

A Study on The Determinants and Deterrents of The Environmental, Economic and Social Sustainability Practices in Small and Medium Enterprises

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DISSERTATION ABSTRACT

Sustainability, in the 21st century, has gained substantive attention from corporate houses, government agencies, regulators and academicians alike. The increased threat to viability of life on this planet has created an urgent need for stakeholders to undertake sustainability practices. Businesses, for generations together, have successfully created wealth out of the earth's resources. But suddenly, the ways and means of creating such wealth by businesses by compromising the environment and society has come under the scanner.

An extensive review of literature brought out different facets of sustainability. The review also showed that this scenario has not been thoroughly explored from a small business perspective. SME's are the second largest employment generator in India after agriculture and it forms the backbone of the Indian economy. They have therefore, an increasing need to reconstruct their business models by reorganizing their systems, strategies and processes to pursue their objective of becoming sustainable businesses. For this, understanding the prevalent sustainability scenario among the SMEs is a pre-requisite.

This research study aims at understanding the sustainability scenario in small and medium enterprises SMEs. The study specifically covers the environmental, economic and social sustainability practices in SMEs, the firm-level advantages these practices offer, internal determinants, external determinants and deterrents in implementing sustainability practices in SMEs.

This research study consists of four phases. The first phase was to understand and map the environmental, economic and social sustainability practices currently prevailing, and the firm-level advantages, internal determinants, external determinants and deterrents in implementing sustainability practices in SMEs. The second phase studied the most important factors relating to firm-level advantages, internal determinants, external determinants and deterrents of environmental, economic and social sustainability practices. The third phase involved testing if the generation managing the business, the age of the business, the age of the owner-manager and the number of employees in

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the organization had any effect on the sustainability scenario in SMEs. The final phase involved formulation of hypotheses based on literature review and development of research models to understand the determinants and deterrents of environmental, economic and social sustainability practices in SMEs.

The population for this study consisted of SMEs in the manufacturing cluster in the city of Coimbatore in India. The sampling frame was SMEs who were members of Coimbatore District Small Industries Association (CODISSIA) cluster. 220 members from the list formed the sample for this study. The results were collected and analyzed to achieve the objectives.

The study showed that sustainability practices like waste reduction, energy conservation, product quality and consolidation of top-line, generation of employment, product safety and safety standards of work have been undertaken by the SMEs. The values of the owner (internal), the suppliers and regulations (external) motivate the SMEs to undertake sustainability initiatives. The greatest barrier they face is the lack of resource availability and their perception that sustainable practices are very complex to implement. The study indicates the awareness existing among SMEs about sustainability issues and the willingness to accept and adopt strategies towards finding solutions for sustainability issues. With the increasing media attention on the topic of sustainability, SMEs are realizing that they would be benefitted in the long run. The study also shows that the first generation owner-managers running the business, business in operation for less than ten years and with less than fifteen employees were least involved in environmental and social sustainability practices.

Though the study brings out the fact that SMEs comprehend the benefits which could accrue out of implementing sustainability practices, steps need to be taken to encourage more pro-active participation. The three forces i.e. networks, policy makers and SMEs working collectively towards achieving the vision of sustainability is the need of the hour. Sustainable strategies integrated into their strategic plans with the aim of improving profitability would succeed in creation of sustainable businesses of the future.

The study has indicated that more awareness needs to be created about the implementation of environmental and social sustainability practices so as to encourage the SMEs to undertake the same. Execution of the existing regulations, stringent measures towards obligating the formal environmental management systems and simplified procedures towards obtaining the environmental certification would encourage more SMEs towards undertaking the same. Obligations of an SME towards the society are in a nascent stage with very few firms even realizing the need for the same. Training modules on sustainability issues and implementation of sustainability practices should be widely undertaken especially in developing economies to achieve the aim of creating responsible SMEs of the future.