

The Impact of Sustainability Initiatives in the Plantation Industry: Perception from Senior Managers

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Abstract—Companies are committed to integrate sustainability initiatives as part of their business objectives and operations due to the rapid growth of social and environmental issues. Companies should realize their responsibility to stakeholders and their interest should be taken into consideration when pursuing sustainability initiatives to ensure long license to operate. Even though many studies found that sustainability initiatives were costly to be implemented but the real impact could be seen by companies in the long run such as improved reputation, ensure customer loyalty and one important thing is to ensure long license to operate. Thus, the purpose of this paper is to assess the impact of sustainability initiatives practiced by companies in the plantation industry. The questionnaires are used to gather data from senior managers. The data obtained are analyzed using the descriptive analysis. The results of this study appear relevant as a guide for further research, especially if they come with more improvement and added with other possible indicators

Keywords— impact, plantation industry, senior managers, sustainability initiatives.

I. INTRODUCTION

IN today' challenging economic conditions and competitive environment, the focus on corporate responsibility is very crucial. It is because it will ensure companies are doing the right actions which lead to positive investments for their long term viability (Marcus Evan, 2010). This study focuses on sustainability initiatives practiced by companies listed in the plantation industry. According to Voladet (2009), the plantation industry can contribute to many social and economic benefits as well as negative effects on the environment and the local community. In Malaysia, the plantation sector dates back to 1896, when the rubber industry first started. Malaysia is known as a major producer of oil palm, rubber, cocoa and, to some extent, coconuts. Malaysia is currently the world's largest producer and exporter of palm oil.

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Nowadays, social expectation has changed towards business with social mission. The real challenge is that many companies have not grasped the true meaning of corporate responsibility. Failure to recognize such benefits cause lack of participation and awareness from companies in sustainability initiatives practice.

Thus this study try to assess the impact of sustainability initiatives in the plantation industry which focuses on the companies listed in the Bursa Malaysia Securities Bhd. Questionnaires are used to gather data from senior managers. Findings are tabled in the form of means to see the perception of the manager towards the impact of sustainability initiatives practiced in the company.

II. LITERATURE REVIEW

The publication of Brundtland report in the year 1987 was the milestone to the emergence of sustainability development. The prominent definition "development that meets the current needs without compromising the ability of future generations to meet their needs" was developed by the World Commission on Environment and Development (WCED) in their report called "Our Common Future. A global agenda for change" and had been used all over the world. Hauff (2007) claims that 20 years after the release of the Brundtland Report, what is evident is that the issues which cover six key issues namely conflict prevention, poverty, growth, energy and climate, food security, and the issue of resource consumption being highlighted in the report still stand strong today

Previously, the responsibility of companies towards their stakeholders can be said as part of the corporate social responsibility. However, Kleine and von Hauff (2009) stress that the concept of corporate social responsibility has been furnished with the introduction of sustainability concept where it emphasizes on human future and focuses on a broader concept and fairer world. Chen (2011) asserts that the responsibility behaviour of companies may influence the sustainability initiatives they practise because they may adhere to legal guidelines, look out for the welfare of their employees, the community and are willing to display their commitment to corporate responsibilities in many ways including being involved in charities and environmental campaigns.

According to Bursa Malaysia (2010), companies operating in different industries will have different sustainability focus.

Thus, it can be said that sustainability focus dependent on the impact of their operations to the environment, community, marketplace and workplace. Zinkin (2011) suggested that top managements play critical roles in deciding the direction of companies' strategies. However, sustainability initiatives in Malaysia can be considered new as compared to other developed countries. Sustainability initiatives framework was adapted from the Bursa Malaysia's CSR framework with the purpose to guide companies in carried out their business activities. The sustainability initiatives' framework includes four dimensions which are environment, community, workplace and marketplace.

Forsyth(2011) states that there are many issues in environmental sustainability and the main concern focuses on climate change and the usage of non-renewable resources. Climate change is one of the environmental issues that is increasingly attracting the attention of businesses (Kolk and Pinkse, 2007). It is because climate change could give impact on agriculture, the rising of the sea level as well as increasing the frequency of extreme events (Parikh and Parikh, 2002).

It can be said that many business activities can affect the environment regardless of the types of industry. So, what must companies do to mitigate this problem? Jamison et al. (2005) from their report have recommended that environmental commitment and awareness are the key components of corporate environmental responsibility that can assist them to mitigate the environmental issues resulted from their business activities. They further define that an environmentally responsible company has a corporate vision that fully embraces sustainability, takes full responsibility for its environmental impacts and liabilities, as well as encourages and rewards corporate culture that fosters environmental values.

Gupta (2011) claims that the responsibility of companies towards the environment can be seen from activities carried out during the production processes, recycling or reusing processes and making eco-friendly products. Other than that, Mazurkiewicz (2004) suggests that in order to tackle the environmental challenges, companies should reduce the use of energy and raw materials and limit emissions and waste from production processes. Furthermore, he claims that manufacturing-based companies are confronted with a wide range of environmental challenges as compared to retail or service-sector companies.

Next, Bursa Malaysia (2010) states that sustainability initiatives in the community dimension refer to invested or donated money, time, products, services, influence, management knowledge and other resources that positively impact the deserving local communities. Egwuonwu (2010) summarizes that the organization has the responsibility to the society at large in terms of economy by making profits. That means the companies should be committed in making profits and also maintaining a competitive position to protect the welfare of the community. The local community could give an impact towards companies from their level of support. They will not easily support companies that bring them negative impact. In line with this, a study conducted by Setthasakko

(2007) suggests that, companies should really care about the impact of their business operations towards the local community located inside the geographical neighborhood.

Other than environment and community dimension, marketplace dimension also should be taken into consideration by company. Marketplace dimension covers stakeholders of the company such as customer, suppliers and many more. According to Lozano (2005), one of the most important stakeholders is customers who give perception to the company which will not only affect the survival and longevity of the company in the market, but also its reputation. Thus, Satir (2006) suggests that customer satisfaction can be achieved by developing and strengthening the quality of products or services. According to Herbig and Milewicz (1997), many companies try to attract customers by offering high quality products.

Customers expect good quality products or services from companies and rely on information provided by these companies. This is supported by Tan and Lim (1999), it is important for customers to have some information regarding products or services so that they may be able to make decisions based on it. Nutritional information or labeling, for example, can be provided by companies to customers as credible signal of the product's quality.

Other than that, Bursa Malaysia (2010) states that sustainability initiatives in the workplace dimension refer to activities aimed at maintaining high standards of recruitment, development and retention of employees. Since the essence of sustainable company lies in its people, therefore the welfare of employees should be taken care of.

The responsibility of companies towards employees or the workplace is very important to enable sustainability initiatives practice in the company. A study that has been conducted by Hughes and Rog (2008) postulates that benefits of effective employee management can improve employee recruitment and retention rates and also enhance employee engagement. This can attract and retain quality employees that lead to higher morale, commitment, and loyalty (Strandberg, 2009). These outcomes in turn are associated with the improvement in operational performance.

Other than that, employees' participation is an important element that needs to be focused by the company in achieving sustainable development. It is because it encourages open dialogue and allows different opinions and shows employees' support towards sustainability initiatives practised by the company.

Activities carried out by companies in the environment, community, workplace and marketplace are expected to give positive impact to them. The impact of sustainability initiatives practice can be seen from monetary impacts such as profit and also non-monetary impacts such as image, reputation, stakeholders' satisfaction and many more.

III. FINDING AND DISCUSSION

TABLE I
IMPACT OF SUSTAINABILITY INITIATIVES PRACTICES

Impact	Mean	Scale
Improved reputation	4.1290	
Increased customer satisfaction and loyalty	4.3548	
Improved employee morale, productivity, loyalty and organizational commitment.	4.3548	
Improved competitiveness and strengthened market position	4.1290	5-Strongly agree 4-Agree 3-Uncertain 2-Disagree 1-Strongly Disagree
Provided sound business opportunities and increased ability to attract trading partners.	4.0645	
Enhanced operational efficiencies and cost saving	4.1290	
Effective and efficient supply chain relationship	4.2903	
Secured license to operate across global markets	4.2903	
Enhanced capabilities in managing social, environmental, legal, economic and other risks.	4.0645	
Improved access to capital through effective management of social and environmental issues.	4.0645	

From the finding, it can be seen that senior managers agreed that the sustainability initiatives practiced by company would give impact in different areas. The first impact that could be seen is in term of corporate reputation. Reputation comes into matter and getting so much attention asset of the company that may affect its financial performance (Murray, 2003). The finding shows mean score value of 4.1290. That means that senior managers agreed that initiatives carried out could improve reputation of the company. It is supported by a study conducted by Boerner (2010). It revealed that recently most of companies demonstrate their responsibility towards stakeholders and embedded sustainability as part of their business strategies. It is because they see the impact of corporate behavior to the reputation of the company in term of its brand. Further, according to Rochette (2007) reputation need to be well preserved and protected because it may influence various stakeholders in time of decision making process

Other than reputation, customer and employee are the important assets to the company. Ahmad (2011) believed that customers are aware about of climate changes, justice and transparency and demand sustainability actions from business organizations. Thus, many organizations believed that the impact from sustainability actions can meet customers' expectation as well as attracted potential customers. The

findings show that senior managers agreed that initiatives towards sustainability could increase customer satisfaction and also improved employee morale. It can be seen from the mean score value of 4.3548. It is similar with a study conducted by Choi and Ng (2011) which found that there is positive relationship between sustainability and purchase intention of customers as well as customer evaluation of companies. That means when companies demonstrate sustainability practices, the benefit could be seen from the customer satisfaction and loyalty since companies are able to meet and go beyond their expectations.

In addition, sustainability initiatives practice in companies also could give impact with regard to organizational commitment. Organizational commitment is defined as the overall strength of an employee's identification and involvement in an organization (Uygur and Kilic, 2009). However, according to Turker (2009), there was a limited study in the literature that tried to investigate the relationship between sustainability practices and organizational commitment.

Organizational commitment of employees is very important because it may influence the direction and successful of the company. According to Nehmeh (2009) organizational commitment is highly valuable because highly committed employees will has stronger desire to stay in the company and willing to perform their job more than expected. Thus, many companies try to retent these kind of employees by participating in the sustainability activities with the intention to enhance the motivation of their employees.

Other than that, in a highly competitive environment, sustainability initiatives practice are very important to enable companies positioned themselves in the market. Thus according to Flint and Golicic (2009), the unique sustainability initiatives practice that differentiate them from competitors would help companies gaining competitive advantage and compete with other competitors to ensure survival and longevity in the market. The finding from this research supported the statement from the mean score value of 4.1290.

Moreover, Gilson and Stigson (2004) claimed that innovation could contribute to energy efficiency practices which contribute to better financial results and differentiate companies from their competitors. It could be said that innovation is one of the initiatives taken by companies to improve profitability and strengthened market position. White (2009) believed that Procter & Gamble (P&G) brands make the biggest contribution to sustainability and improving quality of life through innovation. He further argued that innovation is one of the core competences of the company which make it able to compete with other competitors.

From the economic perspective, profit of companies can be maximized by reducing cost in the pursuit of sustainability initiatives practice. Senior managers agreed that it can reduce cost from the mean score 4.1290. According to Epstein and Roy (2001) the sustainability initiatives practice could give benefit towards overall corporate profitability. Lo'pez, Garcia and Rodriguez (2007) asserted that eventhough company bear

higher cost in implementing the sustainability initiatives practice but it only affect company's short term profitability. They further argued that sustainability initiatives could attract interests of investors and as a result contributed to companies' profitability in the long run.

In addition, a study conducted by Henderson (2011) found that event management's companies can benefited in reducing cost and improved financial performance by directing their business processes in sustainable manner. As an example, having a proper disposal of waste from the event and influence stakeholders to reduce waste during the event. It could reduce the cost that need to be covered by companies to dispose the waste and directly could improve their financial performance.

Furthermore, studies were conducted by Rusinko et al. (2005) and Markley and Davis (2007) postulated that sustainable practices such as recycling, reduction of resource usage, training and education and many more lead to competitive outcomes through decreasing manufacturing cost, improving company image, and attracting new customers and retaining employees. Other than that, Sheehan (2010) found that companies pursuing sustainability initiatives could get benefit in term of risk reduction, process improvement opportunities, product advancement opportunities and new market opportunities. It shows that sustainability initiatives could give benefit across the supply chain. It also can be said that sustainability initiatives practice by companies could build good relationship with government and other statutory bodies. A study conducted by Setthasakko (2007) found that many companies willing to comply with environmental law eventhough they have to bear higher cost in production to enable sustainability practices. It is because they want to build good relationship with government agencies and to secure license to operate. It is line with the senior managers perception as we can see overall mean score is higher than four (4). It indicated that they are agreed that it could give impact towards their company.

IV. LIMITATION AND SUGGESTION

The study has been carried out as effectively as possible by the researcher in order to ensure that the objectives of the study are successfully achieved. However, while conducting this study, the researcher has found that there are some limitations or problems that have surfaced throughout the course of the study.

The results of this study are based on the response of only 31 listed plantation companies. A larger sample will increase the accuracy of the study. This study has not included other in the plantation industry i.e the non-listed companies and the private owners. Therefore the result cannot be generalised for the plantation industry as a whole. Future research should include larger sample size or companies so that it can represent all involved in the plantation industry and public-listed companies in Malaysia

Other than that, this study only focuses on the plantation companies, therefore the results are more only applicable to

the plantation companies and not to public-listed companies in general, in Malaysia. Thus, the sample of the study should also include other companies in different industries such as manufacturing, trading and so on in order to obtain better and more accurate results to represent public listed companies' sustainability initiatives as a whole.

The limitation also could be seen from the impact of sustainability initiatives in companies. The researcher would have left other important impact of sustainability initiatives and the impact is general and not specific to certain area. Thus the impact of sustainability initiatives based on the perception of senior managers is general and covers broad areas. Other researchers may study the impact of sustainability initiatives on the specific area such as in term of corporate reputation instead of studying the impact in general. Thus, the result may become more reliable and could be used as basis for other research in sustainability initiatives since there are limited studies in Malaysia focusing in this area.

V. CONCLUSION

Based on the research findings, it can be said that senior managers agreed sustainability initiatives practiced in companies from the four spheres could give impact towards their companies. The highest mean score are the impact towards increased customer satisfaction and improved employee morale, productivity, loyalty and organizational commitment. Generally, it can be said that they are realized the sustainability initiatives could benefit them in the long run. In order to ensure initiatives were practiced continuously, the corporate culture towards sustainability should be nurture for all stakeholders in the company so that sustainability initiatives will be part of the business practices. Other than that, the companies should not only focus on one dimension and pay serious attention to all dimensions of sustainability initiatives to prevent any potential negative impacts resulted from business operations and secured their long license to operate.

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