

CORPORATE ENVIRONMENTAL MANAGEMENT IN MALAYSIA: CURRENT SITUATION, FUTURE PROSPECTS AND CHALLENGES

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Abstract

Malaysia has achieved rapid growth in industrialisation and urbanisation. However to certain extent it is said to be at the expense of its natural environment. Increasing public awareness of environmental management coupled with stern environmental policies has exerted pressure on businesses to be more environmentally responsible. In the near future, businesses could not help but to take environmental consideration seriously and to be more environmentally proactive. In light of this, the paper discusses three main issues. First, it looks at the current state of environmental pollution in Malaysia. Second, it deals with some available approaches that businesses can adopt to be more environmentally responsible. Last but not least it deals with the future prospects and challenges of corporate environmental management in the country.

Introduction

In the past three decades Malaysia has achieved rapid growth in industrialisation and urbanisation. Such an achievement is due to the government's policy that pays particular attention towards industrialisation and regards it as the engine of the country's prosperity. Success of Malaysian economic growth is not without negative consequences on its natural environment. The negative impacts of such a policy are becoming increasingly visible as evidenced in the natural environment deterioration observable in many places across the country (Sharifah and Sham Sani, 2003; Hamirdin, 1997). Amongst major environmental degradations faced by Malaysia are water and air pollutions. Business and business-related activities which pay no or little attention on natural environment have been recognised as the major sources of such problems. In ensuring no further damage is done, as well as ensuring that the problems are under control, the government has enacted new laws and amended existing regulations pertaining to environment. It cannot be denied that tougher environmental law is an effective instrument to ensure businesses behave responsibly in terms of environment. In this respect, businesses could not help but to be more environmentally responsible so as to avoid paying heavy fines if found guilty of violating environmental laws. As for the government, legislation is an effective means to cope with environmental problems as it forces businesses to comply with it. As for businesses, they must realise that if their motivation of being environmentally responsible is only to comply with the legislation, they will be at a disadvantage. In the long run due to public pressure that demands the government to impose tougher environmental laws, businesses will find it will be more difficult to comply with the laws as they need to upgrade their technologies and business practices accordingly.

The above argument shows that in the very near future a mere legal compliance is not enough. Businesses should move beyond compliance to an approach based on continuous improvement in pursuing environmental excellence. What Malaysian businesses need to do is to adopt a proactive environmental management.

There are three main objectives of this paper. First it looks at the current state of environmental pollution in Malaysia. Second it deals with some available approaches that businesses can exercise to be more environmentally responsible, and finally it deals with future prospects and challenges of corporate environmental management in the country.

The Current State of Environmental Pollution in Malaysia

Water Pollution

According to Department of Environment (DOE), in 1998 the four major activities that contributed significantly to the water pollution in Malaysia were: sewage, manufacturing, agro-based industry (crude palm oil and raw natural rubber) and animal husbandry (pig rearing). Of these, sewage activities accounted for 42.3 per cent, followed by manufacturing 37.5 per cent, pig rearing activity 16.7 per cent and agro-based industry 3.5 per cent. Although sewage from domestic use was the largest source of water pollution in Malaysia, taken together all those three activities which were related to businesses activities, they contributed more than 60 per cent of water pollution in the country. According to the report, the dominant industrial types were food and beverage industries which constituted 21.1 per cent of the total number, followed by chemical-based industry,- 11.6 per cent, electronic and electronic and electrical industries,- 8.2 per cent, electroplating and metal finishing industries,- 7.9 per cent, paper industry - 7.4 per cent and textile industry- 7.0 per cent. Meanwhile for the agro-based industry sector, there were 5.9 per cent crude palm oil mills and 2.6 per cent raw natural rubber factories.

In the same year, of the total of 900 stations in 120 rivers basin were monitored, 228 stations (25 per cent) were found to be clean, 582 stations (65 per cent) slightly polluted and 90 stations (10 per cent) polluted.

Air Pollution

The three major sources of air pollution were mobile, stationary and open burning activities. Emissions from motor vehicles were major contributors of air pollution compared to other sources, where it's constituted 74 per cent of air pollution in the country (DOE, 1998). Of this, petrol and diesel from cars contributed about 54 per cent of the total load, followed by motorcycles, 30 per cent and other types of vehicles such as lorries, vans and buses which constitute 16 per cent of the pollution. Other sources, such as power stations, industrial fuel consumption, open burning practices, industrial processes and domestic fuel consumption contributed 9.3 per cent, 9.0 per cent, 4.5 per cent, 2.7 per cent, and 0.7 per cent respectively.

Compliant rate

In 2001, DOE conducted 3, 623 enforcement visits to 3314 manufacturing industries that were subjected to the Environmental Quality (Sewage and Industrial Effluents)

Regulations, 1979. 79 per cent of the premises visited were able to comply with the regulations, while the other 21 per cent encountered difficulties of compliance with effluent discharge standards (DOE, 2001). Rice mills achieved 100 per cent of compliance, followed by other industries like wood-based, quarry, plastic and cement with their compliance rate were, 98 per cent, 97 per cent, 94 per cent and 93 per cent respectively. However, industries like paper, textile, metal finishing and electroplating, food and beverages, and animal food could only achieved 70 per cent compliance, especially the small and medium industries (SMI).

In the same year, 70 per cent of the 3188 air pollution sources of premises visited complied with the Environmental Quality (Clean Air) Regulations 1978. Out of these, textiles and edible oil refinery industry achieved 91 per cent compliance, followed by paper and petroleum refinery industry (88 per cent), rubber-based industry (80 per cent), metal finishing and electroplating industry (80 per cent). However of the 30 per cent non-compliance, the specific offences committed were: no written approval for fuel-burning equipment; no written approval for chimney installation; inefficient control equipment; open burning of industrial waste; and dark smoke emissions from chimneys exceeding the allowable limits.

The low compliance amongst wood-based industries was due to the fact that the majority were small and medium sized operations (SMIs) and pollution control was not given priority.

In general, level of compliance of Malaysian businesses at large is still unsatisfactory. The above statistics shows that the percentage of compliance of businesses with the environmental quality regulations varies from industry to industry. On the one extreme, some industries showed a higher percentage of compliance and on the other, some industries showed a lower percentage of compliance. Malaysia's sustainable development will not be achieved if some industries behave environmentally friendly while other industries do not. Looking at the unsatisfactory percentage of compliance rate of the businesses, it is a long way to go for these organisations to be environmentally friendly organisations.

Approaches to be environmentally friendly businesses.

Despite the general unsatisfactory compliant rate of the businesses above, it does not mean that they cannot achieve the expected level of environmental management in the future. There is room for improvement. Undoubtedly to be environmentally proactive in order to achieve what is considered as sustainable development all these businesses must truly show their commitment. In this respect businesses need to have their own self-environmental regulations. Amongst important approaches that can be used by businesses to be environmentally friendly organisations are through: eco-labelling, product life cycle approach, and ISO 14000/14001 certification.

Eco-labelling

In general, eco-labelling can be explained as a label that shows a product, process, or management system that claims to meet specific environmental criteria by a business. Such a label not only helps consumers to easily identify environmentally friendly products but it also gives some sort of a sign of the grade of products in view of the environment. This in turn will help promote the products to prospective consumers as

well as strengthen the interest of current customers as they know for sure they have made a right decision. Sooner rather than later, eco-labelling will greatly increase the potentiality of green consumerism in Malaysia.

In a broader perspective, eco labelling is a passport for Malaysian product into global market. Currently EU has introduced eco-labelling for environmentally friendly products in its market. With such practice will ensure our products to compete directly with other EU products in their markets.

In Malaysia, there is no single standard that has been used for this label. At present a few products in our country have been given eco-labelling which bear different names: plumbed free, recycle paper and packaging, Chlorofluorocarbon (CFC) free, biodegradable house holds goods, no artificial preservatives, and natural ingredients.

Product life cycle Approach

In product life cycle approach or cradle to grave approach, each stage of the product development from extracting raw material, to the way they are processed, the way product being used, to the way they are disposed is investigated so as to find better ways to reduce its impact on the natural environment. In other words, product life cycle approach helps businesses to systematically evaluate or audit the environmental effects of a product, process or activity. The idea of this approach is that industries processes and activities are systemic in nature. In simpler terms, industrial processes and activities do not occur in isolation but instead are interlinked via their suppliers and customers together with other processes and activities.

Environmental Management Systems ISO 14000/ISO 14001.

ISO I4000 is a voluntary international environmental management system. In order to achieve the certification, businesses need to comply with environmental specification of standards and guidelines. Realising the importance of such a standard more and more businesses in Malaysia, especially the multinational corporations have exercise their production systems according to the standard required.

The commitment towards environmental improvement can lead to significant benefits in a range of different areas. These include:

- Reduction of environmental pollution risks through prevention at source, reduction of waste through better management of raw material and reduction in energy consumption.
- Consistently meeting regulatory and legislative requirement.
- Improvement in the manufacturing process leading to minimisation and cost saving.
- Reduction of complaints from consumers and interested parties with regard to environmental issues.
- Gaining competitive advantage by meeting customer's environmental demands and innovation of products.

- Enhancement of company's image.
- Essential to sustainable development.

According to SIRIM QAS: Directory of Certified Products and Companies 2002, altogether 196 manufacturing companies from various types have complied with the requirements of MS ISO 14001.

Prospects and Challenges of corporate Environmental Management

Future prospects of corporate environmental management in Malaysia look bright; nevertheless there are also some challenges ahead. Success of the implementation of corporate environmental management in the country largely hinges upon the effective roles played by four different parties, namely: business managers, the public at large, higher learning institutions and our government.

Business Managers.

The way that businesses have mistreated the earth is largely due to the failure to appreciate the value of the ecosystem. In the past, ecosystem was perceived as something that must be exploited to gain economic advantage. Natural ecosystem like forest, mountain and river, on their own is not valuable unless they are exploited. As a result, the onslaught of development through deforestation, urbanisation coupled with industrialisation has put pressure on the natural environment. Realising the negative consequences of excessive exploitation on natural environment, Malaysian Government had introduced environmental law and regulations with the main aim of minimising future damage. Business managers must understand that preservation of the environment is for the betterment of their organisations. Such a paradigm shift is crucial for businesses to be more environmental friendly. Recently more and more evidence has shown that business profitability and environmentalism are not mutually exclusive. In other words both can be achieved simultaneously (Porter and Van der Linde, 1995). Having such an understanding will help businesses to initiate voluntary programmes as they will realise the benefits they gain from doing so. Moreover, businesses must realise that increasing environmental awareness amongst customers locally as well as internationally would therefore result in the market demanding more environmentally friendly products in the future. Businesses that cannot meet this demand are going to lose out sooner rather than later as consumers perceive them as environmentally irresponsible.

Environmental Management in Small Business.

To date much attention has been given by government, academicians, as well as policy makers on big businesses rather than small business in addressing environmental degradation in the country. Although individual contributions on environmental degradation are small, taken together they have a very large impact on the environment. Unlike medium and big businesses, integrating corporate environmental management is considered as a great challenge for small businesses as they need to deal with their limitations in terms of finance, resources and technology. They need special attention from related parties to find better ways of how are they going to be environmentally responsible within their means. The related parties must organise environmental programme with special focus on small businesses. Research

must be conducted to understand better on their constraints, and to find better solutions to help them to be more environmentally responsible.

Public at large

The yearly trend of complaints from public at large received by DOE since 1988 to 1998 has skyrocketed. Looking at the upward trend of the total number of complaints, it clearly shows that the public at large in Malaysia is becoming more concerned with environmental pollution over time. In relation to this, businesses could no longer take environmental issues for granted but they have to take them into their corporate agenda. Increasing awareness of environmental degradation due to unfriendly environmental practices has made the public becoming environmentally concerned. In developed countries, this concern is evident in the marketplace as consumers are willing to buy environmentally friendly products or products from businesses which are environmentally friendly. Success of environmentally friendly products in Malaysia also depends on sufficient customer demand for such products. Increasing number of environmentally conscious customers is a positive sign for the future of environmentally friendly businesses in Malaysia.

Although it cannot be denied that environmentalism amongst public at large is increasing in Malaysia, one important question worthy of careful consideration here is the willingness of both, the low and middle income group to buy environmentally friendly products. Since the largest portion of customers comes from these two groups, success of such products largely depends on them. Another potential factor that can impede the success of corporate environmental management is the way the customers perceive the importance of other needs relative to environmental management. Results of the study of the middle class residents in the Klang Valley by Tan Poo Chang et al (1996) showed that more than 40 per cent of them ranked the goals of maintaining a high rate economic growth in the top place. On the other hand, only 3.8 per cent of them ranked goals for protecting and improving the environment at the top. If this is the attitude that they hold, businesses could not charge a premium price for their environmentally friendly products as our customers are price sensitive.

In another study by Mohd Rafi et al. (2003) on the perception of educated consumers on environmentally friendly products in the East Coast of Peninsular Malaysia, results showed a majority of customers were willing to pay a premium price not for all environmentally friendly products but to some. Future research should be conducted as to find out the types of environmentally friendly products that customers are willing to pay.

Higher Institutions (Business Schools)

It goes without saying that today's business students will be tomorrow's business managers. So in what directions they are going to lead their organisations in the very near future mainly depend on the way they manage their businesses. Integrating corporate environmental management into business curriculum will help students to prepare for problems and challenges in relation to environmental issues. In the near future business managers need to deal with environmental issues more seriously due to the effect of that issue to their business profitability. Environmental issues can be a threat and an opportunity for a business. In this respect, the business managers need to

look at the positive sight of the growing concern of environmentalism. They need to turn those threats into opportunities for the betterment of their businesses.

So far, not many business schools in public as well as well in private universities in Malaysia have introduced corporate environmental management into their courses. Business schools in Malaysia seem to be quite slow to respond to the need of inculcating corporate environmental management into students' knowledge so as to help them better prepare to deal with environmental issues. Corporate environmental management knowledge is not taught as a course on its own in the faculty of business management. From the authors' observation from the web sites of all courses offered in the bachelor programmes by business schools in five universities in Malaysia, namely University of Malaya, Northern University of Malaysia, University of Science of Malaya, MARA University of Technology and University of Technology. Only MARA University of Technology offers Environmental Marketing as an elective course in their Bachelor of Business Administration programme. But how deep and how effective the issues will be taught mainly lies on the personal interest of the lecturers in environmental management. Since environmental management is not emphasised in business school, it does not come as a surprise to know that business students in general possess low environmental knowledge (Mohd Rafi and Azman, 2003).

Government

Government must encourage businesses to have self regulation on environmental management. Unlike in the past, legislation must be the last action taken by the government to cope with environmental degradation. Government must give some sort of flexibility to businesses to develop their own environmental strategies. Close cooperation with both parties is crucial for the betterment of the future environment. In the past, several dialogue sessions were held between the DOE and managers of various industrial sectors to discuss environmental management issues such as enforcement compliance and open burning offences.

Another example of what the government can do is by offering tax incentives. Environmentally sound business can ask for tax deductions where this will encourage others to follow suit as they will see the benefits of doing so. Although the government will initially lose some revenue, in the long run less money will be spent as less cost will be incurred on cleaning polluted river, replanting barren lands, and so on.

Conclusion

In conclusion, corporate environmental management is here to stay. As time and circumstances change, so are the perception of the public at large towards businesses. The real challenge that is faced by business in today's world is how to continue to fulfil its vital role as producers of demanded products and or services while at the same time working towards sustainability. Strong support from the public at large coupled with a conducive government policy on business is a positive sign for the betterment of the world in which we live in.

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