Risk Management as a Tool to Enhance the Sustainability of Fast Moving Consumer Goods SMEs in South Africa

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Abstract: Despite small and medium enterprises (SMEs) being numerically predominant and the most vulnerable role players in the economy of many countries, little research has been conducted on risk management and sustainability of SMEs operating in the Fast Moving Consumer Goods (FMCG) sector of South Africa. This study fills this knowledge gap by investigating the extent to which risk management processes of SMEs operating in the FMCG sector of South Africa incorporate a robust analysis of sustainability factors. We achieve this by distributing questionnaires to a sample of 320 FMCG SMEs in the Cape Metropolitan area. Qualitative data were gathered by interviewing two risk experts to validate the quantitative data gathered through a survey questionnaire. The results show that the risk management processes of FMCG SMEs do not incorporate a robust analysis of the components of sustainability, negatively affecting their survival. Apart from filling the knowledge gap, the study has also significant implications for FMCG SME owner-managers and policymakers while revealing future research avenues.

Keywords: sustainability; risk management; risks; FMCG SMEs

JEL Classification: G32

1. Introduction

Fast Moving Consumer Goods (FMCG) are non-durable, essential, cheap retail products, which get repeat sales (Dogra, 2010), including household care, personal care, packaged food, and beverages (Quested & Johnson, 2012). Food and nonalcoholic beverages account for the largest portion of the South African total household spending. For example, it was ~17.24% of total household spending during the first quarter of 2019 (Stats SA, 2019). As a whole, the FMCG industry is the leading contributor to the South African economy, with an estimated national product sale of R110 billion in the second quarter of 2010 and ~R130 billion during the same period in 2018 (Stats SA, 2018).

Among the key drivers shaping the FMCG industry both globally and locally are environmental, economic, and social sustainability components (FoodBev SETA, 211). These components interact with each other and pose new opportunities and risks for FMCG companies (Verghese et al., 2012), with implications for supply chain costs (Meherishi, Narayana, & Ranjani, 2019). This situation demands incorporating components of sustainability into the risk assessment process. While empirical evidence suggests that larger enterprises are increasingly incorporating sustainability components into their risk assessments, studies such as Hillary (2000), Environment Agency (2005), and Revell (2007) have revealed that SMEs lag in this respect. Furthermore, despite SMEs being numerically

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predominant and most vulnerable role players in the economy of many countries, little research has been conducted on risk management and the sustainability of enterprises operating in the SME sector of South Africa. One of this paper's contributions is closing this gap in the literature, with a specific emphasis on FMCG SMEs.

2. Literature Review

2.1. Sustainability

Sustainability was originally defined in the Brundtland Report of 1987 as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Rezaee, 2017, p. 64). Since then, there have been many variations and modifications to this original definition. Many argue that the original definition has been solely attributed to how environmental systems endure and remain diverse and productive (Gallo & Christensen, 2011, p. 316). For business, however, sustainability is not merely an environmental issue, but economic and social dimensions also directly influence the success and longevity of the business.

Consequently, during the mid-1990s, John Elkington, the founder of a British consultancy called SustainAbility, introduced a new accounting framework called the triple bottom line (TBL) to measure sustainability (Jones, 2017). He argued that businesses should measure performance by considering three bottom lines of sustainability (Laurell, Karlsson, Lindgren, Andersson & Svensson, 2019). One is the traditional measure of the economic performance of the business, including costs and income (Glavas & Mish, 2015). The second bottom line is a measure depicting how socially responsible a business has been during its operations (Schandl & Walker, 2017). The third bottom line is a measure defining how environmentally responsible a business has been throughout its operations (Svensson & Wagner, 2015). The TBL, therefore, consists of three dimensions of performance, namely economic, social, and environmental (Laurell et al., 2019). The three aspects are related and when considered jointly, can form a solid ground from which major sustainability decisions and actions can be made (Zott & Amit, 2010). In a broader context, sustainability, therefore, is the management and coordination of environmental, social, and economic factors to ensure responsible, ethical, and ongoing success (Nadaf & Nadaf, 2016, p. 4356).

According to the WEF Global Risks Report (2019), environmental, social, and economic factors were among the five areas of concern highlighted in the Global Risks Perception Survey in 2019. To the WEF's credit, risks posed by sustainability dimensions were initially highlighted in the first report in 2016 as risks that could rise the agenda, and rise, they did (Cooper, 2019). The latest global risk report sees sustainability risk with no challenge as the defining risk of time (Cooper, 2019). Given this, Pojasek (2011) attests that a more holistic assessment of risks considers sustainability factors instead of only focusing on the traditional aspect of risk factors. Consequently, business owners and managers must incorporate sustainability factors into their risk management process.

2.3. Prior Studies

This section reviews studies conducted on the components of SMEs' sustainability and imperative issues that remained unresolved because of previous research limitations or shortcomings. Fouad (2013) investigated factors affecting SMEs operating in Cairo. A self-designed questionnaire was used to collect data from a sample of 50 SMEs in the manufacturing sector. The results show that economic

factors directly influence the sustainability of SMEs in Cairo, Egypt and that the economic initiatives of the government for boosting the SME sector affect the success of SMEs operating in the manufacturing sector. Even though educative, Fouad's (2013) study was conducted outside South Africa and, therefore, the applicability of its findings to SMEs in South Africa is questionable. Besides, the study did not specifically focus on FMCG SMEs, did not investigate social and environmental components, and adopted a small sample size, an aspect that weakens the generalizability of its findings.

In a local study, Van Eeden, Viviers, and Venter (2003) investigated the factors affecting SMEs. A survey questionnaire was used to collect data from 1,038 SMEs in three metropoles of South Africa, namely Nelson Mandela, Cape Town, and Egoli. The results revealed that factors within the economic component of sustainability, namely inflation, interest rates, and unemployment were the principal factors negatively affecting the success of SMEs in the metropoles under investigation. Although it was based on a large sample size, Van Eeden et al.'s (2003) study did not provide percentages of the respondents who perceived that inflation, interest rates, and unemployment affect their SMEs, nor does it address all the objectives of this study, specifically those relating to SMEs' sustainability issues. Besides, the study was conducted more than five years ago, and therefore, its findings might not be relevant currently.

In another local but more recent study, Masocha (2019) investigated the social component of sustainability as a principal driver for SMEs' performance in emerging economies, with a case of South Africa being used. Data for the study were collected from 238 SMEs in the Limpopo province of South Africa using a survey questionnaire, and inferential analysis was used through analysis of moment structures (AMOS Version 25.0) to evaluate the hypotheses variables under investigation. The results reveal that the social component of sustainability was positively and significantly related to performance in the areas of finance, customer satisfaction, and employee satisfaction. The results imply that by practicing social sustainability, SMEs could benefit on a wider performance spectrum. Although informative, Masocha's (2019) study focused on the social component of sustainability and consequently, overlooked a plethora of other factors affecting the sustainability of SMEs.

Sitharam and Hoque (2016) assessed factors affecting SMEs in KwaZulu-Natal, South Africa. A sample of 74 SMEs was selected, and data were collected using a questionnaire tool that was completed online by SME owner-managers and analyzed using SPSS software. Most SME owner-managers (more than 80%) revealed that the economic component of sustainability, such as the strength of the rand, inflation rate, and interest rate affect the success of their enterprises. Furthermore, the study revealed that environmental factors such as electricity and water are critical to the success of SMEs. Regarding this, more than 70% of the sampled SMEs perceived electricity as a significant factor affecting their businesses. Even though the results reflected the true characteristics of South Africa, such as the weak rand, high inflation rates, and power supply issues, Sitharam and Hoque's (2016) study overlooked the social component of sustainability, did not give specific risks posed to SMEs by the factors under investigation, and employed a small sample size.

Most studies focused more on the economic component of sustainability, leaving the social and environmental components under-researched. Besides, none of them investigated (1) the specific risks posed to SMEs by sustainability factors, (2) the adequacy of current risk management practices to address critical factors of sustainability that might pose risks to SMEs, and (3) SME owner-managers' knowledge on risk management and its contribution toward enhancing business sustainability. In a clear departure from the studies discussed above, studies by the Environment Agency (2005) and

Hillary (2000) revealed that SME owner-managers are unaware of sustainability risks, such as environmental risks, lacking the tools and resources to mitigate such risks, and being doubtful about the business benefits of sustainability risk management. Revell (2007) interviewed 40 SME owner-managers in the UK, and the analysis of results indicated that SME owner-managers did not perceive the benefits from environmental risk solutions as worth the investment in time and resources required to implement them. Elsewhere in the UK, Simpson, Taylor, and Barker (2004) conducted a cross-sectoral survey and telephone interviews with 64 SME owner-managers. They found that 75% perceived environmental risk solutions as a cost, and 80% were against any linkage between environmental risk management and increased customer satisfaction.

Studies on SME sustainability are scarce. Most studies that have researched the sustainability issues of SMEs have focused on the economic component, leaving the social and environmental aspects under-researched. Besides, they ignored the risks associated with the mentioned components. Many will agree that before this study, the understanding of sustainability components relevant to SMEs and the risks associated with such components was evasive.

3. Research Design and Data Collection

This paper adopted both quantitative and qualitative research methods, following Lichtman's (2012) view that both methods are complementary rather than antipathetical. Therefore, quantitative and qualitative research approaches were used in a single approach design, one feeding off the other.

3.1. Research Population, Sampling Technique, and Sample Size

Denscombe (2014) describes the research population as all elements in the category of the items being researched. The research population relevant to this study comprises managers and owners of all FMCG SMEs within the Cape Metropolitan. Because of the absence of a complete list of all FMCG SMEs within the Cape Metropolitan, the population size for this study, however, is unknown. Therefore, the sample for this study was drawn from the research population using purposive techniques. This method involves a sample drawn from a population with the characteristics of the investigator's interest (De Vos et al., 2011), ensuring that the chosen sample members had adequate and appropriate work experience in the field of risk management and sustainability. The research sample comprised 320 FMCG SMEs that are operating in the Cape Metropolitan. One can conclude that this sample size was a representation of the target population because it exceeds the recommended minimum size of 30 for a quantitative study by a large margin (Eichler et al., 2018).

3.2. Data Collection and Analysis of Data

First, a questionnaire comprising predominantly structured questions was used for soliciting numeric data from 320 FMCG SMEs operating in the Cape Metropolitan area. The questionnaires were administered to individual managers and owners of FMCG SMEs. The data collected using a questionnaire tool were analyzed using SAS software, and then the results were presented in the form of descriptive statistics. To validate the numeric data, the non-numeric data were gathered by personal interviews with two risk experts who were recruited using LinkedIn. The data generated by the personal interviews were analyzed using the qualitative content analysis method.

4. Results and Discussion

The survey questionnaire constituted the principal source of primary data in this study even though personal interviews were also used. Hence, the quantitative survey questionnaire results will be discussed first, then direct quotes from risk experts that are deemed necessary are used to complement and validate the results of the survey questionnaire. The risk experts are labeled as Participant BRE1 and Participant BRE2 throughout the discussion.

4.1. Types of FMCG SMEs

Table 1 presents the distribution of the FMCG SMEs that have participated in this study. The results show that 9.7% of the FMCG SMEs were caterers, 25.3% were into retail, 9% were into wholesale, 8.7% were running café business, 7.6% were running pharmaceutical shops, 5.9% were operating as liquor stores, 14.2% were operating as convenience shops, and 4.2% were operating as other FMCG SMEs. The analysis confirms that 100% of the sampled SMEs were in the FMCG sector; hence, were the right participants for this study. The analysis further confirms that the study covered various FMCG SMEs in the Cape Metropole, and thus, should give an unbiased policy direction on FMCG SMEs risk management perception profile and their associated sustainability issues.

Table 1. Types of FMCG SMEs

Your business operates as …?

	Frequency	Percent	Valid Percent	Cumulative Percent
Caterer	28	9.7	9.7	9.7
Retail shop	73	25.3	25.3	34.9
Restaurant	45	15.6	15.6	50.5
Wholesale shop	26	9.0	9.0	59.5
Café	25	8.7	8.7	68.2
Pharmacy	22	7.6	7.6	75.8
Liquor store	17	5.9	5.9	81.7
Convenient shop	41	14.2	14.2	95.8
Other	12	4.2	4.2	100.0
Total	289	100.0	100.0	

Specify other

	Frequency	Percent	Valid Percent	Cumulative Percent
	277	95.8	95.8	95.8
Butchery	2	.7	.7	96.5
Chicken and Chips	1	.3	.3	96.9
Fast Foods	3	1.0	1.0	97.9
Fruit and vegetables	1	.3	.3	98.3
Fruits and Vegetables	2	.7	.7	99.0
Hair salon	1	.3	.3	99.3
Hair Salon	1	.3	.3	99.7
Salon Shop	1	.3	.3	100.0
Total	289	100.0	100.0	

4.2. Critical Factors Affecting the Sustainability of SMEs

Table 2. Critical Factors Affecting the Sustainability of SMEs

What effects do the following components have on the sustainability of your business?

			Effect					
			No effects	Minor effects	Neutral	Moderate effects	Major effects	Total
Social	Customers		14	18	18	25	214	289
			4.8%	6.2%	6.2%	8.7%	74.0%	100.0%
	Suppliers		20	26	26	56	161	289
			6.9%	9.0%	9.0%	19.4%	55.7%	100.0%
	Government		0	35	100	82	72	289
			0.0%	12.1%	34.6%	28.4%	24.9%	100.0%
Total			34	79	144	163	447	867
			3.9%	9.1%	16.6%	18.8%	51.6%	100.0%
Environmental	Packaging waste and food residues		4	18	4	42	219	287
			1.4%	6.3%	1.4%	14.6%	76.3%	100.0%
	Water Usage		18	29	34	39	169	289
			6.2%	10.0%	11.8%	13.5%	58.5%	100.0%
	Energy Usage		24	20	37	36	171	288
			8.3%	6.9%	12.8%	12.5%	59.4%	100.0%
Total			46	67	75	117	559	864
			5.3%	7.8%	8.7%	13.5%	64.7%	100.0%
Economic	Level of Inflation		23	21	19	42	180	285
			8.1%	7.4%	6.7%	14.7%	63.2%	100.0%
	Changes in Interest rate		82	105	31	48	23	289
			28.4%	36.3%	10.7%	16.6%	8.0%	100.0%
	Financial Strength		23	36	17	29	180	285
			8.1%	12.6%	6.0%	10.2%	63.2%	100.0%
Total			128	162	67	119	383	859
			14.9%	18.9%	7.8%	13.9%	44.6%	100.0%
Total	Customers		14	18	18	25	214	289
			4.8%	6.2%	6.2%	8.7%	74.0%	100.0%
	Suppliers		20	26	26	56	161	289
			6.9%	9.0%	9.0%	19.4%	55.7%	100.0%
	Government		0	35	100	82	72	289
			0.0%	12.1%	34.6%	28.4%	24.9%	100.0%
	Packaging waste and food residues		4	18	4	42	219	287
			1.4%	6.3%	1.4%	14.6%	76.3%	100.0%
	Water Usage		18	29	34	39	169	289
			6.2%	10.0%	11.8%	13.5%	58.5%	100.0%
	Energy Usage		24	20	37	36	171	288
			8.3%	6.9%	12.8%	12.5%	59.4%	100.0%
	Level of Inflation		23	21	19	42	180	285
			8.1%	7.4%	6.7%	14.7%	63.2%	100.0%
	Changes in Interest rate		82	105	31	48	23	289
			28.4%	36.3%	10.7%	16.6%	8.0%	100.0%
	Financial Strength		23	36	17	29	180	285
			8.1%	12.6%	6.0%	10.2%	63.2%	100.0%
		Total	208	308	286	399	1389	2590
			8.0%	11.9%	11.0%	15.4%	53.6%	100.0%

Table 2 shows the results of the critical factors affecting the sustainability of FMCG SMEs. Looking at the major effects column, for the social component, 74% of the respondents said that customers significantly influence the sustainability of their businesses, followed by 55.7% who said suppliers, and then 24.9% who said the government. Thus, given that over half (51.6%) of the respondents indicated major effects as their responses to the social component of sustainability, one can conclude that this component significantly affects the sustainability of FMCG SMEs, and in this case, the customers play a big role. The results are consistent with those of Masocha (2019), who found that the social component of sustainability was positively and significantly related to customer satisfaction. Regarding the environmental component, 76.3% of the respondents said that packaging waste and food residues have major effects on the sustainability of their businesses, followed by 59.4% who said energy usage, and then 58.5% who said water usage. Therefore, given that 64.7% of the respondents indicated the environmental component as major effects, one can conclude that this component has a major effect on the sustainability of FMCG SMEs, and in this case, the major issues are packaging waste and food residues. These results are consistent with those of the World-Wide Fund for Nature report (2016) that the principal environmental suitability issues within the FMCG industry are allied to water crises and packaging materials.

Regarding the economic component, 63.2% of the respondents said that the level of inflation has major effects on the sustainability of their businesses. Likewise, 63.2% indicated financial strength, and 8.0% indicated changes in interest rates. Therefore, the economic component of sustainability has a major effect on the sustainability of FMCG SMEs, and in this case, the major economic issues were inflation and financial strength. These findings correlate well with those of Van Eeden et al. (2003) and Sitharam and Hoque (2016), who found that the economic component of sustainability with factors such as inflation and interest rate negatively affected the success of SMEs in the metropoles under investigation. Overall, 53.6% of the respondents said that the critical factors of sustainability significantly affect their business sustainability, with the environmental component taking the lead, closely followed by the social component and the economic component. These results mirrored the true Cape Metropole scenario, especially regarding the environmental component because Cape Town is an extremely water-stressed area with more likelihood of drought and floods. Also, the city survived day zero a couple of years ago.

From a qualitative viewpoint, the response from a risk expert supporting the preceding survey questionnaire results is

"*A retail SME's economic, environmental and social performance is likely to have financial impacts, legal impacts and reputational impacts. It is important that these factors are understood and considered when preparing a risk management plan and in subsequent risk assessment activities, in order to minimize and manage the risks caused by them*" (Participant – BRE2).

4.3. Risk Management and Sustainability in FMCG SMEs

Given the observed critical factors affecting the sustainability of FMCG SMEs in the Cape Metropole, this subsection will analyze the extent to which risk processes of FMCG SMEs incorporate the robust analysis of sustainability factors. Therefore, some statements showing the extent to which risk processes of FMCG SMEs incorporate robust analysis of sustainability factors were given to the respondents and their levels of agreement or disagreement are discussed below.

Table 3. The Extent to Which Risk Processes of FMCG SMEs Incorporate Robust Analysis of Sustainability Factors

	How do you agree or disagree to the following statements?					
	Strongly disagree	Disagree	Undecided	Agree	Strongly agree	Total
I am concerned about sustainability issues when making risk management decisions in my business.	195	33	14	27	20	289
	67.5%	11.4%	4.8%	9.3%	6.9%	100.0%
I have integrated sustainability into my business risk management agenda.	199	35	17	26	12	289
	68.9%	12.1%	5.9%	9.0%	4.2%	100.0%
In my business, I have implemented an ongoing risk management process that includes an evaluation of critical components of sustainability.	238	24	12	9	6	289
	82.4%	8.3%	4.2%	3.1%	2.1%	100.0%
Critical components of sustainability are important aspects when assessing risks in my business.	231	21	14	13	10	289
	79.9%	7.3%	4.8%	4.5%	3.5%	100.0%
I have identified critical components of sustainability and the risks they can pose to my business.	209	29	14	9	28	289
	72.3%	10.0%	4.8%	3.1%	9.7%	100.0%
I periodically collect risk information from the critical components of sustainability.	208	36	12	3	29	288
	72.2%	12.5%	4.2%	1.0%	10.1%	100.0%
Total	1280	178	83	87	105	1733
	73.9%	10.3%	4.8%	5.0%	6.1%	100.0%

Table 3 discloses the results on the extent to which risk processes of FMCG SMEs incorporate robust analysis of sustainability factors and reveal higher percentages of disagreement than agreement. The statements to which the 289 respondents agreed or disagreed are labeled for easy reference as follows:

A – I am concerned about sustainability issues when making risk management decisions in my business.

B – I have integrated sustainability into my business risk management agenda.

C – In my business, I have implemented an ongoing risk management process that includes an evaluation of critical components of sustainability.

D – Critical components of sustainability are important aspects when assessing risks in my business.

E – I have identified critical components of sustainability and the risks they can pose to my business.

F – I periodically collect risk information from the critical components of sustainability.

Of the sampled respondents, 78.9% had some form of disagreement with statement A that their SMEs are concerned about sustainability issues when making risk management decisions. Slightly more than 80% disagreed with statement B that sustainability is integrated into their business risk management agenda, whereas a little over 90% did not agree with statement C. Just over 86% disagreed with statement D, 82.3% disagreed with statement E, and just over 84% disagreed with statement F that risk information from the critical components of sustainability is periodically collected.

In conclusion, the percentages of disagreement with these statements are high, indicating that the risk processes of these SMEs rarely incorporate a robust analysis of sustainability measures. The personal

interviews conducted with risk experts equally concur with this finding, as noted in the following comments:

"*Risk management in SMEs is not well developed and it would be an overstatement to say that their risk assessment activities incorporate a robust analysis of sustainability factors*" (Participant – BRE1).

"Well, the risk processes of SMEs are too simple and informal, and l, therefore, strongly believe that they do not include a robust analysis of sustainability factors" (Participant – BRE2).

4.4. The Extent to Which Risk Management Contributes Toward Enhancing the Sustainability of FMCG Smes

Given the observed current state of risk management processes of FMCG SMEs regarding the inclusion of sustainability factors, this subsection will analyze the understanding of risk management and its contribution toward enhancing business sustainability among FMCG SME owner-managers. Therefore, respondents were asked to rate their understanding of the risk management process, procedures, and tools in the context of their businesses. In a separate question, respondents were also asked to indicate the extent to which they think risk management could contribute toward enhancing the sustainability of their businesses. A comparative analysis of the crosstabulation of the responses generated by the two questions was performed, and the results are shown below.

Table 4. The Understanding of Risk Management and its Contribution toward Enhancing Business Sustainability among FMCG SME Owner-Managers

How would you rate your understanding of the risk management process, procedures, and tools in the context of your business? *To what strength could risk management contribute toward enhancing the sustainability of your business? Crosstabulation

	To what strength could risk management contribute toward enhancing the sustainability of your business?					
	Very little extent	Little extent	Some extent	Great extent	Very great extent	Total
Poor	22	19	25	33	43	142
	15.5%	13.4%	17.6%	23.2%	30.3%	100.0%
Fair	0	0	0	21	40	61
	0.0%	0.0%	0.0%	34.4%	65.6%	100.0%
Good	0	0	0	0	41	41
	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Very good	0	0	1	1	25	27
	0.0%	0.0%	3.7%	3.7%	92.6%	100.0%
Excellent	0	0	0	0	18	18
	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Total	22	19	26	55	167	289
	7.6%	6.6%	9.0%	19.0%	57.8%	100.0%

Table 4 shows some evidence of ignorance, revealed in the responses with a poor understanding of risk management processes, procedures, and tools. Of these respondents, 53.5% perceived that their level of understanding was poor and that risk management had a great or very great impact on their business sustainability. A little above 99% of those who said that their understanding was fair perceived that risk management had a great or very great impact on their business sustainability, and then 100% of those who perceived that they had a good understanding perceived that risk management had a great or very great impact on their business sustainability, A little above 95% of those with a very good understanding perceived that risk management had a great impact on their business, and

100% of those who claimed an excellent understanding perceived that risk management had a great impact on the sustainability of their businesses.

In conclusion, the results reveal an increasing relationship between respondents' levels of understanding of risk management processes, procedures, and tools and the extent to which they believe that risk management affects their business sustainability. A chi-square test, therefore, was drawn up to evaluate the effects of these levels of understanding of risk management processes, procedures, and tools on business sustainability. The results are shown below.

Table 5. The Understanding of Risk Management and its Contribution toward Enhancing Business Sustainability among FMCG SME Owner-Managers

Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	132.344[a]	16	.000
Likelihood Ratio	167.701	16	.000
Linear-by-Linear Association	71.587	1	.000
McNemar-Bowker Test	248.000	9	.000
N of Valid Cases	289		

The chi-square results in Table 5 confirm a statistically significant effect of understanding the rating of the processes, procedures, and tools on business sustainability enhancement. The more the understanding of risk management processes, procedures, and tools, the more they comprehend the extent of risk management's impact on business sustainability enhancement. Therefore, the limited inclusion of sustainability factors into risk management processes among FMCG SMEs is largely attributed to a lack of understanding of the risk management process and its effect on enhancing business sustainability. The results confirmed inadequate knowledge of the risk management process, as the statistically significant effect was affirmed with the chi-square test value: $x^2(16, n = 289) = 132.344$, $p = 0.000$, and Cramer's V = 0.338. Cramer's V results in Table 6 below, as recommended by Gravetter and Wallnau (2004), and Pallant (2011) confirm a significant effect of comprehensive knowledge of the risk management process and extent of business sustainability.

Table 6. The Understanding of Risk Management and its Contribution toward Enhancing Business Sustainability among FMCG SME Owner-Managers

Symmetric Measures

			Value	Asymptotic Standard Error	Approximate T[b]	Approximate Significance
Nominal	by	Phi	.677			.000
Nominal		Cramer's V	.338			.000
Interval	by	Pearson's R	.499	.026	9.744	.000[c]
Interval						
Ordinal	by	Spearman Correlation	.603	.035	12.810	.000[c]
Ordinal						
N of Valid Cases			289			

a. Not assuming the null hypothesis.
b. Using the asymptotic standard error assuming the null hypothesis.
c. Based on normal approximation.

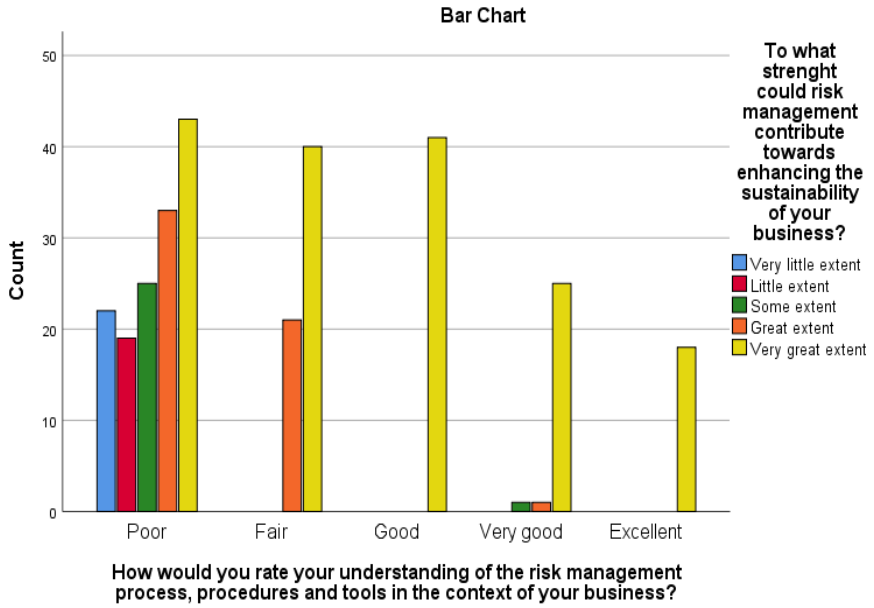

Figure 1. The Understanding of Risk Management and its Contribution toward Enhancing Business Sustainability among FMCG SME Owner-Managers

The results in Figure 1 confirmed the effect of understanding the rating of processes, procedures, and tools on business sustainability enhancement. The more the understanding of risk management processes, procedures, and tools, the more they comprehend the extent of risk management's impact on business sustainability enhancement. This further supports the previous observation that the limited inclusion of sustainability factors into risk management processes among FMCG SMEs is predominantly attributed to a lack of understanding the risk management process and its effect on enhancing business sustainability. This poses a great threat to FMCG SMEs' sustainability and raised critical issues for policy frameworks. The policy direction should be to increase knowledge, attitude, and practices of owners-managers in FMCG SMEs about the processes, procedures, and tools of risk management processes and its impact on business sustainability enhancement effort.

5. Research Implications

This section discusses the results in relation to theoretical, managerial, and policy implications.

5.1. Theoretical Implications

The central theoretical proposition of this paper is that the components of sustainability are breeding grounds for risks, which must be incorporated into the risk management process. Drawing on risk management theory that views risks as a value-creating opportunity or potential profit (Darcy & Brogan, 2001), this paper argues that by designing and implementing appropriate risk treatment strategies, business sustainability can be improved and the negative consequences of sustainability-related risks can be restrained. The empirical results of this paper indicate that risk management can enhance the sustainability of the business. Previous studies have proved that a more holistic assessment of risks considers components of sustainability instead of only focusing on the traditional aspect of risks (Pojasek, 2011:90), which can also be drawn from this study.

5.2. Managerial Implications

The findings of this study revealed that the social component of sustainability significantly affects the sustainability of most SMEs in the FMCG sector, and in this case, the customers play a big role. Therefore, in their efforts to attain social sustainability, the priority of FMCG SME owner-managers should be to identify customer service-related risks, such as damaged reputation and loss of key customers using risk-identification tools and techniques, and treat them appropriately.

The findings of these studies also indicated that the economic component of sustainability includes factors, such as inflation and interest rate, which could adversely affect profits of FMCG SMEs. Therefore, in their efforts to attain economic sustainability, the priority of FMCG SME owner-managers should be to identify and address economic risks facing their enterprises and, in so doing, increase the chances of successfully achieving their profit targets.

Furthermore, the results of this study show that the environmental component significantly affects the sustainability of most FMCG SMEs and, in this case, the principal issues are packaging waste and food residues, water usage, and energy usage. Consequently, in their efforts to attain environmental sustainability, the priority of FMCG SME owner-managers should be to proactively identify environment-related risks, such as pollution, violation of water restrictions, and high municipal cost using risk-identification tools and techniques, and treat them appropriately.

5.3. Policy Implications

The study provides important insights for the Department of Small Business Development to develop more effective intervention strategies of cushioning the FMCG SMEs from the negative impact of sustainability components on the survival of these enterprises. This could be in the form of developing a risk management and sustainability-training program for SME owners and managers.

6. Conclusion

This research was derived from the view that risk management can be used as a tool to enhance the sustainability of FMCG SMEs. This study's results reveal that FMCG SMEs' economic, environmental, and social performance have financial, legal, and reputational impacts. It, however, seems that the environmental component has the largest impact on the sustainability of FMCG SMEs, and more specifically, packaging waste and food residues (76.3% of the respondents indicated it has a major effect), water usage (58.5% of the respondents indicated it has a major effect), and energy usage (59.4% of the respondents indicated it has a major effect). The social component has the second-largest impact on the sustainability of FMCG SMEs, and more specifically, customers (74.0% of the respondents indicated it has a major effect) and suppliers (55.7% of the respondents indicated it has a major effect). Then, the economic component has the third-largest impact on the sustainability of FMCG SMEs, and more specifically, the level of inflation (63.2% of the respondents indicated it has a major effect) and financial strength (63.2% of the respondents indicated it has a major effect). Therefore, the components of sustainability must be understood and considered when preparing a risk management plan and subsequent risk management steps to prevent or mitigate their impact. However, the risk management processes of FMCG SMEs do not incorporate a robust analysis of the sustainability components, negatively affecting their survival. Aligned to this was the lack of understanding of the risk management process and its effect on enhancing business sustainability. This

finding represents a proposal for future research. Specifically, future research studies must formulate frameworks capturing sustainability dimensions into the risk assessment of FMCG SMEs to help them manage risks holistically.

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