



**GREEN MANAGEMENT: OPPORTUNITIES AND CHALLENGES IN INTERNATIONAL BUSINESS FOR MALAYSIAN SME**

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**ABSTRACT**

*There is an increasing awareness of environmental and safe-products for international businesses. Environmental, sustainability and green management provides opportunities to Malaysian SMEs to explore the international market and find new customer segment. Eco-centric and techno-centric paradigms allow for the discussion of green management and highlight business management theory for environmental segments.*

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**Keywords:** Green management, International business, Eco-centric, Technocentric, SMEs.

**Contribution/ Originality**

This study contributes in the existing literature paradigms about green management and the perception of SMEs in Malaysia. Understanding the paradigm will help the policy maker to formulated the development of green management policies which suitable with the Malaysia SMEs in the future.

**1. INTRODUCTION**

The effects of globalization has opened opportunities for international businesses and threaten key market players for products, services, systems, technology, resources, reputation, credibility, law, and politics. All organizations want to enter new markets and compete with their competitors for a better return on investments.

On the other hand, customers need good products and services at the best value for money. This is a common perception of organizations, but it is no longer true. Governments and NGOs are often involved as stakeholders in the market and make decisions regarding demand of products and services as well as the environmental factors as part of the decision making process for purchases.

Organizations consider the production of non-harmful products to be enough, but the customer considers more than this as important. The product needs to be safe to use and must be

produced in an environmentally sound manner that the products can be reused, recycled, and disposed without harming the environment and wasting resources.

This perception and benchmark has introduced new demands that organizations consider as increasing production costs and to lose the competitive advantage in global markets in terms of competitive pricing. Often these organizations refuse to follow demand, unless governments pushed by environmentalist NGOs to implement environmentally safe standards because of the greenhouse gas effect to the ozone layer and increases in the Earth's temperature. At the same time, researchers work hard to support increased consciousness of and to provide solutions for these matters.

Governments play the role of decision maker and enforcer of the rules and regulations to force organizations that refuse to follow environmental and human rights protection. From this perspective, the organization will seek out solutions to fulfill the requirements and win back the hearts of customers as well as compete in the marketplace. Climate change is the most influential factor forcing a rethink how the environment effects wellbeing. Greenhouse gas emissions along clean water, air, and soil pollution from industrial activities are all factors leading to declines in the quality of life. [1] discovered that this is the main factor contributing to environmental problems are the human activities of human production.

Environmental pollution progressively increases from wasting natural resources and environmentally unsound production methods. Small and Medium Enterprises (SMEs) are the biggest contributor to economics activities and are blamed as agents of greenhouse gas emissions worldwide. In Malaysia, SMEs are the most popular business entity and contribute to 50% of the Gross Domestic Production (GDP). They are also to blame as the main polluter in mining, manufacturing, and other production sectors.

Green management is a holistic management system that considers people's needs and wants first as part of its organizational objectives, business profitability, economy, and political stability, innovation of technology, sustainability of resources, and environmental protections. Green is defined as meaning holistic and efficient. Holistic considers all factors including the people, technology, time, and environment as one. The people are individuals, society, and governments. Innovative technologies often lead to cheaper, faster, easy, and safer products.

[2] Pointed out that green management refers to the implementation of comprehensive measures throughout a business's processes. Green management is a concept that combines the ideals of environmental protection with corporate goals, product design, production development, marketing, finance, and other variables in business management.

[3-6] have defined green management as utilizing an organizational structure for sustainability and enriching competitive advantage in the market. They also provide three important elements in green management: the network, the virtual organization, and the community of practice. All these are fundamental for green management practices in a challenging market. This situation will develop organizational capabilities to achieve competitive advantage and force differences from their competitors. From a business entity perspective, the combination of a lack of technology, capital resources, manpower, knowledge, and positive attitude about environmental responsibility contribute too many to be unconscious of environmental problems created by industry. Less

pressure or demand from customers, competitors, governments, and other stakeholders will allow the management of an organization to ignore the issues for profitability [7-10].

The high costs of new technology development at the start-up stage of a business cause organizations to overlook and ignore environmental laws and standards [11-13]. New machines with high-end production systems and new additional production facilities or building for environmental protection are not preferable when current facilities are more profitable [14]. Some organizations consider operational and production costs as covered by total sales, as do competitors, but this needs to be changed.

Firms try find cheaper and easier methods to gain recognition as an environmentally friendly organization, such as recycling production waste, removal of dust and harmful gas emissions with filtration systems in their facilities, they sponsor or contributed to charities, change product packaging from high end packaging material to environmental friendly material, change from old type light bulbs to new LED lightening system [15-18]. This paradigm stigmatizes SMEs in Malaysia and they lose their competitiveness with international businesses.

This paper identifies the schools of thought and paradigms, solutions, and objectives for green management.

## **2. PERCEPTION ON GREEN MANAGEMENT**

Eco-centric and techno-centric is the main paradigm for environmental management. The eco-centric paradigm focuses on balancing the interaction between humans and nature and the techno-centric focuses on solutions caused by the interaction of humans and the environment.

Eco-centric scholars and researchers have discussed how to balance and control the effects of human activities on the environment and to predict the best quality and quantity to stabilize this interaction to achieve sustainable development. Scholars using the techno-centric paradigm have contradictory perceptions on how to achieve environment sustainability. Techno-centric scholars also try to solve the problem of unsustainable activities by providing systems and technological solutions to achieve sustainability. Recycling waste, reusing products, reducing natural resources consumption, saving energy, increasing productivity, and replacing the environmental damages are just some techno-centric solutions [6, 9, 19, 20].

From this paradigm, scholars and researchers focus more on products and processes to achieve sustainable development and to protect natural resources. However, products and processes become obsolete quickly and to sustain the process, new technologies need to be introduced frequently. Some production processes are effective but others are not and can have affect sustainability processes long-term. To overcome these environmental matters, green management has offered some solutions through management systems and benchmarks such as ISO 14000 and ISO 9000 [16, 18, 21].

## **3. BUSINESS MANAGEMENT**

From a business perspective, if there is a resource advantage, then managers will produce until they achieve an economy of scale and export the surplus to the other markets. If the production is not competitive and the costs of production are high or regulations are strict, then they will seek to

buy it from another source either locally or internationally [22]. On the other hand, if the production process pollutes the environment, then managers will import it from another location or they will invest in other countries, which have more flexible regulations of the environment [23, 24]. This is a common situation for developing countries. In the third world countries, it may be tough to enforce environmental regulations and so developed countries will import it as a green and clean product for their use, even though the environment of the country where it was manufactured received environmental degradation and put the environmental costs on the host country and push them to follow stricter environmental regulations.

The combination of international business and management theory generates business. Porter five-dimension theory from management and mode of entry from international trade theory shows the green thing is one of the games of business [3, 10, 17]. People in the world actually not get the true advantage from the green product because some of the polluted production information hid by the advantages of the product (e.g. wind turbine, cellphone, computer etc.). It is because to provide all kind of this technology worked, they used rare earth mineral as a main component, which will, polluted the environment while processing it.

From this perspective, green management is a management concept to provide solutions and guidelines for organizations worldwide that is concerned with environmental factors and sustainability of resources beyond political and geographical boundaries. The implementation of green management in an organization is a production process and administration activities. It can be as simple as reducing, recycling, and reusing until the strategy affects long-term business performance.

Organization leaders or top management must be educated about the green management to make this management concept work. External stakeholders such as customers and the public need to be conscious and monitor its activities at an international level as well as at local and national levels and green management must be that oversight [25].

#### 4. CONCLUSION

The green management paradigm provides a solution from a management perspective and counters human behavior factors that contribute to environmental pollution and unsustainable management practices. Internal and external organization stakeholders must play better roles to protect the environment and maintain holistic interaction among organizations, society, and environment. Increased competition among industries, customer and supplier demands, substitute products and new entrants will force SMEs onto global markets. SMEs in Malaysia should move forward to develop better green management knowledge and systems not just for survival, but also to compete on the global market.

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