

LEADERSHIP ENGAGEMENT AND PERCEPTIONS OF SUSTAINABILITY INITIATIVES WITHIN A SOUTH AFRICAN JSE LISTED RETAILER

Amith Bellaram¹, Muhammad Hoque^{*,2}

¹Postgraduate student, Management College of Southern Africa, Durban, South Africa
Email: abellaram@gmail.com

²Full Professor and HoD: Epidemiology and Biostatistics, Department of Public Health, Sefako Makagtho Health Sciences University, Pretoria, South Africa
Email: muhammad.hoque@smu.ac.za

Abstract

The contemporary business landscape is witnessing an escalating demand for sustainable practices as organizations globally grapple with environmental and social challenges. Within the South African context, particularly for Johannesburg Stock Exchange (JSE) Listed Retailers, the imperative to incorporate sustainability initiatives into business operations is evident. Despite growing awareness, there remains a gap in our understanding of the specific dynamics and challenges involved in the implementation of sustainability initiatives within this sector. Therefore, the objective of this study was to explore Sustainability Initiatives within a South African JSE Listed Retailer by the management. This was a qualitative study conducted among 10 managers who were selected purposefully and data were collected using in-depth interviews. Data were transcribed and thematically analysed using NVIVO software. The results underscore the critical significance of leadership involvement in shaping the attitudes and conduct of employees with regard to sustainability. Leadership that proactively promotes and incorporates sustainability principles into its core values fosters the development of a favourable organisational culture. Consequently, this strengthens the commitment, motivation, and buy-in of employees towards sustainability initiatives. Furthermore, the research highlights obstacles that could hinder the effective execution of sustainability practices, including ignorance and resistance to change. The research findings have broader implications than the retailer being studied. They provide valuable insights for organisations worldwide that are attempting to incorporate sustainability into their operations. In a time when organisations are under greater scrutiny to tackle environmental and social issues, it is vital to comprehend the interplay between leadership engagement and employee perceptions in order to cultivate a corporate culture that is both sustainable and accountable.

Keywords

Leadership, organisational culture, resistance to change, accountability

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Introduction

Sustainability is a term that has become widely used across a variety of platforms, broadly defined as development that meets current needs without compromising future needs. Previously, an organisations stakeholders were mainly concerned only with the financial position of the organisation; however, current trends reveal that they are also interested in the sustainability of the organisation. Due to the South African political history and the move into democracy, international recognition for achievements in corporate governance, and regulatory requirements relating to integrated reporting, which includes sustainability reporting, South Africa has an important role to play in promoting the sustainability and integrated reporting movement [1]. The JSE employed the suggested principles by the King III Report in March 2010 which require all companies listed in JSE to release integrated reports, which include sustainability disclosures [2].

South Africa being one of the first countries to regulate sustainability reporting extensively [3]. Integrated reporting differed from financial reporting as they promoted behavioural change from management, highlighting a range of risks to the business that must be understood, mitigated, and communicated to stakeholders [4]. A single report, which provided both non-financial and financial information in a manner that enhances shareholders' understanding of the firm [2]. Increased stakeholder engagement can be achieved by investment in and disclosure of sustainability and corporate social responsibility (CSR) initiatives as it creates a perception that the organisation is not solely profit-oriented [5].

South African consumers have become more concerned with sustainability of organisations, especially in the context of the COVID-19 pandemic and its economic impact [6]. Some of the trends that influence their purchases are health, wellness, affordability, convenience, and environmental responsibility [6]. In South Africa, 38 percent of consumers say they regularly make sustainable packaging choices. This number is 15 percentage points higher than the global average (23%) and is also higher than the numbers observed in developed countries, such as France (33%), Germany (31%), the US (30%), and the UK (24%) [7].

Given these regulatory requirements organisations and stakeholder perceptions, organisations are including additional sustainable initiatives in their operations however, with the South African economy coming under the current pressure, organisation wide buy in may be difficult whereby senior managers may forgo sustainable initiatives in pursuit of short-term financial profit. Looking at the retail industry in particular, South Africa's retail trade increased by just 0.1 percent from a year earlier in May of 2022 [8]. Annual consumer inflation increased to 7,4% in June 2022 from 6,5% in May 2022, mainly driven by rising transport and food prices. The June 2022 rate is the highest reading since May 2009 (8,0%) when the economy was facing the headwind of currency depreciation during the global financial crisis [9].

South African businesses, like those in many other countries, are increasingly recognizing the importance of sustainability initiatives. Sustainability has gained traction globally due to concerns about climate change, resource scarcity, and social responsibility [10]. While economic pressures can sometimes make it challenging to prioritize sustainability, they can also serve as a catalyst for businesses to innovate and adapt to a changing environment. It was found that sustainable business can drive economic prosperity by alleviating poverty, building a more inclusive society, and creating new business opportunities [11]. It is acknowledged that sustainability is a challenge for business in South Africa, given the immediate problems such as infrastructure gaps, unskilled workers, crime, and social equity [12]. Therefore, some businesses may prioritize survival over sustainability in the short term, however, this may not be a sustainable strategy in the long term, as environmental regulations and consumer expectations increase [11].

Some organisations are working to promote sustainable business practices in South Africa, such as World Wildlife Foundation South Africa, which works across sectors with key transformational partners who are invested in long-term environmental outcomes. Another example of an organisation working

to promote sustainability initiatives is National Business Initiative, which aims to revive the emphasis on environment as a strategic priority for business, and to build the capacity of its members to engage with environmental issues and to respond through effective management practices.

In South Africa, all JSE listed organisations are required to disclose information related to their sustainability in their integrated reports and sustainability reports giving stakeholders a holistic view of the organisation rather than solely financial [13]. There are indications that producing integrated reports have reputational benefits for an organisation [14]. Due to this, sustainability initiatives may be perceived by senior management as stakeholder appeasement rather than being initiatives to be incorporated into business processes and organisational culture. This perception may create the risk of sustainability being regarded as independent of the standard operations of an organisation, and daily operations that may be adjusted to further the organisations sustainability may be overlooked. An opportunity exists to investigate the perceptions of senior management relating to sustainability initiatives, within a JSE listed South African retailer, determining if these are in line with intended purposes of sustainability initiatives and recommendations regarding such to be made which organisations may use in future implementation of sustainability initiatives.

Research Design and Methodology

The research approach used in this research was inductive as this allowed the researcher to identify trends and reach logical conclusions regarding those patterns, and qualitative in nature as it entailed generating theories from research and comprised a collection and analysis of non-numerical data, that is semi structured interviews.

A case study has been performed, as the research strategy comprised a detailed, in-depth study of sustainability within a selected JSE listed retailer to gain an in-depth understanding within the context of the study. The study was solely qualitative in nature employing the mono method as the study investigated managements views on sustainability within the organisation.

The population of this study consisted of all senior managers within a South African JSE listed retailer. The sample was drawn from a target population of sixty-eight managers from within a selected JSE listed retailer. The retailer has been selected based on accessibility, willingness to participate, diversity of consumer segments, and listing on the JSE for a period longer than 30 years. Care has been taken to ensure interview participants are from the various departments within the retailer, such as operations, merchandise, marketing, human resources and finance. Only participants employed for longer than a year were included to ensure sufficient exposure to the operations of the retailer. Purposive sampling, which was used in this research, is described as nonprobability sampling whereby the researcher is required to use their judgement in choosing participants who were able to answer the research questions.

Data was obtained through semi structured interviews of senior managers who are knowledgeable in terms of business processes the selected South African JSE listed retailer. This was achieved by additional probing during the interviews. Interviews were carried out via online meetings. The list of interview questions were designed with the objective of concluding on management's current perception of sustainability within the organisation.

The qualitative data obtained was prepared, thereafter codes were allocated to relevant features of the data. The codes were sorted into potential themes and their relationships mapped. The apparent data was then analysed and interpreted, and relevant themes were named clearly and concisely. Thereafter the themes identified were reported on.

The interviews were performed using Microsoft Teams and were recorded to assist in the analysis of the data obtained with the permission of the participants. This allowed for the researcher to review

the data more than once during the analysis phase, and to ensure that the answers are analysed appropriately.

Ethical Considerations

Informed consent was obtained from the participants before participating in the study either in writing or verbal recording. At the start of the interview the purpose of the study has been explained briefly and requested that the participants raise any concerns they might have on the study. Mancosa ethics committee approved the study.

Results

The theme identified was related leadership engagement and perceptions of sustainability initiatives within their organisation. Within this theme, three sub-themes were identified which are, leadership awareness of sustainability initiatives within their organisation, senior management perceive their organisation to be implementing sustainability initiatives to be due to conscientious reasons, and lack of leadership involvement in sustainability initiatives.

Lack of Leadership Involvement in Sustainability Initiatives

The above sub theme developed in analysing the data from the research question if they were as senior managers involved in any sustainability initiatives, and if so which ones? Of the ten interviewees, one interviewee, from within the operations business unit, answered the question affirmatively with a yes. Six interviewees answered they had no involvement, with three interviewees unsure. The single interviewee that answered yes stated that they were involved an energy saving initiative stating,

“...a representative in each division and who would be able to actually calculate and measure the energy saving that we have. We went through quite a technical course in terms of how to how to calculate the number of lights we had in stores, what was the Lux label. If we had to go with traditional lighting versus what we're doing now and you know looking at the different buildings that we've had solar panels on, what was the savings in terms of the energy savings that we had last year versus the year that we had put solar panels into place? And I think as a team, we, we meet on a regular basis with the head of sustainability and there was continuous improvement in terms of what we could do better and specifically about to look at new store development and the kind of conscious focus on how we bring.”

This sub theme indicated that most of the senior management do not believe they are directly involved with sustainability initiatives giving insight into the research objective determining the knowledge and involvement of senior managers of the sustainability initiatives implemented within a South African JSE listed retailer.

Senior Management Perceive the Implementation of Sustainability Initiatives to be Due to Conscientious Reasons Within their Organisation

Interviewees were asked why they believe their organisation has begun implementing sustainability initiatives. In analysing the data obtained a sub theme emerged indicating the majority of senior management perceive the implementation of sustainability initiatives to be due to conscientious reasons within their organisation. Environmental Reasons: In inspection of the coding, the first reason to emerge was to ‘support worldwide environmental initiatives’ was frequented the most, appearing five times. One interviewee said:

“...organizations are becoming a bit more aware that, Yeah, they play a bigger role, you know, in the greater, you know sustainability, I guess I thought that you know they need to, you know, bring to the table what they can in terms of developing, you know people looking after the environment.”

Another stated, "...support the bigger or the greater focus around sustainability and how to, you know, assist or prevent these critical things that are fighting our planet."

Social Reasons: The second most frequented reason in implementing sustainability initiatives was 'Helping the community' which had been frequented three times with one interviewee stating

"...to play a part in a better lifestyle for the community, this climate change type of thing has become big, so to stop that and to add value and give back to the community and to do good. To reduce their negative impact on the environment and people."

As single interviewee answered that organisations have begun implementing sustainability initiatives due to reputational reasons, with another stating governance as being the reason. These findings indicate that senior management place high value on sustainable initiatives and believe organisations are acting conscientiously in implementing sustainability initiatives. The research gains insight into the research objective to identify the perception by senior managers in a JSE listed retail organisation on the reason of implementing sustainable initiatives.

Leadership Awareness of Sustainability Initiatives within their Organisation

As indicated in the literature reviewed JSE listed retail organisations have implemented various sustainability initiatives, and upon review of the annual reporting of the organisation being studied a multitude of initiatives had been implemented as well. Interviewees were asked if they were aware of sustainability initiatives within the organization and if they may advise of what some of these were. All interviewees answered affirmatively and were able to give examples. Reducing Carbon Footprint: In coding the answers, the most observed code was 'Reducing carbon footprint' which was referenced ten times. One interviewee explained,

"The organization is doing a big drive behind reducing plastics and within the organization, and it's from reducing shopping bags and as well as packaging and things like that."

Another interviewee said that: "Looking at reduction of electricity and waste so they do have different initiatives in-house to reduce the carbon footprint as well as electricity wastage and just yeah, waste or recycle in general."

Reducing the Education Gap: The second most referenced code was 'Reducing the education gap' frequented twice. One interviewee stated,

"... then also the EDORAS program, which is obviously also trying to solve for you know the education gap and offering deserving student's opportunities to study further and provide further education for them."

Other initiatives mentioned once were 'Acquiring local merchandise', 'Employment based approach to the previously disadvantaged' and 'farming initiatives'. The answers to this question revealed there were a variety of sustainability initiatives implemented within the organisation, but with the information garnered in the prior sub theme the majority of senior management did not believe they were directly involved in any initiatives. This indicates that sustainability initiatives within the organisation are implemented post the daily operations within the organisation. As an example, the interviewees in the merchandise business unit believed they were not directly involved in sustainability initiatives, but mentioned acquiring local merchandise as one of the sustainability initiatives the organisation partakes in. Similarly, the interviewee from within Human resources mentioned an employment-based approach to the previously disadvantaged as an initiative but did not believe they were directly involved. This gives insight into the research objective to establish sustainability initiatives adopted in the business processes of daily operations within a South African JSE listed organisation.

Discussion

Leadership Commitment to Sustainability, granted further insight into this research question. The data indicated all senior managers had extensive knowledge and understanding of sustainability initiatives within the organisation as they were able to indicate various initiatives the organisation partakes in, relating to environmental and social initiatives. It was noted that no initiatives relating to governance were mentioned. This was in line with reports reviewed of JSE listed retail organisation in the literature [15-17]. Within the retailers detailed in the literature review comprehensive initiatives regarding environment, social initiatives and governance were indicated but findings indicate senior management did not possess extensive knowledge on sustainability initiatives regarding governance.

Authors had reported in the literature that strategic knowledge is crucial to global problem-solving regarding sustainability in line with the findings as senior management did possess an extensive knowledge on sustainability initiatives within their organisation, albeit the majority did not believe they were directly involved or were unsure if they were involved in sustainability initiatives [18]. This drew a contrast as the interviewees mentioned sustainability initiatives within their business unit but stated they were not involved in the sustainability initiatives within the organisation. As examples the interviewees in the merchandise business unit believed they were not directly involved in sustainability initiatives, but mentioned acquiring local merchandise as one of the sustainability initiatives the organisation partakes in.

Similarly, the interviewee from within Human resources mentioned and employment-based approach to the previously disadvantaged as an initiative but did not believe they were directly involved. This is not aligned with literature reviewed by [19], stating that open and continual process of collaboration between stakeholders is required with a wide range of expertise and experience for sustainability to be achieved. In answering the research question, senior management possess a wide range of understanding of sustainability initiatives implemented within the organisation but had limited direct involvement although certain sustainability initiatives were active within their business units.

Conclusion

This research highlights the critical importance that leaders place on actively promoting sustainability and incorporating it into the structure of the organisation. The results of this study hold significant ramifications for organisations striving to navigate the intricacies of sustainability, not only within the borders of South Africa but worldwide. The ongoing environmental and social challenges faced by businesses underscore the critical importance of leadership in promoting sustainable practices that benefit the organisation as a whole and the greater community.

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