Evaluating the Sustainable Practices of SME Master Plan and Recommendations for Improvement

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Abstract
This study discusses the sustainable practices in SME Master Plan. The increasing in awareness among the public towards importance of being environmentally- and socially-friendly in their lifestyle has pressured businesses to adopt sustainable practices. Small and medium enterprises (SMEs) are among the group that need attention in adopting sustainable practices. They do cause the environmental problems but have limited resources and capabilities to invest in more environmentally-friendly practices. In Malaysia, the policy makers have drafted the SME Master Plan to accelerate the development of SMEs and assist to transform the economy. A brief review of the SME Master Plan conclude that the economic and social performance of the SMEs have been addressed in the plan but limited attention is given to enhancing their environmental performance. Thus, this study suggests to add environmentally-friendly initiatives into the existing initiatives in the master plan. The suggestions include nurturing the environmentally-friendly capabilities of the SMEs through partnership with large enterprises and programme by the policy makers, assisting the SMEs to comply with the global environmentally-friendly standards and developing sufficient local talents to support the environmentally-friendly initiatives by businesses.

INTRODUCTION

The awareness for the need to engage in sustainable practices among businesses is increasing (Ageron, Gunasekaran & Spalanzani, 2012). Ageron et al. (2012) argue that the hike in the awareness among the public is alerting the businesses to seriously considering embedding sustainable practices in their business conduct. Besides the external push factors, firms could be driven by profitability in engaging in sustainable practices. Elkington (1998) argues that sustainable practices create greater firm performance in the long run. The sustainable practices among businesses broaden their focus from solely on economic wellbeing to the triple-bottom line that adding social and environmentally wellbeing dimensions to their objectives (Elkington, 1998; Bradbury, 2003). This study focuses on embedding the sustainable practices among small and medium enterprises (SMEs). Arguably, getting SMEs to engage in sustainable practices are important. They make up majority of business population in all economy (Dewhurst & Thomas, 2003) and they also contribute significantly to the environmental problem (Tilley, 2000; Walker & Preuss, 2008). Thus, initiatives to encourage sustainable practices among businesses would not be effective without include the SMEs. Even for large enterprises, they need the support from their supply chain partners to implement the sustainable practices.
A significant portion of their supply chain partners are SMEs. Thus, the willingness and ability of SMEs to engage in sustainable practices affect the success of transforming the economy of a nation to be more sustainable. Unfortunately, SMEs with limited resources might not make investment in sustainable practices as their priority (Walker & Preuss, 2008). This affect not only on the development of SMEs but also on the ability of local large enterprises to construct a supply chain to support their sustainable initiatives. The failure of building a supply chain that comply with sustainable practices affects the competitiveness of the nation. Thus, the policy makers should involve in preparing the SMEs to embed sustainable practices into their business operations.

In Malaysia, SMEs is defined as firms with 150 or lesser employees for manufacturing and manufacturing related services sectors and 50 or lesser for primary agriculture and services sectors (National SME Development Council, 2005). They make up 97.3 percent of total business establishments in Malaysia and contribute 32.5 percent of the country’s gross domestic product (GDP) and 52.7 percent of employment (Department of Statistics Malaysia, 2012). Socially, government encourages the weaker and poorer communities to participate in SMEs as a mean for income redistribution and poverty eradication strategies (Suyderhoud, 1999; Chan, 2005). SMEs starts to receive greater attention in Malaysia after the 1997 Asian economic crisis (Normah, 2006). National SME Development Council was set up in 2004 to oversee the development of SMEs (Normah, 2006). Since then, the available of a more systematic planning has led to steady development of SMEs in Malaysia. Evidence suggests that SMEs are leading the economy growth in Malaysia in term of GDP, employment and productivity since 2004 (SME Corporation Malaysia, 2012). In 2012, an SME Master Plan is formulated to further accelerate the development of SMEs (SME Corporation Malaysia, 2012). The main aim of the master plan is to transform SMEs to be the “game changer” to accelerate the economic development of Malaysia (SME Corporation Malaysia, 2012). The target is measured by the achievement in GDP contribution, employment creation and total export value (SME Corporation Malaysia, 2012). To achieve this target, the master plan acknowledge that SMEs must move up to be the first-tier suppliers of the large enterprises and be connected to the global supply chain (SME Corporation Malaysia, 2012). This connection will require the SMEs to comply with environmentally- and socially-friendly practices of the global supply chain (Andersen & Skjoett-Larsen, 2009). At the macro-level, Malaysian government is also targeting SMEs to achieve the social objectives of balancing the wealth distribution and ensuring accessibility to product and services among the lower income communities in the nation (SME Corporation Malaysia, 2012).

This study aims to review the SME Master Plan (SME Corporation Malaysia, 2012) by Malaysian government to facilitate the adoption of sustainable practices among the SMEs. The sustainable practices consider the performance of SMEs from the perspectives of economy, social and environmental (Elkington, 1998; Bradbury, 2003). The review starts with a brief discussion of SME Master Plan, follow by evaluation of the elements of sustainable practices in the plan and lastly recommend additional initiatives to comprehend the element of sustainable practices in the plan.

**The SME Master Plan**

The SME Master Plan aims to accelerate development of SMEs in Malaysia (SME Corporation Malaysia, 2012). This plan is developed on the fundamental of New Economic Model (NEM) (National Economic Advisory Council, 2009), especially the Economic Transformational Plan (ETP) and Tenth Malaysia Plan (SME Corporation Malaysia, 2012). The other two pillars in the NEM are Government Transformational Programme (GTP) and 1Malaysia (National Economic Advisory Council, 2009). Besides that, the master plan complements other developmental plans in the country include Bumiputra Transformation Programme, Rural Transformation Programme and the corridor development programmes, according to SME Corporation Malaysia (2012). The master plan is expected to lift the competitiveness of SMEs by increasing their economic contributions in term of GDP, employment and export value (SME Corporation Malaysia, 2012). On top of that, the plan also incorporates social objective of the government to increase the wellbeing of the lower income communities (SME Corporation Malaysia, 2012). Compared to the previous government plans to assist the SMEs, this master plan is said to be more purposeful, effective and efficient in investment of SMEs development (SME Corporation Malaysia, 2012). The development of this master plan has incorporated monitoring system, flexibility, needs of SMEs, strong supports from private sectors and best practices of the successful models (SME Corporation Malaysia, 2012). The master plan addresses four main characteristics and six general challenges face by the SMEs in Malaysia. The four characteristics are low productivity, low business formation, small number of competitive SMEs, and excessive informal SMEs while the six challenges cover issues of adoption of innovation and technology, financing, legal and regulation, quality of human capital, market and infrastructure (SME Corporation Malaysia, 2012). These are transformed into the development framework in the SME Master Plan. The framework is shown in figure 1. The goals of the framework is to address the four main characteristics of the SMEs. The six challenges are made as the focus areas in the framework.
The success of the SME Master Plan depends on 32 initiatives identified. The initiatives are summarised broadly into the six high impact programmes, four thematic measures, measures East Malaysia and other supportive measures (SME Corporation Malaysia, 2012). The graphical presentation of the action plan is shown in Figure 2. The sixth high impact programmes supports the development of SMEs by addressing the issues of licensing, innovation, financing, exporting, high growth SMEs and social objectives (SME Corporation Malaysia, 2012).

The first high impact programme aims to encourage more start-up and reduce the number of informal business among SMEs. The objective is achieved through easing the registration and licensing issues. Next, the second high impact programme encourages innovation among SMEs by implanting a system to nurture innovative ideas of the SMEs through the stage of commercialisation (SME Corporation Malaysia, 2012). The supports integrate in the system include financial, technical, technological, market information and etc. This programme aims to enlarge the pool of competitive SMEs at the same time targeting them to be global players through commercialisation of innovative products and services. The third high impact programme focuses on financial supports to increase the survival of SMEs and indirectly accelerate their development to potentially emerge as competitive SMEs. The central of the programme is to create investment companies using both private and public fund (SME Corporation Malaysia, 2012). The forth high impact programme aids the SMEs to go global through exporting. The programme mainly provides technical and informational supports to the novice exporting SMEs (SME Corporation Malaysia, 2012). The programme addresses the need for the nation to have higher export contribution from SMEs directly. Indirectly, encouraging the SMEs to export could enhance their productivity and competitiveness in the long run. Besides that, the fifth high impact programme provide a platform for high potential SMEs to accelerate their development through comprehensive supports (SME Corporation Malaysia, 2012). This programme aims at creating the highly competitive SMEs to fill the needs of “game changers” to transform economy of the nation. Lastly, the sixth high impact programme addresses the needs of the poorer community through SMEs (SME Corporation Malaysia, 2012). This programme ensure accessibility to products and services by encouraging SMEs to engage in innovation that addresses the needs of poorer community. Furthermore, innovation among the grassroots and financial needs of the microenterprises are also addressed by the programme (SME Corporation Malaysia, 2012).
Besides the six high impact programmes, the master plan also include 14 initiatives that are grouped into four themes including (i) promote resource pooling and shared services, (ii) create demand for SME products and services, (iii) reduce information asymmetry and lastly (iv) build capacity and knowledge (SME Corporation Malaysia, 2012). The first theme focuses on enhancing the bargaining power of SMEs in the market through aggregation of purchase from SMEs. This will enable them greater bargaining power due to higher volume of purchase in the market. In addition to that, this theme also creates logistic facilities to support the logistic needs of SMEs. The resource pooling cover the sharing of intangible resources and capabilities among the SMEs. The second theme emphasises on promoting the products and services of SMEs through purchase from the government, government-linked corporation, multinational corporations and successful SMEs. The initiatives include getting the multinational corporations to design structured programme to guide and develop SMEs to be the higher value added suppliers. Besides that, financial support is also provided to assist SMEs to enhance their capabilities complying with the market standards in term of product quality. The third theme covers the areas related to accessibility to finance by SMEs. The initiatives include enhancing the transparency of SMEs credit rating to the potential financier, establishing panel of experts in helping banks to evaluate commercial value of SMEs’ projects and educating SMEs on their financial management issues. On top of that, initiative is also developed to provide information and guide SMEs on issues if intellectual property application. The last theme addresses the issues of quality human capital supply to SMEs. The initiatives focus on identified various available sources of supply of quality human capital to SMEs.

Apart from the six high impact programmes and the four thematic measures, special measures are taken in the SME Master Plan to address the conditions of SMEs in East Malaysia (SME Corporation Malaysia, 2012). The measures concern mainly with the development of quality infrastructure to enable the SMEs in East Malaysia to operate (SME Corporation Malaysia, 2012). Furthermore, the regulatory issues in East Malaysia are also addressed to ensure the SMEs can function more effectively (SME Corporation Malaysia, 2012). Lastly, seven supporting measures are also highlighted. The supporting measures concern mainly with policies at macro level such as dealing with bankruptcy law, taxation and labour policy (SME Corporation Malaysia, 2012). Besides that, the measures also cover issues of efficiency and effectiveness of the trade clearance and facilitation system, encourage greater research on SMEs, building more comprehensive funding ecosystem to address the needs of...
SMEs at different stage and provide support to SMEs that go for international venture through overseas trade offices (SME Corporation Malaysia, 2012).

The brief review of the action plans in the SME Master Plan shows comprehensive initiatives to cover the six focus areas and four goals highlighted in the master plan. The next question is whether the initiatives are sufficient to prepare and engage SMEs into the sustainable practices and thus increase the value creation. This is important to connect the SMEs to be first-tier suppliers in the global supply chain.

THE ELEMENTS OF SUSTAINABILITY PRACTICES IN THE SME MASTER PLAN

The SME Master Plan is built on the ETP, one of the four pillars in NEM (SME Corporation Malaysia, 2012). The ETP has explicitly pronounced the need to consider the economic, social and environmental perspectives in economic planning through the concepts of high income, inclusiveness and sustainability (National Economic Advisory Council, 2009). While the target of high income nation focuses solely on the economic wellbeing of the nation, inclusiveness and sustainability address the needs to incorporate the social and environmental objectives into the economic development (National Economic Advisory Council, 2009). The target of creating an inclusiveness society requires the economic development to benefit all Malaysians with special attention on the poorer half (National Economic Advisory Council, 2009). The sustainable growth on the other hand emphasises on an economic development without compromising the environmentally wellbeing of the nation (National Economic Advisory Council, 2009). This target pays attention on natural resources and non-renewable energy (National Economic Advisory Council, 2009).

Consistent with the ETP, SME Master Plan has clear objectives in driving the SMEs development to achieve the economic and social wellbeing among Malaysian. While all the initiatives and action plans incorporate the economic objective of transforming Malaysia into a high income nation, the social objective of inclusiveness society is also addressed in the SME Master Plan. The sixth high impact programme targets to improve the wellbeing of the poorer half of the Malaysians mainly through encouraging the SMEs to innovate and produce products and services that meet their needs (SME Corporation Malaysia, 2012). This includes nurturing and developing innovations among the grassroots to address their own needs. Furthermore, at macro-level, the SME Master Plan also aims to distribute the nation wealth to the poorer half by providing financial support in the form of micro-funding to encourage them to participate in SMEs and enhance the survival of existing SMEs (SME Corporation Malaysia, 2012). Besides that, the measures for East Malaysia in improving the facilities and connectivity consist of the social element of improving the quality of life of people in the rural areas. Complementing the SME Master Plan in addressing the target of inclusiveness society are the Malaysian Social Enterprise Blueprint (Malaysia Global Innovation and Creativity Centre, 2015) and the Satu Daerah Satu Industry (SDSI) (One District One Industry) programme (Prime Minister Office Malaysia, 2012). The social enterprises according to Dees (1998) incorporate social on top of profitability. The SDSI programme on the other hand builds on the uniqueness of local products and thus facilitate wealth creation among the citizens including the poorer community especially among the craftsmen. These can be mechanisms for the government to address the needs of poorer community. Thus, it could be concluded that the sufficient measures are available to get SMEs to address the economic and social perspective of the triple bottom lines.

Nonetheless, the element of environmental wellbeing or sustainable growth are given little attention in the master plan. No explicit initiative or action plan is designed to engage SMEs with utilisation of the natural resources or non-renewable energy in a more sustainable manner as stipulated in ETP. When the sustainable growth is viewed from a broader perspective, the initiatives and action plans in the master plan do indirectly address it. For example, creating a system that allows SMEs to share resources and facilities aims at improving the efficiency of business operations help to optimise the resources utilisation. In addition to that, in the process of enhancing the competitiveness of SMEs, adopting newer and more efficient and effective technology reduces the pollution and consumption of resources. Arguably, these indirect efforts to engage SMEs with more environmentally-friendly practices are insufficient. The SME Master Plan has a clear objective of transforming the Malaysian economy. One way to transform is to build the competitive advantage of the nation on the environmentally-friendly products and services. SMEs will have to be crucial to build this competitive advantage as they represent the fundamental of the country’s economy. In view of that, recommendations are directed for policy makers to enhance the environmental sustainable practices among SMEs in a more purposeful manner. The recommendations are built on the existing action plans in SME Master Plan. All the recommendations do consider achieving economic objective for the SMEs.
RECOMMENDATIONS TO IMPROVE ENVIRONMENTALLY-FRIENDLY INITIATIVES IN SME MASTER PLAN

This study suggests the SME Master Plan to incorporate environmentally-friendly initiatives into the existing initiatives in the plan. First, the master plan can facilitate the collaboration from large enterprises to design programme to nurture SMEs to be environmentally-friendly supply chain partner. Moving a step backward, this study suggests the master plan to cultivate environmentally-friendly innovations by SMEs and new start-up and nurture them to be the home grown champion. The third recommendation of this study is on assisting the SMEs to get their environmentally-friendly products and services to comply with global standards and accredited with global environmentally-friendly certifications. The last recommendation emphasises on the supply of local talents in environmentally-friendly practices to SMEs.

An important objective of SME Master Plan is to connect SMEs to the global supply chain as first-tier suppliers to increase their value added (SME Corporation Malaysia, 2012). In an environment that large corporations need to base their competitiveness on sustainable practices, the success of the implementation of green practices depends heavily on the adoption of sustainable practices (Ageron et al., 2012). Thus, SMEs need to adopt environmentally-friendly practices in order to be the first-tier suppliers. There are various areas that SMEs can get themselves involves in creation of environmentally-friendly products and services. According to EU Ecolabel, the environmentally-friendly practices can be embedded in the whole value chain of a firms. This include the raw materials, manufacturing, packaging, distribution and disposal of the products (European Commission, 2015). Thus, SMEs should select the right niche based on their strengths or competitive advantage. This wide range of environmentally-friendly activities that SMEs can involve themselves does not necessarily mean that SMEs have to engage in high technology operations to be able to participate in the first-tier suppliers to the corporations that produce environmentally-friendly products or services. Instead, they should explore a niche area in the value chain of producing environmentally-friendly products and services that they can gain competitive advantage. The niche areas include producing raw materials for the final products or the materials used in the packaging of final products, providing logistic solutions or disposal solutions that comply with the environmentally-friendly standards. The collaboration from the large enterprises is important to nurture these capabilities in SMEs. They can design programmes to nurture SMEs with potential to be their partners in creating an environmentally-friendly value chain. The large enterprises can also benefit from having local supply chain partners that can fulfil the global environmentally-friendly standards. The availability of the local partners benefits them by having more capable partners to create higher value to the customers while fulfilling the global environmentally-friendly standards easier at lower cost. This initiative can be added into the second thematic measure to create demand for SME products and services by getting the large enterprises to develop structured programmes to nurture SMEs to develop capabilities to comply with the environmentally-friendly standards.

The fundamental of becoming the high value added suppliers of environmentally-friendly products and services to the large enterprises is innovation. The SMEs need to be creative in producing products or providing services. This study suggests the master plan to give priority to facilitate the highly potential innovation for environmentally-friendly products and services through the second high impact programme of technology commercialisation platform. For the SMEs that prove the potential of the environmentally-friendly products and services should be given priority consideration to be included in the catalyst programme to be in home-grown champion. Or at least, the likelihood of the products and services produced by SMEs to comply with the environmentally-friendly standards should be made a criterion to select the home grown champion. These initiatives can ensure that SMEs with environmentally-friendly innovations are given priority considerations and all the SMEs do consider environmentally-friendly initiatives in business operation. The same concepts can be applied to the context of new start-up. New start-up with innovative environmentally-friendly solutions should be given priority consideration under the third high impact programme of SME investment programme. Similarly, for the new start-up to be considered for the investment programme to get the early stage financing, the environmentally-friendly initiatives should be made as a criterion for selecting the start-up. Furthermore, it is also suggested that the SME investment programme can take more proactive steps to identify potential business ideas and invention from the grassroots and learning institutions to be nurtured. The new start-ups that successfully prove the potential of their environmentally-friendly products and services should be channelled through the catalyst programme. To ensure that SMEs producing environmentally-friendly solutions are given focus in the catalyst programme, the master plan should clearly provide certain allocation for them. This initiative can ensure that the nation is able to produce home grown champion for environmentally-friendly products and services.

On the other hand, it is also important for the SMEs to get their environmentally-friendly products or practices certified to be in accordance to the global environmentally-friendly standards. This is important to ensure that they are able to compete as global players. The certification of compliance with global environmentally-friendly
standards would help to promote the SMEs to the buyers worldwide. The government can assist the SMEs through providing financial supports, technical training and information sharing to help them to acquire the certification. This initiative can be added into the second and third thematic measures in the master plan. The second thematic measure focus on providing financial supports while the third concentrate on technical training and information dissemination. Apart from assisting SMEs to get certification for their product quality and application of intellectual property right, certification of compliance with environmentally-friendly standards should be explicitly highlight. Related to the compliance with the global environmentally-friendly standard, the SMEs entering into agreements with their partners need to ensure their products fulfil the environmentally-friendly requirements stipulated in the agreements. This will require the SMEs to constantly testing and auditing of their products to ensure compliance. However, testing and auditing can be costly to the SMEs. The master plan can address this issue through the first thematic measure of promoting resource pooling and service sharing. The SMEs can work together to share the cost of making the testing facilities available in the country. This will enable them to test their products compliance at lower cost. However, for more common testing facilities and auditing. The government invest to make them available to the SMEs. This can be made as an initiative in the fourth thematic measure of capacity and knowledge building. Once the SMEs products and services fulfil the environmentally-friendly requirements, the policy makers need to assist them to venture globally. This is an important step to connect them to the global supply chain. Thus, it is recommended that the fourth high impact programme of going export programme in the master plan to provide priority consideration for these SMEs. The policy makers should through this programme establish supports for the SMEs to go global including promoting them to the global buyers.

Last but not least, quality human resources are needed for successful implementation of sustainable practices among businesses in Malaysia, especially SMEs. SMEs have limited financial and reputational strengths to attract human talents from overseas to implement sustainable practices. Therefore, availability of qualified local talents is important for SMEs. In the immediate term, the policy makers need to set up a taskforce to assist the SMEs in implementation of the environmentally-friendly practices, especially in term of compliance to the global standards and application for certification. This initiative can be included in the third thematic measure of reduce information asymmetry. In the short term, short courses can be made available to train the existing workforces on the environmentally-friendly practices and compliance. The policy makers could assist in providing training for general practices and some specific practices in the key industries. Nonetheless, the SMEs should take their own initiative to train their own employees. The policy makers can help to facilitate the collaboration among the SMEs or between the SMEs and large enterprises to share the training cost among themselves through the first thematic measure of resources pooling and shared service. In the long term, the policy makers need to consider integrating the environmentally-friendly practices into the schools’ and higher learning institutions’ syllabi. This can ensure the knowledge of environmentally-friendly practices are made as fundamental knowledge among all the workforce in the future. The widespread of the knowledge is important to transform the economy by integrating the sustainable practices into business practices at all level.

CONCLUSION

The analysis of SME Master Plan reveals that sufficient attention has been given to develop the economy and social wellbeing of SMEs in Malaysia. However, the emphasis of the master plan on environmental wellbeing is rather minimal. This study therefore suggests the policy makers to incorporate initiatives to enhance the environmentally-friendly practices among the SMEs. This is important as the awareness on the sustainability practices is increasing among the citizens. Thus, the nations that engage in environmentally-friendly practices in their economy development will gain competitive advantage. In the context of this study, recommendations are made to enhance the existing initiatives in the master plan. This study forwarded several recommendations. First, large enterprises needs to assist in nurturing the environmentally-friendly capabilities of the SMEs. Second, the policy makers should give priority in allocating their resources to nurture SMEs with environmentally-friendly practices. Third, sufficient aids should be given to SMEs to build their environmentally-friendly practices that comply with the global standards. Lastly, sufficient of human talents with knowledge in environmentally-friendly practices need to be trained.

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