Green Growth and Corporate Sustainability Performance

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Abstract

Green growth or environmentally sustainable economic growth is imperative in light of the current environmental crises and resource depletion. Malaysia is currently facing a conflict between economic growth and environmental conservation. Greening the economy could integrate the social quality, as a pillar of sustainable development, with economic and environmental priorities. Indeed, it may improve the human well-being while significantly reducing environmental scarcity. The problems of sustainability are becoming a global concern by many manufacturing companies especially in the automotive industry. Thus, this paper attempts to discuss on past literature on how green growth could improve the corporate sustainability performance. A research framework will be proposed to examine the relationship between green growth and corporate sustainability performance in the automotive industry.

1. Introduction

Many countries are currently experiencing a rapid economic growth accompanied with the reduction of poverty and improvement in quality of life. However, this process is usually complemented with environmental depletion such as pollution of water, air and other related problems. The expediting pace of climate change has integrated another dimension of intricacy to the relationship between the economic growth and environmental decline (Cole, Rayner & Bates, 1997). In recent years, Malaysia has undergone a rapid growth of economy where the key drivers of such growth consist of private consumption and investment, especially in production sectors including the

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automotive industry. According to Prahalad and Hammond (2002), the role of sustainability within the manufacturing automotive industry has changed and matured in the dynamic business environment. Generally, the issue of sustainability has become a critical issue for business world. The automotive industry such as the motor vehicle parts industry is highly desired by many countries to initiate the economic growth, job creation and technology development.

Countries in ASEAN region are no exception. Over the past decades, these countries have succeeded in developing individual automotive industry that practices the guidelines from the local-content requirements, high tariffs, investment incentives and tax policies that were designed to promote and protect the industry (ASEAN, 2010). According to the Department of Environment (2012), Malaysia has been addressing the issues of environmental pollution caused by manufacturing activities in order to achieve better economic growth.

However, this economic growth leads to environmental decline (Jamet & Corfee, 2009). The impact of the economic activity on the environmental systems creates imbalances which bring risks in the economic growth and development. Therefore, there is a need for the manufacturing firms to initiate good sustainable environmental practices in order to minimize environmental impacts and conserve the resources.

2. Literature Review

2.1 Green Growth

“Green Growth” or “Green Economy” has been used by different organizations to propose a new model which suggested various solutions to cope with the current environmental challenges such as energy conservation and renewable generation, pollution and waste reduction and more efficient use of resources. It represents an opportunity to simultaneously improve people’s quality of life, alleviate poverty, create decent jobs, promote sustainable investment and enhance the company’s competitiveness.

Heading toward “Green Growth” demonstrates the efforts in fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services where the wellbeing relies (OECD, 2011a). Further, green economy has not been conceived as a replacement for sustainable development, but rather, should be considered as a subset of it. Therefore, green economy demands an operational policy agenda that can help achieve measureable progress at the interface of the economy and the environment (OECD, 2011). Green growth, as explained in the 2010 Egyptian Competitiveness Report, helps to increase the efficiency of the economy by reducing pollution, introducing green innovative technologies, improving productivity, creating decent jobs, lowering production costs, attracting foreign direct investment, guaranteeing future access to energy and thereby enhancing the country’s competitiveness. That is why there is a growing consensus all over the world that the business-as-usual scenario (BAU) is no longer an option as it was before, and switching to a green growth is becoming a must (ENCC, 2010).

The importance of green growth lies in the solutions it offers to the current challenges imposed by the existing development models and the future threats of climate change, while offering multiple opportunities to advance the automotive industry. According to AFED (2011), it is considered as a new approach to solve the interconnected problems in a comprehensive manner. It also helps to support economic diversification, accelerating the overall rate of technological change and sustainable growth. Therefore, green growth also helps to increase the efficiency of the economy by reducing pollution, introducing green innovative technologies, improving productivity, creating recent jobs, lowering production costs, attracting foreign direct investment, guaranteeing future access to energy and thereby enhancing the country’s competitiveness (ENCC, 2010).

2.2 Corporate Sustainability Performance

According to Ebner (2010), the sustainable development represents an ethical concept associated with the battle against poverty and protecting the environment at a macro level. Moreover, sustainable development when incorporated with the firm, it is called corporate sustainability. The company’s operational practices entail three sustainable development objectives namely social equity, economic efficiency and environmental performance (Labuschagne, 2005).

In general, it is believed that a trade-off exists between environmental proactive and firm’s productivity (Porter &
Van der Linde, 1995). The pursuit of environmental goals is usually associated with the increased cost at the beginning of the implementation of sustainable environmental manufacturing practices. But it resulted into cost savings and better financial performance in the long run (King & Lenox, 2001).

At the company level, these three dimensions are generally accepted as descriptive of a company’s performance in sustainability. The economic performance at the company level refers to the company’s influence on its stakeholders’ economic circumstances, as well as on the economic systems at local, national or international levels (GRI, 2006). Financial performance and profits no longer guarantee a company’s long term survival. A company needs to include non-financial performances such as social activities and environmental protections into decision-making and strategic planning (Orlitzky, 2008).

Based on environmental performance and environmental report, corporate sustainability performance is defined as the result of an organization’s management of its environmental aspects (ISO, 1999). It addresses the company’s influences on the living and non-living natural systems, including the ecosystems, land, air and water. Ranganthan (1998) identified four key elements for environmental performance such as material use, energy consumption, non-product output and pollutant release.

The last elements in firm performance are social performance and social report, and these can be related to corporate performance to the social systems within which a company operates (Cooper, 2004). They are four key elements in the social elements such as employment, community relation, ethical sourcing and social impact of product (Ranganathan, 1998).

2.3 Green Growth and Corporate Sustainability Performance.

Green growth can improve corporate sustainability through economic factor by green manufacturing. According to Chin and Shih (2007) in their investigation on green manufacturing practices among the Chinese industries, it is proved that green manufacturing is positively related to the financial performance. Furthermore, Hart and Ahuja (1996) in their study in manufacturing industry confirmed that there is a significant relationship between reducing emission and financial performance.

Green manufacturing is a manufacturing mode designed to minimize the environmental impact in the manufacturing processes of products (Tan, 2002), and the adoption of green manufacturing helps to reduce waste and pollution (Hui, 2001). Environmentally responsible manufacturing processes such as the GSCM practices and their many related principles have become more important strategies for companies to achieve profit and increase market share objectives by lowering the environmental impact and enhancing the efficiency (Zhu & Sakis, 2006).

Besides that, Schoenherr and Talluri (2012) found a positive relationship between sustainable environmental practices and plant efficiency while Lai and Wong (2012) affirmed that there is a positive relationship between environmental management and operational performance in green economy. Green economy minimizes the negative effect on the environment, minimizes the use of energy and natural resources, and provides safe environment for the employees and the consumers. It is commonly perceived as recycling of materials, sourcing of renewable energy and emission reduction. However, it also entails other practices that spread the environmental perspectives to the public and stakeholders, and such activities include research and design, employees training and customer awareness (Rusinko, 2007).

Hallegate, Heal, Fay,and Treguer (2011) defended that the relationship between green growth and social are clear as generally, changes in economic growth commonly are related with social improvements even though in the present of policies to reduce inequality. Moreover, they also state that economic and social improvements tend to go hand in hand, and even more so in the presence of policies to reduce inequality. According to Schaltegger and Wagner (2006), the improved social is also seen as a potential source of competitive advantage, as it can lead to more efficient processes and improvements in productivity, lower costs of compliance and new market opportunities.

3. Research Framework

Due to what is considered as a gap in the research literature, Figure 1 presents a research framework to examine the effect of green growth on corporate sustainability performance in manufacturing industry. Nowadays, most governments focus on economic growth without considering the effect on the environment. World Bank (2012) and OECD (2011) defined natural capital as an additional production factor into economic accounts, models and
strategies. The purpose is to measure sustainable development in three factors which include the economic, environmental and social dimensions.

![Figure 1: Research Framework](image)

### 4. Conclusion

The expected result of the above research framework shall provide several implications both in the theory and practice by revealing the established linkage between green growth and corporate sustainability performance which focuses on reduction of energy consumption in firms, reduced carbon emission and environmental degradation caused by the manufacturing activities. As a consequence, better environmental performance can be achieved as more firms are committed to green growth.

### References


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