

Energy planning can support the success of young businesses

By [Lia Labuschagne](#), issued by [SAICA](#)

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Energy management is vital, even at times when there is no national energy supply crisis - and the small business sector is not helpless in terms of effecting changes that benefit themselves as well as their customers and clients says Annie McWalter, CEO of SAICA Enterprise Development.

According to report¹ released in May this year by the International Energy Agency (IEA) the International Renewable Energy Agency (IRENA), the United Nations Statistics Division (UNSD), the World Bank and the World Health Organization (WHO), ensuring affordable, reliable, sustainable and modern energy for all by 2030 remains possible but will require more sustained efforts, particularly to reach some of the world's poorest populations and to improve energy sustainability. The number of people living without electricity dropped to roughly 840 million from 1 billion in 2016 and 1.2 billion in 2010, but without more sustained and stepped-up actions, 650 million people will still be left without access to electricity in 2030. Nine out of 10 of them will be living in sub-Saharan Africa.

At the same time, a vast majority of small businesses in South Africa say that energy is among their top three expenses, with the others being salaries and wages, materials and supplies.

"Energy is a major business cost and consideration in the running of a micro, small or medium-sized business. Among others, small businesses often do not have the resources to ensure that they have sufficient back-up power systems in the case of an emergency. This puts an enormous strain on their operations," says Annie McWalter, CEO of SAICA Enterprise Development, an entity at the South African Institute of Chartered Accountants (SAICA). The Yoco Small Business Pulse stated earlier this year that "loadshedding has become the number one concern for the country's small businesses – remarkable in that it was listed as a key concern for only 1% of respondents in Q4 2018."²

"The fact is that customers and clients prefer those businesses that manage to keep providing goods and services even in a crisis," comments McWalter. Increasingly, consumers also insist on environmentally friendly practices – and many of those relate to energy usage. "Effective marketing of a business that has environmentally friendly policies and plans for power outages can be an important selling point."

The national energy supply scenario in the country directly affects the small business sector, since it is also the one with a very sensitive cashflow situation. For many entrepreneurs it is hard to make adjustments when there is loadshedding or other power outages. They are often dependent on passing trade (retail services), or involved in the hospitality industry and manufacturing, where energy for heating, cooking and cold storage is particularly important. Loadshedding leads to billions of rands of losses in a productive economy, and whereas the needs and responsibilities of large organisations with big workforces are often discussed during an energy crisis, it should be remembered that smaller businesses create and supply work to large numbers of people who would be severely impacted by close-downs as a result of energy issues.

Energy management is vital, even at times when there is no national energy supply crisis – and the small business sector is not helpless in terms of effecting changes that benefit themselves as well as their customers and clients. McWalter says: "As part of an overall business strategy, it is important for small businesses to give particular attention to energy requirements, planning and savings. At SAICA Enterprise Development we realise this, and we factor the issue into our development programmes with our entrepreneurs."

Energy audits and planning

Any effective energy strategy leading to higher efficiency and more savings starts with help from experts. An energy

contractor who understands the total needs and implications can assist in the first, most important step, namely conducting an energy audit. However, all the relevant roleplayers should be included in such an audit, and this is also where the services of a chartered accountant come in to support the strategic and financial planning of energy matters.

The energy expert on a team would have all the relevant information. However, an entrepreneur can also be proactive, because help is available from various sources to limit the costs of an energy audit, while relevant information that will help with future planning is often provided free of charge. On the National Development plan website³ there is some useful information, while local authorities, Eskom, the South African Institution of Civil Engineering, the Green Building Council of South Africa and others also make information available free or at low cost. Where property is rented, the owners could also play an important role.

An energy audit will help to identify potential energy savings. Many of these can be implemented at relatively low cost, such as waste management and recycling, changing staff habits, changing to solar heating and finding alternative sources of materials with lower transport costs.

"Thinking green is important for long-term business success," says McWalter. "For instance, it is important to incorporate energy-saving considerations when expanding a business into new or alternative premises. Where possible, give preference to areas with high green building ratings or where green policies are enforced. But first of all, an audit will ensure that all the relevant issues are considered."

Implementation of larger and longer-term solutions and back-up systems will take longer than lower cost, relative 'quick fixes'. "However, designing the strategies and plans for such work should be incorporated into the overall business plan and strategy, and not be seen as a separate issue that is only relevant in times of crisis. An energy audit is important to ensure that a business has all the relevant information about its own shortcomings, but also about current policies, regional issues and incentives on offer (e.g. replacing light bulbs, installing solar heating or PV solar panels, recycling options). With energy being so high up on the list of expenses for a business, it will also be important to review financing options for changes to be implemented.

"Again, the advice of a chartered accountant will be invaluable. We at Enterprise Development are here to help in the process," adds McWalter.

Certainly, all is not gloom and doom in terms of energy. Young businesses benefit from advice through professional organisations such as SAICA Enterprise Development, but also through whole new industries in the renewable energy sector and their supporting bodies. SAREBI¹, The South African Renewable Energy Business Incubator, was established in 2012 by the Small Enterprise Development Agency Technology programme (SEDA) to incubate businesses in the renewable energy sector.

Finally, "the benefits of a confident long-term energy strategy that works for any business, but particularly also for smaller businesses, is an advantage in the market. Communicating your success is important and potentially beneficial to attract new customers. Where it is advantageous, work with others in the same area or industry and market your success. Increasingly, people want to hear how you are reducing your environmental impact and specifically your CO2 emissions, while still improving customer experience and comfort," comments McWalter.

¹Find the report at <http://trackingsdg7.esmap.org/>.

²The Pulse report is at <https://pulse.yoco.co.za/>.

³The relevant section of the NDP is at <https://www.gov.za/about-sa/energy>.

ABOUT THE AUTHOR

Lia Labuschagne is a Kleinmond-based communication consultant, writer, editor, and qualitative marketing research practitioner. She holds a BA (Honours) in English (UU) and an MDP (UNISA) in Marketing Management and has extensive experience in corporate communication management, public relations, publishing and related fields. Her experience

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