they are involved in sustainability reporting as part of their roles within the company, they all learned about it on the job and received no specific training on the sustainability reporting process.

c) No value in reporting

The third most common sub-theme found in the data is the fact that SMEs are not participating in sustainability reporting because they cannot see any value in doing it. This theme emerged in response to a question asked to the participants about why they thought other SMEs were not participating in sustainability reporting.

SME 3 said: *If it's not going to add value to your specific sector, then there's no point in doing it.* SME 4 said: *There's also got to be value for an organisation. You have to be able to say that derive value from it. Otherwise, there is no point in doing it.*

Both SME 1 and 4 agree that without any visible value for participating in sustainability reporting, there is no point in doing it. This sub-theme is related to awareness about sustainability reporting and practices related to sustainability. If the SMEs were educated about sustainability reporting, they would have a better understanding of the benefits.

SME said: *The main challenge in preparing the report is breaking down the established silos within the company and linking all the information to show the story of how value is created* (SME 1). The comment by SME 1 indicates that although the company does do sustainability reporting if they cannot show the value created through sustainability practices "then there is no point in doing it" (SME 1, 2020).

4.3.2. Theme 2: Drivers and benefits of sustainability reporting

The main themes under this section are the drivers and benefits of sustainability reporting. The sub-themes identified under this theme are as follows:

a) Improved decision making
b) Increased financial sustainability
c) Transparency and accountability
d) Legitimacy and image

Table 2 is a representation of the sub-themes related to theme 2, which are the drivers and benefits of sustainability reporting. These sub-themes emerged through the identification of keywords related to these drivers as experienced by the SMEs who participated in the study.

The orange block represents sub-theme (a) which is related to how sustainability reporting has improved decision making for the participating SMEs. The blue block represents the sub-theme (b) which is associated with the financial sustainability that the SMEs have attained as a result of sustainability reporting and related practices. The pink block represents sub-theme (c) which is transparency and accountability. This sub-theme came out strongly amongst all the SMEs are one of the main drivers of sustainability reporting. The black block is a representation of sub-theme (d). This theme is related to improved legitimacy and image and is one of the benefits of sustainability reporting for the SMEs.

SME 1	SME 2	SME 3	SME 4	SME 5
Improved decision making processes	Risk management		Improved operations	Improved investment decisions
Financial sustainability		Cost savings	Financial sustainability	Financial sustainability
Accountability Trust and transparency	Accountability Transparency	Transparency	Transparency Accountability	Transparency Openness and integrity, Accountability
Enhanced image		Image	Marketing and public relations	Marketing

Table 2: Sub-themes: drivers and benefits of sustainability reporting

a) Improved decision-making

The impact of sustainability reporting on SMEs came out very strongly in the data with all the research participating agreeing that the practice does indeed affect the organisation's decision-making processes.

SME 1 - *We value customers-for-life, and believe that people buy from people. As a company, we subscribe to the principles of fairness, accountability, responsibility, and transparency in all our dealings. These principles provide us with the platform to ensure quality decision-making and enhance the long-term prosperity of our company. In addition, whatever decisions we make as a business, we consider our relationships with our stakeholders, whether these are financial or social. We also strive to have minimal impact on the environment as we understand the implications of environmental degradation on these communities.*

SME 2 said: *Transparent and comprehensive reporting forms the basis of all our investment decisions. How we operate, how we identify and manage risk.*

When asked about why their organisation continues participating in sustainability reporting despite it not being a legislative requirement for SMEs, SME 3 commented that: *It gives the company the chance to show our stakeholders what we're doing. Without the report, they're not going to know that we have solar panels or we're saving money through sustainability initiatives if we don't tell them about it somewhere and sustainability reports are the obvious way to do it. In terms of transparency, the board expects us to share information about our sustainability practices. More and more people want to see what we are doing for the environment - especially waste management. It has become an expectation from businesses.*

SME 5 added: *We appreciate the relationships between various external and internal factors and how they influence our capacity to create sustainable value, which cannot happen without carefully considering the connection between the capitals that we use, the trade-offs that we make in fulfilling our tactical objectives, the environment in which we operate, the needs of the various stakeholders, the effective management of risk and our businesses operations, amongst many matters. Therefore, our integrated decision-making is heavily underpinned by our integrated decision-making. The actions taken by the company to ensure the creation of value over the short, medium, and long-term and is embedded in everything that we do.*

b) Increased financial sustainability

A benefit that was most common amongst the participants was the increased financial sustainability. SME 5 - *Most importantly, as a result of our sustainability practices, we have seen improved access to investments - a definite positive step towards the financial sustainability of our business – also benefiting our staff and shareholders.*

SME 2 said: *We are constantly reviewing our sustainability practices where we make investment decisions to invest mostly in businesses that have a central focus on sustainability practices that not only take financial sustainability but also social and environmental sustainability focus.*

SME 4 - *Financial sustainability is our focal area because without financial sustainability we will not be able to continue. But I think sustainability also means looking after all aspects of it, whether it's your facilities and ensuring that they are well maintained, to ensure that you're able to give the service. Looking at your environmental understanding and acknowledging that* *they are scarce resources when it comes to electricity and water. And how you ensure your sustainability from the responsibility point of view as well. We get the financial benefit on the savings we make towards electricity and water savings but you don't see the actual carbon and environmental benefit of this. Externally, the benefits are to the communities, stakeholders and the environment.*

c) Transparency and accountability

Transparency and accountability are sub-themes that also came out strongly amongst all the SMEs interviewed with all the participants confirming that the need to be transparent and accountable to stakeholders such as funders, investors, the public and shareholders, was one of their strongest motivators for them continuing with sustainability reporting.

When asked about what factors motivated the company's decision to conduct sustainability reporting, SME 5 said: *As an investment company with shareholders it is important for us to be transparent in how we invest our shareholder's funds.*

SME 3 - *There is value in us being transparent especially because we are a small company. We need to show our shareholders where the value is coming from and what we're doing to create extra value. It gives confidence in the market as well.*

SME 2 – *The company places great emphasis on good corporate citizenship, integrity, transparency and accountability and comprehensive reporting – it forms the basis of our investment decisions. Initially, we only focused on financial reporting. However, as the company grew and we started making bigger investments and also became funded by external stakeholders, it became important for us to report in a more transparent manner.*

Since making the decision to undertake sustainability reporting, the company has shown more profits with investors having more trust is who we are and what we do because we have been open and transparent in our communication with them through our reports. We are one of the leading fund managers in the country today. Over the years we have seen the company grow in leaps and bounds and we can certainly attribute some of this growth to the improved decision making processes that we have adopted since starting on the sustainability reporting journey.

SME 4 - *I think it is the necessity to show good governance, to demonstrate that is of crucial importance because also when large companies and even individuals trust in you make an investment in you, they want to see a return, and they want to see how you have spent your money. How are you being held accountable for what you are doing? And those are one of the main reasons why we looked at sustainability reporting because it really gives us a holistic view as to what is the organization doing, what have we used the funding for and how do we ensure then through the support that we receive from the public remain sustainable going into the future. Also because when people do donate they want to see that the donation is not just a hand to mouth donation but is an element of sustainability, knowing that if they're making investments, and are calling it an investment because it is a social investment with social profits. Not monetary or financial in any way. People want to see that they are contributing to something that is going to be sustainable going into the future.*

SME 5 - *This type of reporting not only keeps us accountable to our stakeholders but also allows us to disclose publicly, information about our sustainability practices and impact in a straightforward, simple and transparent manner.*

d) Legitimacy and image

Most of the participants agreed that reporting on their sustainability practices as an organisation contributed to an improved reputation and image for their companies. They also confirmed that it contributed to their legitimacy as a small business.

SME 1 - *As we improve and refine our sustainability practices, we can expect the image of our organisation to improve. We see this as being a great marketing tool for us.*

SME 4 - **…***a valuable marketing and PR tool, when we are speaking to the public and when we are asking for donations. And I think also because it's broken down into concise sections, a donor or prospective funder can go to a section that they want to see, they can see the data, they can see it almost in a snapshot of what the organisation is doing. You might have financial statements, but it doesn't tell you the narrative of what the organisation is doing - what's the story behind it and what the impact is that you making.*

SME 1 said: *It's something that investors also ask before they invest. They want to know that their investment will be protected. There are also new laws coming in about waste management especially in the communities that we work in and you can get penalties for that. So in that sense, it becomes an articulated expectation that we need to have a sustainability report.*

4.3.3. Theme 3: Sustainability reporting and competitive advantage

Although most of the participants indicated that they had gained competitive advantage as a result of sustainability reporting, their description of how it was achieved differed amongst all of them. The common theme amongst all the participants was that they all saw positive benefits from participating in sustainability reporting. Each of the participants identified different elements which they viewed as what gives them competitive advantage, and they commented about their respective competitive advantage as follows:

SME 5 agreed that the company had indeed gained competitive advantage and this was visible through being able to identify and manage risk and commented as follows: *We recently had a breach in our IT [information technology] system but because we had an active risk register that is part of our sustainability practices, we were quickly able to identify the breach and remedy the situation. If we had not had the register we would not have been able to pick up the breach.* They also indicated that there was an improvement in profits and stakeholder relationships: *We have not only seen improvement in our profits but also the relationship with our stakeholders continues to improve as we strengthen our efforts to be transparent in our reporting.*

SME 3 reported an increased market share since undertaking sustainability practices. *As one of the few companies operating in the lower LSM [the Living Standards Measure is a marketing and research tool used in South Africa to classify standard of living and disposable income] markets and we have grown our market share quite substantially since we have started with not only sustainability but also sustainability reporting.*

While SME 4 showed increased access to funding and commented as follows: *In addition to the internal advantages, we have also noted that funders see the value of our reports. We are transparent in our impact – both socially and environmentally, hence we are able to attract increased funding. The funding slice is becoming smaller with more competition for the* *available funds. Our funders are assured that we will use their funds to achieve what we set out to do because we are transparent and accountable in our reporting. The reporting has improved our reputation and our image as an NPO. The scope to access public and private funding is definitely one of the competitive advantages that we have been able to gain over our competitors. Through being able to demonstrate our sustainability practices we are able to tap into other sources of funding. Through our financial sustainability efforts we are also able to be self-sustaining by generating our own income. This enables us to open other doors for additional funding. We are able to show and measure the impact of the donations we receive.*

Chapter 5 – DISCUSSION

5.1. Introduction

The objectives of this study were to identify and describe the challenges and barriers associated with sustainability reporting by SMEs in South Africa; to identify and describe the drivers of sustainability reporting for SMEs; to investigate if/how SMEs use sustainability reporting to attain competitive advantage for themselves and to make recommendations on how sustainability reporting can create competitive advantages for SMEs.

The study has found that indeed there are several barriers to sustainability reporting by SMEs. Also, drivers are present for SMEs to participate in this sustainability practice, and they do indeed derive benefits from it. The study also found that SMEs can attain competitive advantage from sustainability reporting. Furthermore, the study has also found that although SMEs face challenges in terms of sustainability reporting, it also has significant benefits.

5.2. Thematic discussion

Several themes relating to the objectives of the study, as outlined above, emerged from the data collected. The data revealed three main themes (see 4.3.1, 4.3.2 and 4.3.3) related to the barriers, drivers and benefits of sustainability reporting and the competitive advantage that SMEs can gain from the practice of sustainability reporting. These themes were further synthesised into seven sub-themes as per the discussion below.

5.2.1. Barriers and challenges of sustainability reporting

The first theme was the barriers and challenges of sustainability reporting. While question 4 (a) aimed to get the participants to look at their own experiences and company's internal processes to determine if there were any challenges that they experienced, question 4(e) required for the participants to make general observations about what other SMEs perceived as challenges to reporting.

As the role of SMEs in the economy, especially in a developing country like South Africa expands, so do their impacts on both the environment and the economy. However, the environment in which they operate has not evolved to cater for the growth in the impact of these smaller businesses. Some of the broad categories that create barriers for SMEs participating in sustainability reporting that were found in this study include the lack of regulations and guidelines, the voluntary nature of sustainability reporting, the lack of information, the inhibitive financial and human resources costs, and the lack of information.

In terms of lack of regulations and guidelines, compliance was found to be voluntary (see section 4.3.1 (a)). The data showed that most of the participants agreed that sustainability reporting was voluntary as there was no policy or framework for reporting for SMEs in South Africa. All the participants in the study indicated that as SMEs, their organisations are required to report by King IV. However, the code offers no specific guidelines and does not provide a format according to which they must report. As a result, the SMEs in the study used whatever format was convenient and easily accessible to them, with one of them even going as far as using aspects of various reporting standards to create a reporting template for their organisation. The data also revealed that this lack of guidelines resulted in the SMEs using their discretion to decide which issues to report on – resulting in biased reporting.

Literature suggests that legislation is one of the foremost motivating factors for SMEs to participate in sustainability practices. Williamson, Lynch-Wood and Ramsay (2006) support this finding and argue that stronger regulations are the best drivers for improved sustainability reporting and sustainable development for SMEs. The authors argue that government intervention is imperative to compel companies, particularly SMEs, to engage in socially and ecologically accountable activities (Williamson et al., 2006). According to Hillary (2004), not only can such regulations induce sustainability reporting but can also promote sustainability practices by SMEs such as protecting the environment and the health and safety of the labour force.

The second sub-theme to emerge from the data was lack of awareness and information and the inhibitive costs of reporting in terms of human resources and financial resources (see section 4.3.1 (b)). The data revealed that most SMEs are not aware of sustainability reporting. Those that are aware of it have the perception that it is too costly and would take up too much of their time and finances. The SMEs who participated in the study had also not received any training that is specific to sustainability reporting. All the participants indicated that they had all learned about sustainability reporting "on the job". According to Pimenova and van der Vorst (2004), the level of unawareness of sustainability reporting by SMEs is further compounded by the inadequate opportunities for practical training and capacity building together with the lax legislative environment. Closely related to the lack of awareness is the belief by many small companies that because they are small, their impact is proportional to their activities, and is therefore minimal (Holland and Gibbon, 1997).

One of the standards that the GRI (2013) measures is that of the environmental and social performance of the supply chain of large corporates. The implications of this for SMEs are that the large companies will start expecting the smaller businesses that are part of their supply chain to keep track of and report on their own environmental and social performance and that these reports would feed into the reports of the larger corporates. This practice will create increasing pressure for SMEs to participate in sustainability reporting. Although the cost of reporting may seem to be prohibitive, the loss of business due to non-compliance may be higher for SMEs. An example of how this strategy can be implemented was seen in Germany, where the government introduced the Corporate Social Responsibility Directive Implementation Act (CDIA). Although the Act does not directly address SMEs, it requires the larger corporates to ensure that suppliers and subcontractors who are part of their supply chain submit sustainability reports, thus promoting sustainability reporting amongst SMEs (Bergmann and Posch, 2018).

Along with the pressure from the larger corporates, which SMEs are a large part of their supply chain, they will soon also start experiencing pressure from their stakeholders which include customers and shareholders (Lee and Klassen, 2008). Stakeholders are already influential opinion-makers and able to influence markets and regulations (Lee and Klassen, 2008). More and more customers are prepared to pay the best price for services and products that address environmental and social issues. The International Federation of Accountants (2013) supports this position by stating that the costs that SMEs incur in engaging in sustainability efforts can be recouped once they access markets and value chains and suggests that these businesses should cater for these costs from their running costs. Given the dynamic nature of the business environment and the rapidly evolving preferences of customers and regulations, it is of utmost importance for SMEs who have not started to address environmental and social aspects of their business to take proactive steps towards getting involved in sustainability reporting before they are faced with having to comply in reaction to these demands from society, business partners and government regulations (Moreno and Reyes, 2013).

Most SMEs tend to fail because they lack certain competencies and skills (Dyer and Ross, 2008). By relying on external sources, SMEs can obtain capabilities and knowledge they need from external service providers (Gilley, Greer and Rasheed, 2004). RBV says that the limited resources of smaller companies make it necessary for them to obtain the resources they lack from external sources (Kamyabi and Devi, 2011). In the context of sustainability reporting for SMEs, the lack of time and resources for SMEs to participate in sustainability reporting can be attained outside of the business. This, however, can only occur if the SMEs have the financial resources to pay for these services.

The last sub-theme under the barriers and challenges theme is that SMEs see no value in sustainability reporting (see section 4.3.1 (b)). The data in the study has revealed that this perception is closely linked to awareness about sustainability reporting. The data indicates that those SMEs who do not recognise the value of sustainability reporting are not only unaware of sustainability practices; they also do not understand the potential benefits of sustainability reporting. SMEs that do not anticipate the benefits of participating in sustainability practices risk losing business to competitors that invest in sustainable business methods early on- a technique that their competitors may find hard to copy and in turn give them competitive advantage of them (Shields and Shelleman, 2015). The other benefits of sustainability for SMEs in addition to the ones already mentioned in the study include reduced dependency on depleted resources, efficient production due to superior technologies and better-skilled staff, potential partnerships with other sustainable SMEs, partnerships with international companies and a lower burden from environmental and social legislation GRI (2019) and regulations when they are introduced in South Africa.

In contradiction to the perceived barriers and challenges of sustainability reporting by the SMEs, Kromjong, Rajpal, Thorns and Verkouw (2016) highlight the value that sustainability reporting can produce for SMEs. According to the authors, sustainability reporting can help to make the strategy and vision of an SME clearer to stakeholders. It can assist the SMEs to improve the quality of their data so that they are better positioned to identify opportunities for improved performance, efficiency and cost-saving, while also enabling them to evaluate potentially damaging industry developments as early as possible and manage these effectively (Kromjong et al. 2016). Engaging the workforce in sustainability efforts can increase staff motivation, productivity and decrease absenteeism (Epstein and Wisner, 2001). It can also signal good management which may open investment opportunities SMEs (Epstein and

Wisner, 2001). It is also a powerful instrument to form or reestablish trust among stakeholders, thus creating competitive advantage for the SME as customers are more likely to support companies that minimise environmental and social impacts while doing business. They are also more likely to become part of the supply chains of larger corporates whose priorities are sustainability focussed (Kromjong et al. 2016).

5.2.2. Drivers and benefits of sustainability reporting

The second theme found in the data related to the drivers and benefits of sustainability reporting (see section 4.3.2). Further to this central theme, four sub-themes emerged from the data as follows: improved decision-making, increased financial sustainability, transparency and accountability and legitimacy and image. While barriers and challenges to sustainability reporting may be prevalent, the study has also found that these drivers and benefits of the practice far outweigh the barriers and challenges for SMEs.

The data showed evidence that sustainability reporting does indeed have an impact on the organisation's decision-making process (see section 4.3.2 (a)). According to the GRI (2015), when making business decisions related to return on investment and reputation and risk management, companies will have to take sustainability issues into account by considering their proactive contribution to sustainable development. Funders, employees and customers are not only interested in the commercial sustainability of SMEs, but they are also concerned with other areas such as decision decision-making processes. A sustainability report has the potential to enable SMEs to collate the information required to understand its future outlook (International Federation of Accountants, 2017) and in turn make better decisions that enhance the internal decision maker's understanding of the various functions and processes within the company. They are also able to understand the interrelatedness of each of these necessary processes to achieve a sustainable company (Williams and Schaefer, 2013). Furthermore, the collection and analysis of the information required for reporting may lead to increased operational effectiveness and efficiency as it compels companies to interrogate their entire value chain (Williams and Schaefer, 2013). All these elements not only benefit the business and its stakeholders but also help the company make decisions that will reduce their cost of doing business in the long term and their environmental damage (Schaltegger and Burritt, 2006).

The GRI (2015) further argues that sustainability practices must take the form of integrating business strategy by reinforcing good governance measures. In addition to the improved decision making by SMEs, sustainability reporting has the potential to assist stakeholders in understanding their business better and making informed decisions, whether these are investment decisions for potential funders or decisions on which products or services to purchase in the case of consumers (GRI, 2015).

The second sub-theme that emerged from the study is increased financial sustainability (see section 4.3.2 (b)). The SMEs in the study all showed evidence of having gained financial sustainability as a result of participating in sustainability reporting. Ameer and Othman (2012) find that companies which focus on sustainable development have sustained financial performance as opposed to those that do not participate in such practices. Although the study found that SMEs were concerned about the cost of sustainability reporting, literature shows that the durable benefits of sustainability practices far outweigh the perceived expense of reporting. In addition to the potential financial sustainability that the SME stands to gain from this practice, literature also shows that such responsible behaviour by companies and may contribute towards enhancing investor goodwill and their willingness to provide capital (Williams and Schaefer, 2013). Sustainability practices are significantly associated with good economic performance, and this tends to lead to positive returns and lower exposure to risk (Ameer and Othman, 2012).

Through sustainability reporting, the SME also gains increased awareness of environmental and social impacts of doing business (Kolk, 2003). The GRI (2019) also argues that sustainability reporting will enable the company to assess its sustainability performance - it will assist the organisation in meeting its regulatory requirements, avoid expensive breaches, and cost cost-effectively collect useful data. All of these benefits will give their organisation competitive advantage as they will now have an increased ability to attract more investment, enter new markets and negotiate better contracts (GRI, 2019).

The study also revealed a third sub-theme which is transparency and accountability (see section 4.3.2 (c)). The data shows that SMEs recognise the need to be transparent and accountable to their stakeholders, which include funders, customers and shareholders as one of their strongest motivators for continuing with sustainability reporting. Transparency has become a central element in building trust, upholding and cultivating reputation while managing risk (Luken and Stares, 2005). Reporting demonstrates transparency and accountability to stakeholders to ensure that stakeholders are informed of developments within the company and why it is happening (Berthelot et al., 2003). Accountability puts pressure on companies to take responsibility for and be transparent about the social, environmental and economic effects of their operations through sustainability disclosures (Fifka, 2013b). The increasing levels of awareness amongst stakeholders about their rights as consumers of products and services can be translated into pressure for the firm. Transparency and accountability be viewed as one of the drivers for SMEs to participate in sustainability reporting.

The final sub-theme that emerged from the study was the need for SMEs to have legitimacy and an improved image (see section 4.3.2 (d)). Data reveals that indeed the SMEs in the study have gained legitimacy and improved image and reputation as a result of being involved in sustainability reporting. They also perceived the sustainability report as a tool that is useful for marketing and public relations that enables stakeholders to have insight into the operations of the business. The data also shows that stakeholders are interested in and indeed, have come to expect companies to produce a sustainability report.

Literature reveals a strong link between legitimacy, improved image and the sub-theme related to transparency and accountability and competitive advantage. Granly and Welo (2014) describe legitimacy as the need to comply with the institutional norms expressed by a company's stakeholders. According to Hooghiemstra (2000), a company that can maintain its legitimacy by disclosing their sustainability practices can expect to have improved reputation and image. Hooghiemstra (2000) suggests that while legitimacy enables the company to operate effectively, enhanced reputation and image can generate competitive advantage for the company.

Cohen (2017) agrees that sustainability reporting helps SMEs gain competitive advantage and increase profits. The author also says that sustainability reporting is not relevant if it is not part of the sustainability practices of the company to improve its impacts on the environment and society. For a company to do a sustainability report, it should reflect, discuss, and engage in and be willing to voluntarily disclose a set of commitments that bind it to their commitment to sustainability practices.

5.2.3. Sustainability reporting and competitive advantage

Although most of the participants indicated that they had gained competitive advantage as a result of sustainability reporting, their description of how it was acquired differed amongst all of them. The common theme amongst all the participants was that they all saw positive benefits from participating in sustainability reporting. Each of the participants identified different elements which they viewed as what gives them competitive advantage. This finding is in line with Hoffmans' (2000) argument that the concept of competitive advantage lacks a firm functioning definition and that without this definition, the concept cannot be measured. The lack of a clear definition makes it difficult to assess whether a company has achieved competitive advantage by participating in sustainability reporting except by looking at the company's financial sustainability. Despite all the participants unanimously agreeing that they had indeed gained competitive advantage as a result of participating in sustainability reporting, there was no recurring keywords and concepts between the participants. None of the participants could define in detail what their competitive advantage was except to say that they had seen improved financial sustainability. This finding further aligned with theory. The RBV says that there is a correlation between the sustainability practices of a business and its performance (Richey et al. 2014).

5.3. Recommendations

Although the benefits that SMEs stand to gain from sustainability reporting far outweigh the barriers, SMEs are slow to take up sustainability practices as can be seen in the barriers outlined in the discussion (Shields and Shelleman, 2015). SMEs need to understand that their limited human and financial resources should not be a constraint in them participating in sustainability reporting (Shields and Shelleman, 2015). Instead, they should consider the returns and the opportunity costs of a sustainability strategy, as opposed to the financial costs. Elford and Daub (2019) propose that the challenges related to limited human resources and time can be minimised through SMEs establishing strategic measures whereby critical members of staff are assigned responsibilities towards the company's sustainability efforts, and these are monitored and measured on an ongoing basis and contribute towards the sustainability reporting processes. The findings of this study support this suggestion by showing that the SMEs do not employ a separate resource to develop the sustainability report. Instead, responsibilities are built into an existing role within the organisation.

Literature shows that sustainability efforts by SMEs are possible. Some of the recommended means include creating awareness about these practices through coordinated and transparent efforts to provide practical support, the reduction of confusion and the provision of incentives for SMEs to participate in sustainable development (Yu and Bell, 2007). Of all the barriers and challenges that SMEs are faced with, it seems education and training are of utmost importance to encourage participation in the practice. Many SMEs have little or no awareness of sustainability practices (Weerasiri, 2012). This lack of awareness makes it difficult for SMEs to see a clear link between implementing sustainability and its benefits (Weerasiri, 2012). Although the GRI and similar standard-setting initiatives have awareness-raising initiatives to encourage reporting by SMEs, they are not reaching enough SMEs to make an impact of the reporting practices of SMEs in South Africa. Not only does the training need to be accessible (Condon, 2004), but it also should be aimed at companies' senior management. As decision-makers, their outlooks, views and competencies are important in ensuring the company's commitment (Steger, Fang and Liu, 2003). The training programmes should comprise of awareness-raising on sustainability-related issues. These can include related sustainability concepts such as legislation, benefits, and reporting tools, and training on management systems and how there can be implemented into the SMEs business. There should be an emphasis on the roles and responsibilities of senior executives on managing sustainability issues (Grayson and Dodd, 2007). Moreover, the training should be directly relevant to and must be affordable to most SMEs (Condon, 2004). According to the European Commission (2003a), training can help companies to create and sustain competitive advantage by improving productivity, the quality of products or services and financial results.

By demonstrating the benefits of sustainability reporting, a business case for SMEs to get involved in the practice would be entrenched in SMEs in South Africa. In order to entrench and show the benefits of sustainability reporting for SMEs, it is recommended that awareness-raising initiatives which would include business organisations such as the South African Chamber of Business, the Black Management Forum and other regional business bodies, associations, and networks that SMEs are represented within should be implemented. In their study, Triguero, Moreno-Mondéjar and Davia (2013) suggest that collaborative networks are essential for driving sustainability practices amongst SMEs.

The findings of this study also suggest that lack of awareness is one of the main barriers preventing SMEs from reporting. In a study they conducted on the sustainability of SMEs in Thailad, Songling, Ishtiaq, Anwar, Ahmed (2018) noted that lack of information and awareness was one of the barriers to sustainable development for SMEs. The authors recommended the governments can address this shortcoming by empowering business associations and other partners such as trade unions to provide support and build capacity. The GRI (2016) also suggests that stakeholders such as the media, civil society and investors should be empowered to engage with SMEs on their sustainability practices to enhance awareness-raising through making resources available (GRI, 2016). Because SMEs occupy are a vital part of a sustainable supply chain (Alengini and Shields, 2010), they need to recognise that sustainable practices also include complying with their buyers' requirements. Larger corporations who have the SMEs as part of their supply chain can also support SMEs to enhance their sustainability practices by helping them overcome barriers such as lack of awareness and information and limited resources through initiatives (Grayson and Dodd, 2007). For example, they could share their sustainability reporting expertise and offer training programmes on sustainability practices to facilitate the transfer of sustainability skills to SMEs (Grayson and Dodd, 2007). This strategy was implemented in Germany, where the government has introduced the Corporate Social Responsibility Directive Implementation Act (CDIA), which aimed to promote sustainable development throughout the value chain of local businesses. Although the Act does not directly address SMEs, it calls for larger corporates to ensure that suppliers and subcontractors who are part of their supply chain submit sustainability reports, thus promoting sustainability reporting amongst SMEs (Bergmann and Posch, 2018).

The findings of this study show that sustainability reporting among SMEs in South Africa is voluntary as there is no policy or framework for reporting for SME. Rather than engaging proactively in sustainability reporting, it seems the SMEs prefer to wait instead for the government to institute legislation, meaning that that will only consider sustainability initiatives when it becomes mandatory either as a result of legislation or the demands of customers or stakeholders.

As climate change, governance and responsible practices become a global issue, the South African government will soon be forced to introduce compulsory regulations for social and environmental performance for all businesses, be it SMEs or larger corporates and sustainability reporting is likely to be one of these regulations. The findings of the study, therefore are strongly supported by the assertions Rutherfoord, Blackburn and Spence, (2000) who argue that regulations may be the most suitable mechanism that can be used to improve the sustainability performance and reporting by the smaller firms. In South Africa, national development largely depends on SMEs (Kongolo, 2010). As such, the government should take a leading role in ensuring that SMEs are better positioned to not only access information about sustainability practices, but should also create policies to support their sustainable development. In addition, the government should not rely just on voluntary standards for the protection of its citizens and the environment but should implement legislation which will be supported by the global standards. According to Triguero et al. (2013) in 2000, the Thai government responded to the lack of policy and framework by introducing the SMEs Promotion Act, which not only responded to the lack of regulations but also to the need for SMEs to have access to accurate and timely information such as the opportunities available in the market, developments in the sector and business practices that can benefit the SMEs (Triguero et al. 2013).

The study revealed that SMEs were not interested in participating in sustainability reporting because they saw no value in it. This lack of interest can be directly linked to the SMEs level of unawareness about the practice and its potential benefits. A report conducted by the GRI (2008) indicates that reporting is a tool that suppliers can use to increase their competitive advantage as it opens opportunities for the small business to produce sustainable products, implement sustainable management processes and be transparent and accountable to their stakeholders and customers. The reporting forces the company to consciously think about its future and consider its goals and formulated realistic ways of achieving their set targets (GRI, 2008).

5.4. Limitations

This study set out to study the challenges and barriers faced by SMEs, together with the potential benefits for SMEs participating in this type of reporting in response to the aims of the study. This study has achieved this objective and concludes that despite the barriers and challenges facing SMEs in terms of sustainability reporting in South Africa, the data collected shows consensus among those SMEs already involved in sustainability reporting that the benefits of reporting far outweigh the challenges. If sustainability reporting is become entrenched into SMEs, a number of changes need to take place to address challenges such as lack of information about sustainability reporting and its benefits, lack of regulations and more importantly, lack of awareness about the impact that SMEs have on the environment and society.

If SMEs in South Africa were to take responsibility of their impact on the environment and the environment by taking up sustainability practices and disclosure, the benefits would accrue not only to themselves as businesses, but also to society and the environment. As the government begins to respond to issues such as climate change, skills development and good governance, it becomes more necessary for them to introduce regulations to manage this risk and it is highly possible that in the next few years, reporting will be one of these requirements. It is the SMEs who are already practising sustainability practices which will benefit from being the first movers, and those who start sooner rather than later have the potential to gain competitive advantage over their rivals.

References

6(3), 81-94.

Acquier, A., Gond, J.P. and Pasquero, J., 2011. *Rediscovering Howard R. Bowen's legacy: The unachieved agenda and continuing relevance of social responsibilities of the businessman.* Business & Society, 50(4), pp.607-646.

Aerts, W. and Cormier, D., 2009. *Media legitimacy and corporate environmental communication*. Accounting, Organizations and Society, 34, pp. 1- 27.

Altman, E.I., Sabato, G. and Wilson, N., 2008. *The Value of Non-Financial Information in SME Risk Management*. SSRN [online] Available at: https://papers.ssrn.com/abstract=1320612 [Accessed May 28, 2019].

AltX, 2020. *Listing on AltX*. [online] Available at: https://www.jse.co.za/capital/altx [Accessed on 05 May 2020].

Ameer, R. and Othman, R., 2012. *Sustainability practices and corporate financial performance: A study based on the top global corporations*. Journal of Business Ethics, 108, pp. 61–79.

Amran, A. and Ooi, S.K., 2014. *Sustainability reporting: meeting stakeholder demands*. Strategic Direction, 30(7), pp. 38-41.

Anderson, J., and Markides, C., 2007. *Strategic innovation at the base of the pyramid.* Sloan Management Review, 49(3), pp. 83–88.

Andrea Blengini, G. and Shields, D.J., 2010. *Green labels and sustainability reporting: Overview of the building products supply chain in Italy*. Management of Environmental Quality, 21(4), pp. 477-493.

Armstrong, C.S., Guay, W.R. and Weber, J.P., 2010. *The role of information and financial reporting in corporate governance and debt contracting*. Journal of Accounting and Economics, 50(2-3), pp.179-234.

Bakos, J., Siu, M. Orengo, A. and Kasiri, N., 2020. *An analysis of environmental sustainability in small and medium-sized enterprises: Patterns and trends*. 29(3), pp.1285-1296.

Bansal, P., 2005. *Evolving sustainably: A longitudinal study of corporate sustainable development*. Strategic Management Journal, 26, pp. 7–218.

Barney, J. B., 1991. *Firm resources and sustained competitive advantage*. Journal of Management. 17(1), pp. 99–120.

Baron, D.P. and Diermeier, D., 2007. *Introduction to the special issue on nonmarket strategy and social responsibility*. Journal of Economics & Management Strategy, 16(3), pp.539-545.

Bekhet, A.K. and Zauszniewski, J.A., 2012. Methodological triangulation: An approach to understanding data. *Nurse researcher*.

Belal, A. R., and Cooper, S., 2011. T*he absence of corporate social responsibility reporting in Bangladesh*. Critical Perspectives on Accounting, 22(7), pp. 654-667.

Bergmann, A. and Posch, P., 2018. *Mandatory sustainability reporting in Germany: does size matter?*. Sustainability, 10(11), pp.3904.

Berrone, P., Fosfuri, A., Gelabert, L. and Gomez-Mejia, L.R., 2013. *Necessity as the mother of 'green' inventions: Institutional pressures and environmental innovations*. Strategic Management Journal, 34(8), pp.891-909.

Berthelot, S., Cormier, D., and Magnan, M., 2003*. Environmental disclosure research: Review and synthesis*. Journal of Accounting Literature, 22, pp. 1-4

Bezuidenhout, A., Fig, D., Hamann, R. and Omar, R., 2000. *Political Economy. In: Fig, D. editor, Staking Their Claims: Corporate Social and Environmental Responsibility in South Africa*. Scottsville: University of KwaZulu-Natal Press, pp. 13-94.

Bouten, L., Everaert, P. and Roberts, R.W., 2012. *How a two-step approach discloses different determinants of voluntary social and environmental reporting*. Journal of Business Finance & Accounting, 39(5-6), pp.567-605.

Bowen, H.R., 1953. *Social Responsibilities of the Businessman*. Harper & Brothers, New York.

Braun, V. and Clarke, V., 2006. *Using thematic analysis in psychology*. Qualitative research in psychology. 3(2), pp. 77–101.

Brekke, K.A. and Nyborg, K., 2004. *Moral hazard and moral motivation: Corporate social responsibility as labour market screening,* 2004(25). Memorandum.

Bruwer, J.P. and Coetzee, P., 2016. *A literature review of the sustainability, the managerial conduct of management and the internal control systems evident in South African small,* *medium and micro-enterprises*. Problems and Perspectives in Management, 14(2), pp. 201-211.

Buhr, N., 2007. *Histories of and rationales for sustainability reporting*. Sustainability accounting and accountability, 57, pp.59-62.

Carroll, A.B. and Beiler, G.W., 1975. *Landmarks in the Evolution of the Social Audit.* Academy of Management Journal, 18(3), pp.589–599.

Ciliberti, F., de Groot, G. de Haan, J. and Pontrandolfo, P., 2009. *Codes to Coordinate Supply Chains: SMEs' Experiences with SA8000, Supply Chain Management*: An International Journal 14(2), pp. 117–127.

Clayton, A.F., Rogerson, J.M. and Rampedi, I., 2015. *Integrated reporting vs sustainability reporting for corporate responsibility in South Africa.* In: Szymańska, D. and Środa-Murawska, S. Editors. Bulletin of Geography. Socio-economic Series, 29, Toruń: Nicolaus Copernicus University, pp. 7–17.

Cohen, L., Manion, L. and Morrison, K., 2000. *Research Methods in Education*. British Journal of Educational Studies, 48(4), pp. 446-446.

Condon, L., 2004. *Sustainability and small to medium sized enterprises-How to engage them*. Australian Journal of Environmental Education, pp.57-67.

Creswell, J. W., 2007. *Qualitative inquiry & research design: Choosing among five approaches* (2nd ed.). Thousand Oaks, CA: Sage Publications.

Creswell, J.W. and Miller, D.L., 2000. *Determining Validity in Qualitative Inquiry*, Theory Into Practice, 39(3), pp.124-130.

Dando, N., and Swift, T., 2003. *Transparency and assurance: Minding the credibility gap*. Journal of Business Ethics, 44, pp. 195- 200.

Das, M. and Rangarajan, K., 2017. *Corporate sustainability as a business strategy in SMEs-A literature review in the emerging market context*. In Proceedings of International Conference on Strategies in Volatile and Uncertain Environment for Emerging Markets, pp. 505–511.

De Laine, M., 2000. *Fieldwork, Participation and Practice: Ethics and Dilemmas in Qualitative Research.* Thousand Oaks, CA: SAGE.

De Wet, P. 2019, 'The definitions of micro, small and medium businesses have just been radically overhauled – here's how', *Business Insider SA,* 15 March 2019, Retrieved: 04 December 2020, from https://www.businessinsider.co.za/micro-small-and-medium-business-definition-update-by-sector-2019-3

Denzin, N.K. and Lincoln, Y.S., 2003. *Introduction: The Discipline and Practice of Qualitative Research*. The Sage handbook of qualitative research. 3rd ed., 3(2005), pp.1–32.

DeSantis, L., and Ugarriza, D., 2000. *The concept of theme as used in qualitative nursing research.* Western Journal of Nursing Research, 22, pp. 351–372.

Doving, E. and Gooderham, P. N. 2008. Dynamic capabilities as antecedents of the scope of related diversification: the case of small firm accountancy practices. *Strategic Management Journal,* 29(8), 841-857.

Dumay, J., Frost, G. and Beck, C., 2015. *Material legitimacy: blending organisational and stakeholder concerns through non-financial information disclosures*. Journal of Accounting &

Dutta, S., 2011. *Triple Bottom Line Reporting: need of the hour*. The Alternative, X(1), pp. 62-74.

Dyer, L. M., and Ross, C. A. 2008. Seeking advice in a dynamic and complex business environment: Impact on

Dyllick, T. and Hockerts, K., 2002*. Beyond the business case for corporate sustainability*. Business Strategy and the Environment, 11, pp. 130–141.

Elford, A.C. and Daub, C.H., 2019. *Solutions for SMEs Challenged by CSR: A Multiple Cases Approach in the Food Industry within the DACH-Region*. Sustainability, 11(17), pp. 4758.

Elkington, J., 1994. *Towards the Sustainable Corporation: Win-Win-Win Business Strategies for Sustainable Development*. California Management Review, 36(2), pp. 90-100.

Epstein, M.J. and Wisner, P.S., 2001. *Using a balanced scorecard to implement sustainability*. Environmental quality management, 11(2), pp.1-10.

European Commission. 2003a. *Competence Development in SMEs*. European Observatory for SMEs, European Commission.

Fifka, M. S., 2013b. *Sustainability reporting—A challenge worthwhile.* In Weidinger, C. Fischler, F and Schmidpeter, R (Eds.), Sustainable entrepreneurship—A new business concept of sustainability, pp. 235–247. Heidelberg: Springer.

Fisher, K. and Schot, J., 1993. The greening of the industrial firm. *Environmental Strategies for Industries: International Perspectives on Research Needs and Policy Implementation.* Island Press, Washington.

Fonseca, A., 2010. *Barriers to Strengthening the Global Reporting Initiative Framework: Exploring the perceptions of consultants, practitioners, and researchers*. In Trabajo presentado en Accountability Through Measurement: 2nd National Canadian Sustainability Indicators Network Conference. Toronto. researchgate.net. [online] Available at: https://www.researchgate.net/profile/Alberto_Fonseca4/publication/267247687_Barriers_to_

Strengthening_the_Global_Reporting_Initiative_Framework_Exploring_the_perceptions_of_consultants_practitioners_and_researchers/links/5568865f08aec2268302b6c5.pdf. [accessed on 10 June 2020]

Gilley, K. M., Greer, C. R., and Rasheed, A. A. 2004. Human resource outsourcing and organizational

Global Reporting Initiative. 2008. *Small, Smart and Sustainable: Experiences of SME Reporting in Global Supply Chains* [online] Available on: https://www.globalreporting.org/resourcelibrary/Small-Smart-Sustainable.pdf [access on 22 July 2020]

Global Reporting Initiative. 2015. *Sustainability and reporting trends in 2025: Preparing for the future.* [online] Available on https://www.globalreporting.org/resourcelibrary/GRI_UNGC_Business-Reporting-on-SDGs_Analysis-of-Goals-and-Targets.pdf [access on 23 July 2020]

Global Reporting Initiative. 2016. *Making the case for SME Sustainability Reporting*. [online] Available at: https://www.globalreporting.org/information/news-and-press-center/Pages/Small-Business,-Big-Impact-Making-the-case-for-SME-Sustainability-Reporting.aspx [accessed on 27 April 2019]

Global Reporting Initiative. *About sustainability reporting*. 2019. [online] Available at: https://www.globalreporting.org/information/sustainability-reporting/Pages/default.aspx

Global Reporting Sustainability Database. 2019. [online] Available at: https://database.globalreporting.org/ [Accessed on 27 April 2019]

Granly, B.M. and Welo, T., 2014. *EMS and sustainability: experiences with ISO 14001 and Eco-Lighthouse in Norwegian metal processing SMEs*. Journal of Cleaner Production, 64, pp.194-204.

Grant, R. M., 1991. *The resource-based theory of competitive advantage: Implications for strategy formulation*. California Management Review, 33(3), pp. 114–135.

Grayson, D. and Dodd, T., 2007. *Small is Sustainable (and Beautiful!)–Encouraging European Smaller Enterprises to be Sustainable*. [online] Available on: https://dspace.lib.cranfield.ac.uk/handle/1826/3204 [accessed on 06 September 2020]

Hahn, R. and Kühnen, M., 2013. *Determinants of sustainability reporting: a review of results, trends, theory, and opportunities in an expanding field of research.* Journal of cleaner production, 59, pp.5–21.

Harrison, H., Birks, M., Franklin, R. and Mills, J., 2017. *Case study research: Foundations and methodological orientations.* In Forum Qualitative Sozialforschung/Forum: Qualitative Social Research, 18(1).

Hart, S. L. 1995. *A natural-resource-based view of the firm*. Academy of Management Review, 20 (4), pp. 986-1014.

Hart, S.L. and Dowell, G., 2011. *Invited editorial: a natural-resource-based view of the firm: fifteen years after*. Journal of Management, 37(5), pp.1464-1479.

Henderson, K.A., 2011. *Post-positivism and the pragmatics of leisure research*. Leisure Sciences, 33(4), pp.341-346.

Higgins, C., Milne, M.J. and Van Gramberg, B., 2015. *The uptake of sustainability reporting in Australia*. Journal of Business Ethics, 129(2), pp.445-468.

Hillary, R., 2004. *Environmental management systems and the smaller enterprise*. Journal of Cleaner Production, 12(6), pp. 561-9.

Hoffman, N.P., 2000. *An examination of the "sustainable competitive advantage" concept: past, present, and future.* Academy of marketing science review, 4(2000), pp.1-16.

Holland, L. and Gibbon, J., 1997. *SMEs in the metal manufacturing, construction, and contracting service sectors: environmental awareness and actions*. Eco-Management and Auditing, 4(1), pp.7-14.

Hooghiemstra, R., 2000. *Corporate communication and impression management—New perspectives why companies engage in corporate social reporting*. Journal of Business Ethics, 27, pp. 55–68.

Hsu, C.H., Chang, A.Y. and Luo, W., 2017. I*dentifying key performance factors for sustainability development of SMEs–integrating QFD and fuzzy MADM methods*. Journal of Cleaner Production, 161, pp.629-645.

Institute of Directors in Southern Africa., 2009. *King Code of Governance Principles (King III)*. [online] Available at: https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/94445006-4F18-4335-B7FB-7F5A8B23FB3F/King_III_Code_for_Governance_Principles_.pdf [Accessed on 27 April 2019]

Institute of Directors in Southern Africa., 2016*. King Code of Governance Principles (King IV)* [online] Available at: https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/IoDSA_King_IV_Report_-_WebVersion.pdf [access on 08 July 2020]

International Federation of Accountants. 2017. *Creating Value for SMEs through Integrated Thinking-The Benefits of Integrated Reporting.* [online] Available at: https://www.ifac.org/publications-resources/creating-value-smes-through-integrated-thinking-2 [Accessed on 16 September 2019]

IoDSA (Institute of Directors Southern Africa). 2016. *King Report on Corporate Governance for South Africa*, Johannesburg: Institute of Directors in Southern Africa. [online] Available at: https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/IoDSA_King_IV_Report_-_WebVersion.pdf [accessed on 23 July 2020]

Iturrioz, C., Aragón, C., Narbaiza, L., and Ibañez, A., 2009. *Social responsibility in SMEs: a source of business value*. Social Responsibility Journal, 5(3), pp. 423-434.

Jain, A., Jain, P.K. and Rezaee, Z., 2016. *Value-relevance of corporate social responsibility: Evidence from short selling.* Journal of Management Accounting Research, 28(2), pp.29-52.

Jakob, A., 2001. On the triangulation of quantitative and qualitative data in typological social research: Reflections on a typology of conceptualizing" uncertainty" in the context of employment biographies. In *Forum Qualitative Sozialforschung/Forum: Qualitative Social Research,* 2(1).

Kamyabi, Y. and Devi, **S.** 2011. An Empirical Investigation of Accounting Outsourcing in Iranian SMEs: Transaction Cost Economics and Resource-Based Views. *International Journal of Business and Management,*

Kaptein, M., and Van Tulder, R., 2003. *Toward effective stakeholder dialogue*. Business and Society Review, 108, pp. 203–224.

Kolk, A., 2003. *Trends in sustainability reporting by the Fortune Global 250*. Business strategy and the environment, 12(5), pp.279-291.

Kongolo, M., 2010. *Job creation versus job shedding and the role of SMEs in economic development*. African Journal of Business Management, 4(11), pp. 2288-2295.

Kreps, T. J., 1948. *Toward a World Economy.* The Annals of the American Academy of Political and Social Science, 257(1), pp. 157–174.

Kromjong, L., Rajpal, S., Thorns, M. and Verkouw, R., 2016. *Small Business Big Impact-SME Sustainability Reporting from Vision to Action*. Global Reporting Initiative: Amsterdam, The Netherlands.

Kuhn, T. S., 1977. *Second thoughts on paradigms.* In The essential tension: Selected studies in scientific tradition and change, by T. S. Kuhn. Chicago: University of Chicago Press.

Lather, P., 1986. *Issues of validity in openly ideological research: Between a rock and a soft place.* Interchange, 17(4), pp.63–84.
Lawrence, S.R., Collins, E., Pavlovich, K. and Arunachalam, M., 2006. *Sustainability practices of SMEs: the case of NZ*. Business strategy and the environment, 15(4), pp.242-257.
Lee, S.Y. and Klassen, R.D., 2008. *Drivers and enablers that foster environmental management capabilities in small-and medium-sized suppliers in supply chains*. Production and Operations Management, 17(6), pp.573-586.
Leonidou, L.C., Christodoulides, P., Kyrgidou, L.P. and Palihawadana, D., 2017. *Internal drivers and performance consequences of small firm green business strategy: The moderating role of external forces.* Journal of business ethics, 140(3), pp.585-606.
Leuz, C., 2010. *Different approaches to corporate reporting regulation: How jurisdictions differ and why*. Accounting and business research, 40(3), pp.229-256.
Lewis, J.L. and Sheppard, S.R.J., 2006. *Culture and communication: can landscape visualization improve forest management consultation with indigenous communities?* Landscape and Urban Planning, 77, pp. 291–313.
Lozano, R., 2011. *Addressing Stakeholders and better contributing to sustainability through game theory*. Journal of Corporate Citizenship, 43, pp. 45-62.
Luken, R. and Stares, R., 2005. *Small business responsibility in developing countries: a threat or an opportunity?*. Business Strategy and the Environment, 14(1), pp.38-53.
Mahmood, Z., Ali, W., Iqbal, J. and Fatima, S., 2019. *Drivers and Barriers of Sustainability Practices in Emerging and Developing Economies*. Journal of Business and Social Review in Emerging Economies, 5(1), pp.213-222.
Male, T., 2016. *Analysing qualitative data. Doing research in education: Theory and practice*, pp.177-191.
Masocha, R. and Fatoki, O., 2018. *The role of mimicry isomorphism in sustainable development operationalisation by SMEs in South Africa*. Sustainability, 10(4), pp.1264.
McWilliams, A. and Siegel, D., 2001. *Profit maximising corporate social responsibility*. Academy of Management Review, 26(4), pp.504-505.
Merriam, S., 1998. *Qualitative Research and Case Study Applications in Education*. San Francisco: Jossey-Bass Publishers.
Mintzberg, H., Lampel, J., Quinn, J.B. and Ghoshal, S., 2003. *The Strategy Process: Concepts, Contexts, Cases*. 4th edition, Prentice Hall/Pearson Education, Inc: NY

Moreno, C.E. and Reyes, J.F., 2013. *The value of proactive environmental strategy: An empirical evaluation of the contingent approach to dynamic capabilities*. Cuadernos de Administración, 26(47), pp.87-118.

Murillo, D. and Lozano, J., 2006. *SMEs and CSR: An approach to CSR in their own words*. Journal of Business Ethics, 67(3), p. 227–240.

Otter.ai. 2020. [online] Available from: https://otter.ai/edu [accessed on 14 June 2020]

Parker, C., Redmond, J., and Simpson, M., 2009. *A review of interventions to encourage SMEs to make environmental improvements*. Environmental Planning: Governance and Policy, 27(2) pp. 279-301.

Paulraj, A., 2011. *Understanding the relationships between internal resources and capabilities, sustainable supply management and organizational sustainability. Journal of Supply Chain Management*, 47(1), pp.19-37.

performance in manufacturing firms. *Journal of Business Research,* 57, 232-240.

Pimenova, P. and Van Der Vorst, R., 2004. *The role of support programmes and policies in improving SMEs environmental performance in developed and transition economies.* Journal of Cleaner Production, 12(6), pp.549-559.

Ramasamy, B., Ting, H.W. and Yeung, M.C., 2007. *Does it pay to be good in developing countries? The relationship between corporate social responsibility and financial performance in Malaysia.* Asian Academy of Management Journal of Accounting and Finance, 3(1), pp.21-36.

Richey Jr, R.G., Musgrove, C.F., Gillison, S.T. and Gabler, C.B., 2014. *The effects of environmental focus and program timing on green marketing performance and the moderating role of resource commitment.* Industrial Marketing Management, 43(7), pp.1246-1257.

Rogers, P. P., Jalal, K. F., and Boyd, J. A., 2008. *Sustainable development indicators. In An introduction to sustainable development*. London, UK: Earthscan, pp.116-122.

Russo, M.V. and Fouts, P.A., 1997. *A resource-based perspective on corporate environmental performance and profitability*. Academy of Management Journal, 40(3), pp.534-559.

Rutherfoord R., Blackburn R.A. and Spence, L.J., 2000. *Environmental management and the small firm: an international comparison.* International Journal of Entrepreneurial Behaviour and Research 6(6), pp. 310–325.

Sajjad, A., and Eweje, G., 2014. *Corporate social responsibility in Pakistan: current trends and future directions.* In Corporate Social Responsibility and Sustainability: Emerging Trends in Developing Economies, pp. 163-187.
Schaltegger, S. and Burritt, R., 2010. *Sustainability accounting for companies: Catchphrase or decision support for business leaders?* Journal of World Business, 45(4), pp. 375–384.
Sharif, F and Armitage, P., 2004. The effect of psychological and educational counselling in reducing anxiety' in nursing students. Journal of Psychiatric and Mental Health Nursing. 11(4), p.p. 386-392.
Shields, J. and Shelleman, J.M., 2015. *Integrating sustainability into SME strategy*. Journal of Small Business Strategy, 25(2), pp.59-78.
Shrivastava, P., 1995. *The role of corporations in achieving ecological sustainability.* Academy of Management Review, 20, pp. 936–960.
Simpson, M., Taylor, N. and Barker, K., 2004. *Environmental responsibility in SMEs: does it deliver competitive advantage?.* Business strategy and the environment, 13(3), pp.156-171.
Skouloudis, A., Evangelinos, K. and Kourmousis, F., 2009. *Development of an evaluation methodology for triple bottom line reports using international standards on reporting*. Environmental Management, 44(2), pp.298-311.
Small Business Institute. 2018. *The number of formal micro, small and medium businesses in South Africa.* [online] Available at: https://www.smallbusinessinstitute.co.za/wp-content/uploads/2018/10/SBIbaselineAlert1final.pdf. [Accessed 27 April 2019].
Songling, Y., Ishtiaq, M., Anwar, M. and Ahmed, H., 2018. *The role of government support in sustainable competitive position and firm performance*. Sustainability, 10(10), pp.3495.
Sonnenberg, D. and Hamman, R., 2006. *The JSE socially responsible investment index and the state of sustainability reporting in South Africa.* Development Southern Africa, 23(2), pp.305–320.
South Africa. 1996. National Small Business Act No. 102 of 1996. Pretoria: Government Printer. [online] Available at: http://www.thedti.gov.za/sme_development/docs/act.pdf. [Accessed on 29 June 2020]
Steger, U., Fang, Z. and Lu, W., 2003. *Greening the Chinese Business.* Sheffield: Greenleaf
Stubblefield Loucks, E., Martens, M.L. and Cho, C.H., 2010. *Engaging small-and medium-sized businesses in sustainability*. Sustainability Accounting, Management and Policy Journal, 1(2), pp.178-200.
Teece, D.J., Pisano, G. and Shuen, A., 1997. *Dynamic capabilities and strategic management.* Strategic management journal, 18(7), pp.509-533.

The International Federation of Accountants (IFAC), 2017. *Creating value for SMEs through integrated thinking: The benefits of integrated reporting.* [online] Available on: https://www.ifac.org/system/files/publications/files/Creating-Value-for-SMEs-through-Integrated-Thinking.pdf [accessed pm 10 June 2020]
the success of small firms. *Journal of Developmental Entrepreneurship,* 13(2), 133-149.
Thomson, I., 2015. *But does sustainability need capitalism or an integrated report a commentary on The International Integrated Reporting Council: A story of failure by Flower, J*. Critical Perspectives on Accounting, 27, pp. 18-22.
Triguero, A., Moreno-Mondéjar, L. and Davia, M.A., 2013. *Drivers of different types of eco-innovation in European SMEs*. Ecological economics, 92, pp.25-33.
Vallentin, S. and Morsing, M., 2008. *Social responsibility in Danish SMEs: mapping the territory*. CSR in SMEs, pp.8-36.
Van Riel, C.B., 2000. *Corporate communication orchestrated by a sustainable corporate story*. The expressive organisation, pp.157-181.
Verrecchia, R.E., 2001. *Essays on disclosure.* Journal of accounting and economics, 32(1-3), pp.97-180.
WCED. 1987. *Our common future: The Brundtland Report*. Oxford: Oxford University Press.
Weerasiri, S., 2012. *Attitudes and awareness towards environmental management and its impact on environmental management practices (EMPs) of SMEs in Sri Lanka*. Journal of Social and Development Sciences, 3(1), pp.16-23.
Wernerfelt, B., 1984. *A Resource-Based View of the Firm*. Strategic Management Journal, 5(2), pp. 171-180.
Williams, S. and Schaefer, A., 2013. *Small and medium-sized enterprises and sustainability: Managers' values and engagement with environmental and climate change issues*. Business Strategy and the Environment, 22(3), pp.173-186.
World Bank. 2019. Small and medium enterprises (SME) finance. [online] Available at: https://www.worldbank.org/en/topic/smefinance. [Accessed 27 April 2019].
World Business Council for Sustainable Development (WBCSD). 1999. Meeting changing expectations: corporate social responsibility. Geneva
Yu, J. and Bell, J.N.B., 2007. *Building a sustainable business in China's small and medium-sized enterprises (SMEs)*. Journal of Environmental Assessment Policy and Management, 9(01), pp.19-43.

Zoom Video Communications Inc. 2016. Security guide. Zoom Video Communications Inc. [online] Available on: https://d24cgw3 uvb9a9h.cloudfront.net/static/81625/doc/Zoom-Sec

Gallo, P.J. and Christensen, L.J., 2011. *Firm size matters: An empirical investigation of organizational size and ownership on sustainability-related behaviours*. Business & Society, 50(2), pp.315-349.

Annexure A – INTERVIEW SCHEDULE

An explanatory case study on the barriers, challenges and benefits of sustainability reporting by small companies

1. Can you tell me about your background?
   a) Education and experience
   b) How long have you worked for the company, and what is your role in the company?
   c) How long have you been working in your position?
   d) What is your job title?
   e) How did you become involved in sustainability reporting?

2. Tell me about the company?
   a) Which industry is your company in?
   b) How long has it been in business?
   c) How many employees are employed in the company?
   d) What does the structure of the company look like? i.e. organogram
   e) Is sustainability reporting done in-house by someone specifically employed to manage it and other related efforts internally or is it outsourced? Please explain and elaborate.
   f) Why did your company decide to get involved in sustainability reporting?
   g) What other sustainability practices does your company have?
   h) How long has the company been working with the sustainability concept?
   i) What does sustainability stand for within your company?
   j) Which guidelines does your company use for sustainability reporting?
   k) Do you differentiate between environmental, ecological and social sustainability? Are all aspects important? Why are some more important than others?

l) Are you aware of any policies and regulations that guide sustainability reporting? What guidelines does your company use for sustainability reporting?
m) What format does your company use to produce sustainability reports? Are your reports audited? And if so, who audits them?
n) What standards do you use when addressing sustainability reporting and why?

3. Drivers of sustainability reporting

a) What factors influenced the company's decision to conduct sustainability reporting?
b) Why do you think that your company is so successful in its sustainability reporting practices?
c) Does the company have a culture that drives sustainability reporting? Who or what drives this culture?

4. Challenges and barriers to sustainability reporting

a) What challenges have you experienced with regards to this type of reporting? If any challenges, what have these been?
b) How did your company overcome these challenges?
c) Why did your company choose to undertake sustainability reporting even though is it not legislated in South Africa? What influenced this decision?
d) What training and/or support has your company received for sustainability reporting?
e) What would you say are some of the challenges that prevent SMEs for conducting sustainability reporting?
f) What would you say is your current level of expertise when it comes to sustainability reporting?
g) Where and how did you get training for sustainability reporting?
h) How much of your workday is dedicated to sustainability reporting?
i) Does it cost your company extra to produce a sustainability report? Both in terms of human resources and finance.
j) Before sustainability reporting became a part of your responsibilities, were you aware of it?

5. Benefits of sustainability reporting

a) In the years that you have been conducting sustainability reporting, has your company seen any benefits from it? If any benefits, what have these been?
b) Can you describe the decision making processes in your company, big and small decisions?
c) What motivates your company to perform sustainability reporting, and what advantages have you seen?
d) Would you say that sustainability reporting is important for building trust and transparency between the organisation and its various stakeholders? Please elaborate.

e) Do you think your organisation has obtained competitive advantage as a result of participating in sustainability reporting? If yes, please elaborate and give examples of how your organisation has obtained competitive advantage.
f) What long-term benefits do you think will result if your company continues to make progress on sustainability?