

# Green Supply Chain Management in Malaysia Service Industry

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## INTRODUCTION

Current capitalist economic system practised by the industry has caused numerous damages to the environment. Centralising solely on achieving highest return on investment has led corporations to contribute significantly to environmental degradation (Smith, 2010). As corporations compete for more gains and wealth, more and more resources are consumed globally. This has resulted to unsustainable consumption in which the planet earth is no longer capable of producing the resources at the same rate that they were utilised (Chapin, 2009). Improper waste management, overconsumption of natural resources, deforestation, and climate change are among the obvious reasons for current deterioration (Esty & Winston, 2009) and these problems are due to voracious human activities. Most worrying, some of these environmental impacts are notable beyond national and time boundaries (Hitchcock, 2012).

Commercial industries, as prominent forces controlling the world economy and resources, should highlight that it is of high importance that commercial industries be engaged in environmental stewardship (Seuring & Müller, 2008). The last few years have witnessed new policies being formulated and amended in line with Malaysia's aspirations to be a sustainable country. Through the amended National Economic Model (NEM), it is observed that services sector, which contributed 55% to the country's Gross Domestic Product (GDP) in 2013, is given special focus (MIDA, 2014). Growth in this sector is gaining momentum and needs to be sustained through synergistic collaboration arrangements and these include strengthening the supply chain.

Supply chain is an important element of operational strategy. As the market become more global with

shorter life cycle of new product, topped with customers heightened expectations, companies are obliged to focus and improve on their supply chain. In conventional supply chain, raw materials are procured and items are produced at one or more factories, and then shipped to retailers or customers (Fawcett, Ellram & Ogden, 2007; Christopher, 2012). Moving forward, effective supply chain strategies should enable companies to not just reduce cost and increase service satisfaction levels, but also minimise environmental impacts, through interaction integration at various levels in the supply chain: upstream and downstream. Consequently, green supply chain management (GSCM) was introduced in the commercial industries and adopted by responsible companies. Nevertheless, GSCM implementation in the service industry is still ambiguous due to its intangible nature (Akkerman & Vos, 2003).

This article attempts to display the relevance of incorporating sustainability in the supply chain process of service industry. GSCM in the manufacturing industry has attracted widespread research interest over the past two decades, whereas studies of GSCM in service industry were very limited (Zhang, Song & Huang, 2008; Hong, Kwon & Roh, 2009). Currently, most researchers have focused on how the supply chain management could be altered to improve the manufacturing industry (Zhu, Geng, Fujita, & Hashimoto, 2010; Lee, Kim & Choi, 2012) and very few research was conducted on green supply chain contribution towards achieving better performance in the service industry. Thus, this study carries the aim to explore this issue from previous researches and case studies in the effort to establish a clear concept on green supply chain management (GSCM) in the service industry.

## BACKGROUND

### Environmental Stewardship

In order to develop better understanding on GSCM impacts on environmental and operational performances, sustainability concepts will first be discussed. One amazing characteristic of the ecosystem is it has the natural ability to recover or return to its original stage after being disturbed. However, due to human activities, most of them involve extensive natural resources usage and environmental pollution which serve the capitalist needs of production. This ability has declined globally in the last half century (Chapin, 2009). The United Nations (1987) has defined sustainable development as the 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'.

Moving forward, services industry such as logistics industry and other environment sensitive industries must adopt GSCM in their operation strategy to ensure that environment is put at the heart of every business process (Seuring & Müller, 2008). Chapin (2009) has reviewed that the collapse of many advanced human societies, including Babylon, the Roman Empire, and the Mayan Civilization, were contributed by environmental degradation. Therefore, it is of vital importance that corporations play their role in ecosystem management and this could be done through environmental stewardship. Environmental stewardship refers to responsible consumption and protection of the natural environment that could be achieved through conservation efforts and sustainable practices (Dorsey, 2003). In this particular research, service industry falls under the doers' category of environmental stewardship. Doers would resolve the problem caused by taking action. As an example, if an oil and gas service provider has accidentally caused oil spill in the sea, they would be the volunteers that participate in the cleaning up effort.

Malaysia's commitment towards environmental sustainability is portrayed through the country's ratification on Kyoto Protocol in 2002. The Kyoto Protocol, under United Nations Framework Convention on Climate Change (UNFCCC) is an amendment to the international treaty signed in 1992 on climate change, which assigns mandatory emission limitations for the reduction of greenhouse gas emissions to the involving nations. The objective of the protocol is to stabilize greenhouse gas concentrations in the atmosphere at

a level that would prevent dangerous interference with the climate system (Malaysia's Second National Communication to the UNFCCC, 2011). Looking at current Malaysia business environment, most public listed companies are aware of Malaysia's sustainability aspiration. However, due to perception that going green may increase production cost, many companies are still reluctant to switch despite various incentives given by the government.

### Service Industry in Malaysia

While manufacturing sectors are expected to slow down, services have been projected to spur Malaysia's economic growth. In recent years, service sector in Malaysia has displayed significant growth and this could be observed through its major contribution in its Growth Domestic Product (GDP). Malaysia national newspaper, The Star, has reported on February 12, 2014 that services sector, which accounts for 55% of the country's GDP has expanded by 6.4% in the fourth quarter of 2013. Realising the importance of strengthening the service industry, Government has developed a framework for the New Economic Model (NEM) in the effort to achieve high-income economy status through services. Under services sector, sustainable efforts are given highlights when the Government outlines eco-tourism, green technology and waste management industry growth as part of NEM framework.

The Malaysian Government is very serious on making the manufacturing and services more green and sustainable. This could be observed from new policies introduced and amendments made with regard to environmental concern. The latest revision announced on the National Automotive Policy (NAP) that recognises the adoption of Advanced Green Technology as an instrumental component of Malaysia's future economic growth. This will enable Malaysia to position itself as the single production base and marketing hub for energy efficient vehicles (EEV). In addition to that, from the desk research conducted, sustainable development related policies were also found in the 10<sup>th</sup> Malaysia Plan, Government Transformation Program, Economic Transformation Program, National Physical Plan 2, National Environmental Policy, National Climate Change Policy, Natural Mineral Policy 2, National Policy on Biological Diversity, Renewable Energy Policy and Action Plan among many others policies.

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