

# Sustainable Entrepreneurship among Small and Medium Enterprises (SMEs) in Malaysia

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## ABSTRACT

Sustainable entrepreneurship has brought many changes to the business world. Among them, businesses nowadays are required to integrate sustainability management into their business activities. Although sustainable entrepreneurship has been regarded as a vital concept in rectifying environmental and social problems through entrepreneurial activities, there remain scant studies. This preliminary study was geared towards examining the extent of sustainable practices among small and medium enterprises (SMEs) of various characteristics in Malaysia. The descriptive analyses revealed that SMEs were quite positive towards sustainable practices in which more than half of the SMEs were having plans for it. However, the actual embarkation on sustainability among SMEs was less embracing. It also found that female business owners were slightly keener to sustainable management than males. In addition, manufacturing firms, corporations, small-size enterprises and firms with five to ten years of history were more prompted to exercise sustainable practices than the others. As such, more efforts are definitely needed from various parties to promote sustainable entrepreneurship among SMEs to ensure equal economic, social and environmental gains.

**Keywords:** *Entrepreneurship; Environment; Small and medium enterprises; Sustainability*

## 1. INTRODUCTION

Entrepreneurial activities are important to economic growth of a nation [1]. However, they have also brought many negative impacts to our world. Environmental degradations, such as climate change and carbon emission are some of the environmental problems which require quick rectifications [2]. It is because failure in handling those problems could bring a disastrous effect to our current and future lives.

Although business enterprises have attempted to improve environmental quality decades ago, the results are still far from satisfactory. Many global issues still remain unresolved, such as handling of non-renewable resources and land utilizations [3]. As such, sustainable entrepreneurship has been popularized as a strategy in resolving environmental problems through business activities [4]. It can be achieved through being “green” and being “economical successful” by business entities [5].

Since entrepreneurs are playing a significant role in resolving environmental issues; sustainable entrepreneurship is indeed an important topic which demands close scrutiny. However, the number of studies which concentrated on the topic is low because it is considered as a new field of study [6, 7, 8]. The development of sustainable entrepreneurship requires much cooperation from the businesses, especially among small and medium enterprises (SMEs) because they form a great deal of business activities in a country. Unfortunately, there is a lack of studies which study the sustainable practices among SMEs [9].

There are many unanswered questions pertaining to sustainable entrepreneurship among SMEs. For instance, are SMEs practicing sustainability and are

characteristics of SMEs related to sustainable practices? As such, this preliminary study was undertaken to accomplish the following objectives: (i) To examine the extent of sustainable practices among SMEs and (ii) To determine the relationship between sustainable practices and characteristics of SMEs.

## 2. LITERATURE REVIEW

The concept of sustainable development was coined in 1972 at the United Nation Conference on the Human Environment. It can be defined as “development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs” [10: 8]. Elkington [11] then introduced a new framework known as triple-bottom-line (TBL) to illustrate the integration of sustainable development into business activities. According to him, TBL emphasizes on economic prosperity, environmental quality and social justice. The concept has also been widely accepted in explaining sustainable entrepreneurship [8, 9, 12]. Sustainable entrepreneurship can be regarded as a concept which links sustainable development to entrepreneurship [13]. Entrepreneurs who engaged in it can be called sustainable-minded entrepreneurs [14] or sustainability-driven entrepreneurs [15].

Sustainable entrepreneurship has changed the role of business entities and can be deemed as a transition of entrepreneurship. Particularly, it changes the roles of entrepreneurs from making economic development to actively finding solutions for environmental degradation and social problems [16]. It also allows the entrepreneurs to act as catalysts for sustainable economy development by providing social and environmental goods and services [17]. Most importantly, it can be treated as a resolution for environmental degradation which was caused by entrepreneurial activities [8, 16, 18]. It is undeniable that sustainable entrepreneurship is an important area that needs further investigation; but there are scant research

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have been undertaken because it is considered as a new field of study [6, 7, 8].

In developing sustainable entrepreneurs in the society, small and medium enterprises (SMEs) are an important entity that should not be neglected. It is because they contribute significantly to the economic development of a country. For instance, SME accounted for 90% of all businesses and has employed 60% of workforce in the Asia-Pacific Economic Cooperation (APEC) region. In Malaysia, SMEs constituted 97.3% of the total business establishments, contributed 32.5% to the economy and recorded a strong GDP growth of 6.8% in 2011 [19]. Table 1 depicts the descriptions of SMEs in the context of Malaysia. Although SMEs are vital for the development of sustainable entrepreneurship, there remains scarce research about it [9].

**Table 1:** Description of Small and Medium Enterprises (SMEs)

Sector	Description
Manufacturing, manufacturing-related services and agro-based industries	Enterprises with full-time employees not exceeding 150 or with annual sales turnover not exceeding RM25 million
Services, primary agriculture and information & communication technology (ICT)	Enterprises with full-time employees not exceeding 50 or with annual sales turnover not exceeding RM5 million

Source: SME Corp Malaysia

### 3. RESEARCH METHODOLOGY

The list of SMEs registered in the directory of SME Corp Malaysia served as the population frame of this study. The sample was then randomly selected from the directory. A total of 2500 questionnaires were distributed to the respondents in three phases. After the data screening process, there were 380 questionnaires deemed as usable. Thus, it produced a response rate of 15.2%.

This study used questionnaire as the instrument for data collection. A self-administered questionnaire with closed-questions was sent to the owner-managers of SMEs through traditional mails and electronic mails. Two reminders were sent to respondents at an interval of one month each.

### 4. FINDINGS AND DISCUSSIONS

#### 4.1 Respondents' Profile

The profiles of SMEs are shown in Table 2. It was found that 298 SMEs (78.4%) were owned by males and the rest were owned by females. In regards to the sector of firms, majority of the SMEs were from servicing sector, which comprised of 338 firms (88.9%). There

were 27 respondents (7.1%) from manufacturing sector; nine firms (2.4%) and four firms (1.1%) from construction and agriculture sectors respectively. Lastly, there were two (0.5%) respondents in the Others category.

Sole proprietorship remained as the most popular forms of business among SMEs (277 firms; 72.9%). Other form of business were partnership and corporations, recorded 36 firms (9.5%) and 67 firms (17.6%) respectively. In terms of firm size, most SMEs (213 firms; 56.1%) fell into small category, followed by medium (98 firms; 25.8%) and micro (69 firms; 18.2%) categories. As for years of establishment, it found that 141 respondents (37.1%) had 5-10 years, 107 firms (28.2%) had 11-15 years, 78 firms (20.5%) recorded less than 5 years and 54 firms (14.2%) had more than 15 years.

**Table 2:** Characteristics of SMEs

Characteristics	F	%
<b>Owner's Gender</b>		
Male	298	78.4
Female	82	21.6
<b>Sector of Firm</b>		
Servicing	338	88.9
Manufacturing	27	7.1
Construction	9	2.4
Agriculture	4	1.1
Others	2	0.5
<b>Form of Business</b>		
Sole proprietorship	277	72.9
Partnership	36	9.5
Corporations	67	17.6
<b>Size of Firm (No. of Employees)</b>		
Less than 5 (Micro)	69	18.2
5 – 50 (Small)	213	56.1
51 – 150 (Medium)	98	25.8
<b>Age of Firm (Years)</b>		
Less than 5	78	20.5
5 – 10	141	37.1
11 – 15	107	28.2
More than 15	54	14.2

#### 4.2 Extent of Sustainable Practices and Its Relationships with SMEs

Table 3 illustrates the extent of sustainable practices among SMEs. More than half of the SMEs (68.6%) were positive to sustainable practices. Among them, 14.7% of respondents were exercising sustainable practices during the time this study was carried out; meanwhile 53.9% of firms were having plans to practice sustainability in the near future. However, it was a shame that 31.3% of them were not practicing sustainability at all or not having any plans for it.

**Table 3:** The Extent of Sustainable Practices among SMEs

	F	%
<b>Yes</b>	56	14.7
<b>Plan to</b>	205	53.9
<b>No</b>	119	31.3

The analysis of sustainable practices in regards to owner's gender was showed in Table 4. It revealed that more than half of the firm's owners, regardless of gender, were merely having plans to exercise sustainable practices (Male = 54.7%; Female = 51.2%). Female business owners (17.1%) were found slightly more prompted to sustainable practices than males (14.1%). In addition, the percentage of male and female business owners who did not exercise sustainable practices was almost the same, at 31.2% and 31.7% respectively.

**Table 4:** The Extent of Sustainable Practices and Owner's Gender

	Exercising Sustainable Practices		
	Yes	Plan To	No
<b>Male</b>	42 (14.1%)	163 (54.7%)	93 (31.2%)
<b>Female</b>	14 (17.1%)	42 (51.2%)	26 (31.7%)

As a comparison among firms from different sectors towards sustainable practices, firms from manufacturing sector was found to be the most sustainable (Table 5). It was found that 48.1% of them were practicing sustainability; where as 22.2% from construction and 12.1% from servicing sectors were doing so. More than half of the firms from servicing (54.7%), construction (55.6%) and agricultures (75%) sectors were having plans for sustainability. In regards to the percentage of firm not practicing sustainability, firms from other sectors topped the list (100%), followed by servicing (33.1%), agriculture (25%), construction (22.2%) and manufacturing (7.4%).

**Table 5:** The Extent of Sustainable Practices and Sector of Firm

	Exercising Sustainable Practices		
	Yes	Plan To	No
<b>Servicing</b>	41 (12.1%)	185 (54.7%)	112 (33.1%)
<b>Manufacturing</b>	13 (48.1%)	12 (44.4%)	2 (7.4%)
<b>Construction</b>	2 (22.2%)	5 (55.6%)	2 (22.2%)
<b>Agriculture</b>	0 (0.0%)	3 (75.0%)	1 (25.0%)
<b>Others</b>	0 (0.0%)	0 (0.0%)	2 (100.0%)

Table 6 illustrates the relationship between extent of sustainable practices and form of business. There were 25.4% of corporations exercising sustainable practices, followed by partnership (13.9%) and sole proprietorship (12.3%). More than half of the firms of different business forms were having plans for sustainable practices. It was also found that approximately of one third of the firms of different business forms were not performing any sustainable practices.

**Table 6:** The Extent of Sustainable Practices and Form of Business

	Exercising Sustainable Practices		
	Yes	Plan To	No
<b>Sole Proprietorship</b>	34 (12.3%)	148 (53.4%)	95 (34.3%)
<b>Partnership</b>	5 (13.9%)	20 (55.6%)	11 (30.6%)
<b>Corporation</b>	17 (25.4%)	37 (55.2%)	13 (19.4%)

From Table 7, a higher percentage of small enterprises (16.0%) was recorded in performing sustainability than medium (14.3%) and micro (11.6%) enterprises. However, more medium-size firms (59.2%) were having plans for sustainability than small-size (53.1%) and micro-size (49.3%) firms. For businesses not exercising sustainable practices, micro firms (39.1%) topped the list, followed by small firms (31.0%) and medium firms (26.5%).

**Table 7:** The Extent of Sustainable Practices and Size of Firm (No. of Employees)

	Exercising Sustainable Practices		
	Yes	Plan To	No
<b>Less than 5 (Micro)</b>	8 (11.6%)	34 (49.3%)	27 (39.1%)
<b>5 – 50 (Small)</b>	34 (16.0%)	113 (53.1%)	66 (31.0%)
<b>51 – 150 (Medium)</b>	14 (14.3%)	58 (59.2%)	26 (26.5%)

As illustrated in Table 8, this study revealed that 20.6% of firms with five to 10 years of history were exercising sustainable practices. It was followed by firms with more than 15 years (16.7%) and 11-15 years of history (13.1%). However, only 5.1% of firms with less than 5 years of history were practicing sustainability. Most of the firms with different years of history were having plans for sustainability (49.6% to 63%). Quite a number of newly established firms (less than 5 years) were found not being sustainable (43.6%), while the rest of the firms of different establishment years were below 30%.

<http://www.ejournalofbusiness.org>**Table 8:** The Extent of Sustainable Practices and Age of Firm (Years)

	Exercising Sustainable Practices		
	Yes	Plan To	No
< 5	4 (5.1%)	40 (51.3%)	34 (43.6%)
5 - 10	29 (20.6%)	70 (49.6%)	42 (29.8%)
11 - 15	14 (13.1%)	61 (57.0%)	32 (29.9%)
> 15	9 (16.7%)	34 (63.0%)	11 (20.4%)

## 5. DISCUSSIONS

As supported by Omar & Samuel [20] and Kasim & Nor [21], the embarkation of sustainable practices among SMEs was still low. In general, there were less than 15% of SMEs exercised sustainable practices. This could be due to the reason that many SMEs perceived sustainability management as something new [22].

Among SMEs which exercised sustainable practices, female owners (17.1%) were found slightly more supportive for it than males. Quite a number of manufacturing firms (48.1%) was found exercised sustainable practices possibly because they were demanded to adhere to certain legal requirements and quality assurance certifications. In addition, the 25.4% of corporations which practiced sustainability could be due to their availability and ownership of resources, as compared to sole proprietorship and partnership which had limited resources. Although small-sized firms with five to 50 employees (16.0%) and firms with five to 10 years of history (20.6%) were quite prompted to sustainability management, their involvement in it was still less embracing than their other larger counterparts [20, 23].

Overall, it was glad to see that more than half (53.9%) of the SMEs have planned for exercising sustainable practices. In addition, many of the SMEs with different characteristics (>50%) were also having plans to exercise sustainable practices. This finding confirmed that SMEs understood and realized the importance of sustainable management [24].

## 6. CONCLUSIONS AND RECOMMENDATIONS

In regards to sustainable practices, this study found that SMEs were quite positive towards it. More than half of SMEs (53.9%) were having plans for it. Although quite a number of SMEs had planned for sustainable practices, the actual embarkation on it was still less embracing (14.7%). In terms of relationship between characteristics of firms and sustainable practices, female owners, manufacturing firms, corporations, small-size enterprises and firms with five to 10 years of history

were found to be more involved with sustainable practices than the others.

Thus, various supportive actions from the relevant parties in the country are indeed necessary to develop more sustainable entrepreneurs. For instance, training and development programs should be provided to equip the SMEs with relevant sustainability knowledge. As SMEs are having scarce resources, financial assistance is definitely helpful in the initial stage of sustainable management. Furthermore, other non-financial assistance such as expertise and technical supports could also be useful in encouraging SMEs to get into sustainable entrepreneurship.

This study was a preliminary study in which only descriptive analyses were conducted. Future studies should look into other aspects of sustainable entrepreneurship such as its driving factors and consequences. Furthermore, other statistical analyses could also be performed to prove the findings.

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