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# THE SME SUSTAINABILITY ACTION GUIDE: A SIX STEPS APPROACH TO SUSTAINABILITY IMPLEMENTATION AMONG SMES IN MALAYSIA

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## Introduction

Sustainability is usually related to large corporations and this scenario can be an intimidating factor for many SMEs. It is a long journey and survival necessity but not a complex as it seems to be. Sustainability is an important value-add for SMEs and is transitioning from a “nice to have” to a “must-have” (UNGCMYB, 2022). The 17 Sustainable Development Goals (SDGs) of the United Nations are a great place to start when taking action on sustainability, but the unique context of each business is just as significant. In other words, a SME should concentrate on sustainability issues that complement its own goals and strategies and that are pertinent to and significant to the company. For instance, waste minimization, diversity, and human rights might be included. The last stage is to pinpoint sustainable business practises within these topics, including supplier screening or office recycling.

## The Six-Step Approach

The SME Sustainability Action Guide was launched on 10th of November 2022 to help Malaysian SMEs to adopt sustainability in their business. The UN Global Compact Network Malaysia and Brunei (UNGCMYB) studied the sustainability strategies used by local SMEs and produced the guide with the support of Taylor's University as a knowledge partner and the Konrad-Adenauer-Stiftung as a cooperation partner. The SME Sustainability Action Guide discusses the value of sustainability to SMEs and the business benefits of adopting environmental, social and governance (ESG) practices. Additionally, it provides a detailed, step-by-step implementation strategy towards sustainability.

The guide's primary objective is to identify the most workable strategies for SMEs in Malaysia to incorporate sustainability into their operations because many current frameworks are more tailored for larger businesses and multinational corporations with greater resources. According to Edey Suresh, the Director of UNGCMYB, local SMEs are in need of guidance with a more pragmatic approach, and also need to be made aware of the existing facilities in the Malaysian market that can encourage them in their sustainability efforts.

The guide's foundation is the UN Global Compact 10 Principles, which offer SMEs a better framework for implementing sustainability because the SDGs 17 are not written in business jargon and it can be challenging for businesses to relate to and understand how they can help. The 10 Principles can serve as a roadmap for SMEs when establishing policies on issues pertaining to human rights, labour, the environment, and governance (refer Diagram 1). This sets the tone for the company's overarching sustainability strategy, and from there the tone can be cascaded to all employees via training and awareness programmes with the goal of getting employee buy-in and inspiring them to take action (UNGCMYB, 2022).

The guide outlines a simple six-step process for SMEs to implement sustainability starting with learning about sustainability and its importance (refer Diagram 2). In the first step, the SMEs can discover how their companies might benefit from embracing sustainability by attending training, reading up on sustainability-related resource materials and leveraging on industry peer networks. In the second step, the SMEs need to assess their business' sustainability current status and measuring their performance against ESG criteria. This will make it easier to evaluate their existing sustainability performance and determine how far their firm has to go.

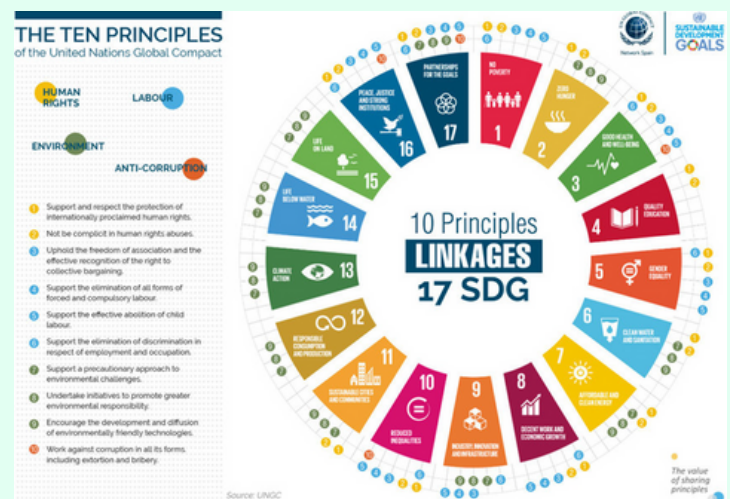


Diagram 1: UNGC 10 Principles  
Source: The Sustainability Action Guide, UNGCMYB



Diagram 2: The Six Steps Approach to Sustainability  
Source: The Sustainability Action Guide, UNGCMYB

Next step is to engage with their stakeholders (customers, suppliers, employees, investors, government) to ascertain their concerns about sustainability and to gauge their level of concern. The following stage is to make a solid commitment through formal and public statement outlining the company's position and alignment with international frameworks on sustainability, labor and human rights (eg. UNGC 10 Principles). This commitment demonstrates to internal and external stakeholders that companies are committed to positive action.

The SMEs must define attainable goals on sustainability issues that are important to their operations and stakeholders in the fifth step. These goals must be precise, quantifiable, and similar to earlier times. It can be accomplished by gathering pertinent and useful ESG data and keeping an eye on the development. Credible data is crucial for supporting sustainability claims and for identifying (and maybe quantifying) any potential problems. Finally, the SMEs need to report and communicate sustainability targets and achievements to their stakeholders. To earn the trust of stakeholders, information must be transparent, and disclosures must be made frequently. The SDGs can be used by SMEs as a framework for reporting on sustainable development. It offers a method to strengthen the connections between SMEs and sustainability. For many parties involved, notably corporate buyers and lenders, this may represent a significant value addition.

The guide also offers ten key sustainability themes that SMEs may address using a simple six-step strategy on their path to sustainability. The ten themes include climate action, energy management, water waste, human rights, living wages, diversity, equality, inclusivity and anti-corruption policies.

## Conclusion

Since SMEs are the primary drivers of the Malaysian economy, accounting for 37.4% of the country's GDP and 47.8% of job opportunities in 2021, they constitute a powerful economic force that can significantly contribute towards Sustainable Development Goals (SDGs). With the support from government through Green Tax Incentive introduced in 2014, financial help via low carbon transition facility (LCTF), sustainability training and development programme organized by SME Corp, Malaysian SMEs can accelerate the adoption of sustainability in their business strategies. Sustainable business practises could help SMEs be more adaptable, lessen the pain of unfavourable circumstances, and most importantly inspire innovation that would propel SMEs to new heights.

## References

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