

Environmental Performance and Stakeholders' Pressure Against the Small Batik Enterprises in Kelantan, Malaysia

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Abstract

The aims of this paper are to investigate environmental performance as well as stakeholders' pressure against Batik enterprises in Kelantan. Based on the survey on 36 small Batik entrepreneurs, only 5 enterprises (13.5%) achieved high environmental performance and the rests (86.5%) were categorised as low environmental performance enterprises. These findings come as no surprise because the majority of Batik enterprises perceived low pressure from stakeholders, including regulatory pressure which usually exerts high pressure on businesses on other industries in Malaysia and other countries. The conclusion of this study is instructive, demanding the players in the industry to be environmentally proactive; however, this does not come easily unless they will be rewarded as being environmentally friendly and will pay heavy consequences of not being so.

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1. Introduction

Over the last four decades, more businesses have embraced environmental management as response to mixed results of escalating stakeholders' pressures that warrant sustainable business activities. Prior to the 1980s, environmental management was considered as 'alien' in the business lexicon (Long, 1991). Due to increased awareness of environmentalism amongst the public that has exerted considerable pressure against businesses which partly responsible for environmental degradation, businesses could not help but internalise and embrace environmental matters in their business considerations. In many cases, the public do not exert direct pressure on business, but voice their dissatisfaction to related government agencies and in turn regulate new laws or execute existing laws. Environmental management which considered as externality, now steadily and increasingly has been given duly consideration. Not only businesses include environmental aspects in their strategies but at the same time shape their businesses activities and allocate significant amount of money of environmental matters. However, albeit much talks and debates of what is called sustainable business or green business (Cekanavicius, et al., 2014) in practise, only small numbers of businesses have embraced this very concept or idea. As a result of their sheer sizes that are easily exposed to the public big organisations including Multinational Corporations have embraced sustainability to show they are environmentally

conscious. The same is also observed for environmentally damaging businesses, due to stakeholders' pressure especially regulatory pressure, they have been enforced to buy sustainable business concept and abide by environmental laws and regulations. So, it does not come as a surprise, academicians pay considerable attentions towards these two categories of business, leaving an academic lacuna of environmental management in small and medium sized businesses.

In Malaysia, batik industry is one of handicraft products that has contributed significantly to the country economy particularly to the state of Kelantan and Terengganu (reference). The majority of Batik enterprises is categorised as small business. But nevertheless, majority of the public and not a few owners do not realise that the industry has negative environmental impacts, mainly water pollution.

According to the Department of Environment in 2011, batik manufacturing industries in Kelantan recorded the lowest percentage of environmental compliance (62.50%) (DOE Kelantan, 2011). On the other hand, manufacturing industries like metal fabrication, leather, electric and electronic, food and drink, rubber based, batik handicraft and textile recorded 100% compliance (DOE Kelantan, 2011). Low-compliance by batik manufacturing was identified due to contributed to the highest carbon emissions per year among Small and Medium Enterprises (SMEs) in the country. In the same year, there are 47

premises not specified under the Regulations Environmental Quality (Industrial Effluents) Regulations 2009. 40 of these premises are batik industry and 7 other manufacturing premises. The compliance under Environmental Quality (Industrial Effluents) Regulations in 2009 by non-designated premises is 95.31%. Hence, the compliance with environmental law by these manufacturing industries could be improved significantly.

As an alternative, firms are obligated to adopt new ways of managing the production process by adding the environmental factor in the management that is an environmental management and measuring environmental performance of their industry. This method had already been adopted mostly in European countries. In the past, most businesses and industries measured only aspects directly related to legal requirements or financial costs. Towards sustainable development, firms and industries have begun to manage environmental aspects of their business for sustainability. Measuring environmental performance of the industry is an option to overcome the pollution problem in Malaysia. It shows that the cooperation from the industrial sector is also vital to implement the plans and strategies to reduce the pollution.

Overall, most research pertaining to small business and environmental performance were conducted in developed countries (Welford, 1993, Shaper, 2002, Tilley, 1999a, 1999b, Debby, 2008; Groundwork, 1995; Friedman & Miles, 2001; and Hillary, 2004). A number of related studies were also conducted in developing countries (Sonnenfeld, 2000; Frijns, Phuong and Arthur 2000; Rao, 2000). However, only a few researchers have delved into this particular research area in Malaysia (Yaacob, Mahmood & Nik Ismail, 2007, Yaacob, 2010, Mat Zain & Yaacob, 2014). In order to close the gap in the body of knowledge pertaining to green business this research is timely and indeed pertinent. The aim of this study is to investigate environmental performance and stakeholders' pressure against unsustainable batik industry in Kelantan.

1.1. Literature Review

There are a number of reasons why research pertaining to SMEs is paramount important. First argument is based on the premise that small firms are significant to any particular countries economic and environmental terms. Small firms not only constitute the largest of business constitutions, but at the same time employed significant numbers of employees. Second, the potential environmental impact of the small firm sector could be underestimated by many people. Even though there is relatively little quantitative data available that measures the environmental impact of individual small firms compare to big businesses, it is estimated that the cumulative environmental impact of the sector as a whole could be quite considerable. For example, it has been

suggested that in the UK small firms cumulatively could contribute as much as 70% of all industrial pollution (Groundwork, 1995). Third, despite increasing number of research in environmental management, small firms are a comparatively under researched field in academia in both developed and developing countries. The business–environment literature has in the main neglected small firms, instead focusing its attention on the activities of large firms (Yaacob, 2010). Fourth, argument to support the importance of small firm research is based on the premise that environmental solutions designed for large firms cannot necessarily be applied to small firms. It has been noted small firms often differ from larger firms in their management style, organizational structure and the characteristics of the owner–managers (Dandridge, 1979). Small firms are by comparison often resource poor, presenting problems accessing finance and labour and finding the necessary time to manage environmental matters. They need their own unique answers to, and understanding of, the difficult environmental problems they face. Final argument is, in comparison to big businesses, management and ownership of small firms are usually synonymous. Hence, this provides a unique opportunity for their owners to put environmental or green values into practice in the workplace and in turn to influence the behaviour of employees, customer and other stakeholders. For the above reasons small firms ought not to be overlooked in the search for knowledge and understanding of the relationship between business and the environment.

1.2. Small Business - Environmental Performance and Stakeholders' Pressure

Overall, most research pertaining to small business and environmental performance were conducted in developed countries (Welford, 1993, Groundwork, 1995, Tilley, 1999; Shaper, 2002, Hillary 2004, Debby 2008). A number of related studies were also conducted in developing countries (Sonnenfeld, 2000, Frijns, Phuong and Arthur 2000). However, not many researchers have delved into this particular research area in Malaysia in specific and the South-East Asia region in general (Mat Zain & Yaacob, 2014; Yaacob, 2010).

Recently, studies showed that the owners of small firms' involvement in environmental management measures to address the natural environment have been one of mixed fortunes. Welford, (1993) investigated environmental management of 102 SMEs in West Yorkshire, UK. In terms of environmental policies, he found only a handful of SMEs had environmental policies. When the management of the firms was asked whether they thought that environmental issues would become more important or not in the next five years (study was conducted in 1992 and 1993), the management of the SMEs claimed it is becoming more important.

When they were asked whether firms thought that environmental issues would become more important to their customers, high number of firms thinking their customer's demand would change increased substantially between 1992 and 1993. In terms of environmental pressure, the author found regulatory stakeholders exerted the highest pressure on those firms to be environmentally responsible. This was followed by European community. On the contrary, pressure from other pressure groups was considered weak. In the same country, another researcher, Tilley (1999a) in her study of small manufacturing firms' environmental management practices found the firms were generally low.

In Canada, Sharma (2000) investigated business strategies involved complying with rules and adopting standard industry practices. She found the proactive environmental strategy companies perceived strong institutional (internal) pressures, compared to those with a reactive environmental strategy. On the other hand, Alvarez, Jiménez and Lorente (2001) studied environmental strategy in the Spanish hotels and stated that environmental regulators were not the main environmental stakeholder in the t, as it is seen as a less damaging activity, they found stakeholders' pressure helped explain proactiveness of environmental management in the diligence. The hotels firm who perceived strong pressure from wider stakeholders on environmental issues adopted a more proactive strategy than their opposite numbers who did not perceive such pressure. Biondi and Meredith (2002) in their study of SMEs in Europe reported that stakeholder pressure was main, and often trigger factor for environmental innovation. The range of stakeholders had gradually widened, but the main pressure were environmental agencies. In a further study of pharmaceutical firms in Western Australia, Schaper (2002) found the firms were not seriously response to environmental issues, if they response more often than not at the minimum requirements – end-of-pipe solutions, i.e. cleaning up the most obvious environmental damage, such as pollution or was that they directly create and under environmental regulations.

In the other study by Lorente, Jiménez and Alvarez (2003) investigated stakeholders' influence of the Spanish hotel industry in terms of stakeholders' legitimacy, power and economic consumption of power against the industry. Their findings showed all the attributes significantly related to the industry's environmental strategy proactiveness, where proactive companies perceived the economic legitimacy, power and economic consumption of power by stakeholders against the industry. In another study on small automobile repair enterprises in Chicago, US, Debby (2008) found owner experience and external pressures (government intervention) and market opportunities (subcontracting,

supply chain innovation, product diffusion) were amongst important drivers of environmental practices. The study showed although firm's owner reported no examples of customer demand driving environmental action, regulatory intervention was mostly triggered by the growing number of nuisance complaints such as bad odor, and garbage.

Notwithstanding with significant environmental problems in developing countries, not many environmental management studies were conducted in developing countries. Up until now only a few of them. For instance, Sonnenfeld (2000) studied a pulp and paper manufacturing in the South-East Asia, found the industry, especially small pulp factories were lagging behind in terms of environmental practices compared with their big size counterparts. They unable to make a significant move in reducing the amount of waste as well as consumption of water in their production due to the usage of old and environmentally unfriendly machinery. A further study was conducted by Frijns, Phuong and Arthur (2000) in Vietnam. One of the main issues focused was technology development amongst SMEs. Overall, they found the development in environmental technology in SMEs in the country was still in an infant stage. In a recent study in Malaysia, Azilah Kasim & Anida Ismail (2012) investigated environmental management in the food service industry on 20 restaurants in Penang. They found the implementation of environmentally friendly practices was rather weak. The management of the restaurants was reluctant to invest in EMS, to change practices to advertise environmentally friendly products and invest in the implementation of such practices. As far as stakeholders' pressure was concerned, they found low regulatory pressure due to weakly enforced environmental laws and regulation, no trade pressure and poor customers and community pressure against their businesses.

Until now, not many researchers have delved into this particular research area in developing countries including Malaysia. Due to a dearth of such study in developing countries, there is a need for further research on the relationship between small firms and the environment. This is especially relevant in Asia where the region experiences potential growth in small scale business, where 70 percent of the world's manufacturing will take place in Asia in the next decade (Rao, 2000). In order to ensure sustainability of this world, small business in Asia who partly responsible for environmental issues need to behave accordingly.

2. Materials and Methods

This study employed the method of primary data collection using a 5 Likert scale questionnaire as the research instrument. List of 120 batik entrepreneurs provided by the Malaysian Handicraft Development Corporation (Batik) of Kelantan in 2014 was used as

sampling frame. Data were collected from the 1st April - 31st. May 2015 which involved 36 (30%) of the total population of batik premises in Kelantan. One of the researchers personally visited batik premises after making the appointments on phone according to entrepreneurs' availability and some by walk-in. The the researcher preferred face to face meeting due to the respondents are rural villagers, and most of them do not have a higher education, difficult to understand academic language.

Environmental performance of batik industry was based on 6 items pertaining to compliance with environmental law, reduction of operational cost, low complaints from community, low environmental accidents, good stakeholders' relationship as well as be example or be recognised by others pertaining to environmental management. As for stakeholders' pressure respondents were as to rate the strengths of their pressures. This involved environmental regulator (DOE), employees, financial institutions, non-governmental organisations (NGOs), customers, suppliers and medias. Malay language questionnaires were used to ensure that respondents were competent to participate in the survey as they felt more comfortable with the language. Realising the majority of batik entrepreneurs in Kelantan are those who do not study at any universities or colleges and seldom use English in their business activities, usage of Malay language is practically justifiable.

Classification of environmental performances were based on means of 6 items, where the cut-off points of 4 were used to differentiate low or high category. Cut-off point of 4 was used because our data was not normally distributed, in this result median was used instead of mean. The same was applied for stakeholders' pressure categories. Those below 3 points was categorised as low pressure and above 3 as high pressure.

3. Results and Discussion

Table 1 shows profiles of small batik enterprises in the study. A total of 36 batik enterprises from various locations in the state of Kelantan participated in this study. As far as ages of respondents were concerned, majority of entrepreneurs were between 40 to 50 years old (47.2%), followed by less 40 years old (27.8). Only 16 % more than 50 years old. Majority of batik entrepreneurs only studied until secondary education – 94.4%. Only 5.6 percent had tertiary education. More than 58.3% of batik enterprises in the survey were established more than 10 years. The rest, 25 per cent of them were established between 6 to 9 years, and 16.7% equal to or less than 5 years. Half of the enterprises (50 %) employed between 6 to 10 permanent staff, followed by 5 and less number of employees (36.1%) and 13.9 % employed more than 10 staff. Judging from this figure, 16.7 % of the samples came from micro business and 83.3% were under small business. As far as part-time staff were concerned

overwhelming batik enterprises (97.2%) hired less than 5 staff. In terms of start-up capital, majority enterprises (52.8%) less than RM10,000. Only 2.8% start-up capital more than RM20,000, leaving the rests (43.2%) between these two figures.

Table 1: Demographic Profiles of Small Batik Enterprise

	Frequency	Percentage
Age of Respondent (Year)		
<40	10	27.8
40 – 50	17	47.2
>50	9	16
Level of Education		
Secondary	34	94.4
Tertiary	2	5.6
Years of Enterprise		
5 and below	6	16.7
6 to 10	9	25
>10	21	58.3
Employee Full time		
5 and below	13	36.1
6 -10	18	50
>10	5	13.9
Employee Part time		
5 and below	35	97.2
>5	1	2.8
Start-up Capital (RM)		
10,000 and less	19	52.8
10,001 – 20,000	16	43.2
>20,000	1	2.8

Table 2 shows categories of environmental performance of batik enterprises in Kelantan. Overall, the majority of batik enterprises in the state did not environmentally friendly perform. Out of 36 batik premises, 31 which constituted 86.11 % in the low environmental performance category. Only small percentage of enterprises, 5 out of 36, which constituted 13.9 % in the high environmental performance category. These findings which were based on average of environmental performance can be easily translated into detail environmental performance items. In this case, we can say low environmental performance means the low level of 6 environmental performance items. Including low compliance with environmental laws and regulation, insignificant reduction of operational costs, failure to arrest or reduce environmental accidents in Batik premises, poor relationship with stakeholders as well as fail to be recognised by others as example of environmentally friendly enterprise for other batik players.

Table 2: Categories of Environmental Performance of Batik Enterprises

	Environmental Performance	
	Frequency	Percentage (%)
High	5	13.9
Low	31	86.1

Table 3 shows types of environmental pressure against stakeholders. In general, stakeholders did not exert significant environmental pressure against the batik industry in the state of Kelantan. This is clearly evident as none of those types of stakeholders recorded more than 30 % in the category of high pressure. Even though, environmental regulatory pressure, only 10 enterprises, which constituted 27.8 % of total samples claimed as high-pressure category. Majority of enterprises did not see environmental regulatory exerted high pressure on them. As for the rests of stakeholders, including ENGOs, employees, financial institution, and suppliers hardly they were perceived as high-pressure stakeholders. Percentage of enterprises recognised them as high-pressure groups ranging between 11.1 % to 13.9 %. The majority of them claimed these stakeholders as low pressure when it came to environmentalism. As for the media, only 1 enterprise, 2.7 per cent claimed it as high pressure. And for

customers none of enterprises chose it in high pressure category. It means 100 % enterprises chose it under low pressure category.

In reality, the concept of green business or sustainable business that warrants business to be more environmentally responsible is not easily embraced by business. It requires complex, interrelated and multifarious factors. Awareness of the importance of preservation of the natural environment amongst entrepreneurs, perhaps the starting point, but as business requires stream of revenues in order to sustain, environmental consideration is usually given secondary consideration. Unless businesses are forced to embrace environmentalism due to environmental legislation and or driven by demand from customers. As the bottom line for business is always financial profit, anything to do with environmental management should be translated as so.

Table 3: Types of Environmental Pressures against Stakeholders

Stakeholder	High Pressure		Low Pressure	
	Frequency	Percentage (%)	Frequency	Percentage (%)
Environmental Regulatory	10	27.8	26	72.2
ENGOs	5	13.9	31	86.1
Employees	4	11.1	32	88.9
Financial Institution	4	11.1	32	88.9
Suppliers	4	11.1	32	88.9
Media	1	2.7	35	97.2
Customer	0	0	36	100

In this study, batik industry in Kelantan shows low environmental performance. This finding come as a no surprise as studies elsewhere in both developed and developed countries showed small businesses in general not environmentally friendly. Even for those who encompass environmentally friendly activities, they more incline to practise things related to efficiency of operational costs without investing significant investment for the environment. For example, some reduce environmental impacts by reducing usage of utilities as well as raw materials. In management is called as low hanging fruit. Indeed, financial motivation is always the bottom line of business. Unless the management aware of other bottom lines – people and planet have long term consequences of their businesses.

Findings of this study also showed low stakeholders' pressures against the batik industry in Kelantan. This finding is consistent with the low environmental performance of the industry. The industry did not see significant threat from stakeholders, even regulatory stakeholders which overwhelmingly considered as the threat in other studies. Sheer failure of regulatory authority, in this case DOE as a significant threat against the industry because it fails to flex its muscles as an important stakeholder because it yet uses its

power. Since batik industry is a cottage industry which is considered as heritage of Malaysia, hardly coercive power is used against batik entrepreneurs. Up until now as far as the authors are concerned none of batik entrepreneurs charge in the court. They were given warning letters to abide with environmental laws. The authority prefers to resort so-called 'soft approach' through several stages – awareness, campaign and negotiation. Visiting of DOE staff to batik premises can create awareness of environmental regulations pertaining to batik industry as well as warning for them to embrace.

As with DOE, this research also found low threat of other stakeholders - more than 85 percent batik entrepreneurs choose ENGOs, suppliers, employees, financial institution and media in this category. As for customers, none was considered as high threat – 100 percent in low threat category. Judging from these findings, it is difficult for batik to embrace environmentalism because competitive edge of doing so. Customers will not buy batik on the basis of an environment. Without customers support through buying is it almost impossible for batik industry to be environmentally friendly.

Overall, these findings consistent with study by Azilah Kasim & Anida Ismail (2012) several restaurants

in Penang. Arguably, their study that showed restaurants did not adopt environmentally friendly practices can be easily justified because restaurant is in service or environmentally least damaging industry. But, on the contrary batik industry is categorised as environmentally sensitive industry which under the purview of DOE. Arguably, the status of batik as heritage industry as well as means for employment and entrepreneurship that spur the state economy has significantly diluted DOE power. This is understood as in Malaysia, the philosophy of environmental law is not to safeguard the environment, but rather ensure the prosperity of economy, when both collide, the latter wins.

4. Conclusion

In conclusion, it is a long way for batik industry in Kelantan to be environmentally friendly. Overwhelming, majority of them yet to embrace theory and practices of green business or sustainable business. In fact, this study also shows low environmental stakeholders' pressure against the industry. Since environmental issues exacerbated by the industry has been around for many years, in order to adhere to environmental management DOE must use its legislative power. Batik premises that flout the environmental laws must be punished to deter others and at the same time educate the industry to be environmentally responsible. Sooner rather than latter it will be the norm of the industry. As for other stakeholders, can support the industry to be environmentally friendly, consumers for example should buy batik product from entrepreneurs who have good environmental management practices. Punishment alone will not work; environmentally friendly activities should be rewarded.

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