

Establishing the Green Human Resource Management Practices Model of SMEs in Malaysia

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Abstract

Research has shown a relationship between proactive adoption of environmental performance practices and organization performance; however, there was lack of research, particularly on the small and medium enterprises (SMEs) in examining the impact of human resources management (HRM) practices. A study revealed that 60 percent of all carbon dioxide emissions and 70 percent of all pollutions are caused by SMEs. Hence, SMEs need to establish effective human resource management in managing their environmental actions, especially if the SMEs intended to meet the sustainability criteria. This paper examined the component of green HRM practices model implementation in Malaysian SMEs industry. It provides a better understanding of the current green human resource management practices implemented by SMEs in Malaysia.

Key words: Small and Medium Enterprises (SMEs), Green Human Resource Management Practices Model, Environmental Performance, Malaysia

INTRODUCTION

Small and medium enterprises (SMEs) are crucial to the Malaysia economy as it takes up 98.5 percent of all businesses, which contributes to 37.1 percent of GDP and provides 66 percent of private-sector employment (Department of Statistics Malaysia, 2018). Hence, the enormous numbers of SMEs signify that they have an important impact on the environment. SMEs are part of our civilization and they play a significant role in environmental sustainability (Hitchens, Thankappan, Trainor, Clausen & De Marchi, 2005). In addition, SMEs are the main contributor to carbon footprint as 60 percent of carbon emissions are produced by SMEs as reported in the Marshall Report (1998). The current business practice has shifted from procedures that exploit the environment to environmentally sustainable procedures. SMEs need to reduce the impact on the environment to compete in the global economy (Tikul, 2014). This shift can lead to the changes in corporate cultures that set of policies of environmental sustainability concept in an organization's functional units such as green marketing, green supply chain, green management, and green human resource management practices.

The current study suggests that practising the green concept in every organization's functional unit can create the environmental performance of organizations, especially in human resource management (HRM) department (Yusoff, Nejadi, Kee & Amran, 2018). Currently, many studies investigated the role of HRM practices in driving environmental performance programs and supporting those programs. A study by Guerci, Longoni, and Luzzini (2016) revealed that green training and involvement as well as green performance and compensation are positively related to environmental performance. In the context of hotel industry in Malaysia, Yusoff et al. (2018) found that green recruitment and selection; green training and development; and green compensation have a significant impact on environmental performance. These studies show that in the long run, organizations that executed green human resource management (HRM) practices can gain environmental performance and indirectly provide advantages to the organizational stakeholders in the future.

However, these studies only focused on large organizations and revealed that SMEs have low awareness of their environmental impact; this issue has been the main hindrance to change (Revell &

Blackburn, 2007). Many SMEs owners are confident that they contribute only a small impact on the environment (Rowe & Hollingsworth, 1996). An individual SME has minimal operations and would not impact the environment as a large business. It is argued that their total effect (the overall SMEs) is high (Gadenne, Kennedy & McKeiver, 2009) as the SMEs industry comprises various types of businesses, for instance, information technology, manufacturing, food and beverages, and textile. Hence, the total impact of individual SMEs can have significant impact on the local environment.

There has been an increase in interest on the environmental practices of SMEs which suggest that SMEs are much less involved with the environmental programs than their large organization counterparts (Revell & Blackburn, 2007). In Malaysia, a case study by Yusoff (2019) revealed that SMEs implemented green HRM practices such as green recruitment and selection as well as green training and development. Yusoff (2019) stated that SMEs in Malaysia implemented green HRM practices to a certain extent. Therefore, this study intended to propose the green HRM practices model as the blueprint and fundamental for SMEs to implement environmental programs. It is believed that HR function plays a significant role in determining which environmental practices should be implemented in every aspect of a business (Cohen, Taylor & Muller-Camen, 2012). The green HRM practices offer an essential structure that allows SMEs to better govern SMEs's environmental impacts (Sudin, 2011). Therefore, it is crucial to identify the green HRM practices model that can promote the contribution to the environmental performance in the SMEs. The purpose of this article is to provide empirical evidence of the green HRM practices model based on a case study in Malaysian SMEs.

The next sections discuss the literature review on SMEs and environmental performance, green HRM practices, environmental performance, underlying theory, and hypotheses. In the following section, we present our methodology, followed by the results, discussions of the findings, and their implication.

LITERATURE REVIEW

SMEs and Environmental Performance

According to Hillary (2000), most SMEs are not concerned about their business activities that impacted the environment and ignored the legislation on environmental impacts. She stated that SMEs are “largely ignorant of its environmental impacts and the legislation that governs it; oblivious of the importance of sustainability; cynical of the benefits of self-regulation and the management tools that could assist in tackling its environmental performance; challenging to reach, mobilize or engage in any improvements to do with the environment” (Hillary, 2000, p. 18). SMEs contribute to a large number of businesses globally and they should be concerned on environmental sustainability as SMEs are a part of national development and cannot be isolated from the environment (Hitchens et al., 2005). In the past, the success of the SMEs was determined by strong economic performance. However, it is no longer adequate for the time being as economic performance must be in line by lessening the ecological footprint and providing further attention to social and environmental aspects.

Several factors need to be considered in dealing the environmental issues such as the accessibility of resources, geographical areas, strategic manner, and the most significant is the size of a company (Friedman, Miles & Adams, 2000). The issues make it difficult to implement environmental performance programs resulting from the study of large organizations study to small organizations. The fundamental differences between large and small organizations need a stronger understanding of SMEs readiness to implement environmental performance programs (Tikul, 2014). SMEs have a smaller operation than large organizations; however, the impact of SMEs business activities on the environment is massive as they operate in a highly competitive market and provide the most employment opportunity compared to large organizations (Rao, la O’ Castillo, Intal & Sajid, 2006).

Despite the fact that SMEs contributed to the significant proportion of pollution in most countries such as the statistics that 60 percent of all carbon dioxide emissions and 70 percent of all pollutions are caused by SMEs in the United Kingdom (Parker, Redmond & Simpson, 2009). The SMEs do not feel that they have the necessary

capabilities to implement environmental performance programs (Revell & Blackburn, 2007). At the same time, SMEs are fronting the pressure from their stakeholders such as customers, employee, trade association, and legislation to consider the broader environmental impacts of their activities (Friedman et al., 2000).

Several SME managers are ignorant about the future benefits of executing environmental performance programs in their business activities. They only take environmental measures when responding to the risk of penalties imposed by government authorities. However, the compliance to regulations imposed by the government will not confirm the sustainability of environmental performance (Rao et al., 2006). Thus, SMEs need to introduce effective human resource management to achieve their environmental actions in meeting the sustainability criteria (Jabbour, 2011).

SMEs, Human Resource Management Practices, and Environmental Performance

As mentioned earlier, SMEs in Malaysia contributed to 37.1 percent of GDP in which they are playing a vital role in our economy and become the backbone of industrial development. However, SMEs place little emphasis on the practice of green HRM for their environmental performance (Yusoff, 2019). The business environment keeps changing and SMEs are facing harsh market competition; hence, they are encouraged to implement green HRM to enhance their environmental performance and business operations (Yusoff, 2019).

Incorporating green HRM practices in corporate strategy can increase business competitiveness and provide significant advantages for SMEs. According to Rani and Mishra (2014), green initiatives in the HRM become a fragment of an extensive program of environmental performance programs as the green HRM practices develop employee commitment, reassure that all employees support the environmental performance programs, and respond to environmental issues. HRM practices are needed to associate with environmental performance programs (Jabbour, 2011) to improve environmental performance.

Green HRM practices include the insertion of procedures, policies, and practices such as environmental conditions in the recruitment process, selecting candidates who are adequately alert of environmental issues and greening concept, training programs that

are designed for environmental performance or greening, appraising employee's job performance according to environmental or green-related criteria, and providing financial and non-financial rewards to employees for their excellent environmental or green performance (Opatha & Arulrajah, 2014).

The concept and practices of green HRM, especially in the SMEs, are still indistinguishable. Numerous studies related to environmental performance programs focused on disciplines such as environmental issues related to marketing, operation management, accounting, and management. Limited research focused on how green HRM can facilitate human capital development, acquisitions, allocation, and maintenance in organisations. SMEs increase the environmental performance as HRM processes play an essential role in translating green HRM policy into practice (Jackson, Renwick, Jabbour & Muller-Camen, 2011). There is the need to identify the implementation of model of green HRM practices in SMEs. With environmental concerns influence any business decisions, the role of HR is likely to transform significantly, and green HRM is expected to dominate the future of SMEs.

METHODOLOGY

This exploratory study employed a qualitative research approach which is interviewing. This study asked owners or managers from 20 SMEs in Malaysia about the elements of green HRM practices (recruitment and selection, training and development, performance appraisal, and compensation) which are implemented in Malaysian SMEs.

The total sample size of this study is 20 SMEs operating in Penang, Kedah, and Perlis with the criteria that they must be in the market for more than five years (Please see Table 1). The list of SMEs was collected from the list of registered SMEs in SME corporation website. The responses were collected using qualitative semi-structured interviews. The respondents could raise the issues which were not addressed by the questions given that they are within the scope of the research. Based on the results from the interview, this study proposed the green HRM practices model.

ANALYSIS

Table 1: Summarize of Respondents

| Company | State | Year of Establishment |
|---------|--------|-----------------------|
| A | Penang | 2012 |
| B | Penang | 2011 |
| C | Penang | 2008 |
| D | Penang | 2004 |
| E | Kedah | 1995 |
| F | Penang | 2005 |
| G | Penang | 2000 |
| H | Penang | 1999 |
| I | Penang | 2008 |
| J | Penang | 2009 |
| K | Penang | 2004 |
| L | Penang | 2002 |
| M | Kedah | 2009 |
| N | Penang | 2011 |
| O | Perlis | 2010 |
| P | Penang | 2011 |
| Q | Penang | 2005 |
| R | Penang | 1994 |
| S | Penang | 1989 |
| T | Penang | 2009 |

The Components of Green Human Resource Management Practices

From the interview, this study summarizes the main components in green HRM practices model as shown in Table 2. Based on Table 2, this study proposes the green HRM practices model for SMEs in Malaysia as illustrated in Figure 1.

Figure 1: Green Human Resources Management Practices Model of SMEs in Malaysia

| Green Recruitment and Selection | | |
|---------------------------------|--|--|
| i. | SMEs must portray their environmental concerns to the public, and this strategy help to attract the potential candidates to apply for jobs in their organizations. | Respondent K: <i>“As we already in this industry more than ten years, we always concern about the sustainability issues, therefore, we think with our CSR activities helped to create and enhance our image and people will look for a job in our company.”</i> |
| ii. | SMEs must express the preference to recruiting candidates who have competency and attitudes to participate in corporate | Respondent C: <i>“Our company prioritizes candidates with background knowledge of environmental issues, how to save energy and water.”</i> |

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| | | |
|---------------------------------------|---|---|
| | environmental performance initiatives. | |
| iii. | All selection phases in SMEs must consider environmental issues (e.g., resumes are submitted online, company websites are used by candidates to search for jobs, etc.). | Respondent D: <i>"Our company has practically adopted the principle of reducing paper usage; therefore, we prefer candidates to email their resume, and all documents are kept in the form of softcopy."</i> |
| Green Training and Development | | |
| i. | SMEs must do environmental training need analysis and identify the training need to make their employees are more environmentally concerned. | Respondent N: <i>"company is constantly adopting open policies by allowing employees to provide an opinion on the training needed to improve their skills and knowledge of the concept of green and practices."</i> |
| ii. | SMEs must impart the right knowledge and skills about greening concept. | Respondent N: <i>"Our company provides specialized training to employees on how to save energy and air. For example, space that needs to be given priority for energy saving. Besides, we also regularly conduct training related to the green analysis of workspace so that they can produce reports on critical process issues or procedures that have critical green issues".</i> |
| iii. | SMEs must provide opportunities for employees to be trained in environmental performance aspects. | Respondent C: <i>"Our company is always open to providing training related to green or environmental issues. We provide our employees with the opportunity to provide suggestions on what training they want concerning the environment. Moreover, they are also free to advise consulting companies who can provide this training".</i> |
| iv. | SME must conduct environmental training continuously in their organizations. | Respondent A: <i>"In my opinion, training related to environmental issues is quite expensive, so our company only sends employees undergoing training if environmental issues are quite critical and involve legal issues."</i> |
| Green Performance Appraisal | | |
| i. | SMEs must establish a clear and specific objective of environmental goals for each employee. | Respondent B: <i>"If we want to measure their contribution towards the environmental activities, we must establish the first specific objectives in terms of environmental program."</i> |
| ii. | SMEs must assess employees' contributions to environmental management. | Respondent Q: <i>"We give scores to employees who contribute to the improvement of environmental programs in the company, such as successful 3Rs (recycle, reuse, and reduce) programs. Moreover, another example, if an employee gives a suggestion that can save on energy consumption, he will get more scores in his performance evaluation".</i> |
| iii. | SMEs must record individual environmental performance results. | Respondent N: <i>"We acknowledge and record their activities and contribution, therefore easier for us to trace their contributions."</i> |
| Green Compensation | | |
| i. | SMEs must reward their employees for their | Respondents B: <i>"Our company always celebrates the performance of</i> |

| | |
|---|--|
| environmental performance. | <i>employees, especially those related to environmental issues or green. We give them cash bonus incentives”.</i> |
| ii. SMEs can give financial rewards to the employee for good environmental performance. | |
| iii. SMEs can give non-financial rewards to the employee for good environmental performance (e.g., voucher, holiday package, sabbaticals, and special leave). | Respondent S: <i>“We provide cash bonuses and non-cash rewards such as KFC vouchers to employees who provide suggestions on how to save energy, save paper, and do recycling-related activities.”</i> |

Based on Table 2, this study proposes the green HRM practices model for SMEs in Malaysia, as illustrates in Figure 1.

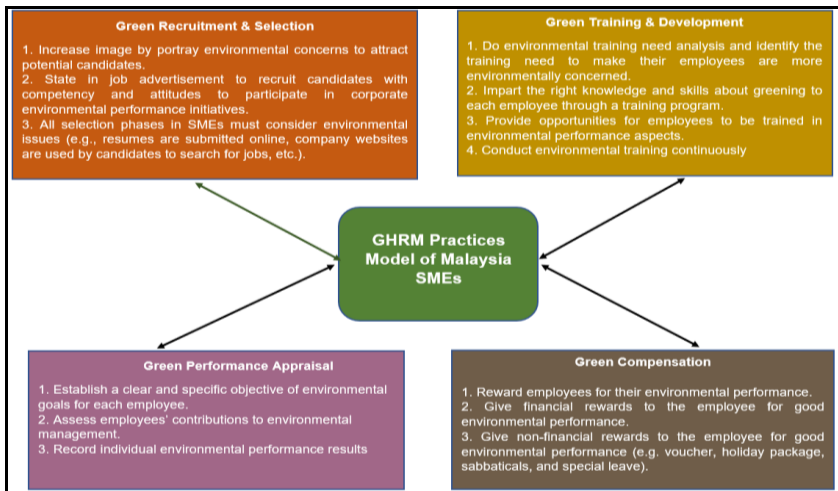


Figure 1: Green Human Resources Management Practices Model of SMEs in Malaysia

DISCUSSION AND CONCLUSION

This study found that SMEs in Malaysia have been implementing green HRM practices to a certain extent. Based on the interview, we proposed green HRM practice model for the SMEs in Malaysia. This model can guide the organization in SMEs industry on the main components in developing green HRM practices. In Malaysia, establishing green HRM practices must include the following:

1. *Green recruitment and selection*

This practice includes the increasing image of SMEs by portraying environmental concerns to attract potential candidates that have

the awareness, knowledge, and skills of green concepts during the recruitment process. SMEs must state clearly in their job advertisement on their preference of recruiting candidates who have competency and attitudes to participate in corporate environmental performance initiatives. In the selection processes, SMEs must consider environmental issues (e.g., resumes are submitted online, candidates use company websites to search for jobs).

2. Green training and development

In green training and development practice, SMEs must conduct environmental training need analysis and identify the training need to promote environmental awareness among their employees. SMEs must also convey the right knowledge and provide skills regarding greening concept by providing opportunities for employees to be trained in environmental performance aspects. The most important element in this practice is that SME must conduct environmental training continuously in their organizations.

3. Green performance appraisal

SMEs must establish a clear and specific objective of environmental goal for each employee in aligning individual employee performance with the expected SMEs environmental performance. Besides that, SMEs must assess their employees' contributions to environmental management by recording individual environmental performance results.

4. Green compensation

Compensation is the means in which the employees are appreciated for their performance. Hence, SMEs must reward their employees for their environmental performance. SMEs can provide financial or non-financial rewards for good environmental performance.

This study is expected to provide insights into green HRM practices that could be implemented in the Malaysian SMEs. Green HRM practices are concerned with the following: "systemic, planned alignment of typical human resource management practices with the organization's environmental goals" (Jabbour, 2013, p.147-148). The green HRM practices model has fundamental roles in the industry in enhancing the environmental performance of the SMEs and gaining a

competitive advantage as environmental performance in the SMEs industry. This practice has several benefits such as further well-organized business practices, operational cost savings, better image, regulatory compliance, and increased competitiveness (Quazi, 1999). SMEs need to be involved in the drive towards sustainability for the advantage of the environment and broader societal context.

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