

Greening Malaysian MSMEs: An Exploration of Environmental Sustainability Practices

Shamuni Kunjiapu

Asia-Europe Institute, University Malaya, 50603 Kuala Lumpur, Wilayah Persekutuan,
Malaysia

Business Studies Department, New Era University College, 43000 Kajang, Selangor,
Malaysia

Punitha Sinnappan

Sunway Business School, Sunway University, 47500 Petaling Jaya, Selangor, Malaysia

Mageswari Kunasegaran

Faculty Of Educational Studies, Universiti Putra Malaysia, 43400 Serdang, Selangor,
Malaysia

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Abstract

Environmental sustainability (ES) is increasingly crucial in contemporary business, driven by mimetic, normative, and coercive pressures. As a mandatory element in the Triple-Bottom-Line concept, ES is integral to business performance. Environmental degradation poses significant challenges to businesses and society, highlighting the importance of MSMEs' engagement in ES practices. Despite their economic significance, MSMEs have not been widely recognized for their involvement in ES initiatives. Understanding their motivations, influenced by mimetic, normative, and coercive pressures, is essential to foster greater participation. This qualitative study explores ES practices among Malaysian MSMEs and elucidates the underlying reasons driving their engagement. Semi-structured interviews with 22 MSME owners in the Klang Valley region revealed that MSMEs primarily engage in ES practices due to mandatory requirements driven by coercive pressures, focusing on basic energy conservation and waste management. These findings

contribute to the literature and provide insights for policymakers to design incentives and programs aimed at promoting greater MSME involvement in environmental sustainability.

Keywords: Environmental Sustainability (ES), Environmental Sustainability Orientation (ESO), Environmental Social Governance (ESG), Micro, Small to Mid-sized Enterprises (MSMEs), Triple-Bottom Line (TBL), Malaysia

1. Introduction

A growing global concern with the depletion of natural resources, pollution and climate change challenges has forced businesses to re-evaluate their activities and take initiatives to the creation of a sustainable future. Such initiatives hasten the progress of a nation in becoming a green economy and helps to address current environmental challenges. As such Environmental, Social, and Governance (ESG) and performance of firms (Liang et al., 2022) has become increasingly important. ESG refers to the environmental, social, and governance dimensions used to measure the ethical and sustainable impact of an investment on a company or business (Lee et al., 2022). There are many benefits to businesses that embark on this sustainable business practices. The capacity to satisfy consumer demand for environmentally friendly products improve income and boosts a positive brand association. In the long run, expenditures of taking such efforts becomes minimal and easily covered by the cost savings. Therefore, engaging in sustainable business-related activities could be a wiser financial plan. Apart from that, the shifting regulatory and the changing competitive landscape is influencing how businesses around the world view environmental and social responsibility (Fraj, Matute, & Melero, 2015). This scenario is no different in Malaysia. The government's commitment to sustainability is reflected in its Twelfth Malaysia Plan (12MP) for 2021-2025, under the theme Advancing Sustainability. Malaysia is targeting to lower its greenhouse gas emissions to a total of 45% of the country's GDP by 2030 and strives to become a carbon neutral nation by 2050 (EPU, 2022). It places people and "green" growth at the centre of its development plans by focusing focus on Triple Bottom Line (TBL) (Nor-Aishah et al., 2020). Management of the company's profit and loss, as well as its social and environmental impact, are all components of the triple bottom line. To become carbon neutral by 2050, Malaysia must ensure that all its enterprises act in a socially and environmentally responsible manner especially Micro, Small and Medium sized enterprises (MSMEs) that account for more than 97% of the business establishments. Environmental, Social, and Governance (ESG) performance has sparked increased attention in the commercial and academic communities in recent years (Wang et al., 2023). Several studies have investigated how these characteristics affect firm performance, risk management, and stakeholder interactions (Broadstock et al., 2021). While there have been studies on environmentally responsible business practises in Malaysia, they have mainly concentrated on larger firms. Therefore, this study focuses on MSMEs and is expected to contribute to knowledge and comprehension of MSMEs adoption of sustainable practises. Its novelty lies in its focus on uncovering the specific sustainable business practices and unique motivators within the Malaysian MSME context, contributing to a deeper understanding of the factors influencing environmental sustainability initiatives in this crucial sector of the Malaysian economy.

The objectives of this study:

1. To identify the environmental sustainability (ES) practices adopted by Malaysian MSMEs, with a focus on their sustainable business operations.
2. To investigate the reasons for Malaysian MSMEs' engagement in environmental sustainability (ES) practices, aiming to understand the motivations, drivers, and factors influencing their adoption of sustainable business models.

The research questions underpinning this study are:

1. What are the environmental sustainability (ES) practices adopted by the Malaysian MSMEs?
2. What are the reasons for Malaysian MSMEs for engaging in the environmental sustainability (ES) practices?

1.1 Significance of the Study

The study delves into the motivations behind environmental sustainability (ES) practices among micro, small, and medium-sized enterprises (MSMEs) from the perspectives of businesses, policymakers, and society/environment. By uncovering the reasons behind MSMEs' engagement in ES, the study empowers businesses to make informed decisions and align their practices with sustainability goals, thereby enhancing their competitiveness and resilience in the marketplace. The findings provide policymakers with valuable insights into the prevailing dynamics of ES engagement among MSMEs, informing the design of effective policy interventions that encourage MSMEs to embrace environmental sustainability voluntarily, fostering a conducive environment for sustainable business practices. From the society and environment perspective, the study highlights the substantial impact of MSMEs on environmental sustainability and the essentiality of their increased participation in ES practices for mitigating environmental risks and safeguarding the well-being of society and ecosystems. The insights into the motivations behind MSMEs' engagement in ES contribute to promoting more sustainable business practices, facilitating positive environmental outcomes that benefit society as a whole and promote a healthier and more sustainable future for all.

2. Literature Review

2.1 Theoretical Framework

This study, rooted in Institutional Theory as proposed by DiMaggio & Powell (1983), explores how organizations are influenced by various pressures, including normative, mimetic, and coercive, which shape their environmental behaviours (**Figure 1**). Normative pressures stem from social norms, encouraging firms to align with societal expectations regarding environmental responsibility. Mimetic pressures drive organizations to imitate the practices of industry leaders, while coercive pressures, such as government regulations, compel companies to comply with environmental standards. Institutional Theory, drawn from social science literature, particularly in economics, political science, and sociology (Scott,

2001), posits that institutional contexts are socially constructed, shaping organizations' adoption of specific practices and policies. This theory has frequently been utilized to elucidate the interdependencies between organizational practices and their social environment (DiMaggio & Powell, 1983; Scott, 2001; Lin & Sheu, 2012). This theory is selected as it offers insightful information about the adoption of environmental sustainability (ES) practices in Micro, Small, and Medium Enterprises (MSMEs) in Malaysia.

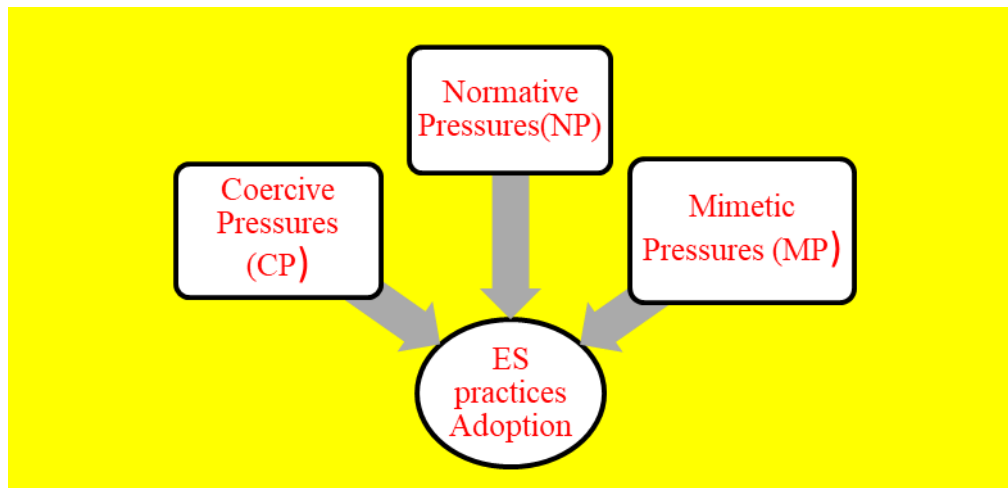


Figure 1. Institutional Theory

2.2 Micro, Small and Mid- Sized Enterprises (MSMEs)

Micro, small and medium-sized businesses (MSMEs) are undeniably the engine of economic growth in both developed and developing nations. They are essential for establishing employment opportunities, reducing poverty, enhancing technical manufacturing capabilities, and contributing to a greater export rate, all of which are essential economic growth elements. In 2021, 97.4% of all business establishments in Malaysia, consisted of micro, small and medium sized enterprises (MSMEs). They contributed a 37.4% to the GDP, 11.7% to total exports and 47.8% to employment in Malaysia (DOSM,2022). The definition of an SME varies by country and industry. The Malaysian definition of SMEs encompasses all industries, including services, manufacturing, agriculture, construction, and mining & quarrying, and is based on the following criteria: sales volume or number of full-time employees. For the manufacturing sector, MSMEs are defined as enterprises having a sales turnover of less than RM50 million or with less than 200 full-time employees. For the services and other sectors, MSMEs are defined as businesses with annual sales of less than RM20 million OR fewer than 75 full-time employees (SME Corp, 2022). Unlike multinational and larger corporations, micro, small and medium-sized enterprises (MSMEs) are not driven to adopt environmentally sustainable practices. MSMEs largely being owned by sole traders or families do not have the compulsion to boost shareholders' confidence by projecting as ecologically responsible organisations (Mahmood & Humphrey, 2013) or in response to pressure from various stakeholders. Most of the business decisions in MSME are made with the intention of cutting cost or boosting short-term profit. This additional investment of engaging in environmentally sustainable business-related activities is often seen as reducing their competitive edge

finically, therefore, green initiatives are not always present in the top of priority list for most micro, small and medium-sized enterprises. This is evident from the studies done globally indicating the substantial contribution to pollution by MSMEs around the world. SMEs are noted to be responsible for 70% of industrial pollution worldwide (Hillary 2004) and it was also reported that 64% of industrial pollution in the European Union (EU) is caused by SMEs, although few of them take aggressive measures to lessen their environmental effect (OECD,2018). The lack of participation in sustainable practises by MSMEs is simply because, it is not seen as a win-win strategy (Lewis et al., 2014, Brammer et al.,2012); or the false perception that their business' negative effects to the environment are low. Lack of information, awareness, and responsiveness to environmental concerns (Meath et al., 2015), lack of highly skilled labour at affordable costs, the use of obsolete processes and technologies, the use of low-quality fuels, the use of inappropriate transportation infrastructure, and a lack of funds and innovation (Deshmukh et al., 2015; Pachouri and Sharma, 2016) and exemption from environmental legislation due to their size (Meath et al., 2015) are among the other reasons for the poor participation of MSMEs in sustainable practices. Although spending more money on sustainable business practises may appear counterintuitive to increasing MSME's profitability, studies show that the most sustainable companies are also the most profitable (HBS,2019). SMEs are thus potentially significant drivers of environmental sustainability practices if encouraged and guided in this direction. This may also improve their performance and increase their business value (Aboelmaged and Hashem 2019; Broccardo and Zicari 2020; Gupta and Barua 2018; Topleva and Prokopov 2020). Despite the prevalence of small and medium-sized enterprises (SMEs) in many countries, their significance as s in environmentally sustainable practices is often neglected (Allen and Malin 2008).

2.3 Environmental Sustainability Practices

Environmental sustainability practises (ES) which often form the base of green businesses, is about minimizing damages to the environment, adopting renewable energy sources (Ekanaviius et al., 2014) and attempting to make products that are environmentally friendly (Brown and Ratledge, 2011). Ecological, social, and economic well-being of a nation are all boosted by businesses adopting sustainable practises. To be sustainable, existing resources must be deployed sparingly and intelligently, keeping the long-term priorities and repercussions of business actions in mind. At its core, sustainability is concerned with the world we leave behind for future generations, including our children and grandchildren. Environmentally sustainable (ES) practices include energy conservation and efficiency; harvesting renewable energy; waste reduction and management; water conservation, reduction of emission and minimizing environmental accidents (Ball, 2015; Zainul Abidin et al., 2020); sustainable transportation; Sustainable agriculture and forestry and biodiversity conservation.

For MSMEs many of this could be attained through partnering with other not-for-profit organizations; educating employees; responsible sourcing of raw material; and conserving natural resources (HBS, 2022). Ashton et al. (2017) studied the adoption of ES business practises among small manufacturing firms in the Greater Chicago area and discovered that

energy efficiency in facilities and recycling materials such as metal, paper, and plastics were the most prevalent green practises implemented by these businesses. A similar study by Depken and Zeman (2018), which focused on small and medium-sized enterprises (SMEs) in Iowa, discovered that waste reduction and recycling were the most implemented green activities, followed by the implementation of energy efficiency measures. Baah et al. (2021); Chege and Wang (2020); Chang and Slaubaugh (2017) showed that cost reductions activities such as garbage incineration, reduced paper use, turning off electronic gadgets when not in use, conserving water, and adopting energy-efficient technologies, are among green practices favoured by businesses due to the direct financial benefits. Engaging in green initiatives is also much dependent on the business owner's sustainability orientation. Sustainability orientation refers to the owner/manager's perception of the environmental and social challenges (Sung & Park, 2018), and developing business strategies based on them (Roxas & Coetzer, 2012). Green business decisions are the outcome of deeply ingrained values, beliefs as well as the sustainability orientations of the business owners (Varadarajan, 2017), as well as their connection and responsibility for employees and communities (e.g., De Steur et al. 2020) (Vives 2006). There is obvious difference in business practices due to the different values and attitudes of managers and employees (Grayson, 2004). One of the primary factors that influenced the adoption of renewable energy by German SMEs was the perception of internal responsibility for the environment (Rahbauer et al. 2016). Parry (2012) confirmed this notion in a case study that examined the development of green practices within micro-businesses. He reported that the ethical principles of business leaders are closely associated with the formation of green strategies within small businesses, which frequently result in the ethical behaviour of employees. Businesses typically engage in ES practices due to various other reasons as well. Among them are (i) enormous pressure from various stakeholders (e.g., customers, employees, regulators and policymakers) to act in a socially and environmentally responsible manner (Schaltegger, Horisch, & Freeman, 2019; UN, 2020, Bansal and Roth 2000), (ii) long-term organisational benefits (Calabrese, Costa, Levaldi, & Menichini, 2019) ;(iii) encourages innovation (Claudy, et al., 2016); (iv) performance enhancement (Sashi et al.,2018), (v) competitive advantage (Camacho and Fernandez, 2018; Parry, 2012; and Wahga et al. 2018),(vi) public image and reputation(Chang and Slaubaugh 2017); (vii) ethical motives (Bansal and Roth , 2000) and (viii) adherence to legal requirements (e.g., Johnstone and Hallberg 2020). Hillary (2004) categorised the numerous internal and external benefits of greening a firm. Internal benefits are advantages obtained that pertain to the internal operations of SMEs, whilst external benefits pertain to interactions with the outside world. Typically, the internal advantages fall into three distinct categories: (1) organisational benefits (e.g., enhanced working conditions and safety), (2) financial benefits (e.g., cost savings from materials efficiencies), and (3) people benefit (e.g., improved employee ethical behavior). Similarly, external advantages are separated into three categories: (1) economic benefits (e.g., competitive marketing advantage), (2) environmental benefits (e.g., pollution reduction), and (3) communications benefits (e.g., creating a positive public image). There are also many barriers to businesses engaging in environmentally sustainable practises. Samari et al. (2013) in their study in Malaysia reported that such barriers include investment risk, lack of financial resources to cover upfront costs, higher ultimate price, lack

of demand, lack of incentives, absence norms and regulations, lack of strategy to promote green initiatives, lack of public awareness, lack of expertise, lack of professional knowledge, a dearth of databases and information, lack of government support, and lack of technology. Similar barriers were reported in another in Malaysia, Zainul Abidin et al., (2012) highlighted lack of public interest and demand, the status quo in rules and regulation, organisation apathy inflation, and local authority enforcement as obstacles to green initiatives among businesses. As extensive research on sustainability practises in SMEs, have been done in countries such as the United States (Ashton 2017; Depken and Reman 2018); Vietnam (Roxas, 2021), Germany and Canada (Luederitz, 2021), Ghana (Danso et al,2019), Philippines (Coetzer, 2012), and Dubai (Rettab et al 2008) many more are still needed in Malaysia. As such this study intends to uncover such practices and their drivers amongst the Malaysian MSMEs.

3. Methods

The qualitative study aimed to reveal the sustainable business practices adopted by Malaysian MSMEs and the driving factors behind their adoption. To achieve this, purposive sampling was employed to gain in-depth insights into the sustainable business practices and unique motivators within the Malaysian MSME context. This sampling strategy was chosen as the most appropriate method to identify and select participants who could provide the necessary information to answer the research questions effectively. Purposive sampling has been recognized as a powerful method that allows researchers to select specific individuals or units for analysis, particularly when studying a specific subgroup within a population or a rare phenomenon. By using this approach, the study was able to focus on a narrowly defined subpopulation, ensuring that the data collected were highly relevant to the research objectives and providing a comprehensive understanding of the factors influencing environmental sustainability initiatives within the Malaysian MSME sector. A total of twenty-two participants from various MSMEs in the Klang Valley, which encompasses Selangor and the Federal Territories of Malaysia, were interviewed using a semi-structured approach. This location was chosen due to its status as the primary hub for Malaysia's MSMEs, making it a representative and strategic area for data collection.

The research process commenced with the acquisition of informed consent from the participants prior to the interviews, ensuring that they were fully aware of and agreed to the research procedures. This ethical practice is fundamental in safeguarding the rights and well-being of the participants, as it provides them with the assurance that their identities would remain confidential, thereby fostering an environment conducive to open and honest disclosure. By mitigating concerns about potential repercussions, such as bias or privacy breaches, the researchers aimed to enhance the credibility and integrity of the data collection process. Furthermore, the utilization of memos during the interview sessions served as a valuable tool for the researchers to capture their reflections and insights concerning the data. This practice is particularly significant during the subsequent stages of coding and data analysis, as it enables the researchers to maintain a record of their thoughts and interpretations, thereby contributing to the rigor and transparency of the analytical process.

The interview data was transcribed and analysed using the Thematic analysis (TA). Thematic

analysis was selected as it is a powerful data analysis method that enables researchers to summarise, highlight key features of and interpret a wide range of data sets. It provides a great flexibility in terms of: (a) the type of research questions it can address, ranging from personal accounts of people's experiences and understandings to broader constructs in various social contexts; (b) the type of data and documents examined; (c) the volume of data analysed; (d) the theoretical and/or epistemological framework used; and (e) the ability to analyse data using an inductive, data-driven approach or a deductive, theory-driven approach (Clarke and Braun 2013). The process involves searching across a data set to identify, analyse, and report on repeated patterns (Braun and Clarke 2006). There are six steps to the data analysis in this method. These are (i) becoming acquainted with the data, (ii) generating initial codes, (iii) searching for themes, (iv) reviewing themes, (v) defining and naming themes, and (vi) producing the report. The researchers became acquainted with the data during the interview and the transcription process. Reading and re-reading the transcripts assisted in codes and themes development. These were then cleaned before the final report was produced.

In step one the authors engaged in a comprehensive review of the recorded interviews and transcribed them manually. These transcriptions were then meticulously examined to foster familiarity with the content, a crucial step in identifying information pertinent to the research questions. Concurrently, the researchers documented their reflections regarding the data to capture their initial impressions. In step two, coding was done. Coding involves creating concise, descriptive, or interpretive labels for relevant pieces of information that relate to the research questions. Codes should be brief but detailed enough to stand alone and convey the underlying commonality among constituent data items in relation to the research subject (Braun and Clarke, 2013). In the third step, codes were thoroughly reviewed, analyzed and consolidated into cohesive themes. This step was pertinent in ensuring that the themes address the research questions. In the next step the authors reviewed the themes to ensure that they are supported by meaningful data and are not too diverse. In step five each individual themes and sub-themes were discussed in relation to both the dataset and the research questions. As it is important to ensure that all the themes contribute to creating a clear and coherent narrative. Additionally, the names of the themes were reviewed to accurately reflect their content and relevance to the research questions. Finally, the written report was produced by the authors.

4. Findings and Discussion

4.1 Participants' Demographic Details

There are a total of 22 participants in this study. Table 1 lists their demographic details. In analysing their gender, 68% of the participants in this study were men, and 32% were women. As for the age range, majority of the participants were young entrepreneurs below the age of 30 (27%) followed by those in the age range of 31-40 (23%). There was equal participation of entrepreneurs aged 41-50 and 51-60 (18% each). Senior entrepreneurs formed 14% of the participants. Examining their educational background revealed that the bulk of participants (41%) have completed their secondary education, tertiary education (27%), primary education (18%) and professional qualifications (14%). In terms of the participants' marital

status, 18% of them were single, compared to 82% who were married.

Table 1. Participants' Demographic Details

Characteristics	Count	Percentage
1. Gender		
Male	15	68%
Female	7	32%
2. Age		
Below 30	6	27%
31-40	5	23%
41-50	4	18%
51-60	4	18%
Above 61	3	14%
3. Academic Qualification		
Tertiary	6	27%
Secondary	9	41%
Primary	4	18%
Professional	3	14%
4. Marital Status		
Married	18	82%
Single	4	18%

4.2 Business Profile

Table 2 shows the business profile of MSMEs studied in this research. The majority of micro, small and medium-sized businesses (MSMEs) studied belonged to the services sector (77%) followed by the trading sector (5%) and the manufacturing sector (18%). Many of these businesses have been in operation for more than 20 but fewer than 30 years (36%), followed by those that have been in operation for more than 10 but fewer than 20 years (27%), and new businesses (27%). With an annual sales volume of less than RM300,000 (73%), between RM300,000 and RM3 million (18%), and between RM3 million and less than RM20 million (9%). Most enterprises (50%) had between five and ten employees, followed by those with less than five employees (45%) and those with 30-75 employees (5%). The bulk of the firms (91%) were registered with SSM, while only 9% were not. In terms of annual sales and employee count, all the businesses in this study fit within the government-established definition for micro, small and medium-sized enterprises (MSMEs).

Table 2. Business Profile

Characteristics	Count	Percentage
5. Industry Type		
Services	17	77%
Trading	1	5%
Manufacturing	4	18%
6. Years of Establishment		
< 10 years	8	36%
10<20 years	6	27%

20 <30 years	6	27%
>30 years	2	9%
7. Sales turnover (RM)		
<300, 000	16	73%
300,000 < 3 mil	4	18%
3 mil <20 mil	2	9%
20 mil <50 mil	0	0%
8. Number of employees		
< 5	10	45%
5 < 30	11	50%
30<75	1	5%
75<200	0	0%
9. Registered with SSM		
Yes	20	91%
No	2	9%

4.3 Environmental Sustainability (ES) Practices Adopted by the Malaysian MSMEs

Findings show that majority of the MSMEs engage in basic ES practices such as energy conservation, water conservation, waste management and recycling as shown in Figure 2.

Almost all participants informed that they were consciously saving water and electricity although not necessarily always to save the planet. These were done mainly to reduce their operating costs. A few businesses went further to practice waste management and recycling with similar intention of cost savings. The findings of this study corroborate with that of Zainul Abidin et al., (2020); Ball (2015); Ashton (2017), Depken & Zeab 2018 and Chang & Slaubaugh (2017) which showed that the common Environmentally sustainable (ES) practices among businesses focus on energy conservation; waste reduction and management; water conservation and recycling. MSMEs are engaged in these ES practices as they lead to direct business benefits.

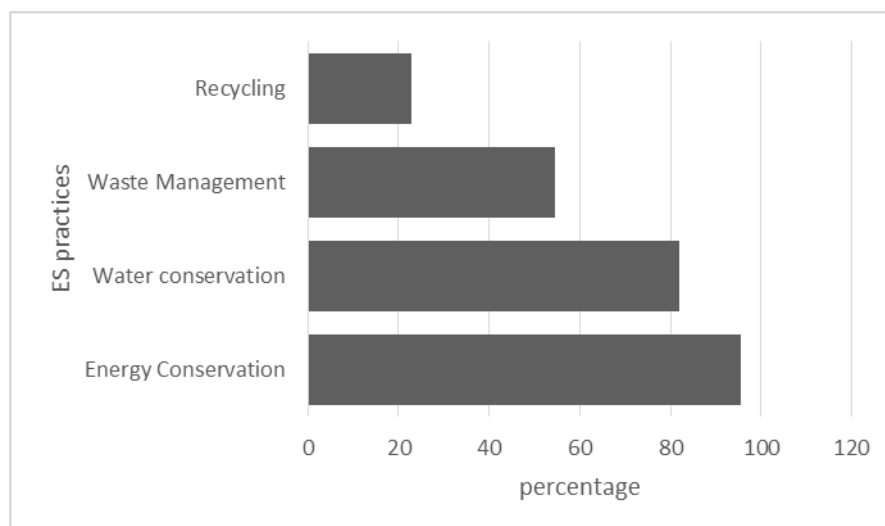


Figure 2. ES practices among Malaysian MSMEs

The interview also checked on those participants who reported on not adopting any ES practices in their business. Figure 3 shows the reasons obtained from these participants. The

main reason stated by majority of these participants was that they did not have sufficient funds to change their current practices to those that are greener. Some of the participants displayed lackadaisical attitude on this as there is no mandatory requirement by the authority for their business to engage in ES practices. There were also a small number of participants who reported of not engaging in ES practices as there are not concerned of such issues as business survival is their top priority. These supports the findings of Samari et al. (2013) and Zainul Abidin et al. (2012) that reported barriers to adoption of ES practices are often the lack of financial means, lack of awareness, apathy, and lack of government enforcement.

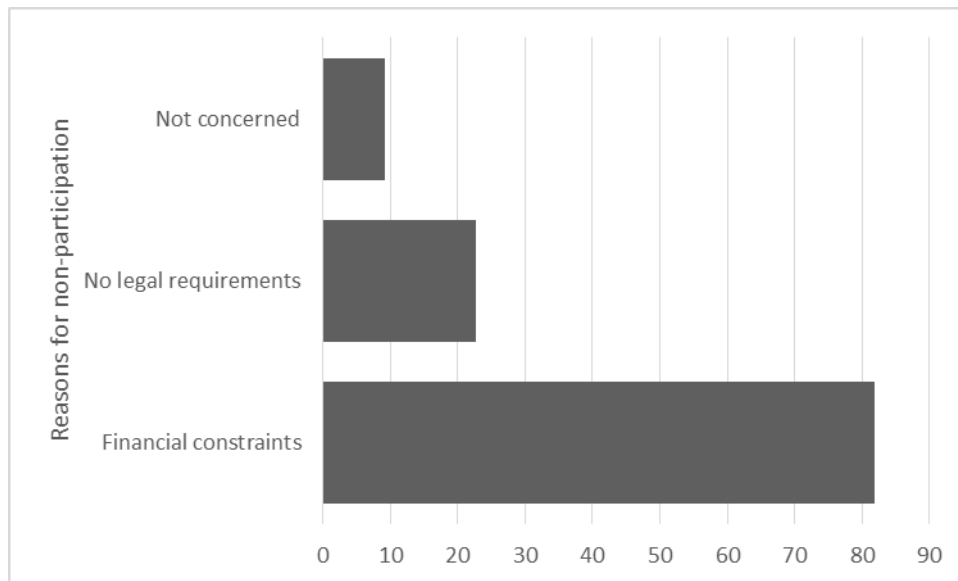


Figure 3. Reasons for Adopting ES Practices

4.4 The Reasons for Malaysian MSMEs for Engaging in the Environmental Sustainability (ES) Practices

The thematic analysis revealed three primary reasons for the adoption of environmental sustainability (ES) practices: competitive ability, mandatory compliance, and voluntary commitment. Each of these main themes aligns with theoretical concepts proposed in Institutional Theory, namely mimetic pressures, coercive pressures, and normative pressures (**Figure 4**). **Mimetic Pressures (Competitive Ability):** Mimetic pressures, stemming from the desire to emulate successful industry peers, are reflected in the theme of competitive ability. Organizations may adopt ES practices to remain competitive in their industry by following the lead of industry leaders who have already implemented such practices. This reflects a desire to mimic the strategies of successful competitors, driven by the belief that these strategies contribute to competitive advantage. **Coercive Pressures (Mandatory Compliance):** Coercive pressures, represented by regulatory mandates and government regulations, are evident in the theme of mandatory compliance. Companies may adopt ES practices to comply with environmental laws and regulations, avoiding penalties or legal repercussions. This reflects a response to external pressures imposed by regulatory bodies, compelling organizations to adhere to environmental standards through mandatory measures. **Normative Pressures (Voluntary Commitment):** Normative pressures, originating from societal

expectations and norms regarding environmental responsibility, are illustrated in the theme of voluntary commitment. Organizations may voluntarily adopt ES practices as a demonstration of their commitment to environmental sustainability, aligning with societal values and expectations. This reflects a desire to fulfil stakeholders' expectations and enhance organizational reputation by actively engaging in environmentally responsible practices.

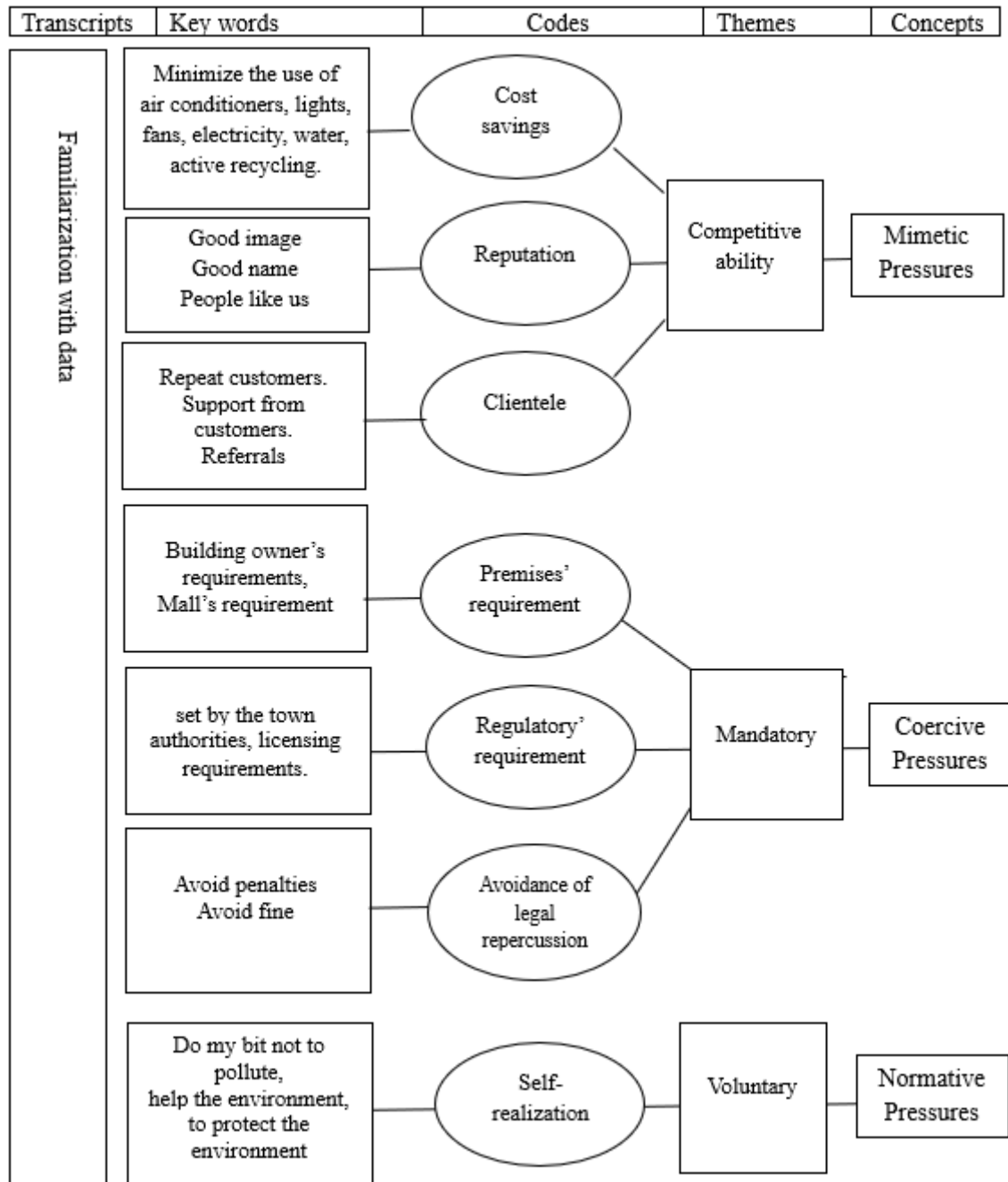


Figure 4. Thematic Map

4.4.1 Theme 1: Competitive Ability (Mimetic Pressures)

Participants' involvement in environmental sustainability (ES) practices can be interpreted in

the context of mimetic pressures as a desire to emulate successful industry rivals and acquire competitive advantages. Almost all the participants in this study, regardless of the industry type reported of engaging in some sort of green practices. MSMEs in the outskirts reported of doing simpler ES practices such as water and electricity conservation while businesses in urban area reported engaging in almost all the green practices. The higher participation in green practices by these MSMEs could be due to their small size which gives them the much-needed flexibility. The motivation behind adopting ES practices, as reported by the participants, primarily revolves around the perceived benefits associated with such practices. These benefits include lowering operating expenses, enhancing the business's image and reputation, and gaining customer support, all of which contribute to a company's competitive position within its industry. Each of these is addressed in the sub themes that follow.

4.4.1.1 Sub-theme 1: Cost Savings

Participants reported that adopting ES practices helped them reduce operating expenses or enjoy cost savings. This aligns with mimetic pressures, as organizations may observe industry leaders implementing such practices to achieve cost savings and operational efficiencies. By emulating these practices, companies seek to replicate the financial benefits realized by their competitors, thereby enhancing their competitive ability in the market. Energy conservation, water conservation, recycling, and waste management were among the most prevalent ES practises adopted by SMEs. The 3R practises of reduce, reuse, and recycle (reduce, re-use, and recycle) help to reduce the need for purchasing supplies and raw materials. The cost-cutting activities undertaken by the SMEs in this study are consistent with findings from previous studies. Ashton et al. (2017); Depken and Zeman (2018); Baah et al. (2021), Chege and Wang (2020), and Chang and Slaubaugh (2017). These studies show that the financial incentives associated with implementing ES practices are a substantial motivation for SMEs, demonstrating that the practices found in the current study are part of a larger trend among small and medium-sized firms seeking to cut costs and increase sustainability.

The following interview excerpts present the opinions.

“..so like sometimes like if there is not much customers in the restaurant, so we probably will turn off like one of the air-cond. Or when staff ah, like washing their plates, we will try to save the water as much as possible.”- Participant 1

“...we had to pay a lot of money to water or electricity. So, we try not to use what we don't use, so we don't open it the light or the fan and also washing the tableware also quicky wash not waste the water if wasted too much of water the water bill will you know lah. In short, we pay great attention to water and electricity.”- Participant 2.

“..Yes, this is because recycling reduces our raw material costs and maximizes our profitability”- Participant 4

“..Yes, I do recycling because I can sell it for money (laughing)..I have recycled cardboard boxes, plastic bags and foams”- Participant 13

“..Yes, we practice on saving water and electricity too ..because it can save the production

cost..” Participant 16

4.4.1.2 Sub-theme 2: Reputation

ES practices were also noted to contribute to enhancing the business's image and reputation among stakeholders. Participants recognized the importance of being perceived as environmentally responsible by customers, investors, and other stakeholders. This aligns with mimetic pressures, as organizations emulate industry leaders' practices to improve their reputation and credibility, thereby gaining a competitive edge in the marketplace. Participants believed that their green image distinguishes them from their competitors. This aligns with the findings of Chang and Slaubaugh (2017) that firms engage in ES practices to enhance their public image and reputation.

“..we always got recycle our rubbish, we sort the rubbish and throw in different trash bins. And I think, for my furniture company, so of course we produce lesser waste, compared to other companies. So we already produce lesser waste in first place, and we practiced recycle as well... people see us as being responsible...this image .. which is good for us.. for our success”- Participant 3

“..good name is important for our business...we get more business.. people like to save environment nowadays...”- Participant 10

4.4.1.3 Sub-theme 3: Clientele

Participants highlighted that adopting ES practices helped them gain customer support. Customers increasingly value environmentally sustainable products and services, driving organizations to respond to this demand. By adopting ES practices, companies aim to attract environmentally conscious consumers and retain existing customers, aligning with mimetic pressures to meet customer expectations and maintain competitiveness. Some of the participants claimed that their ES efforts were constantly rewarded by the loyalty of their clientele. Consumers endorsed and prompted these actions. Those who took part in the study said that they received new business largely because of recommendations from their current customers. This corroborates with the studies by Schaltegger, Horisch, and Freeman, 2019; United Nation,2020; and Bansal and Roth 2000 that showed in order to engage with stakeholders such as customers, employees, regulators and policymakers businesses act in a socially and environmentally responsible manner.

“...I think it's good for the business, because of our clean image.. customers keep supporting and it can also boost our company's profit..”- Participant 3

“..Yes, because of this.. increase the loyalty of customers...they always come back to support us” - Participant 7

“..customers talk to others about us.. tell others about our care for environment... friends of our customers sometimes come to support us ..then bring their friends too..” Participant 5

4.4.2 Theme 2: Mandatory (Coercive Pressures)

In the context of coercive pressures, the implementation of certain environmental

sustainability (ES) practices can be understood as a response to external mandates and regulatory requirements imposed by governmental authorities or property owners. MSMEs located in business zones and malls, who were operating from rented spaces, reported experiencing more coercion compared to those operating from their own premises. In terms of the types of industry, the MSMEs in the manufacturing and trading sectors reported of higher coercion than those involved in services. Participants reported engaging in ES practises solely to satisfy the authorities' requirements as they did not want any interference with their business operations or penalties from the authorities. This aligns with the studies done by Schaltegger, Horisch, & Freeman, 2019; UN, 2020, Bansal and Roth 2000 that showed SMEs participation in ES practices are due to pressures from stakeholders, regulators and legislation.

Insights gathered from in-depth interviews with participants shed light on how coercive pressures influence ES practices within small and medium-sized enterprises (SMEs).

4.4.2.1 Sub-theme 1: Premises Requirement

Participants indicated that some ES practices were implemented because they were required for the smooth operation of their businesses. SMEs operating out of rented spaces, for instance, were subject to the environmental policies and procedures established by the space's owner or manager. This highlights how coercive pressures, such as contractual obligations or lease agreements, compel organizations to adhere to specific environmental standards to maintain their operational capabilities and avoid penalties.

“.. the building owner told us ..we have to follow...we can't throw rubbishes .. need to follow..use different bins..tie different types of rubbish in different bags.. like this lah..
Participant 9

“.. the mall have water saving feature ..for electricity, they also limit our use. We must switch off electricity during night when the mall is closed. We only leave just some lights on...we can only use certain types of light bulbs.. Participant 3

4.4.2.2 Sub-theme 2: Authorities' Requirement

Several participants noted that formal education and training in ES practices were regulatory requirements in their respective fields. This suggests that compliance with industry-specific regulations drives organizations to adopt ES practices as mandated by regulatory bodies. Coercive pressures exerted by regulatory authorities necessitate organizations to invest in training programs and implement prescribed environmental measures to ensure compliance and mitigate potential legal risks.

“... we need to sort our waste materials into the categories set by the town authorities ..and set them out for collection on the days allotted.. if not it becomes messy and we risk being compounded.” Participant 8

“Also, our staff must take food handling course as required by the authorities.. so we need to send them for this training.. here they are taught about hygiene practices,,clean supply ..waste management and others things..they get this education..” Participant 2

4.4.2.3 Sub-theme 3: Avoidance of Legal Repercussions

An interesting revelation from one participant was that they engage in ES practices to avoid legal repercussions from governmental authorities. This underscores the role of coercive pressures in shaping organizations' behaviour, as the fear of facing legal consequences motivates them to proactively adopt ES practices to ensure compliance with environmental regulations and laws.

“Absolutely...ensuring compliance is a priority for us. By properly segregating and managing our waste, we reduce the potential risks of non-compliance and avoid penalties and fines from regulatory authorities...”Participant 20

4.4.3 Theme 3: Voluntary

In the context of normative pressures, the voluntary adoption of environmental sustainability (ES) practices by small and medium-sized enterprise (SME) owners reflects their alignment with societal norms and values regarding environmental responsibility.

Highest voluntary participation was reported by business owners below the age of 30 regardless of gender, industry type or location. This may be attributed to the fact that these young owners belong to the Gen Z cohort, which exhibits a profound sense of responsibility and attentiveness towards many environmental and climate-related matters. These owners stated that they willingly adopted ES practices because to their concern for the environment and the welfare of future generations. This reflects a broader societal trend where individuals and businesses feel a moral obligation to minimize their environmental impact and contribute to a more sustainable future. This corroborated with the findings of Varadarajan, 2017, De Steur et al. 2020; Vives 2006; Grayson, 2004; Rahbauer et al. 2016 and Parry ,2012 that suggests owners personal characteristics and values much influence their business engagement in green practices.

4.4.3.1 Sub-theme 1: Self-realization

In line with normative pressures, participants who voluntarily adopted environmental sustainability (ES) practices expressed their motivations stemming from environmental concern and societal values. Despite the financial challenges these practices imposed on their small-scale businesses, participants prioritized environmental care as a means of setting an example for future generations.

“..just think that ..we as human beings should do something like that. You can read one of the books that talks about how we humans are self-destructive. So, it's time to cherish the world. I do my bit not to pollute because.. each person can do one small thing for our earth and it can become a big thing..”- Participant 7

“.. but we do all this ..since we also hope that we can contribute some to protect the environment . I will do my own environmental protection activities. even if our industry is not very environmentally friendly, I will continue to do so for our future...”- Participant 6

“..Yes..we want to help the environment change to be better and let ourselves to learn to be eco and go green..”- Participant 11

5. Conclusions and Implications

The exploration of motivations for engaging in ES practices revealed a hierarchy influenced by mimetic, coercive, and normative pressures. Primarily, MSMEs were driven by direct business benefits, such as improved customer retention, enhanced business image, and significant cost savings, aligning with mimetic pressures as they sought to emulate successful industry peers in prioritizing sustainability practices. Additionally, mandatory business requirements, driven by coercive pressures, played a role in motivating MSMEs to adopt ES practices to comply with regulatory mandates and avoid penalties or fines. Interestingly, voluntary participation in ES practices emerged as a lesser motivation among MSME owners. This suggests a potential gap in awareness or prioritization of environmental concerns compared to immediate business imperatives. Factors such as post-pandemic recovery efforts, limited education levels, and insufficient exposure to environmental campaigns and initiatives could contribute to this trend, highlighting the complexity of drivers influencing MSMEs' engagement with environmental sustainability.

Among the business owners interviewed, a notable proportion displayed a lack of awareness regarding environmental issues, showing little concern for the depletion of natural resources and global environmental challenges. These individuals focused solely on cost control and business survival, directing their practices accordingly. This narrow perspective, prevalent among many MSME owners, presents a barrier to investments in green initiatives. Importantly, the study found that Malaysian MSMEs did not feel significant pressure from clients, suppliers, or government agencies to adopt environmental sustainability (ES) practices, contributing to a lackadaisical attitude among business owners. Furthermore, the study revealed that the adoption of ES practices was not perceived as a major competitive strategy among MSMEs. Few indicated awareness of competitors' adoption of such practices, suggesting a lack of perceived necessity to follow suit.

These findings have implications for policymakers, researchers, and stakeholders, highlighting the need for policy redefinition to incentivize ES participation and overcome barriers. Remediating this issue could begin with raising awareness of ES practices and their impact on future generations through educational campaigns. For example, awareness campaigns emphasising the economic and reputational benefits of energy efficiency, waste management, and resource optimisation can increase engagement (Hald & Chang, 2021). Partnerships with industry associations and government agencies can help to increase awareness and ensure targeted support for smaller enterprises (Lee et al., 2021).

As financial limitations continue to be a significant barrier for MSMEs, especially in developing economies (Rizos et al., 2020), providing tax incentives, subsidies, or low-interest financing might encourage MSMEs to engage in green technologies and sustainable practices. Zafar et al., (2022) in their studies highlighted that financial incentives significantly promote environmental behaviours in resource-constrained organisations. Initiatives including carbon tax rebates, energy efficiency subsidies, and incentives for obtaining green certifications have demonstrated quantifiable efficacy in promoting sustainability adoption (Yunis, Hashim, & Ishak, 2020). While regulatory measures such as green requirements for business license renewal (coercive pressure) are essential, combining them with incentives and technical

support reduces resistance and encourages voluntary compliance (Hussain et al., 2021). Mandatory reporting of energy usage or waste management techniques, for example, can encourage organisations to operate in more resource-efficient ways (Ali, Haseeb, & Azam, 2021). Governments can also use certifications like ISO 14001 to reward compliance and encourage environmental care (Xu et al., 2022). Encouraging collaboration between MSMEs and larger businesses in green supply chains could facilitate knowledge transfer and resource access. Large enterprises, frequently facing heightened pressure to implement sustainability practices, can offer mentorship, knowledge dissemination, and technological access to micro, small, and medium enterprises (Sharma, Nayak, & Thakur, 2021). Green supply chains promote environmental performance while simultaneously improving market access and competitiveness for MSMEs (Wibowo et al., 2022). Collaborative activities, including green procurement programs and joint innovation projects, can expedite the adoption of sustainability throughout the supply chain (Eroğlu & Uslu, 2022).

Despite these insights, the study acknowledges limitations, including limited data collection locations and potential biases stemming from interviewer attributes, timing, and interviewees' schedules, as noted in previous studies (Moloney et al., 2017).

This study makes several unique contributions to the understanding of environmental sustainability (ES) practices among Malaysian Micro, Small, and Medium Enterprises (MSMEs). Firstly, it provides insights into the motivations behind MSMEs' adoption of ES practices, highlighting the influence of mimetic, coercive, and normative pressures. Secondly, it identifies specific ES practices commonly adopted by MSMEs, shedding light on the ease of implementation and direct business benefits associated with these practices. Theoretical implications include the application of institutional theory to explain the interplay of external pressures and internal motivations shaping MSMEs' sustainability behaviours. From a managerial standpoint, the findings emphasize the importance of raising awareness, conducting cost-benefit analyses, and exploring collaboration opportunities with larger businesses in green supply chains. However, the research also acknowledges limitations, including the limited geographic scope of data collection and potential biases in participant responses. Future research could address these limitations by conducting more extensive data collection across diverse regions and exploring additional factors influencing MSMEs' adoption of ES practices, such as industry sector and organizational size. Additionally, longitudinal studies could provide insights into the long-term impacts of sustainability initiatives on MSME performance and competitiveness. Overall, this paper lays the groundwork for further investigation into the complexities of sustainability adoption among MSMEs and offers valuable insights for both scholars and practitioners in the field of environmental management.

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