

UNIVERSITI TEKNOLOGI MARA

**FACTORS INFLUENCING FIRM'S
ENVIRONMENTAL PERFORMANCE
IN MALAYSIA**

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ABSTRACT

The changes in the global environmental conditions have placed great challenges to the governments, industries and societies. Business organizations are often blamed to be the sources of these environmental problems. Their role in mitigating these problems shall not be underestimated. Higher environmental performance can be translated into eco-advantage which enhances a firm's competitiveness. Drawing from the resource-based theory, this study aimed to examine the internal and external factors influencing the environmental performance of firms certified under the ISO 14001 in Malaysia. Five hypotheses were generated by taking into consideration two internal factors (i.e. environmental policy and environmental training) and three external factors (i.e. regulatory stakeholders' pressure, community stakeholders' pressure and customer pressures). The total population of the study was 643 firms. Thus, this study employed census, with all the 643 firms used in the study. Five (5) face-to-face interviews and thirty (30) pilot tests from 15 firms were conducted to pre-test the survey questionnaire. A total of 628 questionnaires were mailed to the respondents after excluding 15 firms from the pilot test. A total of 268 manufacturing firms responded to the questionnaires. In this research, structural equation modeling was applied to test the hypotheses. It was found that the "environmental policy", "environmental training", "regulatory stakeholder's pressures" and "customer pressures" influenced the firm's environmental performance in which "customer pressures" was found to be the dominant factor. Two novel findings included the positive impact of regulatory stakeholder's pressure on (1) the firm's environmental policy; and (2) the firm's environmental training. This research provide a model to synthesize both internal (environmental policy and environmental training) and external (regulatory stakeholder's pressure and customer pressures) constructs that influence a firm's environmental performance. Findings from this study may motivate managers to integrate environmental agenda as the firm's corporate strategy. The empirical results and the findings shed lights on the practitioners as to how to enhance a firm's environmental performance through green practices incorporated in both the internal factors (i.e. environmental policy and environmental training) and external factors (i.e. regulatory stakeholders' pressure, community stakeholders' pressure and customer pressures). In addition, this research provides an aspiration to firms that have yet to implement EMS practices and to encourage them to be more eco-friendly.

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CHAPTER ONE

INTRODUCTION

1.1 OVERVIEW

Major environmental issues have become more intense and widespread in each passing days. These are largely caused by the human and industrial impacts such as global warming pollution and ozone depletion (IPCC, 2007). These damages are mostly driven by poor planning of human activities and management (Loke, Khalid, Shafie & Sayaka, 2014). In addition, the topics of flora and fauna preservation and forest degradation have long been debated at the international level (Eltayeb & Zailani, 2009). Manufacturing and industries were blamed to be the major cause of environmental disasters that led to global warming (Packard & Reinhardt, 2000; Loke et al., 2014). Nevertheless, care and preservation of the environment are the responsibility of humans and they should be accountable for the fate of the earth.

Global environmental issues affecting biodiversity such as climatic change and deforestation have given rise to new challenges to nations (Banerjee, 2001; IPCC, 2007; Tareq & Zailani, 2009). Changes in global environment conditions will rapidly create an unprecedented economic gap (Margretta, 2000, p. 59). The world will be at the losing end if no control mechanisms are being enforced on preserving the environment. In fact, some countries pledge to become low-carbon emitting society through implementation of green technologies and green industries which may give hope to improve the eco-efficiency while minimizing adverse environmental impacts (Porter & Van der Linde, 1995). All these efforts aim to promote environmental sustainability so that the future generation's needs and growth are ensured.

In the past decade, Malaysia had witnessed an increased adoption of green concepts in the business strategy (Perry & Singh 2001). The concept of green technology is introduced as one of the mechanisms to develop a cleaner and sustainable community. Green Technology refers to “products, equipment or systems which minimizes the degradation of the environment; has zero or low greenhouse gas (GHG) emission; safe for use and promotes healthy and improved environment for all