Islam and Corporate Environmentalism:
The Case of Shariah-Compliant Public Listed Firms in Malaysia

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ADDENDUM

p 342: delete “Wikipedia. (n.d-f)”
p 342: delete “Wikipedia. (n.d-c)”.
p 343: delete “Wikipedia. (n.d-k)”
p 342: delete “Wikipedia. (n.d-d)”

p 343 delete “Wikipedia. (n.d-h)”

p 342 delete “Wikipedia. (n.d.-e.)”


p 89 footnote 60: delete “Wikipedia, n.d.-i” and read “Merton, 1949”.

p 343 delete “Wikipedia, n.d.-i”


p 342 delete “Wikipedia, n.d.-g”


p 343 delete “Wikipedia. (n.d.)”.


p 91 line 3 after “inquiry” add “footnote 60a”.

p 91 footnote 60a reads “Literature search was carried out using Emerald, Scopus, ProQuest and EBSCOhost. Keywords used for the search are “corporate environmentalism”, “environmental”, “environment”, “Islam”, and “Shariah”. For the keyword search of “corporate environmentalism” and “Islam”, Emerald and Ebscohost did not produce any results, both Proquest and Scopus showed 2 references, respectively. When the search was changed to “Shariah” instead of “Islam”, Emerald referred to 1 reference, while Ebscohost, ProQuest and Scopus did not produce any reference. The search was broadened to “environment” and “Shariah” in the abstract, Emerald produced 15 references and Proquest 0, Scopus produced 290 references for all search, and Ebscohost referred to 1 reference for author-supplied keyword. When “environment” and “Islam” were used in the keyword search, Emerald produced 2 references. Proquest produced 64 references for all field search except full text. Scopus produced 8 references when the search was refined to Arts and Humanities and Social Sciences subject areas and keywords of “Islam”, “Islamism” and “religion”. A search using author supplied keywords of “environment” and “Islam” found 2 references under EBSCOhost and when Boolean/phrase search using “corporate social responsibility” and “Islam” were used, EBSCOhost produced 1 reference. Most of the references are related to environmental disclosures issues, environmental ethics, Islamic business ethics and Islamic banks. While some references relate to the issues discussed, most of the references are found not related to this study. Taking into accounts all citations and keywords search shows that there is a scarcity of research on corporate environmentalism and Islam.”

p 11 add to footnote 12 “All Quranic and Hadith quotes in the thesis were interpreted in accordance to the methods of textual indication on legal ruling (Ramic, 20013). This process follows the approach suggested by Wilson (2012, 2014). The interpretation of the meaning is based on the assessment of the text in relation to the context of the discussion. While some have direct, explicit meaning (ibarat al-nass), others require analysis based on signs detected in the text (alluded meaning or isharat al-nass) or the linguistic meaning (inferred meaning or dalalat al-nass). In some cases, meaning is presumed to enable the quote to be truthful (required meaning or iqtida al-nass).”


p.12 after “Dusuki, 2008” add “Figure 2.1 shows rules and sources of Shariah, as the basis of Islamic law.”

p.12 after para 1 to include Figure 2.1

Figure 2.1: The basis of Shariah Law

*adapted from “The Four Foundations (Usool) of Fiqh,” 2013.

p viii after “LIST OF FIGURES” to add “Figure 2.1: The basis of Shariah Law 12”.

Table 3.6: Current environmental state in Malaysia: A gap between policies/approaches and the practice

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| **Secular regulatory approach**  
Introduction and implementation of various policies, rules and regulations such as environmental reporting requirement by the Securities Commission, Environmental Law, Five-Year Economic Malaysia Plan (Environmental Impact Assessment (EIA), Feed-In Tariff (F/I/T)). | Ecological debtor status with footprint of 3.90 hectares per person(gha), in comparison to biocapacity of 2.50 hectares per person (gha) (2008 data). Each individual in Malaysia consumes 3.90gha of resources while the regeneration capacity is only 2.50gha. |
| **Secular non-regulatory approach**  
Governmental incentives (Malaysian Industrial Development Authority (MIDA), Green Technology), non-governmental incentives (Malaysian Environmental NGOs, Malaysia Green Building Confederation, accolades and awards), international participation, sustainability rating index, reporting requirements. | Increasing deforestation rate between 1990-2010 period. Malaysia will soon lose its forest creditor status if the current trend continues. Forests in Malaysia will soon be unable to produce resources for consumption and absorb the waste. |
| **Non-institutionalized religious approach**  
Collaboration between Institute of Islamic Understanding Malaysia (IKIM) and WWF Malaysia on conservation and protection of endangered wildlife species, information dissemination through religious sermons and publications. | An upward trend in carbon dioxide (CO₂) per capita emission between 2000 to 2011. Each individual releases a higher amount of CO₂ from the consumption of energy that an average individual in the world. |
Figure 7.29a: The current practice of corporate environmentalism among Shariah-compliant public listed firms in Malaysia

Firms

Compliance reports

Legitimized

Secular mimetic, coercive, normative isomorphic pressures

Secular moral, pragmatic, cognitive legitimacy

Legal regulatory and non-regulatory bodies/requirements

Secularist

Strong secularist pressures and responses

p 297 after Table 7.2 add “Figure 7.29a shows the current practice of corporate environmentalism among Shariah-compliant public listed firms in Malaysia. Secularist approach to environmental management appears dominant in influencing legal regulatory and non-regulatory bodies in matters pertaining to the environmental issues. Firms respond to a strong form of secular mimetic, coercive and normative isomorphic pressures to gain moral, pragmatic and cognitive type of legitimacy from these bodies.”

p 297 after Table 7.2 add Figure 7.29a

Figure 7.29a: The current practice of corporate environmentalism among Shariah-compliant public listed firms in Malaysia

p xii after “Figure 7.29” add “Figure 7.29a: The current practice of corporate environmentalism among Shariah-compliant public listed firms in Malaysia 297”.
Figure 8.1: The proposed model for corporate environmentalism among Shariah-compliant public listed firms in Malaysia

The fact that the environment remains a main problem in Malaysia suggests that the current approach has failed to address the issue in an effective way. The study identifies a significant gap between current environmental policies/approaches and practices, and proposes a model that
integrates Islamic environmental values and practices as a means to exert pressures on firms to adhere to best environmental practices.”

p xii after “Figure 7.30” add “Figure 8.1: The proposed model for corporate environmentalism among Shariah-compliant public listed firms in Malaysia 319.”
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ABSTRACT

With rapid industrialization and urbanization, environmental degradation has become a major threat to the wellbeing of mankind and the environment. Despite concerted efforts by governments around the world, deteriorating environmental condition remains a major problem for the global community.

While environmental issues have been studied from a wide range of perspectives, from scientific to health and wellbeing, however, there is scarce literature on the role of religion on the corporate environmental management and practice. Islam, one of the major religions of the global community has clearly articulated in the Quran and the Hadith that protection of the environment is a sacred duty before Allah. Islam emphasizes the relationship between humans and other elements of the environment, apart from individual obligation to perform rituals to Allah. However, despite the call for mankind to protect the environment under the Shariah, the environmental condition in Islam dominated countries suggests that mankind has neglected the duty to give due attention and care to the environment.

This study explores the gap between Islam’s call to protect the environment and the actual corporate practice within Islam dominated countries. Malaysia, the chosen context of the study, is a multiracial society with Islam as a dominant religion. The Islamic influence among the majority of its population (Malays) is very significant to the extent that Islamic rituals are practiced as an integral part of the Malay ethnic culture. Islam also influences other aspects of the Malaysian setting, including economy and politics. However, deterioration of the environment in Malaysia over the past three decades, suggests that Malaysia has a poor record of protecting and preserving its natural environment and habitat. Much of the environmental degradation can be traced to the rapid industrialization of the economy since the 1980s.

This study examines the environmental perception and practices of managers of the Shariah-compliant public listed firms in Malaysia. The primary objective of the study is to assess whether managers’ personal beliefs influence their perception on corporate environmentalism. In this study, a sample of respondents from the firms was chosen, covering three hierarchical levels of managers - top, medium and operational. These managers were selected as they have the capacity and capability to influence corporate environmental practices of the firms.

In this thesis, the social constructivist epistemology, symbolic interactionism and grounded theory method were used as the research design. The chosen research design allows for the development of new theory on factors influencing managers’ perception and actual practice of corporate environmentalism in a country where Islam is the main religion.

The findings reveal that managers’ perspective is not influenced by Islamic theology or Shariah principles, but by secular worldview of environmental best practices and regulations. The
component of trust among firms as proposed by the *Shariah* is almost non-existent. Secular regulation requirements were found to have strong coercive, mimetic and normative isomorphic pressures for firms to engage in corporate environmentalism to gain legitimacy.

The study contributes to the corporate environmentalism literature from the perspective of Islam. Findings of the study reveal that Islamic religious authorities in Malaysia have failed to incorporate economic and social changes based on *Shariah* principles pertaining to environmental protection. Islamic environmental theology has not been translated into tangible rules, tracking mechanism, enforcement and punitive measure for violators of environmental rules. The absence of an effective Islamic environmental regulatory system is due to the traditionalist stance adopted by religious institutions in charge of Islamic affairs in Malaysia. Many of these institutions did not incorporate socioeconomic changes that have taken place over time and thus resulted in the preservation of environmental belief and practices from earlier generations who lived in an era whereby environment was not a major concern for the society.

Lack of an effective Islamic environmental regulatory system, has resulted in firms relying on secular legislations for adherence to environmental protection and control. This will lead to firms meeting minimum standards for environmental protection as stipulated by regulators and that the environmental practice is not holistic, natural and sustainable over a longer period of time.

In view of the findings, a new *Shariah* Environmental Framework that incorporates the non-material and spiritual dimensions of social reality is proposed to give support to corporate environmental initiatives in Malaysia. This includes ensuring the new framework is able to adapt to structural changes in the economic system and that the economic activities do not adversely impact the environment. In this context, *fatwa*, enforcement and punitive measures on environmental care and offences from an Islamic perspective should be developed, implemented and continually reviewed to ensure corporate Malaysia is not only at the fore-front of environmental protection and preservation in Malaysia, but also contribute to global best practices on environmental management.
ORIGINALITY STATEMENT

‘I hereby declare that this submission is my own work, that this thesis contains no material which has been accepted for the award of any other degree or diploma in any other university or other institution, and I hereby affirm that to the best of my knowledge this thesis contains no material previously published or written by another person, except where due reference is made in the text of the thesis’.

Signed NORITA MOHD NASIR
Date 12 December 2014
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(Sahih Bukhari and Sahih Muslim).

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CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

Industrial growth over the last century has resulted in indiscriminate disposal of solid and hazardous waste which caused various ecological problems and global warming, that adversely affect the health and wellbeing of society. A series of environmental calamities over time has heightened awareness of environmental issues among various groups. Consequently, governments around the world have become more conscious about environmental problems that threaten the wellbeing of humans and the environment. To galvanize the global community to the protection and preservation of the environment for future generations, the World Commission on Environment and Development, or better known as the Brundtland Commission in 1987 introduced the concept of 'sustainable development' and this was instituted as the ‘mantra’ for any economic development initiatives. Another key effort to safeguard the environment is the Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC), which was adopted in Kyoto, Japan on 11 December 1997 and entered into force on 16 February 2005. The Kyoto Protocol is an international environmental treaty that sets binding obligations on industrialized countries to reduce emissions of greenhouse gases. However, despite the commitment of the majority of member countries, the substance of actions to save the earth was not realized and the targets set were not met (United Nations, n.d.).

The continuous deterioration of environmental condition across the globe has forced the international community to examine multiple ways and channels to address the preservation and protection of the environment for the future generations in a sustainable and holistic ways. Among the approaches undertaken to address environmental protection are as follows: regulations (e.g U.K. Environmental Protection Act 1990, Australia Environment Protection and Biodiversity Conservation Act 1999); pro-environmental movements (e.g Island Press, Body Shop); non-governmental organizations (e.g Global Footprint Network, Friends of Nature, World Wide Fund for Nature (WWF), Greenpeace) and multi-lateral organizations (e.g Kyoto Protocol, Doha Climate Gateway). In spite of these various approaches, environmental issues are still a
major problem for the global community. One of the approaches in addressing environmental protection that have had very little attention in the literature is the role of religious institutions and religious teachings in educating and instilling good environmental values and practices. In many societies, religion underpins the social fabric of society and is a major driver for social and economic transformation.

In this thesis, the role of Islam on environmental consciousness and practice is examined, as Shariah teachings emphasize the importance of environment and attach responsibility to protect the environment to each individual (Man). In many countries where Islam is the predominant religion, socioeconomic activities are underpinned by Shariah principles. However, environmental condition in these countries\(^1\) does not reflect the Shariah call for environmental protection. Despite various environmental laws and a strong Shariah call for Man to protect the environment, environmental problems appear as a serious threat to the wellbeing of mankind and the environment in the countries where Islam is dominant\(^2\). The gap between the normative Shariah call for environmental protection and current societal practices demands further investigation. As such, the current research is set to look into corporate environmental issues in Malaysia, where Islam is influential in the political, economic and social aspects.

1.2 MOTIVATION

Environmental management regulations and practices in many developed countries have improved over the last two decades (OECD, n.d.). However the developing world is still grappling with balancing between economic imperatives and environmental protection. Thus, the primary motivations of this study are outlined below.

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\(^1\) No specific definition is available for an Islamic country/state. In this study, we refer Islamic country as the country which enforces the hudud law. On the other hand, Islam dominated country refers to a secular country in which Islam is influential in its important aspects of life.

\(^2\) For instance, United Arab Emirates with 76% Islam majority population, Qatar (77.5%), Kuwait (85%) and Bahrain (81%) are ranked at 3\(^{rd}\), 7\(^{th}\), 8\(^{th}\) and 9\(^{th}\) highest CO\(_2\) per capita emission from the consumption of energy in 2011, respectively (refer Table 3.5).
First, several developing countries have experienced rapid economic progress in the last three decades and this progress has resulted in negative ramifications to the environment. In many developing countries, where Islam is the major religion, the adherence to Shariah call for environmental protection has not been heeded, as reflected by their contribution to the environmental problem such as carbon emission and deforestation (Food and Agriculture Organization of the United Nations, 2010). Despite the worrying trend of the ecological footprints reported in Islamic dominated countries, studies examining factors influencing environmental management practices in these countries are scarce. Majority of the previous studies have been conducted in the developed markets and non-Islam dominated countries\(^3\), focusing on the conventional perspective of the impacting factors that lead to corporate environmentalism.

Thus, there is a need to better understand reasons for the lack of incorporating Islamic principles in corporate environmentalism, despite strong influence of Islam on all other spheres of life in Malaysia. The importance of religion in influencing an individual’s values and attitudes was highlighted by White (1967), who claims that the dominion belief originated from the Bible is the main root of environmental problems. Although White’s claim has been tested by many researchers, only Rice (2006) incorporates an Islamic perspective in relation to environmental behavior of an individual. To our knowledge, no past studies have incorporated Islamic perspective in the area of corporate environmentalism. Hence, the study aims to explore the issue in a non-western, developing country in which Islam is the religion of the majority of its population\(^4\).

Second, industrial activities are the main contributor to the economic growth, as well as the environmental problem (Shrivastava, 1995). Firms play an important role in the environmental

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\(^3\) Such as studies by Fineman and Clarke (1996); Banerjee (2001); Flannery and May (2000); Cordano and Frieze (2000); (Haverkamp, 2007); (Jayasinghe-Mudalige & Weersink, 2004); (Gil, Andrés, & Salinas, 2007).

\(^4\) Based on year 2012 statistics (latest available), Malaysia has the population of 29.3 million (Malaysian citizen and non-Malaysian citizen), which comprises of the Malay (50.35%), Chinese (22.2%), India (10.1%) and others (0.84%) (Department of Statistics Malaysia, 2012).
care and protection as the main player of economic development that have financial resources, technological knowledge and institutional capacity to implement environmental strategy (Banerjee, 2002). As a fast developing country with an ecological creditor status, Malaysia provides an interesting setting to investigate the roles of key stakeholders, including Islamic religious institutions in influencing corporate environmentalism and sustainable economic development among Shariah-compliant public listed firms.

Third, to examine effective strategies and regulatory architecture Islamic institutions can put in place to ensure that environmental management becomes an integral part of Shariah-compliant public listed firms in Malaysia. In Malaysia, the classification of the Shariah-compliant firms is made by a regulator, namely the Securities Commission of Malaysia (SC). The Shariah-compliant categorization refers to firms whose type of business operations do not contravene to the Shariah principles. Theoretically, Shariah-compliant public listed firms ought to engage in corporate environmentalism, consistent with the Shariah principle to safeguard the environment.

1.3 RESEARCH QUESTIONS
The study is carried out with the aim to investigate the extent of Islamic influence on corporate environmentalism in Malaysia. The main research question is set as:

Does Shariah teaching influence corporate environmentalism of the Shariah-compliant public listed firms in a country setting in which Islam predominates its economic, political and social aspects?

To explore the issue of interest, the following questions are set:

1. Does Islam contribute to corporate environmental behavior of the Shariah-compliant public listed firms? If so, how does it happen?
2. Do Shariah-compliant public listed firms engage in corporate environmentalism within an Islamic country setting?
3. Does Islam influence the environmental beliefs of the Shariah-compliant public listed firms’ managers? If so, how does it influence the beliefs?

4. What can Islamic institutions do to foster better corporate environmentalism among Shariah-compliant public listed firms?

1.4 RESEARCH FRAMEWORK AND METHODOLOGY

This study’s focus is on corporate environmentalism, viewed from managers’ of the Shariah-compliant public listed firms in Malaysia. The main objective of this research is to examine corporate environmentalism in the context of Shariah teachings. Corporate environmentalism is defined as ‘the organization-wide recognition of the legitimacy and importance of the biophysical environment in the formulation of organization strategy, and the integration of environmental issues into the strategic planning process’ (Banerjee, 2002, p.181). Two themes integrated in the above definition are environmental orientation and environmental strategy.

Environment orientation refers to firms’ recognition of the importance of environmental issues facing the organizations as the result of their operations. It is the value that a firm holds as a responsible social actor towards its stakeholders, other social actors and other elements of the environment. Two main components of environmental orientation are as follows: (i) the firms’ internal corporate values, ethical behavior and commitment to care for the environment (Shrivastava, 1995) and, (ii) managers’ perception and responses to stakeholder pressures and demands (Gladwin, Kennelley, & Krause, 1995; Hart, 1995; Menon & Menon, 1997).

Environmental strategy refers to the extent to which such orientation is translated into a firm’s strategic plans. Different levels of emphasis on the strategic focus affect the degree of the firms’ competitive advantage. For instance, higher emphasis on environmentally friendly products is better able to capture a wider market. The integration of environmental issues into the strategic planning process is done through the establishment of links between environmental issues with quality and other corporate objectives.
Next, we examine the *Shariah* teachings pertaining to the environment. From an Islamic perspective, environment is regarded as an important element in Islam. From the Islamic viewpoint, an individual (Man) is the most influential element of the environment who can change the stability and the balance of the eco-system. Therefore, *Shariah* teachings impose an obligation for each individual to protect, conserve and preserve all elements of the environment. Being part of the society where Islam predominates, firms in Malaysia, by logical extension of the philosophy, are required to operate and adapt to the changing environment and expectations of their respective surroundings, including the call to protect the environment.

The study adopts a constructionist methodological lens to explore the research questions. Knowledge and meaning are constructed out of the interaction between managers (interviewees) and the researcher (interviewer) and is influenced by the social context (Crotty, 1998). As such, there is no universal external reality or absolute truth but meaning is created out of human interactions.

The nature of this study requires a rich set of data to build a corporate environmentalism theory which is grounded in the data from Malaysia. As such, a grounded theory methodology fits into this need. The ‘all is data’ concept (Glaser, 2001, p.145) allows the collection of extensive set of data which is subsequently analyzed through the application of the induction process and constant comparison analysis. The four types of coding (initial, focused, axial, theoretical) were used in the process of spreading out the initial data and later ‘weave the fractured story back together’ (Glaser, 2002, p.72). The study applies Charmaz’s constructionist version of grounded theory which emphasizes the interactions within a social context. Managers’ views, values, beliefs and assumptions are considered, leading to multiple realities which are constructed out of interactions between the researcher and managers. The grounded theory methodology that tells the story of

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5 All *Quranic* quotations used in the thesis are taken from Pickthall (2001).
how people go through the social process in a specified setting pertaining to corporate environmentalism (Charmaz, 2000) appears to best suit the current study’s objective.

The study utilizes primary (interviews) and secondary (firms’ annual reports, press releases and special environmental reports) data. Firms listed on the Bursa Malaysia (then Kuala Lumpur Stock Exchange) and categorized as Shariah-compliant, are used as samples in this study. Managers of the Shariah-compliant firms who have the most direct responsibility to environmental issues, or have substantial environmental responsibilities (Banerjee, 2001; Cordano & Frieze, 2000; Fineman & Clarke, 1996) are chosen due to their ability to influence corporate environmentalism. Three managers from each firm representing different hierarchies (top, middle, operational levels) are interviewed. The interview sessions focus on managers’ perceptions towards the environment; the reason(s) they adopt such values; and, the extent these values are translated into corporate environmentalism. In-depth interviews are audiotaped, transcribed, and analyzed according to the grounded theory method.

1.5 CONTRIBUTIONS OF THE STUDY
Islam has a very strong influence on the daily life of people living in Malaysia. On a broader spectrum, Islam also influences Malaysia’s financial market, as evident by the success of the Islamic financial system, and the introduction of the Shariah-compliant securities and indices. The categorization of Shariah-compliant securities is conducted by a regulator (Securities Commission) based on a set criteria. As a Shariah-compliant, firms are expected to abide to the Shariah principles and theoretically should show a great contribution to the care for the environment. Due to the domination of Islam in Malaysia, firms are expected to comply with Shariah principles to gain societal acceptance and ensure continuous survival.

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6 Shariah-compliant refers to the type of business operations that do not contravene to the Shariah principles. The categorization is done by the Securities Commission of Malaysia. According to the 20 May 2014 list (latest available), 665 out of 905 (73%) firms are categorized as Shariah-compliant (Securitites Commision of Malaysia, 2014).

7 These studies used the same criteria to examine managers’ perception on corporate environmentalism issues.
Based on the above setting, the current study contributes to the body of knowledge in three main ways. First, the study contributes to the extant knowledge by investigating the extent to which Shariah-compliant public listed firms of a developing country where Islam predominates, incorporate the Shariah principles in their environmental decision making. The grounded theory methodology that captures details of how social actors go through the social process allows a development of a theory which is grounded in fresh data in the Malaysian setting, which has had little or no past research. This constitutes a significant advance in knowledge.

Second, the study provides insights from a socio-economic policy development aspect by examining whether and how, Islamic values play a role in balancing the competing interests between economy (development) and the environment of a developing country\(^8\). The construction of managers’ environmental beliefs through the social process provides an avenue to explore corporate environmentalism behavior in Malaysia. As an influential party in directing firms’ corporate environmentalism, managers’ environmental beliefs play a significant role in sustaining the development. Such findings provide valuable insights to various regulatory and non-regulatory bodies such as the government and Islamic institutions in taking suitable approaches to sustain the development through corporate environmentalism.

Lastly, the study contributes to the corporate knowledge in the area of corporate environmentalism from institutional theory and legitimacy theory perspectives. The study explores the mechanisms underlying corporate environmental behavior in view of Islamic influence. Specifically, it investigates how and why firms adopt different institutionalization approaches to gain legitimacy. As such, it contributes to a better understanding of how Shariah-compliant public listed firms perceive and respond to the stakeholders’ pressures in relation to the environmental issues to gain legitimacy, in the context of a developing country.

\(^8\) Chen and Porter (2000) claim that development takes precedence over the environment for developing countries, and vice versa for developed countries.
1.6 ORGANIZATION OF CHAPTERS

The thesis is organized in the following sequence. The chapter following the introductory chapter provides a discussion on the Islamic perspective on the environment. A discussion of the responsibility of Man towards Allah is presented. This is followed by the call for environmental protection from the Shariah perspective. A discussion on corporate responsibility is provided in the section that follows.

Chapter 3 discusses the research setting. Global and local major environmental problems are presented. A description of Malaysia as the context of the study is also provided.

Chapter 4 focuses on the research framework of the study. Various relevant methodological concerns relating to the study are presented. The chapter discusses the choice of grounded theory as a method, including the procedures in conducting data collection and analysis. A number of additional methodological issues are also discussed.

Findings of the research are presented in Chapter 5. The following chapter discusses the findings in view of Shariah. Specifically, the chapter discusses the underlying mechanisms that lead to each step in the corporate environmental process in view of Islamic influence. Chapter 7 discusses the research findings from the preceding chapters in relation to extant literature and theoretical concepts.

The last chapter reviews the study, provides discussion on the emergent theory and research implications, highlights limitations in the study and identifies area for further research.
CHAPTER 2: ISLAMIC PERSPECTIVE ON THE ENVIRONMENT

2.1 INTRODUCTION

The wellbeing and sustainable development of humanity is linked closely to the state of the environment. However, unfettered industrialization has caused environmental degradation, which impacts every individual on this earth in one form or the other, directly or indirectly. Environmental pollution in most instances are trans-boundary and inter-generational. The main cause for the current environmental problems is associated with human behavior through domestic and economic activities. Kilbourne and Beckman (1998) suggest how a society operationalizes environmental protection depends (partly) upon individual’s ethical and moral values, which subsequently affect the environmental behavior.

The role of religion in shaping an individual’s environmental attitude was suggested by White (1967). In an article entitled ‘The Historical Roots of Our Ecological Crisis’, White claims that the Western world's attitudes towards nature were shaped by the Judeo-Christian tradition. This tradition involved the concept of anthropocentric, which regards the world as a creation solely made for the human benefits. The source of this claim is cited from Genesis 1:28:

‘Be fruitful, multiply, fill the earth, and subdue it. Have dominion over the fish of the sea, over the birds of the sky, and over every living thing that moves on the earth’.

Nevertheless, from another perspective (of Islam, Judaism and Eastern Orthodox), nature is viewed as an artistic rather than scientific form. All elements of the environments are created by God in a perfect balance and with specific purposes. Being a superior creation above others, humans are blessed with the ability to change the environment in a way that can affect the ecosystem. As such, human beings are responsible to conserve and preserve the environment to

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9 Including Islam and Marxism.
10 The earth is the LORD's, and the fullness thereof; the world, and they that dwell therein (Psalms 24:1); Unto Him belongeth whatsoever is in the heavens and whatsoever is in the earth, and whatsoever is between them, and whatsoever is beneath the sod (Quran 20:6).
ensure that God’s creation of perfect proportion and balance of all elements of the environment are maintained.

This chapter discusses environmental issues from an Islamic perspective. Section 2.2 provides a discussion on Islam and the environment. Section 2.3 provides views of Islam on environmental protection, followed by a discussion on corporate personality issue and its implication to environmental obligations. The last section concludes the chapter.

2.2 ISLAMIC TEACHINGS AND THE SHARIAH

Islam is a monotheistic religion that testifies that there is only one God (Allah) and that Prophet Muhammad (pbuh) is the prophet of Allah. Literally, Islam means ‘surrender’ in Arabic, which refers to surrender to the will of the one God (Allah). Quran is the sacred scripture of Islam, which contains Allah’s revelations to Muhammad (pbuh). The code of law for Islam is referred to as the Shariah, which embraces the total way of life commanded by Allah.

The word Shariah (شريعة) originates from the Quran, which literally means ‘path’ or ‘way’. In the verse below, Shariah is translated as the ‘road’ for the believers to follow:

*And now have We sat thee (O Muhammad) on a clear road of (Our) commandment; so follow it, and follow not the whims of those who know not (Quran 45:18)[11]*

Shariah addresses all aspects of life ranging from the individual to the state level. In other words, Shariah is ‘a set of norms, values and laws that make up the Islamic way of life’ (Ahmad, 2003 as cited in Dusuki, 2008). Shariah law is based on two primary sources, namely the Quran and Sunnah[12]. The interpretations of both sources are done by qualified people such as Islamic judges (qadis) and religious leaders (imams). As time went by and issues became complicated, some emerging matters were later found not specifically addressed in the primary sources. As such,

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[11] In all references to the Quran, the first number refers to the surah (chapter), and the second to the ayah (verse).

[12] The Sunnah is the life and example of the Prophet Muhammad (pbuh).
*Ijma* and *Qias* are used in the process to deal with the matters. *Ijma* refers to the consensus of the religious scholars, while *Qias* is applied through the process of reasoning by analogy. Thus, while maintaining basic principles, Islam allows for adaptations according to the current needs (Dusuki, 2008).

The most fundamental concept in Islam is *tawhid* upon which the entirety of the Islamic teaching rests on. The principle of *tawhid* refers to the absolute oneness of god (*Allah*), which regards all creations as originating from *Allah*, returning to Him, and centered on Him. The belief of oneness of *Allah* is contained in the declaration of faith (*shahadah*). *Shahadah* (الشهيد) is the first pillar of Islam which set the framework for worship and sign of the commitment of faith. *Shahadah* reads as ‘*Laila ha illAllah Muhammaddur rasullullah*’, (لا لاه إلا الله محمد رسول الله) which means there is no God but God (*Allah*), and that Muhammad is the messenger of *Allah*.

The oneness of the creator (*Allah*) leads to the fundamental duty of each individual’s submission to *Allah*. The concept of submission provides guidelines for Man to behave and react in accordance to *Allah*’s commands. The conviction that *Allah* possesses the absolute power over each and every element of the universe, sets the pathway for Man to follow in fulfilling his/her duty to *Allah*. The following section provides discussions on the nature of Man and his/her responsibilities before *Allah*.

### 2.2.1 Submission to *Allah*

According to Islam, life on earth begins when Man was sent to Earth (by *Allah*) to settle thereon. As stated in *Surah Al-Dhariyat* verse 56, the main purpose behind the creation of Man was that they should worship *Allah* and live their life according to *Allah*’s commandments in order to achieve eternal bliss in the life after death.

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13 **Human being.**
I created the jinn and humankind only they might worship Me (Quran 51:56).

Man is considered as the best creation of Allah, in comparison with others. Gifted with the ability to utilize the brain (aql), this special feature differentiates Man with the rests of Allah’s creation. However, such a feature comes with huge responsibilities which were declined by other creations. Verse 72 from Surah Al-Ahzab explains how Man has agreed to bear the responsibility to take up the task (of worshipping Allah), which was previously offered to other creations but were declined.

Lo! We offered the trust unto the heavens and the earth and the hills, but they shrank from bearing it and were afraid of it. And man assumed it. Lo! he hath proved a tyrant and a fool (Quran 33:72).

Upon accepting such offer, Allah has given the trust for Man to fulfill the responsibility to worship Him. Gifted with the wisdom (aql), Allah provides a high degree of freedom to Man to carry out the responsibility, and Man is fully aware of all consequences in the life thereafter should he(she) fail to carry out the agreed task. The acceptance of Man to bear the responsibility to worship Allah leads to the concept of khalifah (caliph). Verses 71-72 of Surah Al-Sad provide essential insights into the position and nature of Man in this universe. Man has been appointed as the leader or caliph among all creations, and angels have prostrated themselves to Man in their abiding to Allah’s command.

When thy Lord said unto angels: Lo! I am about to create a mortal out of mire, And when I have fashioned him and breathed into him of My Spirit, then fall down before him prostrate (Quran 38: 71-72).

2.2.2 Man as the khalifah (caliph)
As a caliph (leader) on the Earth, Man is provided guidance in the form of revelation, in which the Shariah law is derived from, to assist and guide Man in fulfilling the responsibility. The verse below reveals how Allah has provided a complete guidance for Man to follow, in the form of the Holy book of Quran.
And unto thee have We revealed the Scripture with the truth, confirming whatever Scripture was before it, and a watcher over it. So judge between them by that which Allah hath revealed, and follow not their desires away from the truth which hath come unto thee. For each We have appointed a divine law and a traced-out way. Had Allah willed He could have made you one community. But that He may try you by that which He hath given you (He hath made you as ye are). So vie one with another in good works. Unto Allah ye will all return, and He will then inform you of that wherein ye differ (Quran 5:48).

Subsequently, Man has been constantly reminded to fear Allah and obey all of His commands. The consequences of being obedient and disobedient to the rulings are explicitly stated in the Quran. Therefore, Man should be aware of the punishments and rewards for his/her bad and good deeds during his/her entire life on earth. Verses 81-82 of Surah Al-Baqarah specifically address this issue.

Nay, but whosoever hath done evil and his sin surroundeth him; such are rightful owners of the Fire; they will abide therein. And those who believe and do good works: such are rightful owners of the Garden. They will abide therein (Quran 2: 81-82).

However, Allah recognizes the good and bad impulses that exist in Man. The good impulse calls for good and confirms truth, while the bad leads to doubt, denies truth and forbids good. The bad impulse is associated with evil spirit (devil) that continuously tries to influence Man to disobey Allah’s commandments. Nevertheless, Allah the Merciful, acknowledges the weakness of a Man and is ever willing to forgive all the misconduct Man has done throughout his/her journey in life. Verse 268 of Surah Al-Baqarah explains;

The devil promiseth you destitution and enjoineth on you lewdness. But Allah promiseth you forgiveness from Himself with bounty, Allah is All Embracing, All Knowing (Quran 2:268).

Considering challenges Man shall face throughout his/her journey to fulfill the responsibility to worship Him, Allah provides guidelines and continuously reminds Man to fight against evil spirits, such as greed and selfishness.
Ye are the best community that hath been raised up for mankind. Ye enjoin right conduct and forbid indecency; and ye believe in Allah” (Quran 3:110).

Upon the completion of the task, Man is promised rewards for those who have successfully followed the right path, and punishments for those who disobeyed and followed the bad spirit or nafs, in the life after death.

And there may spring from you a nation who invite to goodness, and enjoin right conduct and forbid indecency. Such are they who are successful (Quran 3:104).

The agreement to bear the responsibility to take up the task of worshipping Allah has led Man into a contract to submit him(her)self to Allah in return of the promised rewards (or punishments if Man fails to fulfill such promises) in the life hereafter. While the primary relationship is set between Man and Allah, Allah also sets the guidelines for Man in dealing with the rest of his creations.

2.2.3 Trust
Included under the umbrella concept of Man’s responsibility towards Allah (submission) is the responsibility of Man to the rest of Allah’s creations. As much as Man is required to perform rituals to Allah, Man is also obliged to be just to other humans, animals, plants and all other elements of the environment including natural resources. The superiority of Man over other creations (caliph) has granted honor and trust bestowed upon him(her). Man’s superiority, control and power over nature and other creations is part of this trust.

Trust is an important element that links the concept of submission to Allah and Man’s role as a caliph on the earth. As a party who is blessed with superiority and appointed to fulfill the task to care for all other elements in the universe, Man ought to observe his(her) duty with a great passion. The urge to fulfill the duty should come from internal drives rather than external forceful
pressures. If the normative form, control mechanisms are not needed. Man should commit to the submission act in the absence of any types of incentives, apart from rewards promised in the life thereafter.

Nevertheless, in the process of fulfilling his(her) responsibility towards Allah, as well as making a living on earth, Man is challenged by the evil spirit and his(her) own desires (nafs). Man loses control when the nafs (desires) overrule his(her) aql (wisdom), and consequently takes a destructive attitude of the power (superiority) conferred upon him(her). However, Man should always be aware that he(she) is created to attain absolute happiness in the life thereafter. When the testing period (life on earth) is over, each Man will be judged and made accountable for every action that he(she) has done. Hence, the idea of resurrection and judgment day revolves around the concept of individual responsibility to the Creator, as well as other creations.

In summary, the component of trust plays an extremely important role in the process of discharging Man’s duty towards Allah. When Man believes and values the trust which has been given to him(her), he(she) shall perform his(her) duty in the best possible way. Man shall abide by all rules prescribed by the Shariah at all times, even when he(she) is not monitored by any type of control mechanisms. Contrary to this situation, when the component of trust is lacking or does not exist, Man shall only observe his(her) duty to gain material benefits. Control mechanism becomes an important tool in the process of discharging Man’s responsibility.

2.3 ENVIRONMENTAL PROTECTION FROM AN ISLAMIC PERSPECTIVE

Islam, through its Shariah teachings, emphasizes a balanced ecology. Allah created the universe with a purpose and all elements are put in a perfect balance. As the superior creation who has been appointed as the caliph on earth, Man is blessed with the ability to influence the ecological balance. Together with such advantage, Man is also given the task to care and protect the environment. Under the Shariah, the task for Man to care for the environment is set at both collective (fard kifaya), as well as individual level (fard ain). As a fard kifaya, the obligation to
care for the environment is considered sufficient when it is carried out by some members of the society. However, if nobody takes up the duty on behalf of the community, all members of the society are considered guilty and will be punished. Environmental protection is therefore set as the responsibility of an individual (fard ain) as well as the society (fard kifaya), depending on the situation that demands it. The following sections discuss details of the environmental protection aspect from the Islamic perspective.

2.3.1 Definition of an environment
In Arabic term, environment is referred to as ‘Biy’ (al-Majid, 1999, p.22) which means the place of dwelling and its total surroundings. It is also referred to as bawwakum (وَّبَوَّاَكُمْ) (Quran 7:74), which describes the placing of the ancient Thamud tribe on earth. The concept of environment in Islam is derived from verses of the Quran, which refers environment as ma’ayish (Quran 7:10) or ‘places where food is found and active life takes place’.

And We have established you in the earth and provided for you therein the means of subsistence. How little thanks you give! (Quran 7:10).

The concept of environment has developed over time whereby a new element is added to the concept when it is discovered that the item is important to the eco-system cycle (al-Majid, 1999). Generally defined, environment refers to everything that surrounds us.

From an Islamic perspective, elements of the environment are categorized into living things and non-living things (al-Majid, 1999; Bakashab, 1988; Othman & Doi, 1992). The associations among the elements of the environment are referred to as the ‘ilm al-tabyw or ecology’ (al-Majid, 1999, p.50), which focuses on the interconnectedness among all elements of the environment (living things and non-living things). Non-living things (earth, water and air) stabilize the

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14 Ecosystem is a series of relationships among each element of the environment (living things and non-living things) in a balanced interactions(al-Majid, 1999).
environment, upon which the imbalance of any of the components could pose great danger to the eco-system (e.g shortage of water, erosion of soil).

The earth and what it contains provide resources for all living things, including Man, to survive. Hence, Man is dependent on the environment as the latter provides resources for Man to fulfill his(her) spiritual and material needs (al-Majid, 1999). Man interacts constantly with elements of the environment to fulfill his needs. Man and other living things are considered to be the most important component (plants/flora, animals/fauna and Man) as they have an enormous impact on the environment through the usage of all available resources (elements of the environment). Nevertheless, in comparison to others, Man is the only element that has the ability to change the environment and the ecosystem. This leads to the conception of the superiority of Man as the caliph in this world.

2.3.2 Protection of natural environment in Islam
An environmental problem arises when nature degradation causes unsustainability of the life cycle of the living things. This refers to the imbalance of at least one of the elements in the ecosystem which arises as a result of systematic ecocide\textsuperscript{15}. The imbalance of the elements of the environment (crisis) can be categorized into environmental pollution, resource shortages and ecological imbalance\textsuperscript{16} (Yang, 2006).

The Islamic perspective on the environment is based on the belief that Man is the appointed agent to take care of other elements of the environment. \textit{Allah} has created the universe in a perfect balance, with a just purpose. The demand of all elements (resources) must be matched against existing balances. Therefore, Islam looks at the environment from the supply side, as referred to as ‘\textit{adl}’, ‘\textit{qadar}’ and ‘\textit{mouzoon}’ (Akhtar, 1996, p.61).

\textsuperscript{15} Ecocide means destroying our ecosystem by actions of the human species (Turnipseed, 2005).
\textsuperscript{16} Some examples of current environmental pressures include ozone depletion; extinction of flora and fauna species; desertification; deforestation; soil erosion.
The term ‘adl’ (عدل) literally means justice. In the context of the environment, it refers to acting justly or correctly to other elements of the environment. ‘Qadar’ (قدر), on the other hand, explains the supply side of the environment from the quantitative aspect. The verse that follows emphasizes on the perfect balance of the elements of the environment.

*Lo! We have created everything by measure (Quran 54:49).*

Similarly, ‘mouzoon’ (موزون) means weight. In association to the environment, ‘mouzoon’ refers to a balanced or perfect proportion of the elements.

*And the earth - We have spread it and cast therein firmly set mountains and caused to grow therein [something] of every well-balanced thing (Quran 15:19).*

In general, the above verses refer to Allah’s creation of every element in the universe in a perfect balance. It is therefore, the responsibility of Man to ensure that the proportion remains and that the usage does not exceed the supply.

Environmental protection from an Islamic perspective lies in the core value system of Islam. Specifically, it is integrated into the submission to Allah principle based on the oneness of Allah as the sole creator and absolute owner of the whole universe. Environmental care and protection are set as a mandatory religious duty for each individual that emanates from the responsibility to submit to Allah. Accordingly, the Shariah provides a guideline for Man to carry out the task to protect the environment. However, considerations must be made to weigh the need and interest of the community over an individual’s, in addition to the conflicts between relieving hardship and promoting benefits (Khalid, 2002). In general, the guidelines promote collective benefits, and that the society’s interest will prevail over individual interest.

Environmental conservation under the Shariah law is carried out according to the hima and harim systems. The hima system had been practiced in the Middle East thousands of years ago before
Islam but the function changed under the Islamic administration. *Hima* traditional system of protection and preservation of the flora and fauna is believed to be the most widespread system of traditional conservation known (Aburawa, 2010). *Hima*, literally means protected or forbidden place. It refers to an area set aside for the conservation of trees and wildlife (Gari, 2006). On the other hand, *harim* refers to the institution of the protected zone which prohibits the development of certain areas for the purposes of protecting the nature.

Flora and fauna protection under *hima* is not for financial gain, and that the selection of area is undertaken by religious leaders. Different areas of *hima* require different types of protection throughout the year, ranging from total prohibition to seasonal restrictions (Gari, 2006). Gradually *hima* took the status close to that of *harim*, in that it becomes a sanctuary in which the flora and fauna are under special care and protection.

To ensure effectiveness of the *hima* and *harim* system of environmental conservation, an agency known as *hisba* was formed with the task to protect the people from abuse and misuse by promoting the establishment of good and forbidding wrong doing. This agency is led by a learned jurist (*muhtasib*) who is responsible, among others, for the proper functioning of the *hima* and *harim* zones, a role which is similar to the environmental officer (Khalid, 2002).

Efforts to protect the environment existed since the early days of the Prophet Muhammad and the four caliphs. Although *hima* existed prior to Islam, it has been practiced by Prophet Muhammad (*pbuh*) and the four caliphs in conjunction with Islamic teachings. According to the Maliki school of thought, four conditions in the administration of *hima* are; it must not be constituted by a particular individual or group, but a legitimate Islamic governing authority instead; it must not be commercialized; *hima* area should not be so large to the extent it causes undue restrictions to people in making their living; and, the social benefit as the main objective of *hima* (Haq, 2001).

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17 The four caliphs are Abu Bakr as-Siddiq, Umar ibn al-Khattab, Uthman ibn Affan and Ali ibn Abi Talib. The first caliph, Abu Bakr as-Siddiq is well known for his instruction to the armies not to do harm to flora and fauna.
The *harim* system, on the other hand, refers to inviolable areas in which the use or access is (severely) restricted or prohibited. Mecca and Medina are two holy places in Islam in which *harim* system is used until today. Unlike temporary restrictions under the *hima* system, the prohibition under the *harim* system applies throughout the year. For instance, no trees can be cut or animals be killed in the two holy cities at any time, ever since during the Prophet Muhammad’s (*pbuh*) time. The following hadith relates to the *harim* system in Medina.

> As reported by *Sahih Bukhari*, Vol. 3, Book 30, No.91, Anas narrated: The Prophet said, "Medina is a sanctuary from that place to that. Its trees should not be cut and no heresy should be innovated nor any sin should be committed in it, and whoever innovates in it an heresy or commits sins (bad deeds), then he will incur the curse of Allah, the angels, and all the people." *(Sahih Bukhari, n.d.)*

*Hima* and *harim* systems of Islamic environmental protection are aimed to avoid exploitation of the nature by Man. Both systems allow nature to take its own cycle with limited or non-interference by Man. The following sub-sections discuss the call for environmental protection for each of the major elements of the environment, namely the water, land and soil, animal and plants, as prescribed by the *Shariah*.

### 2.3.2.1 Sustainable management of water resources

Water is the single element that infuses life into the universe. After the creation of Man, water is claimed to be the next precious creation of *Allah*, as it serves as the sole basis for the emergence of life. References to the importance of water are found in various parts of the *Quran*, such as *Surah al-Anbiya* verse 30, *Surah An-Nur* verse 45 and *Surah Al-Furqan* verse 54.

> Have not those who disbelieve known that the heavens and the earth were of one piece, then We parted them, and we made every living of water? Will they not then believe? *(Quran 21:30)*

> Allah hath created every animal of water. Of them is (a kind) that goeth upon its belly and (a kind) that goeth upon two legs and (a kind) that goeth upon four. Allah createth what He will. Lo! Allah is Able to do all things *(Quran 24:25).*
And He it is Who hath created man from water, and hath appointed for him kindred by blood and kindred by marriage; for thy Lord is ever Powerful (Quran 25:54).

Not only water is important for the lives of other creations, water also serves as the agent of purification. Shariah has outlined seven different types of water that qualify for cleansing and ritual purification purposes, namely the water from rain, sea, hail, snow, river, well and spring. However, the water shall change its status to impure in the presence of other unclean objects.

Due to the life sustaining role of water to living creations and its socio-religious function, Islam sets guidelines for Man to conserve water. As narrated by ‘Abdullah ibn ‘Amr ibn al-‘Aas, Prophet Muhammad (pbuh) passed by Sa’d when he was performing ablution (wudoo), and he said, “What is this extravagance, O Sa’d?” He said: Can there be any extravagance in wudoo? He said, “Yes, even if you are on the bank of a flowing river.”

The above hadith clearly shows how Islam emphasizes the importance of water conservation and disallow excessive use of water, even if the resources are in abundance. Similarly, Man is strictly prohibited from withholding any excess water when others are in need of it. The following hadith is referred to.

According to Sahih Bukhari Vol. 3, Book 40, No.547, as narrated by Abu Huraira: Allah's Apostle said, "There are three persons whom Allah will not look at on the Day of Resurrection, nor will he purify them and theirs shall be a severe punishment. They are: 1. A man possessed superfluous water, on a way and he withheld it from travelers 2. A man who gave a pledge of allegiance to a ruler and he gave it only for worldly benefits. If the ruler gives him something he gets satisfied, and if the ruler withholds something from him, he gets dissatisfied. 3. And man displayed his goods for sale after the 'Asr prayer and he said, 'By Allah, except Whom None has the right to be worshipped, I have been given so much for my goods,' and somebody believes him (and buys them). The Prophet then recited: 'Verily! Those who purchase a little gain at the cost of Allah's Covenant and their oaths’ (Sahih Bukhari, n.d.).
In line with the call to conserve water, Islam also forbids the followers from dirying water. For instance, Hadith 129 from Sahih Muslim, narrated by Jabir ibn Abdullah, Prophet Muhammad (pbuh) disallows the followers from urinating in stagnant water.

2.3.2.2 Effective management of land and soil

Land and soil contribute to the perfect balance of ecology by providing the basic source of sustenance to Man and other beings. The Quran has made a reference of the land and soil (earth) as the dwelling place for Man to settle in.

Allah it is Who appointed for you the earth for a dwelling-place and the sky for a canopy, and fashioned you and perfected your shapes, and hath provided you with good things. Such is Allah, your Lord. Then blessed be Allah, the Lord of the Worlds! (Quran 40:64).

Allah has provided Man with fertile land and soil for Man to grow vegetation, upon which Man and animals depend on. Man is therefore, free to utilize and derive benefits from them.

Who hath appointed the earth as a bed and hath threaded roads for you therein and hath sent down water from the sky and thereby We have brought forth diverse kinds of vegetation (Quran 20:53).

Nevertheless, as much as Man is obliged to fulfill his(hers) responsibility to Allah, Man is also responsible to protect and preserve land and soil. As one of Allah’s creation, Man needs to ensure the perfect balance of natural resources is maintained and hence, Man shall never do harm to land and soil.

He it is Who hath made the earth subservient unto you, so Walk in the paths thereof and eat of His Providence. And unto Him be the resurrection (of the dead) (Quran 67:15).

The maintenance of the productivity of land and soil is strongly urged in Islam. To cause degradation to the gift of Allah means to deny the responsibility of submitting to the oneness of Allah. When the source of sustenance and livelihood of other creations (animals and plants) is not
maintained, the whole system of production and reproduction will be affected. Therefore, Man is not allowed to excessively utilize land and soil to the extent of causing degradation.

Apart from being important for the lives of Man, animals and plants, land and soil also serve as the agents of purification. For instance, pebble is an alternative agent to the water for cleansing purpose. A hadith narrated by Muslim reports the following:

> Abu Huraira reported Allah's Apostle (may peace be upon him) as saying: When anyone wipes himself with pebbles (after answering the call of nature) he must make use of an odd number and when any one of you performs ablution he must snuff in his nose water and then clean it (Sahih Muslim Book 2, No. 458).

Sand or dust is also used for ritual cleansing in preparation for prayer (solat). Nevertheless, the dry ablution (tayammum) is only applicable when clean water is not available. In addition, Allah also allows Man to perform prayer when it is due, in any places on earth (except for graveyards and toilets).

> The (whole) earth has been made a mosque (or a place of prayer) and a means of purification "for me, so wherever a man of my ummah may be when the time for prayer comes, let him pray." (Sahih Muslim Book 4, No. 1058)

Islam regards land and soil as one of Allah’s creations which are full of purity and play an important role for sustenance and livelihood of other creations. Thus, Man is required to ensure their purity remains, and not to create any kind of degradation to land and soil.

### 2.3.2.3 Preservation of biological species

Animal is one of the creations which is equally important as others in maintaining the ecology cycle. The importance of animals (fauna) as one of Allah’s creations is mentioned in Surah al-An’am verse 38:
There is not an animal in the earth, nor a flying creature flying on two wings, but they are people like unto you. We have neglected nothing in the Book (of Our decrees). Then unto their Lord they will be gathered (Quran 6: 38).

Animals have their fair share in the ecology cycle. As such, Islam calls for Man to observe their natural surroundings and ensure animals remain in their natural habitat and continue to exist. Putting the same emphasis as the other creations, Shariah law has set guidelines on how Man should treat animals. Such references are found in various hadiths. For instance, Man is required to deal with animals with the utmost compassion and strive to ensure the preservation of different species. A hadith by Sahih Bukhari reveals how Prophet Muhammad (pbuh) promotes kindness to animals.

Sahih Bukhari Vol. 3, Book 43, No. 646 reports the narration by Abu Huraira: Allah’s Apostle said, "While a man was walking he felt thirsty and went down a well and drank water from it. On coming out of it, he saw a dog panting and eating mud because of excessive thirst. The man said, 'This (dog) is suffering from the same problem as that of mine. So he (went down the well), filled his shoe with water, caught hold of it with his teeth and climbed up and watered the dog. Allah thanked him for his (good) deed and forgave him." The people asked, "O Allah's Apostle! Is there a reward for us in serving (the) animals?" He replied, "Yes, there is a reward for serving any animate." (Sahih Bukhari, n.d.).

Similarly, Islam strongly forbids Man from torturing animals that cause them to suffer. Prophet Muhammad (pbuh) was very sensitive to any form of animals’ sufferings, and explicitly disallowed cruelty to animals, either for entertainment or hunting purposes.

Sahih Bukhari Vol. 7, Book 67, No. 424 reveals that the Prophet cursed the one who did Muthla to an animal (i.e., cut its limbs or some other part of its body while it is still alive) (Sahih Bukhari, n.d.).

From Sahih Bukhari Vol. 7, Book 67, No. 421, it was reported that Hisham bin Zaid narrated: Anas and I went to Al-Hakam bin Aiyub. Anas saw some boys shooting at a tied hen. Anas said, "The Prophet has forbidden the shooting of tied or confined animals" (Sahih Bukhari, n.d.).
The accountability of Man in the life hereafter includes his/her wrongdoings towards animals. As narrated by Ibn Omar and Abdallah bin Al-As, Prophet Muhammad (pbuh) said: ‘There is no man who kills (even) a sparrow or anything smaller, without its deserving it, but God will question him about it (on the judgment day),’ and ‘Whoever is kind to the creatures of God is kind to himself’.

2.3.2.4 Sustainable management of plant and trees

Plant is a part of the ecological system created by Allah, which serves as the source of sustenance for both Man and animals. As mentioned in Surah al-Baqarah, Allah has provided all elements in the ecosystem that support each other, which ultimately produces plants that bear fruits for Man to make a living on earth.

Who hath appointed the earth a resting-place for you, and the sky a canopy; and causeth water to pour down from the sky, thereby producing fruits as food for you. And do not set up rivals to Allah when ye know (better) (Quran 2:22).

In Surah An-An’am verse 99, Allah reminds Man of His creations in the form of different species of plants that grow healthily in various colors and sizes, and naturally go through the process of bearing fruits. Witnessing how nature beautifully follow its cycle is a clear evidence of the absolute power of Allah, and thus remind him/her of the duty to Allah.

He it is Who sendeth down water from the sky, and therewith We bring forth buds of every kind; We bring forth the green blade from which We bring forth the thick-clustered grain; and from the date-palm, from the pollen thereof, spring pendant bunches; and (We bring forth) gardens of grapes, and the olive and the pomegranate, alike and unlike. Look upon the fruit thereof, when they bear fruit, and upon its ripening. Lo! Herein verily are portents for a people who believe (Quran 6:99).

As much as Islam calls for the care of other creations, plants are also given equally emphasis for Man to care and protect. Islam strictly forbids excessive consumption and requires Man to carefully observe the balances and rights of each elements of nature. Man is not allowed to spoil
the ecological balances and the order and systems of nature which have been perfectly created by Allah. The following verse of Quran reminds Man to apply moderation and continue to contribute to the natural cycle to ensure that the ecosystem is balanced.

He it is Who produceth gardens trellised and untrellised, and the date-palm, and crops of divers flavor, and the olive and the pomegranate, like and unlike. Eat ye of the fruit thereof when it fruiteth, and pay the due thereof upon the harvest day, and be not prodigal! Lo! Allah loveth not the prodigals (Quran 6:141).

Even in times of war, the ban on destroying plants and trees is still applicable. Islamic armies are reminded to be ethical and not to (among other things) cut or uprooted trees and plants, and destroys settlements.

Yahya related to me from Malik from Yahya ibn Said that Abu Bakr as-Siddiq was sending armies to ash-Sham. He went for a walk with Yazid ibn Abi Sufyan who was the commander of one of the battalions. It is claimed that Yazid ibn Abi Sufyan who was the commander of one of the battalions. It is claimed that Yazid said to Abu Bakr, "Will you ride or shall I get down?" Abu Bakr said, "I will not ride and you will not get down. I intend these steps of mine to be in the way of Allah." Then Abu Bakr advised Yazid, "You will find a people who claim to have totally given themselves to Allah. Leave them to what they claim to have given themselves. You will find a people who have shaved the middle of their heads, strike what they have shaved with the sword. "I advise you ten things: Do not kill women or children or an aged, infirm person. Do not cut down fruit-bearing trees. Do not destroy an inhabited place. Do not slaughter sheep or camels except for food. Do not burn bees and do not scatter them. Do not steal from the booty, and do not be cowardly" (Malik's Muwatta Book 21 Hadith 3.10).

Not only Islam forbids the act of destroying plants and trees, but also promises rewards for those who contribute to the sustainability of the ecological cycle. Greening the earth is regarded as an ibadah (worship) and is promised rewards in the life thereafter.

According to Sahih Bukhari Vol. 3, Book 39, No. 513, Anas bin Malik narrated: Allah's Apostle said, "There is none amongst the Muslims who plants a tree or sows seeds, and then a bird, or a person or an animal eats from it, but is regarded as a charitable gift for him."(Sahih Bukhari, n.d.)
Various verses in the Quran and hadiths reveal the importance of each of Allah’s creation, which complements each other’s existence in completing the ecosystem cycle. As the appointed caliph who has accepted the responsibility to worship Allah, Man is therefore responsible to maintain the perfect balance of all of Allah’s creations. Such responsibility is an individual mandate that emanates from Man’s submission Allah.

Consequently, as much as Man is required to have perfection in behavior to Allah, Man is also obliged to do the same towards others (Man and other creations). The perfection in behavior is set through the Shariah guidance, as prescribed in the Quran and Sunnah. The following section discusses the issue of environmental ethics, as viewed from the Shariah perspective.

2.3.3 Islamic environmental ethics

Islam puts a very strong emphasis on ethics, in line with the call for Man to have good attributes and struggle against the bad. As an element of the environment, Man has biological and ecological needs and is dependent to other elements of the environment (living and non-living things). In the process to secure basic necessities by utilizing all available resources, Man will definitely face conflicts of interest in his(her) interdependency with other elements of the environment, for instance between spiritual and material, Man and nature, and, Man and Man (Lubis, 1998).

An alarming accelerating rate of deterioration of the environment has caused various parties to realize the need to have an appropriate attitude (ethics) towards the environment. Environmental ethics provide ethical justification and moral motivation for the protection of all elements of the environment (Yang, 2006). Environmental ethics are related to the concept of environmentalism in the way how elements of the environment and their relationship with the others are viewed.

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18 Environmental or eco-ethics is defined as guidelines towards ‘right’ and ‘wrong’ actions and attitudes towards nature (Ouis, 2003, p.2).
The non-Islamic\textsuperscript{19} concept of environmentalism looks at life from the demand side (ability to use resources to generate experience), and perceive the environment as something to be possessed. The ultimate total responsibility for the environment lies in the hand of the possessors. Man is assumed to be individualistic and dismisses the moral aspect in his(her) effort to get hold to the environmental elements. From this perspective, Man is assumed to be selfish and have the tendency to compromise moral and ethical norms in maximizing their returns.

To save the environment from degradation, Man must be forced to behave in a good manner. At one end, legal sanctions are used to rectify the imbalance of the elements of the environment. For instance, environmental laws\textsuperscript{20} are introduced to ensure that the environment is protected in the pursuance of economic or monetary benefits (Mahroof, 1996). From another end, ethical concern may play its role in making Man to realize the importance of environmental preservation and protection.

Contrary to the non-Islamic view, Islam looks at the environment from the supply side (the amount of resources which could be safely utilized without causing irreversible damage) based on its basic principles of unity or \textit{tawhid}, trusteeship or \textit{khalifah}, and accountability or \textit{akhirah}\textsuperscript{21} (Naseef, 1998). Emphasizing the responsibility of an individual (Man), these principles form the basis of environmental ethics from the perspective of Islam. Islam regards the protection, conservation and development of the environment and natural resources as an individual mandate. The commitment to protect the environment emanates from the responsibility before God to protect oneself and the community (environment). Consequently, the responsibility becomes a mandatory religious duty to every Muslim individual. Much of the environmental degradation is due to the ignorance of what \textit{Allah} requires from Man. Hence, religious awareness

\textsuperscript{19} Is referred to as the western concept of environmentalism (Mahroof, 1996).
\textsuperscript{20} Malaysia is one of the countries that imposes liability to any individual, firm, society or other body of persons who is found guilty of committing environmental offence defined under Section 43 of the Environmental Quality Act 1974 (Act 127) and Environmental Quality (Amendment) Act 2007.
\textsuperscript{21} Also known as \textit{hisab}.  

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among individuals is crucial to protect the environment and Man should be made to realize that the conservation of the environment is a religious duty before Allah.

The following sub-sections discuss the three basic principles of environmental ethics in Islam, namely the unity (tawhid), trusteeship (khalifah) and accountability (hisab).

2.3.3.1 Unity (توحيد)

The concept of divine unity or tawhid (توحيد) is the basis and essence of Islam. Tawhid is the acknowledgement of the Oneness or Unity of God, the one and only that can be worshipped. The belief of the oneness of God leads to the divine order which implies that all creations are equally important as an element of the environment in worshipping Allah. The interconnectivity and interdependency of each element is important to achieve a balanced environmental cycle. In other words, each and every element of the environment deserves an equal right to exist in a right balance, and therefore any deficiency of an element will result in environmental imbalance. The following verse of the Quran explains the equal importance of each element, regardless of the nature or size of the creation.

There is not an animal in the earth, nor a flying creature flying on two wings, but they are peoples like unto you. We have neglected nothing in the book (of Our decrees). Then unto their Lord they will be gathered (Quran 6:38).

As an appointed caliph on earth, Man is assigned the responsibility to preserve the unity of all creations, which were created in a perfect balance by Allah (Ozdemir, 2002). From the Islamic perspective, the call for protecting the environment is based on the Quranic revelations which made an association between the oneness of God and interrelations among elements of the environment (al-Majid, 1999). The responsibility of Man is therefore, to sustain the development of the earth through the protection and preservation of its elements.
2.3.3.2  *Trusteeship* (خليفه)

The concept of trusteeship\(^\text{22}\) of khalifah (خليفه) rejects the idea of total ownership of Man over other elements of the environment. This concept relates to Man’s status as the superior creation in the universe. Having accepted the responsibility to worship *Allah*, Man has been appointed as a trustee of *Allah*’s possession, and consequently entrusted by *Allah* to manage and be just to all elements of the environment (other creations). The following verse explains how *Allah* has reminded Man to follow the right path in carrying out the duty as the trustee.

> Believe in *Allah* and His messenger, and spend of that whereof He hath made you trustees; and such of you as believe and spend (alright), theirs will be a great reward (*Quran* 57:7).

On the same note, verse 10 of *Surah al-A’raf* reveals how Man has been granted the power as the leader (caliph) on Earth, with the capability to utilize all resources to survive. Being the appointed caliph, he(she) is granted the authority to temporarily utilize all sources of life and resources of nature. However, Man is obliged to utilize all available resources to make a living in a sacred manner to ensure the rights and interests of other creatures are protected over time. The ultimate ownership of every element in the Universe belongs to *Allah* (*Quran* 20:6).

> And We have given you (mankind) power in the earth, and appointed for you therein livelihoods. Little give ye thanks! (*Quran* 7:10).

> Unto Him belongeth whatsoever is in the heavens and whatsoever is in the earth, and whatsoever is between them, and whatsoever is beneath the sod (*Quran* 20:6).

As a superior creation whom has been gifted the *aql* (knowledge), Man is free to use all available resources within the limits outlined by *Allah*. Man should not exploit them irresponsibly but is allowed to enjoy them conditionally (Lewis, 2001). Although all of *Allah*’s creations are subservient to Man, Man is obliged to carry out the trust (*amanah*) in a sacred manner. Man is strictly prohibited to abuse and manipulate the resources to make a living. Instead, Man should be

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\(^{22}\) Also referred to as vicegerency (*istikhlaf*), and sometimes translated as *khalafa* (Dien, 2000, p.75).
morally committed to the preservation of all of the environmental elements. Not only Man should conserve, but also to cultivate the environment to maintain its balance.

2.3.3.3 Accountability (حساب)

The third principle of the Islamic environmental ethics is accountability (حساب). The accountability concept refers to the judgment in the life after death. Each Man has his/her own hisaab or account, which records all of the good and bad actions throughout his/her entire life on earth. Every single action is recorded by two angels. An angel who stays on the right side of Man records only good deeds while the other who stays on the left side records only bad deeds.

And with Him are the keys of the invisible. None but He knoweth them. And He knoweth what is in the land and the sea. Not a leaf falleth but He knoweth it, not a grain amid the darkness of the earth, naught of wet or dry but (it is noted) in a clear record (Quran 6:59).

On the Judgment Day, Man will be shown all of the records and will be accountable for all of his/her good and bad deeds. Man will be assessed on his actions in carrying out all of the assigned duties, including taking care of other elements (creations). The determination of whether Man will get rewards or punishments depends on the fulfillment of the responsibilities assigned to him/her.

In summary, Islamic environmental ethics outline Man’s duty as the trustee to Allah’s creations. Man is required to care for the environment as each of the environmental elements has equal rights to exist and preserved. Islamic teaching emphasizes the importance of having a balanced eco-system, and that Man will be rewarded for doing so.
2.4 CORPORATE ENVIRONMENTAL RESPONSIBILITY AND SHARIAH

The preceding section shows that Islam places a strong emphasis for Man to care for each and every element of the environment. Environmental protection appears as the responsibility of an individual (fard ain), as well as the society (fard kifaya). The former refers to personal obligatory duties while the latter is an obligatory for a person(s) in the community, failing which, everyone in the community will be sinful.

The discussion below focuses on the issue of corporate personality, which leads to the discussion of corporate environmental responsibility, from the perspective of the Shariah.

2.4.1 Corporate personality and Islam

Firms or corporation refers to an association of persons created by statute as a legal entity to carry out business operations. Under the Shariah, firms’ existence as a separate legal entity is not explicitly stated (Bilal, 1999). Simply implied, firms neither have any legal personality nor exist independently from the people who invest in them. In other words, their existence as a legal entity is not recognized.

The discussion on the legal existence of a firm from the Shariah perspective revolves around the concept of an artificial person or fictitious personality (shakhsiyyah i’ithbariyah). A group of Muslims who strictly follow the belief and practices of earlier generations, known as the traditionalist (Parvez, 2000) rejects the idea of a firm as a separate legal entity. Such stance is based on the absence of any provisions from the Shariah law resources. The traditionalist jurists (fuqaha) do not accept the concept of al-dhimmah as the basis to recognize firms as a legal entity, similar to a real person. Al-dhimmah is a theory of fiqh that supports the idea of an entity other than human as a legal person. From the traditionalist perspective, a firm does not resemble a real person and since Shariah is only applicable to a real person, firms’ status falls beyond the

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23 Experts in fiqh or Islamic jurisprudence.
Shariah jurisdiction. Therefore, the concept of al-dhimmah is not applicable to firm and has no relevance in relation to interpretation of its liability and obligation (al-Tahanawi, 1996).

However, the idea of firms as a corporate personality\textsuperscript{24} is accepted by majority of the Muslim (modern) jurists. This group acknowledges the existence of an entity other than human being as an artificial, legal person. Firms are recognized as legal entities that possess a capacity (al-ahliyyah) and therefore, shall bear the obligations (iltizamat) of an individual (real, non-artificial person). Based on the concept of al-dhimmah, an analogy was made between firms and the institutions and practices which have existed in earlier time such as mosques, waqf and bayt-ama.

Taqi Usmani\textsuperscript{25}, for instance, supports the notion that a firm, in its capacity of a juridical person, has the rights and obligations similar to those of a real person. Taqi Usmani refers to waqf, a legal religious institution to manage donated properties for religious and charitable purposes, as the inference to the concept of a juridical person. Waqf is treated as a separate legal entity based on the ownership ruling, as agreed by the fuqaha. A waqf is entitled to own a property when the purchase was made through the income generated by the donated property. Although donated property is regarded as part of the waqf, the newly bought property is not. Instead, it belongs to the waqf. Based on this inference, the fuqaha agrees that institutions which operate within certain boundaries can own assets, independent from the real persons. Thus, these institutions, which are artificial in nature, are recognized as a real person in respect of the legal consequences of their operations.

\textsuperscript{24} Corporate personality encompasses the capacity of a corporation to have a name of its own, to sue and be sued, and to have the right to purchase, sell, lease, and mortgage its property in its own name. In addition, property cannot be taken away from a corporation without due process of law (Free Dictionary, n.d.).

\textsuperscript{25} Muhammad Taqi Usmani is a Hanafi Islamic scholar in the fields of Islamic Jurisprudence (fiqh), economics and hadith from Pakistan. (Wikipedia, n.d.-j).
2.4.2 Corporate environmental responsibility and the Shariah

The preceding section discusses the issue of corporate personality, in association to the recognition of the capacity (al-ahliyyah) and obligations (iltizamat) of a firm as a fictitious, non-real person. While the traditionalists reject the idea of a firm as a separate legal entity due to the absence of any reference pertaining to the issue in the Shariah law resources, the modern jurists support the idea based on the concept of al-dhimmah and its reference to the precedent Islamic institutions and practices.

The issue of corporate personality has a very important implication to corporate environmentalism. From the traditionalists’ perspective, firms are not recognized as a legal entity that possess the capability and bear responsibilities. Therefore, no social obligation shall be imposed on them. Holding on to the traditionalist view, firms are free to operate and have their operations influence the environmental balance. However, since they are not categorized as real persons, they are not obliged to care for the environment under the Shariah rulings. Such asymmetrical treatment implies that the capacity to influence the environment do not lead to the obligations.

In view of the current environmental issues, a heavy reliance on the traditions inherited from earlier generations reduces the ability of the society to address contemporary challenges (Parvez, 2000). Considering the enormous adverse environmental impacts from business operations, the modern jurists’ stance is more accommodating. The modern jurists resemble the revivalists approach, who incorporate current emerging issues in light of Islamic guidance (Parvez, 2000). This approach brings together issues in contemporary setting and the Shariah. In other words, the social life and Islam are blended together, thus increasing the ability to meet current challenges.

The modern jurists (revivalists) accept the existence of firms as artificial, legal entities that have the ability and bear responsibilities similar to real persons. In this respect, firms are regarded as individuals who have the mandate to observe the responsibility beyond the relationship with
Allah. The clarification of this status lays the platform for firms in taking up corporate environmental responsibility.

The concept of corporate responsibility in Islam is based on the idea that firms operate in a way that they do not do harm to the well-being of other creations. The concept originates from the notions of ‘falah (human well-being) and hayat tayyibah (good life) which emphasizes the socialties and socioeconomic justice, in addition to a balanced material and spiritual requirements of Man that is necessary to preserve and enrich faith, life, intellect, posterity and wealth’ (Mohammed, 2007, p.55). In other words, corporate responsibility from an Islamic perspective, integrates spiritual view for Man’s interaction with various parties including Allah, nature and other human. Contrary to the materialism worldview which regards that only material or physical universe constitutes reality, Islam recognizes both spiritual and material dimensions of reality based on the responsibility of Man beyond the self (Parvez & Ahmed, 2004). As such, Man needs to get to a perfect blend of the material aspect and spiritual values in order to be just to all creations.

Firms should bear the same responsibility as other elements of a greater society, to ensure that their existence does not pose inequality or be unjust to any party. The association between individual’s and corporate responsibility as proposed by Lewis (2001, p.113) is that ‘both managers and providers of capital are accountable for their actions both inside and outside their firms; accountability to the community to establish socio-economic justice within their own capacity’. Corporate responsibility is therefore, a moral and religious obligation of a firm as a social actor in the society.

From an Islamic perspective, firms should not only focus on the material factors such as resources and profit in accordance to the secular-economic approach, but also look into spiritual dimensions of environmental protection. In light of the Islamic perspective of corporate responsibility, owners of or parties who have the power over the management of the firms, are required to apply the trusteeship principle in managing the society’s economic resources such as
the air and water. Economic resources should be treated in a just way for the benefit of society and thereby one can attain the blessings while Allah remains as the absolute owner of the resources. Thus, materialism should not be the main aim of firms’ existence but needs to balance against the act of operating in a socially responsible manner (Dusuki, 2008).

Firms need to observe the social and moral responsibility for the wellbeing of their stakeholders such as consumers, employees, shareholders and the greater society. As such, firms are required to ensure that their operations do not cause injustice not only to their stakeholders but to other Allah’s creations such as flora, fauna and other natural resources. The act of being just to all stakeholders and other elements of the environment contributes to the building of trust between various stakeholders and the firms.

From an Islamic perspective, the development of trust will only be realized when each party is aware of and obliged to the concept of submission to Allah. When trust is present in its absolute form, the need for any type of control mechanism to ensure compliance is dismissed. Reports from external parties based on objective and quantitative data are also not needed. The same goes for the efforts to portray an image of being a good corporate citizen. The trust that the stakeholders have on firms should be suffice for them to believe that firms have indeed carried out the social responsibility act in their best possible way, in line with the fundamental concept of *tawhid* in Islam. As much as Man is obliged to perform the sacred duty ascribed by Allah, firms as an actor of a greater society are expected to do the same. However, the process to arrive at the absolute or at least reasonable level of trust requires a holistic approach that incorporates a wider aspect of spiritual and social issues. Islam does not deny the need for law and enforcement for education and deterrent purposes (Parvez, 2000). However, the law and enforcement should not be the mechanism to treat the symptoms only, but to cure the root of the problem.

In summary, Islam views corporate environmentalism from a holistic perspective, incorporating material and physical dimensions, as well as the spiritual and moral aspects. Thus, corporate environmental responsibility should be regarded as fulfilling the responsibility before Allah. As
entities that have the capability and obligations similar to real persons, firms should place themselves in the highest level of *taqwi-centric* level in the continuum proposed by Dusuki (2008). At this level, firms should take up the responsibility regardless of the financial impacts. Being at the highest order moral position, it represents the Islamic view of corporate responsibility.

### 2.5 CHAPTER SUMMARY

This chapter outlines the call for environmental protection from the *Shariah* perspective. *Allah* has created the universe with a purpose and in a perfect balance. Man has voluntarily accepted the appointment as the caliph and takes up the responsibility to worship *Allah*, a task which was earlier declined by the Angels. Thus, Man is obliged to submit him(her)self to *Allah* and bear all the agreed responsibilities.

Man’s submission to *Allah* not only includes his(her) duty to *Allah* but also to other creations. Islam promotes the interdependency and connectivity among all of *Allah’s* creation and that each creation has its value to, and complements each other. Therefore, Man is also obliged to take up the responsibilities to care for other creations, individually, as well as collectively. The call for Man to be just to other elements of the environment are abundant the *Quran* and Hadith.

As much as Islam calls for environmental care at individual level, Islam emphasizes the same for firms. Based on the *al-dhimmah* concept, firms are recognized as legal entities that have the ability and obligations similar to real persons. Firms are therefore, obliged to observe the duty towards *Allah* in caring for other elements of the environment.

In summary, Islam has clearly outlined the need to protect the environment in the *Shariah* teachings. The strong call attesting to environmental protection should be accepted unconditionally as it is explicitly prescribed in various parts of the *Quran* and Hadith. Muslims

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26 The continuum ranges from Level 1 Irresponsible to Level 5 *Taqwi-centric* (refer Appendix 8).
should abide to the rules and guidelines and therefore, observe strong environmental protection as a submission act to Allah. Environmental problem should not arise in nation states under Islam as the Muslims should care of the environment as an individual (fard ain), as well as collective obligations (fard kifaya).

In view of the normative care for the environment under the Shariah, the following chapter discusses about the current environmental problems faced by the global community, with a special focus on Malaysia as a rapidly developing country which is strongly influenced by Islam.
CHAPTER 3: GLOBAL ENVIRONMENTAL CHALLENGE

3.1 INTRODUCTION
The emergence of industrialization and economic development has created environmental problems which pose serious threats to the wellbeing of human and the environment. This has resulted in various forms of industrial pollution which have proven to affect and disrupt the ecological balance of the atmosphere. One of the causes of industrial pollution is the increasingly significant number of factories that have dangerously contributed to the emission of toxic gasses such as carbon dioxide, causing health hazards. Apart from that, waste products from the factories are reported to be contemplating water sources which cause an imbalance of the ecosystem. Another environmental hazard includes land clearance for plantation and urbanization purposes which have resulted in an eminently serious threat to the biosphere.

The ongoing environmental problems have caused the global community to recognize them as a major issue of concern across nations. These problems not only threaten the current generation but also the rights of the future generations to live in a clean and healthy environment. The alarming trend of environmental problems appears to be an issue of a special urgency. With the current rate of natural resources consumption, the earth is soon unable to provide humans with the resources needed.

The preceding chapter provides a discussion for environmental protection from an Islamic perspective. Islam strongly urges Man, individually and collectively, to care for the environment. Under the fundamental concept of tawhid, Man is obliged to bear responsibility towards Allah and each of His creations. As a superior creation above others, Man has been appointed as a caliph on the earth, and thus Man is answerable to Allah for the handling of the Earth and all of its inhabitants.

Nevertheless, the current devastating state of environmental problems faced by the global community in general, and in Islam dominated countries particularly, suggests that Man, as the
appointed caliph, has neglected the duty before Allah. Despite the normative call for Man to protect the environment under the Shariah, the environment has not been given the attention and care it deserves.

This chapter discusses the environmental issues across the globe as well as Malaysia as the setting for the study. Section 3.2 provides a discussion on the environmental challenges of the world, and Malaysia as the context of the study while Section 3.3 focuses on measures taken by the regulatory and non-regulatory bodies in protecting the environment in Malaysia. The issue of concern in this research is provided in Section 3.4 before the conclusion section.

3.2 GLOBAL TREND OF ENVIRONMENTAL PROBLEMS
The devastating ecological problems faced by the entire earth population have prompted governments around the world to become more conscious of the environmental issues and how they affect the quality of life of people around the globe. As an international effort to ensure that the development does not jeopardize the needs of the present and future generations, the concept of 'sustainable development' was introduced by the World Commission on Environment and Development or better known as the Brundtland Commission in 1987. The United Nations Conference on Environment and Development (UNCED), also known as the Earth Summit, held in Rio de Janeiro, in 1992 and the World Summit on Sustainable Development (Earth Summit 2002) also addressed the same concern of ensuring environmental protection and responsible development across nations.

Ecological footprinting is now widely used as an indicator of environmental sustainability. An ecological footprint measures humans’ demand on the ecosystem in the form of providing the resources needed to absorb the waste (WWF, 2008). Ecological footprint analysis is based on the regenerative capacity of the natural resources in the ecosystem (Ewing et al., 2009).

27The ecological footprint concept was created by Marthis Wackernagel and William Rees from the University of British Columbia in the early 1900s (Ewing et al., 2009).
A nation’s total ecological footprint is determined by its population, resource and waste intensity, and consumption per person (Ewing et al., 2009). Although on average, the global individual footprint has been relatively constant, an increase in the population has caused the total footprint to increase (WWF, 2012).

On the other hand, biocapacity measures the capacity of a given biologically productive area to generate an on-going supply of renewable resources and to absorb its waste. Biocapacity is determined by the area of biologically productive land or water, and the productivity of that area (Ewing et al., 2009).

Figure 3.1: Trends in biocapacity, ecological footprint and world population from 1961-2010

Unsustainability occurs when an area’s ecological footprint exceeds its biocapacity. Figure 3.1 shows the excess of the footprint over the biocapacity that caused the earth to be ecologically overshoot. Ecological overshoot refers to a situation when the humanity’s annual demand on the natural world exceeds what the Earth can renew in a year. With the current unsustainable path of an increment of the footprint (1961: 7.6 billion gha; 2010: 18.1 billion gha) and biocapacity (1961: 9.9 billion gha; 2010: 12 billion gha), we are getting closer to ‘the collapse of critical ecosystem’ if major driving factors of ecological footprint are not strategically managed (Ewing
et al., 2009, p.5). The latest statistic from the National Footprints Account 2010 edition (Ewing et al., 2010) shows that the world footprint of 2.7gha exceeds the biocapacity of 1.8gha by 0.9gha. The statistic clearly indicates that the current human demand for resources exceeds the earth capacity to fulfill the demand. Three main factors identified as contributing to the ecological deficit are population, affluence and technology. Unless the global community takes immediate steps to address these three factors seriously, the earth is no longer a safe place to dwell in as it will soon lose its ability to supply resources and absorb human waste.

3.2.1 Ecological footprint analysis
A sustainable concept of development calls for humanity to live within the ability of the earth to generate resources for consumption. Ideally, the humanity footprint should, at all times, be lower than the biocapacity. The year 1980 marked an alarming start for an overshoot state when human demands exceeded the biocapacity level. Since then, the uptrend remains.

Not all countries are blessed with abundance of natural resources, which contribute to the renewal of biosphere. Conflicting interest between the ‘right to develop' and the environmental concerns has prompted the United Nations Development Programme (UNDP) to introduce the global sustainable development status. Such status reflects the ability to fulfill the population lives without degrading the planet. The categorization depends on two criteria; level of human development and ecological footprint. Scores of 0.8 or above for the High Development Index (HDI) and 1.8 or lower for the ecological footprint (global hectares per person) reflect a good balance of sustainable development. A country with a high human development and low ecological footprint displays a good quality of life of its population. However, based on 2006 data, no country has met both criteria (Ewing et al., 2009). As a comparison, Malaysia has successfully achieved a HDI above 0.8 level but failed to keep its ecological footprint below 1.8 global hectares per person. 28

28 Based on 2007 data, only Ecuador achieved the goal of sustainable development with 0.8 HDI and 1.8 footprint. The highest and lowest footprints are reported by the UAE (of approximately 10) and Bangladesh and Mozambique (approximately below 1), respectively (Ewing et al., 2010).
Table 3.1 shows the ecological footprint data across the regions and selected countries. A comparison among the regions shows that Africa (1.45gha per person) and Asia Pacific (1.63gha per person) have the lowest ecological footprints while North America reports the highest footprint level of 7.12gha per person. The statistics reveal that Africa and Asia Pacific regions put less pressure on the ecosystem to provide resources to absorb the waste, compared to North America. However, when the biocapacity level is considered, Asia (Middle East/Central Asia, Asia Pacific), European Union and North America are found to be ecological debtors regions. These regions have their ecological footprints in excess of their biocapacity levels. In other words, these regions rely on the biocapacity of others, in addition to theirs, for provision of resources and waste assimilation. On the other hand, Africa, Latin America and Other Europe report biocapacity levels that exceed their ecological footprint levels and therefore classified as ecological creditor regions.

The data also shows that high income countries and middle income countries are categorized as ecological debtors, while low income countries are categorized as ecological creditor countries. Such categorization reveals the association between industrialization and ecological status. Low income countries, which are commonly associated with low level of industrialization and less economic development, are relatively ecologically friendly.
Table 3.1: Ecological footprints for region/sub-region

<table>
<thead>
<tr>
<th>Region/Country</th>
<th>Population (millions)</th>
<th>Total Ecological Footprint 2008, global hectares per person</th>
<th>Total Biocapacity 2008, global hectares per person</th>
</tr>
</thead>
<tbody>
<tr>
<td>World*</td>
<td>6 739.6</td>
<td>2.70</td>
<td>1.78</td>
</tr>
<tr>
<td>Africa</td>
<td>975.5</td>
<td>1.45</td>
<td>1.52</td>
</tr>
<tr>
<td>Middle East/ Central Asia*</td>
<td>383.7</td>
<td>2.47</td>
<td>0.92</td>
</tr>
<tr>
<td>Asia Pacific*</td>
<td>3 729.6</td>
<td>1.63</td>
<td>0.86</td>
</tr>
<tr>
<td>Latin America</td>
<td>576.8</td>
<td>2.70</td>
<td>5.60</td>
</tr>
<tr>
<td>North America*</td>
<td>338.4</td>
<td>7.12</td>
<td>4.95</td>
</tr>
<tr>
<td>European Union*</td>
<td>497.1</td>
<td>4.72</td>
<td>2.24</td>
</tr>
<tr>
<td>Other Europe</td>
<td>239.3</td>
<td>4.05</td>
<td>4.88</td>
</tr>
<tr>
<td>High Income Countries*</td>
<td>1 037.0</td>
<td>5.60</td>
<td>3.05</td>
</tr>
<tr>
<td>Middle Income Countries*</td>
<td>4 394.1</td>
<td>1.92</td>
<td>1.72</td>
</tr>
<tr>
<td>Low Income Countries</td>
<td>1 297.5</td>
<td>1.14</td>
<td>1.14</td>
</tr>
</tbody>
</table>

Five highest ecological footprint countries in the world

<table>
<thead>
<tr>
<th>Country</th>
<th>Ecological Footprint 2008</th>
<th>Biocapacity 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qatar*#</td>
<td>1.4</td>
<td>11.68</td>
</tr>
<tr>
<td>Kuwait*#</td>
<td>2.5</td>
<td>9.72</td>
</tr>
<tr>
<td>United Arab Emirates*#</td>
<td>8.1</td>
<td>8.44</td>
</tr>
<tr>
<td>Denmark*</td>
<td>5.5</td>
<td>8.25</td>
</tr>
<tr>
<td>United States of America*</td>
<td>305.0</td>
<td>7.19</td>
</tr>
<tr>
<td>MALAYSIA*#</td>
<td>27.5</td>
<td>3.90</td>
</tr>
</tbody>
</table>

*Ecological debtor
#OIC countries
Source: (WWF, 2012, pp. 140-145)

The above data also shows that, generally, the global community is experiencing ecological deficit. With 6.7 billion world population, on average each individual consumes 2.7gha resources while the regeneration capacity is at 1.78gha. A closer look at an individual country level reveals that Qatar, Kuwait, United Arab Emirates, Denmark and United States appear as the top five countries with the highest ecological footprint. Although Islam strongly calls for environmental protection, Table 3.1 shows that the top three countries with the highest ecological footprint are among the Organization of Islamic Cooperation (OIC)29 member countries. The data indicates

29 A full list of Organization of Islamic Cooperation (OIC) member countries’ data is shown in Appendix 9.
that despite being a part of the Muslim world, OIC countries are no different from other secularist countries (Denmark and United States) in the treatment of the environment. Comparatively, Malaysia is ranked at number 8 among the OIC countries in the total ecological footprint gha per person (2008 data), and is categorized as an ecological debtor country (WWF, 2012).

3.2.2 Environmental problem analysis
The ecological footprint analysis shows that the world is categorized as an ecological debtor with total ecological footprint of 2.7 gha and total biocapacity of 1.78 gha (Table 3.1). This implies that the world now is facing serious environmental problems. The earth temperature has increased as the result of a global warming. Pollution, being one of the contributing factors to the global warming problem, is caused by harmful substances that contaminate natural resources. The substances come from both natural\textsuperscript{30} and human-made disasters, which lead to various deadly effects to the biosphere. While the former is non-avoidable, the latter is controllable and wholly dependent on human attitudes. However, instead of controlling the adverse effects on the environment, humans are found to have substantially contributed to the current environmental problems, mainly through the industrialization activities. In view of this, two major environmental problems caused by humans; deforestation and pollution, are discussed in the following section. These two activities represent two major environmental problems that arise as the result of economic development and industrialization.

3.2.2.1 Deforestation
Forest plays an important role in reducing the global warming effect by absorbing the main greenhouse gas, carbon dioxide, from the air through the photosynthesis process. Trees store carbon in their bodies, while a small portion is released back to the atmosphere through respiration. When the forest is cleared or burnt, (huge) carbon storage is returned to the atmosphere. For example, when an area of the Amazon rainforest was burned in 1987, 500

\textsuperscript{30}Volcanic eruptions, for instance, release gases such as carbon dioxide (CO2), sulfur dioxide (SO2), hydrochloric acid (HCl), hydrogen fluoride (HF), hydrogen sulfide (H2S), carbon monoxide (CO), hydrogen gas (H2), NH3, methane (CH4), and SiF4 (Riley, n.d.).
million tons of carbon dioxide were released (Young People's Trust For The Environment, n.d.). Loss of forests contributes as much as 30% of global greenhouse-gas emissions each year and left fewer trees to absorb the dangerous gas (Johnson, 2009). Apart from the carbon dioxide issue, deforestation also causes other serious environmental problems such as land erosion and flood.

Deforestation is caused by the exploitation of the forest, mainly due to human activities. Population pressures, logging, clearing and forest conversion for agriculture, biofuel production, and wildfires are the main causes of deforestation. Although the rate of net forest loss is slowing down due to new planting and natural expansion of existing forests, deforestation is still considered as a serious environmental issue. Table 3.2 shows the trend in area of primary forest by region and sub-region for the 1990-2010 period.

The world total annual change for 1990-2000 and 2000-2010 periods shows an improvement of 0.03, from -0.40 to -0.37. Among the six regions, Africa recorded the highest deforestation rates and forest losses for both periods. However, except for Total Oceania, Total Europe and Total South America, the other three regions (Total Africa, Total Asia and Total North and Central America) show a decrement in the annual change rate between the two periods. The improvements in the primary forest area suggest that the global community has become more aware of the importance of forests as a natural mechanism to reduce global warming impacts, and has taken measures to protect the forest and reduce deforestations. On the country specific basis, Brazil and Indonesia which have reported the highest forest loss in 1990s, have also better managed their forests by successfully reducing the rate of loss in the 2000-2010 period (FRA, 2010).
Table 3.2: Trends in area of primary forest by region and sub-region, 1990-2010

<table>
<thead>
<tr>
<th>Region/Sub-region</th>
<th>Information availability</th>
<th>Area of primary forest (1 000 ha)</th>
<th>Annual change (1 000 ha)</th>
<th>Annual change rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern and Southern Africa*</td>
<td>23</td>
<td>100.0</td>
<td>7 594</td>
<td>7 024</td>
</tr>
<tr>
<td>Northern Africa</td>
<td>8</td>
<td>100.0</td>
<td>15 276</td>
<td>14 098</td>
</tr>
<tr>
<td>Western and Central Africa*</td>
<td>23</td>
<td>46.9</td>
<td>37 737</td>
<td>32 540</td>
</tr>
<tr>
<td>Total Africa</td>
<td>54</td>
<td>74.2</td>
<td>60 607</td>
<td>53 662</td>
</tr>
<tr>
<td>East Asia</td>
<td>5</td>
<td>100.0</td>
<td>28 179</td>
<td>26 456</td>
</tr>
<tr>
<td>South and Southeast Asia</td>
<td>17</td>
<td>100.0</td>
<td>87 062</td>
<td>83 587</td>
</tr>
<tr>
<td>Western and Central Asia</td>
<td>23</td>
<td>96.9</td>
<td>2 924</td>
<td>3 083</td>
</tr>
<tr>
<td>Total Asia</td>
<td>45</td>
<td>99.8</td>
<td>118 166</td>
<td>113 127</td>
</tr>
<tr>
<td>Total Europe</td>
<td>42</td>
<td>19.1</td>
<td>5 183</td>
<td>5 360</td>
</tr>
<tr>
<td>Caribbean</td>
<td>16</td>
<td>70.4</td>
<td>597</td>
<td>207</td>
</tr>
<tr>
<td>Central America*</td>
<td>7</td>
<td>100.0</td>
<td>5 766</td>
<td>5 226</td>
</tr>
<tr>
<td>North America</td>
<td>5</td>
<td>100.0</td>
<td>274 920</td>
<td>273 795</td>
</tr>
<tr>
<td>Total North and Central America</td>
<td>28</td>
<td>99.7</td>
<td>280 893</td>
<td>279 227</td>
</tr>
<tr>
<td>Total Oceania*</td>
<td>16</td>
<td>99.7</td>
<td>41 416</td>
<td>39 191</td>
</tr>
<tr>
<td>Total South America</td>
<td>13</td>
<td>94.6</td>
<td>684 654</td>
<td>653 691</td>
</tr>
<tr>
<td>World</td>
<td>198</td>
<td>74.3</td>
<td>1 190 919</td>
<td>1 144 258</td>
</tr>
</tbody>
</table>

Note: n.s. = ‘not significant’ (i.e. less than one percent of the total)
*increased rate of annual deforestation between 1990-2000 and 2000-2010 periods

Deforestation due to economic development has contributed to the rising of environmental stress. Forest, as an important and natural agent to keep the ecological balance through the absorption of human and animal respiratory waste and maintaining the earth structure, has been cleared for plantation, mining and urbanization purposes. Although the latest available data shows an improvement in the global deforestation trend, analysis on an individual country indicates that deforestation still poses a serious issue for some countries. Data in Table 3.3 shows top five countries with the highest deforestation rate for 1990-2010 period. Comoros and Pakistan, which are Islam dominated countries with 98.3% and 96.4% Muslim population, respectively, emerged as the first and fifth countries with the highest deforestation rate in the world. Togo and Uganda, which are non-Muslim majority countries, are ranked second and forth. The statistic shows that,
regardless of the dominant religion, both Muslim and non-Muslim dominated countries show a steady upward trend in the annual deforestation rate change for the 20 year period.

Table 3.3: World top five countries with highest deforestation rate based on 1990-2010 period, in relation to Malaysia

<table>
<thead>
<tr>
<th>Country</th>
<th>Muslim population (%)*</th>
<th>Annual change 1990-2000 period (%)</th>
<th>Annual change 2000-2005 period (% ha)</th>
<th>Annual change 2005-2010 period (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comoros**</td>
<td>98.3</td>
<td>-3.97</td>
<td>-8.97</td>
<td>-9.71</td>
</tr>
<tr>
<td>Togo</td>
<td>12.2</td>
<td>-3.37</td>
<td>-4.50</td>
<td>-5.75</td>
</tr>
<tr>
<td>Nigeria</td>
<td>47.9</td>
<td>-2.68</td>
<td>-3.33</td>
<td>-4.00</td>
</tr>
<tr>
<td>Uganda</td>
<td>12.0</td>
<td>-2.03</td>
<td>-2.39</td>
<td>-2.72</td>
</tr>
<tr>
<td>Pakistan**</td>
<td>96.4</td>
<td>-1.76</td>
<td>-2.11</td>
<td>-2.37</td>
</tr>
<tr>
<td>Malaysia**</td>
<td>61.4</td>
<td>-0.36</td>
<td>-0.66</td>
<td>-0.42</td>
</tr>
</tbody>
</table>

**Muslim majority countries.
Source: Food and Agriculture Organization of the United Nations (2010).

Malaysia, as the country context, reports unfavorable trend of the deforestation annual rates of -0.36, -0.66 and -0.42 between 1990 to 2010 period. Although currently categorized as a forest footprint creditor country with the forestland ecological footprint of 0.47 global hectares per person and biocapacity of 0.70 global hectares per person (2008 data) (WWF, 2012), Malaysia will soon lose its creditor status if it continues with the existing pattern of the deforestation activities. In other words, with the current rate of deforestation, forests in Malaysia will soon be unable to produce the resources for consumption and absorb its waste.

Malaysia is a country blessed with abundant flora and fauna. However, deforestation has been excessively carried out that caused Malaysia’s forest area to have shrunk dramatically. Although the Food and Agriculture Organization of the United Nations (FAO) claims that forests still cover more than 63.6 percent of Malaysia, only 11.6 percent of these forests are considered pristine.
Deforestation has emerged as an important environmental issue since the 1970s in Malaysia. Rapid economic and industrial development from 1970s has resulted in the depletion of the rainforest, making way for land development programs, logging activities and dam construction (Hezri & Hasan, 2006; Sani, 1993). The Federal Land Development Authority (FELDA), the world’s largest plantation operator (Wikipedia, n.d.-c) which was formed in 1956, is a body responsible for the land development activities in Malaysia. A large amount\(^{31}\) of the forest area was cleared for agriculture purpose\(^{32}\) under the scheme. Deforestation was also intensified through logging activities. The Hulu Terengganu Hydroelectric Project, Bukit Cerakah, Kelau Forest Reserve, Pulai River Mangrove Forest and Sungai Mas Forest are logging areas believed to have threatened endangered wildlife (Wikipedia, n.d.-a).

The implementation of the five-year Malaysia plan has also significantly contributed to the deforestation rate. Since the forests support a wide diversity of species and provide globally and locally important ecosystem services, the habitat and species are in a great danger of extinction\(^{33}\). In addition to the loss of biodiversity and wildlife inhabitants, deforestation activities also have adverse effects to the ecosystem such as soil erosion and river siltation.

3.2.2.2 **Air pollution**

Another major environmental problem caused by humans is air pollution. Among the many types of harmful substances that contribute to the air pollution are carbon monoxides (CO), carbon dioxides (CO\(_2\)), methane (CH\(_4\)), chlorofluorocarbons (CFC), nitrogen oxides (N\(_2\)O), and ozone. The polluted air causes acid rain to occur. Acid rain is very harmful to the environment as it could damage the biosphere over a period of time. Carbon monoxide is the biggest contributor to the acid rain problem. Also known as carbonic oxide, it is a colorless, odorless, tasteless, and yet

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\(^{31}\) Rowley (1977, as cited in Hezri and Hasan 2006) reported that 3.4 million hectares of forest was cleared under the FELDA program.

\(^{32}\) The European Union is reported to have a plan to classify oil palm plantations as forests. The move to allow the conversion of rainforest to oil palm plantations, however, raises fears among environmental groups who claim that it will lead to ‘a gaping loophole’ in the concept of sustainability (Butler, 2010).

\(^{33}\) Eighteen (18\%) percent of 2199 endemic species face extinction if not conserved (MYS, n.d.).
poisonous gas. Two third of the carbon monoxide emissions are from the transportation sources (Carbonmonoxidekills.com, n.d.).

Figure 3.2: Total Greenhouse Gas Emissions by Region (2000-2030)

Harmful substances in the air also contribute to the global warming problem. The trapped gases cause earth to warm up and threaten various elements of the environment. Such a phenomenon is referred to as the greenhouse effect. Figure 3.2 provides a projection of future greenhouse gas (GHG) emissions of developed and developing countries. Although the total emission of the GHG for developed countries is greater than the developing countries for the period prior to 2015, the GHG emissions of the developing countries are expected to exceed those from the developed countries by 2015. Unless developing countries take serious measures to reduce the GHG emissions, the global warming problems will continue to worsen.

The main contributor to the global warming or the greenhouse effect is carbon dioxide (CO₂), which accounts for about 50% of all greenhouse gases. Table 3.4 shows the data on carbon dioxide emissions from different regions in the world. In general, the amount emitted increased significantly across regions between 1990 to 2011 period. Middle East and Asia & Oceania reported a more than a twofold increase, while Europe has marginally reduced its carbon dioxide emission between 1990 and 2011 period.
On individual country basis based on 2011 data, China was found to be the highest emitter of carbon dioxide with 8715 million metric tons, followed by the United States (5491 million metric tons). Both countries reported an upward trend of CO₂ emissions for the 1990-2011 period. In view of the Shariah prohibition for human to do harm to the environment, Table 3.4 provides data on the OIC member countries. Five countries with the highest total CO₂ emissions among the OIC member countries are Iran, Saudi Arabia, Indonesia, Turkey and United Arab Emirates. All of these countries reported an upward trend in their CO₂ emission for the twenty-year period.

On the same note, Malaysia also shows an unfavorable trend of total CO₂ emission. For the 1990-2011 period, the amount of CO₂ emitted has tripled from 65 metric tons to 191 metric tons. Based on 2011 data, Malaysia is ranked at the 32nd place in the world’s CO₂ emission from the consumption of energy.

Statistics in Table 3.4 show the total CO₂ emissions by regions, sub-regions and individual country. However, the data did not encapsulate the population size of the (sub)regions or countries. Ceteris paribus, populous nations emit more CO₂ than less populated ones and therefore, the total CO₂ emissions may not reflect the actual condition of the (sub)regions or countries. Table 3.5 provides data on per capita CO₂ emission which calculates the consumption per person. By controlling the population effect, the per capita data reflects the CO₂ emission of each individual.

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34 A complete list of CO₂ emission for OIC countries between 1990-2011 period is shown in Appendix 10.
35 Based on the U.S. Energy Information Administration (EIA) data on the international energy statistics (U.S Energy Information Administration, n.d.-b).
Table 3.4: Total Carbon Dioxide (CO₂) Emissions from the Consumption of Energy 1990-2011 (in million metric tons)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>North America*</td>
<td>5814</td>
<td>6150</td>
<td>6821</td>
<td>7022</td>
<td>6617</td>
<td>6507</td>
</tr>
<tr>
<td>Central &amp; South America*</td>
<td>716</td>
<td>858</td>
<td>991</td>
<td>1105</td>
<td>1288</td>
<td>1339</td>
</tr>
<tr>
<td>Europe</td>
<td>4546</td>
<td>4309</td>
<td>4458</td>
<td>4675</td>
<td>4375</td>
<td>4305</td>
</tr>
<tr>
<td>Eurasia*</td>
<td>3821</td>
<td>2467</td>
<td>2261</td>
<td>2453</td>
<td>2429</td>
<td>2639</td>
</tr>
<tr>
<td>Middle East*</td>
<td>730</td>
<td>901</td>
<td>1095</td>
<td>1447</td>
<td>1798</td>
<td>1952</td>
</tr>
<tr>
<td>Africa*</td>
<td>726</td>
<td>826</td>
<td>887</td>
<td>1052</td>
<td>1155</td>
<td>1152</td>
</tr>
<tr>
<td>Asia &amp; Oceania*</td>
<td>5171</td>
<td>6498</td>
<td>7637</td>
<td>10507</td>
<td>13840</td>
<td>14684</td>
</tr>
<tr>
<td>World highest CO₂ emitters</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China*</td>
<td>2178</td>
<td>2723</td>
<td>3272</td>
<td>5464</td>
<td>7997</td>
<td>8715</td>
</tr>
<tr>
<td>United States*</td>
<td>5040</td>
<td>5319</td>
<td>5863</td>
<td>5999</td>
<td>5637</td>
<td>5491</td>
</tr>
<tr>
<td>Five highest CO₂ emissions among OIC countries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iran*</td>
<td>202</td>
<td>262</td>
<td>321</td>
<td>451</td>
<td>564</td>
<td>624</td>
</tr>
<tr>
<td>Saudi Arabia*</td>
<td>208</td>
<td>235</td>
<td>290</td>
<td>401</td>
<td>468</td>
<td>513</td>
</tr>
<tr>
<td>Indonesia*</td>
<td>156</td>
<td>214</td>
<td>266</td>
<td>330</td>
<td>414</td>
<td>426</td>
</tr>
<tr>
<td>Turkey*</td>
<td>129</td>
<td>153</td>
<td>201</td>
<td>230</td>
<td>269</td>
<td>296</td>
</tr>
<tr>
<td>United Arab Emirates*</td>
<td>79</td>
<td>100</td>
<td>115</td>
<td>139</td>
<td>214</td>
<td>245</td>
</tr>
<tr>
<td>MALAYSIA*</td>
<td>65</td>
<td>89</td>
<td>117</td>
<td>147</td>
<td>190</td>
<td>191</td>
</tr>
<tr>
<td>World Total*</td>
<td>21523</td>
<td>22010</td>
<td>24150</td>
<td>28262</td>
<td>31502</td>
<td>32579</td>
</tr>
</tbody>
</table>

*increased in total CO₂ emissions

Source: U.S Energy Information Administration (n.d.-b)

The profile of the world’s highest carbon dioxide emitters for individual country, when per capita data is considered is shown in Table 3.5. Virgin Island (US) appears as the highest emitter, followed by Gibraltar, United Arab Emirates, Netherland Antilles, Trinidad and Tobago, Singapore, Qatar, Kuwait, Bahrain and Luxembourg. Similar to deforestation, no specific pattern is observed in these countries’ contribution to the environmental problem based on the dominant religion. Islamic dominated countries\(^\text{36}\) (Qatar, Bahrain, United Arab Emirates and Kuwait) appeared as countries with the highest emission of CO₂ per person alongside with non-Islam-

\(^{36}\text{Defined as the head of state is a Muslim and he has the power to promulgate Islamic law (Deccani, 2010).}\)
dominated countries (Virgin Island, Gibraltar, Netherland Antilles, Trinidad and Tobago, Singapore and Luxembourg). Data for Malaysia is also shown as a comparison. With the CO₂ emission of 6.7 million metric tons per capita, Malaysia is ranked at the 74th place out of 214 countries in the world.

Table 3.5: Highest emission of Per Capita Carbon Dioxide (CO₂) Emissions from the Consumption of Energy 2011 (million metric tons of carbon dioxide per person)

<table>
<thead>
<tr>
<th>Region/ Year</th>
<th>Million metric tones</th>
<th>World rank</th>
<th>Population#</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virgin Island (US)**</td>
<td>176</td>
<td>1</td>
<td>94.8% Christian</td>
</tr>
<tr>
<td>Gibraltar**</td>
<td>169</td>
<td>2</td>
<td>88.8% Christian</td>
</tr>
<tr>
<td>United Arab Emirates*</td>
<td>48</td>
<td>3</td>
<td>76.9% Islam</td>
</tr>
<tr>
<td>Netherland Antilles**</td>
<td>47</td>
<td>4</td>
<td>93.9% Christian</td>
</tr>
<tr>
<td>Trinidad and Tobago**</td>
<td>42</td>
<td>5</td>
<td>65.9% Christian</td>
</tr>
<tr>
<td>Singapore**</td>
<td>40</td>
<td>6</td>
<td>33.9% Buddhism</td>
</tr>
<tr>
<td>Qatar*</td>
<td>35</td>
<td>7</td>
<td>67.7% Islam</td>
</tr>
<tr>
<td>Kuwait*</td>
<td>32</td>
<td>8</td>
<td>74.1% Islam</td>
</tr>
<tr>
<td>Bahrain*</td>
<td>25</td>
<td>9</td>
<td>70.3% Islam</td>
</tr>
<tr>
<td>Luxembourg**</td>
<td>24</td>
<td>10</td>
<td>70.4% Christian</td>
</tr>
<tr>
<td>MALAYSIA*</td>
<td>6.7</td>
<td>74</td>
<td>63.7% Islam</td>
</tr>
</tbody>
</table>

Source: U.S Energy Information Administration (n.d.-b)

* Islam-dominated countries
** Non-Islam-dominated countries
# Wikipedia (n.d.-k)

A more detailed data on CO₂ per capita emission for Malaysia for the period 2000-2011 is shown in Figure 3.3. As results of rapid economic development and industrialization, Malaysia has reached 5 million metric tons CO₂ per capita emission in 2000 and since then the reading has been steadily increased. As a comparison, each individual in Malaysia releases a higher amount of CO₂ from the consumption of energy than an average individual in the world. The statistic suggests that Malaysia has failed to fulfill its obligation to protect the environment, as required by the Shariah. As an Islam dominated and majority Muslim populated country, the environmental condition in Malaysia does not reflect the strong Shariah call for environmental protection.
Figure 3.3: Malaysia’s carbon dioxide per capita emission from the consumption of energy 2000-2011, in comparison to the world

![Graph showing comparison of carbon dioxide per capita emission between Malaysia and the world from 2000 to 2011.]


The upward trend of CO₂ emission per capita for the 2000-2011 period (Figure 3.3) has severely affected Malaysia’s ambient air quality, as measured by the particulate matter (PM). PM concentrations refer to fine suspended particulates less than 10 microns in diameter (PM₁₀) that are capable of penetrating deep into the respiratory tract and causing significant health damage. A high PM₁₀ reading shows a bad air quality.

Figure 3.4: Malaysia annual average concentration of Particular Matter (PM₁₀) 1999-2011

![Graph showing annual average concentration of Particular Matter (PM₁₀) in Malaysia from 1999 to 2011.]

Source: Department of Environment (2011, p.16)

As shown in Figure 3.4, although the annual average value of Particulate Matter (PM₁₀) in the ambient air has not exceeded the Malaysian Ambient Air Quality Guidelines value of 50μg/m³.
over the 1999 to 2011 period, the air quality has not improved much. In fact, the reading has reached its peak of 50μg/m$^3$ level in 2002. The latest available record also reveals that the air quality has deteriorated from 39μg/m$^3$ in 2010 to 43μg/m$^3$ in 2011 (Department of Environment, 2011).

The preceding discussions and supporting data show that all countries in the world are facing serious environmental problems. However, no association was found between the dominant religion and the level of pollution. Islam-dominated and non-Islam-dominated countries have shown equal contribution to various environmental problems.

In summary, statistics on the deforestation and air pollution across regions and countries show that the global environmental condition is in a dire need of attention and actions. Jim Leape, the Director General of WWF International, has warned the global community about the severity of the current environmental problem. He commented:

*We are living as if we have an extra planet at our disposal. We are using 50 per cent more resources than the Earth can provide, and unless we change courses that number will grow very fast- by 2030, even two planets will not be enough* (WWF, 2012, p.6).

Unless all parties agree to put great emphasis on environmental issues and take measures to stop or delay environmental degradation process, the earth will not be a safe place for all beings (humans, animals, plants) to dwell in anymore.

### 3.3 ENVIRONMENTAL CHALLENGE IN MALAYSIA

Malaysia is a mega-diverse country which is blessed with a high number of species and high levels of endemism$^{37}$. Located within the equatorial region, Malaysia’s weather is hot and humid

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$^{37}$Sixteen other countries categorized as mega-diverse countries are Australia, Brazil, China, Colombia, Democratic Republic of the Congo, Ecuador, India, Indonesia, Madagascar, Mexico, Papua New Guinea, Peru, Philippines, South Africa, United States and Venezuela (Wikipedia, n.d.-h).
all year round with an average temperature of 27°C. Endowed with tropical forests that encompass 59% to 70% of Malaysia's total land area, Malaysia is rich with various rare species of animals, plants and other forms of biodiversity (Wikipedia, n.d.-d).

Since its independence in 1957, Malaysia has gone through a rapid economic development from an agrarian society to an industry al powerhouse. Rapid industrialization was underpinned by policies that promoted foreign direct investment from other developed countries that located some of their industrial development to Malaysia. While push for industrialization of the economy increased economic prosperity of nation, it also resulted in increase in environmental pollution and degradation (e.g Dhami, Singh, & Gupta, 2013; Kavzoglu, 2008; Sujaul, Hossain, Nasly, & Sobahan, 2013). Human intervention poses a significant threat to the natural environment. Data from the preceding section shows that Malaysia is facing two main global environmental problems, namely deforestation and air pollution. In line with a greater growth of environmental concern by the local NGOs and international pressure groups for business entities to improve their environmental performances (Perry & Singh, 2001), the Malaysian government has taken steps to instituting preventive environmental measures, in addition to the regulatory control mechanism. The following section provides discussions on Malaysia’s approach to environmental protection.

3.3.1 Malaysia’s approach to environmental protection
The ecological footprint analysis shows that Malaysia is an ecological debtor country (refer Table 3.1). As a country that relies on external biocapacity for resources and waste assimilation, Malaysia is serious in its effort to protect and preserve the environment. The following sub-sections discuss about the environmental care efforts adopted in Malaysia, both from the secular and Islamic perspectives.
3.3.1.1 Secular approach

Secular approach to environmentalism refers to environmental beliefs and practices which do not associate with religious affiliation. This approach is widely used in Malaysia, through regulatory and non-regulatory mechanisms.

3.3.1.1.1 Regulatory mechanism

The Malaysian government has established a legal and institutional framework for environmental protection in promoting environmentally friendly and sustainable development. The National Environmental Policy (NEP) aims to achieve a balanced economic, social, and cultural progress to enhance the quality of life of its people through a sustainable development. Specifically, the policy aims to protect and preserve the environment for the present and future generations, and at the same time calls for various parties to contribute to sustainable development and lifestyle (Malaysian Investment Development Authority, n.d.).

Since the 1970s, green development has been the main focus of the Malaysian government. Various measures were introduced as a long term commitment to promote green technologies. The following sub-sections provide discussions on various regulatory mechanisms in support of the green development in Malaysia.

3.3.1.1.1 Reporting requirement

Securities Commission (SC), through the Malaysian Code of Corporate Governance (MCCG) (revised 2007), has made a specific reference to the environmental reporting. For business entities to remain competitive, ethical and sustainable, ‘other performance indicators’ are required to complement financial information. Part 2 AA XVII Quality of Information of the MCCG (revised 2007) specifically refers to environmental aspect (among others) as an element of ‘other performance indicators’:

The board should receive information that is not just historical or bottom line and financial oriented, but information that goes beyond assessing the quantitative performance of the enterprise, and looks at other performance factors, such as customer satisfaction, product and
service quality, market share, market reaction, environmental performance and so on, when dealing with any item on the agenda (Securities Commission of Malaysia, 2007, p.13).

The requirement to provide quality and timely information was further incorporated in the Malaysian Code of Corporate Governance (MCCG) (2012). Recommendation 23 of the Corporate Governance Blueprint requires firms to ‘make explicit the requirements for shareholders and provide information beyond the minimum reporting’ (Securities Commission of Malaysia, 2012, p.5).

3.3.1.1.2 Environmental law
The Water Act 1920 is often quoted as the first environmental law in Malaysia, even though several requirements set in various ordinances pertaining to forestry, petroleum and piscary were already in place prior to the Act. In general, Malaysia’s environmental policy and law are heavily influenced by the United Nations conventions (Mustafa, 2011). The environmental law in Malaysia is based on five main sources; statutes, subsidiary legislations, guidelines, national environmental policy, and governing principles (refer Figure 3.5).

Statues are the primary source of environmental law in Malaysia. There are over forty legislations concerning the environment, with the Environmental Quality Act is claimed to be a major legislation (Isa, 2006). As a comprehensive legislation relating to the environmental management, statutes control environmental activities via licensing.

The second source of environmental law in Malaysia, the subsidiary legislations, refers to regulations and orders pertaining to the environmental protection which were created under Section 51 of the Environmental Quality (Amendment) Act 2007 (Act 1315). Prior to the amendment, the act was known as the Environmental Quality Act 1974 (Act 127). To date, there are over twenty regulations and orders under the subsidiary legislations.
Figure 3.5: Sources of Malaysian Environmental Law

Adapted from Isa (2006, p.18)

The third source is the environmental guidelines which offer guidance in relation to specific environmental issues. The guidelines entail procedures to deal with certain type of environmental activities. Although non-mandatory in nature, the guidelines provide an important outlook especially for certain industrial sectors which have enormous environmental impacts. In this instance, the implementation of the environment impact assessment (EIA) is important to ensure such impacts are considered and assessed.

The forth source of environmental law in Malaysia came from the National Environmental Policy which is derived from the Malaysia Plans. Principles of the policy originated from the Third Malaysia Plan 1976-1980, and continue to be integrated in the subsequent plans (more discussion on the Malaysia Plan is provided in the sub-section 3.3.1.1.3).

The last source of environmental law in Malaysia is the environmental law principles which comprise of sustainable development, polluters pay principle, precautionary principle, and best practical means and good governance principle. Sustainable development refers to development that ‘meets the needs of the present without compromising the ability of future generations to meet their own needs’ (United Nations, 1987). The principle was adopted by the 1992 United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro and emphasizes the essential needs of the world’s poor to which overriding priority should be given;
and, the idea of limitations imposed by the state of technology and social organization on the environment’s ability to meet present and future needs.

The polluter pays principle refers to the economic loss undertaken by polluters due to environmental damages caused by them. The principle was adopted by the Organizations for Economic Co-operation and Development (OECD) countries in 1972 and serves as a guideline for member governments in that public measures who are required to ensure that ‘prices of goods depending on the quality and/or quantity of environmental resources to reflect more closely to their relative scarcity and that economic agents concerned react accordingly’ (OECD, 1975, p.12). Consequently, the polluter pays principle is defined as ‘the polluter should bear the expenses of carrying out the above-mentioned measures decided by public authorities to measure that the environment is in an acceptable state’ (OECD, 1975, p.13). This principle forms the basis of the requirement under Section 47(1) of the Environmental Quality (Amendment) Act 2007 (Act 1315), which reads:

Where any segment or element of the environment is polluted by any person in contravention of this act or the regulations made thereunder the Director General may take such action as is necessary to remove, disperse, destroy or mitigate the pollution and may recover from that person all costs and expenses in connection therewith.

The precautionary principle calls for careful considerations when dealing with activities that could be harmful to the public or the environment. In the event that no conclusive scientific knowledge is available, any environmental risk associated with the activities falls on those taking the action. This principle is stated in Principle 15 of the Rio Declaration 1992 and similar to the law of European Union, the application of the precautionary principle has been made a statutory requirement (Wikipedia, n.d.).

The best practical means and good governance principle aims to integrate both scientific and discretionary approaches in assessing activities that may have impact(s) on the environment. This
approach involves subjectivity as it considers social and economic factors. Section 21 of the Environmental Quality (Amendment) Act 2007 (Act 1315) requires parties involved to consider conditions that may allow contraventions. Such ‘acceptable conditions’ include cases when there is no known practicable means of control in order to comply with acceptable conditions; or, the estimated cost incurred to comply will be prohibitive with regard to the size of the operation; or, in situations in which the imposition of the acceptable conditions as prescribed would create a condition which is not reasonably practicable or is contrary to the intent and spirit of the EQA.

Prohibition of different types of pollution is prescribed under various sections of the Environmental Quality (Amendment) Act 2007 (Act 1315). For instance, the restriction of atmospheric pollutions is provided under Section 22, inland water pollution under Section 25, coastal water pollution (Section 27), and land pollution (Section 24). In addition, the Protection Wildlife Act 1972 and the Natural Forest Act 1984 have specifically and respectively prescribed fauna and flora protection, respectively. Upon conviction, a person/ party is liable to both monetary (cash) and/or imprisonment penalties.

3.3.1.1.1.3 Five-Year Economic Malaysia Plan
In line with the concept of sustainable development, Malaysia has identified various measures to prevent environmental degradation. The effort to preserve the environment was first mentioned in Chapter 11 of the Third Malaysia Plan (1976-1980) (Malaysia, 1976; The Third Malaysia Plan 1976-1980). Under Para 665, the adverse effect of development was acknowledged which arose from the development of land and natural resources and discharge of undesirable waste products or effluents into the environment.

Addressing the environmental problem from the pro-active approach, the Environmental Impact Assessment (EIA) was introduced in the Third Malaysia Plan (Para 692 Part V). EIA is a study to identify, predict, evaluate and communicate information about the impacts on the environment of a proposed project and to detail out the mitigating measures prior to project approval and implementation. It is essentially a planning mechanism to prevent environmental problems from
happening. It ensures that the potential problems are foreseen and addressed at an early stage in the project planning and design. Thus the EIA helps to avoid costly mistakes in project implementation due to environmental damages that are likely to arise during project implementation. When integrated into the existing planning and decision-making structure, EIA provides additional information towards a better decision-making.

EIA was made mandatory for 19 categories of activities\(^{38}\) in 1987 when the EIA Order was passed. In Malaysia, EIA is required under section 34A, Environmental Quality Act, 1974 (Section 34A), which specifies the legal requirements in respect of EIA for Prescribed Activities (Ministry of Natural Resources and Environment, 2007). The introduction of the EIA has marked a shift from reacting-to-the-problem approach to the preventive-approach.

Due to the minimal level of public awareness and attitudes toward the environment (Sani, 1993), the Third (1975-1980) and Fifth Malaysia Plan (1986-1990) called for educational institutions and mass media to stimulate public environmental awareness. The effort continued in the Sixth Malaysia Plan (1991-1995) in which the government has taken a more serious step in its move to increase environmental awareness through the introduction of an environmental subject in the upper primary school curriculum, as well as at the tertiary level.

Environmental care continues to get attention from the government. In the Ninth Malaysia Plan (2006-2010), a more integrated and holistic management of the environment and natural resources approach was adopted. Environmental considerations are incorporated into the planning and development. Environmental stewardship under this plan is based on the principles of sustainable development and Islamic principle of Islam Hadhari (Mustafa, 2011).

\(^{38}\) The activities are agriculture; airport; drainage and irrigation; land reclamation; fisheries; forestry; housing; industry; infrastructure; ports; mining; petroleum; power generation and transmission; quarries; railways; transportation; resort and recreational development; waste treatment and disposal; water supply.
In the latest development plan, the Tenth Malaysia Plan (2011-2015) emphasizes the use of renewable energy and increasing energy efficiency to ensure the sustainability of the environment (Malaysia, 2010). Various measures, such as relevant guidelines, standards and laws, were introduced to ensure efficient use of energy, and to reduce greenhouse gas emission. Incentives such as the Feed-in Tariff and the Renewable Energy Fund were offered to encourage the implementation of renewable energy projects.

The Feed-in Tariff (FiT) for renewable energies policy falls under the country’s National Renewable Energy Policy and Action Plan. The Renewable Energy Act and Sustainable Energy Development Authority Act (Act 726) were launched in April 2011. The move is aimed to hasten the rise of green energy capacity and reduce carbon emissions. The FiT mechanism promotes the generation of electricity from indigenous renewable energy resources for sale to power utilities at a fixed premium price for a specific duration. FiT is not designed to allow excessive profiteering by renewables businesses, but to remove market barriers for the public to work alongside the government to generate green and sustainable electricity. It is expected to reduce, on a cumulative basis, 42 million tons of carbon dioxide by year 2020 (Eco-Business, n.d.).

3.3.1.1.2 Non-regulatory mechanism
In addition to the regulatory approach, Malaysia also uses non-regulatory mechanisms in its effort to protect the environment. Non-regulatory mechanisms in the form of government incentives and pressures from the NGOs play an important role in directing business entities to care for the environment.

3.3.1.1.2.1 Government incentives
In the effort to promote environmentally sound and sustainable development, various tax incentives are available under the environmental management incentives provided by the Malaysian Industrial Development Authority (MIDA) (refer Appendix 1). Business entities with ‘environmental friendly category’ type of activities, are entitled to various tax incentives, such as
accelerated tax depreciation and 100 percent additional write off in the form of investment tax allowance for energy savings capital expenditure.

Another move by the government in its effort to protect the environment is by promoting green technologies. Green Technology (GT) refers to the development and application of products, equipment and systems used to conserve the natural environment and resources which minimizes and reduces the negative impact of human activities (Ministry of Energy Green Technology and Water, n.d.).

The government has launched the National Green Technology Policy in August 2009 with the aim to provide directions towards management of sustainable environment. To further promote the development of green technologies activities, the government has taken various steps including prioritizing environmental friendly products and services in government procurement, as well as developing and restructuring centers to promote and involve with green activities. The government has also established funds as soft loans to both suppliers and consumer companies that supply and utilize green technology. The Green Technology Financing Scheme (GTFS) was launched on 1 January 2010 and as at 3 May 2014, 308 projects are funded which amounted to RM1.8 billion.

Financial institutions have also participated in offering loans under the GTFS. For instance, the Credit Guarantee Corporation Malaysia Berhad (CGC), being the sole provider of guarantee schemes and ancillary services to help small and medium-size enterprises (SMEs), teams up with the CIMB Bank to promote its GTFS for producers and users of green technology. Producers of green technology can obtain financing of up to RM50 million while users can utilize up to RM10 million in loans (CIMB Bank, n.d.). Similar step has been taken by the HSBC bank, which offers

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39 The objectives of Green Technology are: to minimize growth of energy consumption while enhancing economic development; facilitate the growth of the GT industry and its contribution to the national economy; increase national capability and capacity for innovation in GT development and enhance Malaysia competitiveness in GT in the global arena; ensure sustainable development and conserve the environment for future generation and; enhance public education and awareness on GT and encourage its widespread use (Ministry of Energy Green Technology and Water, 2011).
preferential financing rates for investment in environmentally friendly\textsuperscript{40} products, equipment or systems.

A few other incentives to further enhance the growth of green technology are also made available. The pioneer status and investment tax allowance for the generation of energy from renewable resources and energy efficiency activities is extended until 31 December 2015. Tax exemption on equipment for the generation of the energy from renewable resources and energy efficiency activities, as well as income from trading of certified emission reductions certificate are also provided. Import and excise duty exemption to franchise holders of hybrid and electric cars and motorcycles are also available, with excise duty to be given full exemption. As a commitment to reduce carbon emission to preserve the environment, the B5 program to blend biofuels with petroleum diesel was made mandatory in the Federal Territory of Putrajaya and Kuala Lumpur, and the states of Selangor, Malacca and Negeri Sembilan, in 2011. The program aims to cover all areas by 2014.

The above incentives show that the Malaysian government is serious and has taken various initiatives to protect the environment by encouraging market players to minimize their business operation’s adverse impacts on the environment. Apart from tax exemptions, the Government has also allocated and spent a huge amount of money in the effort to protect and preserve the environment.

\textbf{3.3.1.1.2.2 Non-governmental organizations’ initiatives}

Apart from the government’s incentives, non-government organizations also play an important role in the environmental protection. A group of non-government organization (NGOs), namely the Malaysian Environmental NGOs (MENGOs)\textsuperscript{41}, was formed in November 2001. Its objective

\textsuperscript{40} Defined as minimizes the degradation of the environment; has a zero or low green house gas emission; safe for use and promotes healthy and improved environment for all forms of life; conserves the use of energy and natural resources; or, promotes the use of renewable resources (HSBC, n.d.).

\textsuperscript{41} As at 1 September 2014, MENGO has 24 members comprises of Biji Biji Initiative, Blue Life Ecoservices, Borneo Resources Institute Malaysia (BRIMAS), Camp Borneo, Ecocentric Transitions, EcoKnights, Environmental
is generally set to achieve an ecologically-sound, transparent, participatory and socially just society through sustainable development policies and practices related to natural resources management and biodiversity conservation.

The grouping of NGOs is aimed to bring synergy to the MENGOS and facilitate their impact on the decision making at all levels in the Malaysian society. One of the main strategic aims is to support and facilitate a more effective interaction between MENGOS and the government on environmental policies. As such, various proposals and memorandum were submitted to the government or authorized bodies in response to activities that (potentially) cause adverse impacts to the environment. For instance, a memorandum was forwarded on 10 August 2009 to the Prime Minister as a protest to the petro-chemical and maritime project in Tanjung Bin, Johor (Malaysian Environmental NGOs, n.d.).

Another NGO which is directly associated with business environment is the Malaysian Green Building Confederation (MGB). MGB’s main role is to advocate green building and sustainable design in Malaysia. Green building refers to the practice of creating structures and using process that are environmentally responsible and resource-efficient through a building life-cycle. The main objective of green building is to reduce the overall impact of the built environment on human health and the natural environment through energy, water and other resources efficiency. In addition, green building is also aimed to protect occupant’s health and improve employee productivity, reducing waste, pollution, and environmental degradation.

Management and Research Association of Malaysia (ENSEARCH), Environmental Protection Society Malaysia (EPSM), Global Environmental Center (GEC), Jaringan Orang Asal SeMalaysia, Malaysian Karst Society, Malaysian Nature Society (MNS), Malaysian Society of Marine Science (MSMS), Partners of Community Organizations Sabah (PACOS), Penang Institute, Reef Check Malaysia Berhad, Sabah Wetlands Conservation Society (SWCS), Sustainable Development Network Malaysia (SUSDEN), Tatana Roots, TRAFFIC Southeast Asia, Treat Every Environment Special Sdn Bhd (TrEES), Wetlands International (Malaysia), World Wide Fund for Nature (WWF) Malaysia, Water Watch Penang (WWP) (NGOs, n.d.).
The MGBC is a regulating body that overlooks the Malaysian green rating tool which is known as the Green Building Index (GBI). The GBI\(^{42}\) is a green rating index on environment-friendly buildings, which is based on (amongst all): energy efficiency; indoor environmental quality; sustainable site planning and management; materials and resources; water efficiency; and, innovation (Green Building Index, n.d.).

MGBC is supported by professionals, industrial and government sectors. The Government, for instance, supports green building initiatives by providing various tax incentives to the owners of buildings as well as buyers of buildings and residential properties whose properties were awarded the GBI certificates (refer to the tax incentives section).

Various awards were also introduced to encourage participation and competitiveness among the market players. Sime Darby Property Berhad and CapitaLand, for instance, were chosen as the recipients for the Malaysia Green Builder category for 2010 and 2011 respectively. More recently, Global Facilities Management Sdn Bhd appeared as the winner of the award for the Integrated Facilities Management Company 2012 (Frost & Sullivan, 2014).

In addition to green buildings, other types of awards and competitions also were introduced, in line with the effort to encourage firms to involve in environmental activities, as well as to recognize and honor those who demonstrated outstanding environmental care activities. The StarBiz-ICR Malaysia Corporate Responsibility Awards, for instance, was introduced in January 2008 to recognize public listed firms with exceptional corporate responsibility (CR) practices. The effort was initiated by The Star newspaper and the Institute of Corporate Responsibility (ICR), and other working partners such as ACCA, Price Waterhouse Coopers, Bursa Malaysia and Securities Industry Development Commission (SIDC). Open to all public listed firms, the

\(^{42}\) Other countries have their own standards for green building or energy efficiency for buildings. For instance, the assessment tools used in Australia is Nabers/Green Star; China GBAS; UK BREEAM; UAE Estidama, to name a few (Wikipedia, n.d.-e).
awards are divided into two categories based on their market capitalization amount. Environment is named as one of the categories for the award.

Another prestigious award, the Prime Minister CSR awards, which was launched in 2007, aims to recognize and celebrate businesses that demonstrated a real commitment to ensure that their operations have a positive impact on the community. The Awards are the nation’s highest recognition of corporate entities that have had a significant and positive impact on the lives of people in the community.

3.3.1.2.3 International participation
As part of the global community, Malaysia has long committed to the environmental issues through the involvement in bilateral and multilateral cooperation with various countries and organizations on activities such as capacity building, information sharing and networking.

As a strong supporter of the United Nations Framework Convention on Climate Change (UNFCCC), Malaysia is ratified as a non-Annex 1 country (N-A 1). As such, Malaysia can choose to participate in the clean development on a voluntary basis. Under Article 12 of the UNFCCC, Malaysia is required to periodically provide an inventory of greenhouse gas emissions, and reports on the implementation of the Convention. Malaysia has shown its commitment to the UNFCCC by submitting the first report, the Initial National Communication (INC) in 2000, and the Second National Communication (NC2) in 2011 (Ministry of Natural Resources and Environment, n.d.).

Malaysia fully supports the aim to lower GHG emissions although it is not mandated to comply with the Kyoto Protocol due to its developing country status. In the Eight Malaysia Plan (2001-2005), for instance, Malaysia has declared renewable energy (RE) as the fifth fuel in the energy supply and still continues to take measures to develop RE as an alternative power source.

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43 Article 12 outlines details of the clean development mechanism for the N-A 1 and non-N-A 1 countries.
In the United Nations Climate Change Conference in Copenhagen in December 2009, Malaysia has pledged to reduce its carbon dioxide (CO$_2$) emissions level to 40 per cent by year 2020 compared to the 2005 level. Malaysia’s 2005 carbon emission was 6.99 tons per capita, in comparison to the world’s 4.57 tones per capita (The World Bank, n.d.)$^{44}$.

Nevertheless, Malaysia’s commitment (and so do other countries) to reduce global carbon emission issue is affected by the unresolved issues pertaining to technology transfer and adequate financing between the developed and developing countries. While the cooperation between the developing and developed countries is very much needed to achieve the aim to reduce the GHG emissions, the conflict between the two groups prolongs and distorts the effort. As the developing countries are very much reliant on the developed countries, the ongoing conflict makes it difficult to achieve the set aim.

### 3.3.1.1.2.4 Sustainability rating index

In line with the Government’s initiative to raise the profile of sustainability practices in Malaysia, a new Environmental, Social and Governance (ESG) index was proposed by the Bursa Malaysia (Shari, 2010). Introduced in 2012, the ESG index$^{45}$ is expected to attract socially responsible investment (SRI) funds into Malaysia, besides promoting sustainability practices among public listed firms.

### 3.3.1.1.2.5 Reporting requirement

The financial reporting in Malaysia is made up of frameworks developed by the Malaysian Accounting Standard Board (MASB) and Financial Reporting Foundation (FRF). Although the

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$^{45}$ Other measures for corporate sustainability practices are the Dow Jones Sustainability Indexes and FTSE4Good. The former, which was launched in 1999, is the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. Based on the cooperation of Dow Jones Indexes and SAM they provide asset managers with reliable and objective benchmarks to manage sustainability portfolios (Robecosam, n.d.). The FTSE4Good Index Series has been designed to measure the performance of companies that meet globally recognized corporate responsibility standards, and to facilitate investment in those companies. Transparent management and criteria alongside the FTSE brand make FTSE4Good the index of choice for the creation of Responsible Investment products (FTSE, n.d.).
environmental reporting is still a voluntary effort in Malaysia and that there is no specific reporting standard or statutory requirement set by the regulators that requires firms to disclose environmental activities. Paragraph 14 of the Malaysian Financial Reporting Standard (MFRS) 101 Presentation of Financial Statements⁴⁶, specifically calls for firms to present environmental reports as a supplementary report.

Many entities also present, outside the financial statements, reports and statements such as environmental reports and value added statements, particularly in industries in which environmental factors are significant and when employees are regarded as an important user group. Reports and statements presented outside financial statements are outside the scope of MFRSs.

From the financial reporting perspective, the MFRS standards are applicable for firms other than private entities. Although the above paragraph refers the environmental reports as ‘outside the scope of MFRSs’, the presentation of such report is strongly called for, especially for firms operating in industries in which environmental factors are considered as significant.

3.3.1.2 Religious approach
In addition to the secular approach, Malaysia also employs non-institutionalized religious environmentalism mechanism to protect the environment. Religious environmentalism is defined as the environmental beliefs and behaviors which are driven by the religious beliefs. In the Malaysian context, religious environmentalism refers to the environmental beliefs and practices which originated from the Islamic teachings. The concept of religious environmentalism is very much related to and influenced by (and vice versa) secular environmentalism and spiritual environmentalism⁴⁷. For instance, religious environmentalism may affect (and affected) by secular environmentalism when environmental activities are initiated by secularists and subsequently supported by religious parties.

⁴⁶ Effective from 1 January 2012.
⁴⁷ Spiritual environmentalism regards environment as valuable due to the inherent spiritual attachment of humans to the earth. It is a ‘way of being’ that is positioned in the notion that all life is valuable and this ‘way of being’ is expressed in actions that largely flow from a place of respect, gratitude and compassion (EcoIslam.org, 2007).
Non-institutionalized religious environmentalism refers to a situation when an individual or non-authoritative group within a religious tradition adopts environmentalist values, policies and/or behavior (Douglas, 2009). This approach of environmental protection is slowly gaining its recognition in Malaysia. The combination of efforts by non-regulatory and religious bodies reveals a new trend of environmental protection. Such a phenomenon suggests a shift towards the spiritual approach of environmentalism.

Modern Islamic scholars have gone beyond the traditional way of educating believers in issues pertaining to the environment. The Institute of Islamic Understanding Malaysia (IKIM), as a body responsible to promote the real understanding of the true teachings of Islam, applies a pragmatic approach to educate and create environmental awareness from the perspective of Islam. Together with the WWF Malaysia, IKIM has initiated a program on turtle conservation at a state level. Sermons were delivered in mosques throughout the state of Terengganu in 2006 in effort to save endangered marine turtles nest on the beaches, including the critically endangered Hawksbill and Leatherback turtles. Nevertheless, the effort was not considered fruitful as the Leatherback species has been declared extinct in 2012 (Heng, 2013).

In addition to the sermons, the two parties once again teamed up to launch a handbook on Islamic view of nature. Being the first of its kind, its serves as a reference for Muslims in matters pertaining to the environmental conservation, viewed from the Shariah perspective. The book entitled ‘Islam, Pemuliharaan Hidupan Liar & Anda’ (Islam, Wildlife Conservation and You) which was launched on 10 July 2012, is published particularly for the use of religious leaders such as imams and preachers. The handbook emphasizes the relevance of the Shariah teachings on the environmental conservation, particularly on wildlife care especially tigers and turtles. With such guidance, it is hoped that the society realizes that Islam and environmental issues are

48 The same approach was used by the Islamic Foundation for Ecology and Environmental Sciences (IFEES) in Zanzibar in 2005, where the coral reefs were destroyed due to the spear-fishing and the use of dragnets. The Islamic teachings on environmental protection were conveyed to the fishermen by religious leaders who made reference to the Quran, has successfully stopped the dynamiting of coral reefs (Brouwer, 2008).

IKIM also utilizes the social media to educate and promote environmental awareness among the (urban) public. Islamic scholars forward the idea of environmental safeguarding as a religious duty of each individual in the *IKIM Views* fortnightly column in The Star, a daily English newspaper. Among the most recent articles of this kind are ‘Going green through religion’ and ‘Islam and the go green concept’, which were published on 17 July 2012 and 6 November 2012, respectively.

The ‘Going green through religion’ article highlights the differences between the Islamic way of valuing the environment and the secularist worldview. From the Islamic perspective, the basic concepts of *tawhid* (Oneness of God), *amanah* (trust) and *caliph* (stewards), promote green behavior via religious rituals (*ibadah*). Islam promises rewards to those who support the effort to green the earth, in the form of happiness in the life hereafter.

The ‘Islam and the go green concept’ article advocates the call to care for the environment in addition to its protection. The article discusses the duty of Man towards the environment beyond the basic level of ‘protection’ and promotes the idea of ‘flourishing’ the environment. It further discusses various implementation issues at an individual level.

The three non-institutionalized religious environmentalism initiatives taken by IKIM to educate the Muslim and non-Muslim public to view the environment from an Islamic perspective represents the emergence of the Islamic environmentalism in Malaysia. The effort shows a shift from the conventional, regulatory approach to a holistic approach of environmental protection.

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49 An article entitled ‘Let’s help improve the environment’ was published in the New Straits Times daily on 21 October 2000.
3.3.2 Current environmental problems in Malaysia
Like any other countries in the world, Malaysia is facing various types of environmental problems. According to the latest available data (2008), Malaysia reports the biocapacity level of 2.50gha per capita and footprint of 3.90gha per capita (Table 3.1). The excess of the footprint over the biocapacity indicates that Malaysia is in an unfavorable environmental condition in which the use of natural resources is greater than the ability to generate them. The consumption of natural resources beyond its capacity to reproduce has caused Malaysia to be categorized as a biocapacity debtor country. Malaysia has been in the category for almost two decades.\textsuperscript{50}

Two main environmental problems faced by the global community, namely deforestation and pollution, also appear as major environmental issues in Malaysia. Rapid economic development has caused clearance of land areas for plantation and urbanization purposes. Since 1990, Malaysia has continuously reported a negative annual change in the deforestation rate, implying that fewer forests are left each year (Table 3.3). Although Malaysia is blessed with a vast amount of natural resources such as the forests with lots of valuable exotic species of plants and animals, it is now facing a serious risk of losing its diverse and complex ecosystem due to rapid rate of depletion. A vast conservation measures is urgently needed to avoid the extinction of the endangered species (Myers, 1988).

Apart from the deforestation, Malaysia is also facing a serious air pollution problem due to the industrialization. Ranked at the 74\textsuperscript{th} place of the world’s highest per capita carbon dioxide (CO\textsubscript{2}) emitters, Malaysia has tripled its total CO\textsubscript{2} emissions from the consumption of energy between 1990 and 2011 period (Table 3.4). The ambient air quality has also not improved much since 1999 (refer Figure 3.4). The latest available data shows a deteriorating ambient air condition with an increment in the particulate matter (PM\textsubscript{10}) reading from 39\textmu g/m\textsuperscript{3} in 2010 to 43\textmu g/m\textsuperscript{3} in 2011 (Department of Environment, 2011). Apart from industrialization, the air quality in Malaysia is

\textsuperscript{50} Malaysia’s ecological footprint has exceeded its biocapacity since year 1995 (Jian, 2013).
also caused by trans-boundary pollution. In the recent case, forest fires in the neighboring country have caused the air pollution index (API) to record readings of above 300. The hazardous air quality has caused more than 200 schools to be closed (Aruna et al., 2013).

3.4 CONTEXT OF THE STUDY
Malaysia is a country with a majority Muslim population. Although it is not categorized as an Islamic country, Islamic influence in Malaysia is evident in its social, economy and political settings. As a country that has been predominated by Islam since its independence, Islamic teachings are expected to have been absorbed and blended in all respects of an individual’s daily life including matters pertaining to the environment. However, the environmental condition in Malaysia suggests that Malaysia has been very poor at protecting and preserving the environment. In other words, the society has not fulfilled the Islamic normative call to protect the environment.

In view of the strong Islamic call for environmental protection, and the current environmental condition in Malaysia, this research sets out to explore this issue by focusing on a group of senior managers from the corporate sector who have the authority to influence the direction of their firms’ environmental behavior. Applying the grounded theory method, this study explores the values and beliefs of the managers’ of public listed firms’, and how they are incorporated and practiced at the corporate level. The study also looks into the role of religion, in the context of Islamic value, in influencing managers’ corporate environmental decisions.

3.5 CHAPTER SUMMARY
This chapter discusses environmental problems faced by the global community, and Malaysia as the context of the study. The two main environmental problems of the world, namely deforestation and air pollution, are also faced by Malaysia. In addition, Malaysia also

51 Azan (Islamic call for prayer) was called out immediately after seven chants of “merdeka” and the national anthem of Negaraku was played on the night of the Independence Day, August 30, 1957.
experiencing water pollution and the mismanagement of hazardous waste and sewage discharges. Despite various regulatory and non-regulatory, secular and Islamic approaches to environmental problems, Malaysia still faces a devastating environmental threat. In a country where Islam predominates the social, economic and political aspects, such a scenario demands greater investigation and explanation. The gap between the notional Shariah teachings and practices pertaining to the environmental issues in Malaysia warrants further investigation. Thus, this study aims to build a theory based on the current distinctive setting. The following chapter presents the methodology of the study.
CHAPTER 4: RESEARCH METHODOLOGY

4.1 INTRODUCTION

This chapter provides an overview of the methodological approach of the study. Research questions are presented in Section 4.2 to facilitate methodological discussion in the sections that follow. Section 4.3 outlines the research paradigm of the study. This is followed by presentation of an overview of the grounded theory as the choice of research methodology. Section 4.5 discusses the research procedure and Section 4.6 details data collection process. Section 4.7 provides discussion on the data analysis. Section 4.8 concludes the chapter.

4.2 RESEARCH QUESTIONS

The main aim of this research is to get a thorough understanding of the corporate environmentalism through the lenses of managers, in a country setting where Islam has a significant influence on the important aspects of life. The main research question in the current study is:

Does Shariah teaching influence corporate environmentalism of the Shariah-compliant public listed firms in a country setting where Islam pre-dominates its economic, political and social aspects?

Specific research questions are provided in Chapter 1. The questions set the perimeters of the study and suggest the methods for data gathering exercise and analysis. The nature of the research questions is more of hypothesis-generating rather than testing, hence providing sufficient flexibility and freedom to explore the topic in some depth. The use of qualitative method implies that all the concepts pertaining to the phenomenon under study have not been identified or are under-explored, or are poorly understood and further exploration of the topic is necessary to increase understanding (Smith & Biley, 1997). The purpose of the questions is to provide a lead into the data where issues and problems important to the research participants can be explored.
4.3 RESEARCH PARADIGM

This section outlines the approach used in the study in understanding the knowledge and meanings, the approach taken to methodology and a description of how data is collected and analyzed.

Figure 4.1: Elements of research process

- **Epistemology**
  - The study of knowledge

- **Social Constructionism**

- **Theoretical perspective**
  - The philosophical stance informing the methodology

- **Symbolic Interactionism**

- **Methodology**
  - How knowledge can be assessed

- **Grounded Theory**

- **Method**
  - How data is collected/generated

- **Sampling - Purposeful**
- **Data Collection - Individual interview**

Adapted from Crotty (1998, p.4).

Figure 4.1 shows the four components of the research process as suggested by Crotty (1998). A research process starts with epistemology, which refers to the theory of knowledge embedded in the theoretical perspective and methodology. Epistemology, theoretical perspective and methodology are interrelated and subsequently affect the choice of method (data collection).
4.3.1 Epistemology

Epistemology is the branch of philosophy that is concerned with the study of knowledge. It is a way of understanding and explaining how people know what they know. According to Maynard (1994, as cited in Crotty, 1998), ‘epistemology is concerned with providing a philosophical grounding for deciding what kinds of knowledge are possible and how we can ensure that they are both adequate and legitimate’.

There are two extreme stances of epistemologies. At one end, objectivism views knowledge to exist apart from the operation of any consciousness. The meaning or knowledge is readily available and awaiting to be discovered. In the objectivist view of ‘what it means to know’, understandings and values are considered to be objectified. By following the correct procedures, the objective truth can be discovered.

On the other hand, from the subjectivist perspective, meaning does not come out of interplay between the subject and the object. Instead, meaning is imposed on object by the subject. The object does not make any contribution to the generation of meaning. In other words, in the subjectivists view, meaning is created out of nothing. Humans are regarded as not creative, thus meaning is taken from elsewhere. Meaning may be derived from sources such as dreams or religious beliefs, but not from the interaction between the subject and object ascribed.

In between the two extreme views, lies the constructionism. From this perspective, there is no objective truth available awaiting discovery. Instead, it exists out of the engagement of the mind with the realities in the world. Social constructionism views objects as made and created out of means of social interactions. The means are institutions that ‘precede us’ and which ‘we are already embedded’. It is only by inhabiting them or being inhabited by them, that humans have access to the public and conventional senses they make. Such an institution functions as ‘a publicly available system of intelligibility’ and becomes the source of the interpretative strategies.

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52 Contrary to the social constructivism, individual constructionism recognizes the unique experience of an individual. An individual’s way of making sense of the world is considered valid.
in meaning construction (Fish, 1990, as cited in Crotty, 1998). Different people construct different meaning in different ways due to differences in the background or even the ability to process such information. Hence, an object may have different meanings to different people although it is in relation to the same phenomenon.

This study applies social constructionism approach which assumes that meaning is constructed through human interaction. Sample participants consist of people from various socio-demographic backgrounds and may possess different personal values towards the environment. These people are influential in the decision-making process and are involved in the corporate environmentalism activities. Hence, constructionism approach is appropriate as the interpretations rely on the understanding of values that reside within their construct.

4.3.2 Theoretical perspective
Epistemologies are connected to theoretical perspectives which provide the philosophical stance informing the methodology and thus provide a context for the process and grounding its logic and criteria. Different theoretical perspectives view the world differently and hence shape different ways of researching the world.

At the most extreme point is the positivist stance. Positivism offers assurance of unambiguous and accurate knowledge of the world. Following the objectivist’s view of knowledge, positivism regards knowledge as sharply contrasts with opinions, beliefs, feelings and assumptions gained in non-scientific ways. Contrary to the subjective ways of understanding, positivists do not ascribe meanings to an object. It rather discovers (objective) meaning, which is already inherent in the objects. In other words, objects are viewed as having ‘meaning prior to, and independently of, any consciousness of them’ (Crotty, 1998, p.27). From this theoretical perspective, there exists objective truths and through appropriate method of inquiry, accurate and certain knowledge of the truth could be gained.

53 From the psychological perspective, a construct refers to any complex psychological concept including a person's motivation, anger, personality, intelligence, love, attachment, or fear (Psychology Glossary, n.d.).
Contrary to the positivist’s approach that follow the methods of natural sciences through the allegedly value-free and detached observation (from the subject), interpretivism⁵⁴ ‘looks for culturally derived and historically situated interpretations of the social-life world’ (Crotty, 1998, p.5). Interpretivism approach of theoretical perspective emphasizes the understanding (Verstehen) of human and social reality and not explaining (Erklären) or focuses on the causality, as what the positivist does via an explicative approach. Three historical streams in the interpretivism are symbolic interaction, phenomenology and hermeneutics. Of the three, symbolic interactionism is chosen for the study as it correlates with the methodology of grounded theory (Goulding, 1998).

Symbolic interactionism is very much related to the social psychology work of Mead and Blumer. It explores the understandings of culture that guides our lives. According to Blumer (1986) three main premises underlying symbolic interactionism. First, human reaction is based on the meanings derived from his/her interpretation of the social world. Second, meanings are created out of social interactions and learning process. Third, meanings are dealt with via an interpretive process through interaction with the surroundings.

Mead attributes a personhood to social forces that shape a person and his behavior. ‘A person is a personality because he belongs to a community, because he takes over the institutions of that community into his own conduct’ (Mead, 1934, as cited in Crotty, 1998). Common practices that exist in a given culture play an important role in shaping one’s personhood. As Mead puts it, ‘the whole (society) is prior to the part (individual)’.

The process of symbolic interaction occurs via significant gestures. ‘Only in terms of gestures as significant symbols is the existence of mind or intelligence possible; for only in terms of gestures which are significant symbols can thinking- which is simply an internalized or implicit

⁵⁴ Often linked to the thought of Max Weber (1894-1920) who suggests that human sciences are concerned with understanding or Verstehen.
conversation of the individual with himself by means of such gestures - take place’ (Mead, 1934, as cited in Crotty, 1998).

In order to enter ‘the attitudes of the community’ and ‘take over the institutions of the community’, one needs to be able to take the role of others. This is done by adopting the standpoint of others (Mead, 1934, as cited in Crotty, 1998). This represents the center point of symbolic interactionism, which puts oneself in the place of the other. Interaction, via significant symbols such as language and other symbolic tools, plays an important role in symbolic interaction. It is through the process of putting oneself in the place of the other that the perceptions, feelings and attitudes of others are interpreted and understood. As forwarded by Denzin (1978, p.269), ‘methodologically, symbolic interactionism directs the investigator to take, to the best of his ability, the standpoint of those studied’.

4.3.3 Methodology
Grounded theory methodology is based on the inductive reasoning which has been systematically obtained through ‘social’ research and is grounded in data. Interpretations made from given perspectives which focus on the search for meaning and understanding, lead to an innovative theory and not universal laws (O'Callaghan, 1996 as cited in Goulding, 1998). Grounded theory methodology is used to generate theory where little is already known, or to provide a fresh discovery on existing knowledge.

Grounded theory refers to a logical consistent set of data collection and analytic procedures aimed to develop a theory. Founded by Strauss and Glaser in 1967, grounded theory research tend to discover relevant categories and the relationships among them and to put together categories in new rather than standard ways. Grounded theory method is not to test relationship among variables. Research in grounded theory also tends to explain phenomena in light of the theoretical framework that evolves during the research and not constrained by having to adhere to a previously developed theory.
Grounded theory starts with data. Data is constructed through observations, interactions and materials gathered about the topic or setting. Early data is separated, sorted and synthesized through qualitative coding. Coding refers to the process of attaching labels to segments of data that depict what each segment is all about. Coding distills data, sorts them and provides a basis for making comparisons with other segments of data. By making and coding numerous comparisons, the analytic grasp of data begins.

Grounded theory developed by Glaser and Strauss moves qualitative inquiry beyond descriptive studies into the realm of explanatory theoretical frameworks. Hence, it is aimed to provide abstract, conceptual understandings of the studied phenomena. New theories are to be developed from the data, without any pre-conceived ideas from extant literature. Hence, theory building begins as close as possible to the ideal of no theory under consideration and no hypotheses to test. The approach is claimed to be ideal as it is free from bias and limited findings. Grounded theories therefore, have the following criteria; a close fit with data; usefulness; conceptual density; durability over time; modifiability; and, explanatory power (Glaser, 1978, 1992).

4.3.4 Data collection method
Data collection is a set of interrelated activities aimed at gathering information pertaining to the issue of interest. Creswell (2007) proposes a circle of activities in the qualitative data gathering process that consists of seven series of activities identified in the data collection activities; locating site and/or individual; gaining access and making rapport; purposeful sampling; collecting data; recording information; resolving field issues; and, storing data (Figure 4.2). All of the seven steps in Creswell’s data collection circle are applicable in the current study, although the process may not necessarily be following the order.
The study applied an in-depth interview as the method to data gathering. Participants were identified using a purposeful sampling strategy (Creswell, 2007). Following the symbolic interactionist approach to ‘adopt the standpoint of others’, Foddy’s model of question and answer behavior (refer Figure 4.3) was used in the interview process. The respondent/participant’s (interviewer’s) knowledge about the interviewer’s (respondent/participant’s) is considered in the interview process, vice versa. The interview data was subsequently transcribed, coded and analyzed according to the grounded theory method of analysis.
4.4 GROUNDED THEORY AS A RESEARCH METHODOLOGY

Grounded theory developed by Glaser and Strauss in 1967, is a systematic qualitative research methodology, aims at building a theory out of the data. Developed from the methodological concepts of the quantitative orientation, grounded theory offers a foundation for rendering the processes and procedures of qualitative investigation which is visible, comprehensible and replicable. Emerging from the demands of having qualitative research that have some basis of validity that equal to that of the quantitative practices, Glaser and Strauss offered a method that could claim equivalent status to the quantitative work of the time\(^{55}\). Over time, variations of grounded theory emerge as a result of the change in their epistemological underpinnings (Mills, Bonner, & Francis, 2006).

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\(^{55}\) Glaser and Strauss’s work was revolutionary because it challenges (a) arbitrary divisions between theory and research; (b) views of qualitative research as a primarily a precursor to more ‘rigorous’ quantitative methods; (c) claims that the quest for rigor made qualitative research illegitimate; (d) beliefs that qualitative methods are impressionistic and unsystematic; (e) separation of data collection and analysis; (f) assumptions that qualitative research could produce only descriptive case studies rather than theory development (Charmaz, 1995, as quoted in Charmaz, 2000, p.511).
The earlier version of the grounded theory (also known as the classic or the Glaserian grounded theory) holds the positivist view of knowledge and applied it to qualitative research. Theory is regarded as emerging from data, which is based on the assumption that reality is regarded as objective, knowable and readily awaiting to be discovered. Researchers are assumed to be neutral and view the data in an unbiased way (Charmaz, 2001). Since its birth, the classic grounded theory method has been criticized from both within and without (Charmaz, 2000). The main weakness of the classic grounded theory method lies with the positivism underpinnings and its objectivist direction (Bryant & Charmaz, 2007).

The classic grounded theory introduced by Glaser and Strauss provides flexibility to conduct grounded theory strategies (Charmaz, 2006). Sharing the same positivism and objectivist view of external reality, Strauss and Corbin have introduced another version of grounded theory in 1990 (Strauss’s version of grounded theory). Mills et al., (2006, p.3) refers Strauss’s version of grounded theory as ‘evolved grounded theory’ and Glaser’s as ‘traditional grounded theory’. The main difference between Glaser’s and Strauss’s versions is on how the grounded theory processes are carried out (Walker & Myrick, 2006). Strauss’s version of grounded theory deviates from Glaser’s as it views data from constructivist perspective which acknowledges the importance of a multiplicity of perspectives and ‘truths’ (Corbin & Strauss, 1990).

Strauss’s version of grounded theory is claimed to divert fundamentally from Glaser’s as it forces the emergence of pre-conceived categories from the data through the axial coding process. Axial coding relates categories to sub-categories via the process of coding, synthesizing and

56 This research does not follow Glaser’s grounded theory for reasons pertaining to the epistemology stance and the methodological issue. First, Glaser’s version adopts the epistemologically objectivist approach which assumes data are an objective representative of facts of a knowable world. Second, Glaser’s grounded theory method starts with data collection exercise without allowing any literature search to avoid biasness in data analysis (Glaser, 1992).
57 There are different opinions on the ontological nature of Strauss’s grounded theory because in their 2 major texts (1990, 1998), Strauss and Corbin did not address their stance. Charmaz views Strauss and Corbin’s work as ‘remained imbued with positivism, with its objectivist underpinnings’ (2000, p.510).
58 Glaser claims that Strauss and Corbin force data and analysis through their pre-conceptions, analytic questions, hypotheses, and methodological techniques (Glaser, 1998, as cited in Charmaz 2000).
organizing a large amount of data (Creswell, 1998, as cited in Charmaz, 2006). In addition, Strauss’s version of grounded theory also allows for literature search as it ‘stimulate our thinking about properties or dimensions that we can then use to examine the data in front of us’ (Strauss & Corbin, 1998, p.44). Literature review is regarded as enhancing theoretical sensitivity; as a secondary data source; to assist in probing questions about the data; as an important means of theoretical sampling; and, as a way to validate the theory (Strauss and Corbin, 1990, as cited in McGhee, Marland, & Arkinson, 2007). A full discussion on the issue of literature review in grounded theory is provided by McGhee et al. (2007).

Strauss and Corbin (1998) gave a balanced view, seeing both the advantages and disadvantages of an initial literature review: ‘Familiarity with relevant literature can enhance sensitivity to subtle nuances in data, just as it can block creativity’ (p. 49).

Charmaz (2006) provides an alternative way of doing grounded theory by introducing flexible guidelines incorporating theoretical and methodological developments over time. Employing social constructivist view, Charmaz’s constructionist version of grounded theory emphasizes more on an individual’s views, values, beliefs, feelings, assumptions and ideologies (Creswell, 2007). From the constructivist perspective, the existence of multiple realities is recognized and that data are constructed out of the interactions between the researchers and the research participants (Guba and Lincoln, 1994, as cited by Mills et al., 2006). ‘All knowledge, and therefore all meaningful reality as such, is contingent upon human practices and being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context’ (Crotty, 1998, p.42). The world and its objects are out there but they are meaningless until the meaning is constructed through humans’ engagement with them (world and its objects)⁵⁹. Over time and moving from one culture to another, diverse understandings of the same phenomenon are observed. This approach moves from the positivist underpinnings by assuming an interpretive view of the studied world.

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⁵⁹ As Fish (1990) puts it, “all objects are made and not found and that they are made by the interpretive strategies we set in motion” (as cited in Crotty, 1998).
(Creswell, 2007). ‘Data do not provide a window of reality. Rather, the ‘discovered’ reality arises from the interactive process and its temporal, cultural, and structural contexts’ (Charmaz, 2000, p.524).

4.4.1 **Grounded theory method**

Despite various interpretations to the grounded theory method, certain features of the grounded theory method remain consistent although the way they are carried out is still debatable. Five main features of the grounded theory method are theoretical sampling; constant comparative analysis; coding and categorization of data; memoing; and, theoretical development.

4.4.1.1 **Theoretical sampling**

Theoretical sampling refers to the process of data collection for generating theory in which data are jointly collected, coded and analyzed. The researcher decides what data to collect next and where to find them, in order to develop the theory as it emerges (Glaser & Strauss, 2004). This method of sampling requires the researcher to be theoretically sensitive as the process of data collection relies on the concepts that have been proven theoretically to be relevant to the evolving theory. These concepts are deemed significant as they have been repeatedly present or notably absent, and have gained the category status in the coding process (Corbin & Strauss, 1990). The main principle in theoretical sampling is that emerging categories and the researcher’s increasing understanding of the developing theory, now direct the sampling (Glaser, 1978). This method was chosen as it is best used given the context of the study.

4.4.1.2 **Constant comparative analysis**

Grounded theory method is aimed at generating a theory through systematic and explicit coding and analytic procedure. Analysis was carried out by comparing similarities and differences among the codes. Constant comparisons helped in achieving greater precision and consistency. The process involved three types of comparison: incidents with incidents; concepts with more incidents; concepts with concepts (Glaser & Holton, 2004).
4.4.1.3 Coding and categorization of data
Coding represents the operation by which data are broken down, conceptualized, and put back together in new ways. It is a central process by which theories are built from data (Corbin & Strauss, 1990). Categories and concepts were identified from the data. Categories refer to conceptual labels place on discrete happenings, events and other instances of phenomena while concepts are classifications of the former. This classification was discovered when categories were compared against other and appeared to associate to a similar phenomenon. Thus the categories were grouped together under a higher order, more abstract level called a concept.

4.4.1.4 Memoing
Memoing is a crucial step in the process of developing a theory. Memoing or memo writing refers to theoretical notes about the data and the conceptual connections between categories. Memoing is a continuous process in the data analysis by taking it to a higher level (conceptual level), and develop properties of each category that begin to define them operationally. Memoing differs from writing detailed description although both are based on description. The main goal of memoing is to develop ideas on categories and hence it functions to bring the description to the theoretical level through the conceptualization of the data (Glaser & Holton, 2004).

4.4.1.5 Theoretical development
Central to grounded theory is the construction of theory. Theoretical development is a part of the theory generation process through which memos are sorted to form a theory. Two types of theory may be developed from the grounded theory process, substantive and formal theories. Both theories are categorized as middle-range theories60 which fall between minor working hypotheses of everyday life and the ‘all inclusive’ grand theories.

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60 Middle range theories, as discussed by Robert K. Merton, is a theory with limited scope, that explains a specific set of phenomena, as opposed to a grand theory like that proposed by Talcott Parsons that seeks to explain phenomena at a societal level (Wikipedia, n.d.-i).
Substantive theory evolves from the study of a phenomenon situated in one particular situational context while formal theory emerges from a study of a phenomenon examined under many different types of situations (Strauss & Corbin, 1990). Both formal and substantive theories are practically differ from their level of generality (Glaser, 1998, as cited in Glaser, 2007). Formal theory is merely extending the general implications of a core variable by sampling more widely in the original substantive area and in other substantive areas, and constantly comparing with the purpose to conceptualize the general implications.

Theories also can be categorized as interpretive and positive, depending on what they aim to achieve. Positive theory generally aims to predict and indicate sequential causation while interpretive theory seeks to understand a phenomenon of interest.

The five features of the grounded theory proposed by Charmaz (2006) are incorporated in this study. The step by step procedure is as shown in Figure 4.4.
4.4.2 Grounded theory and this study

The study aims to build theoretical understanding of the corporate environmentalism process among Muslim and non-Muslim managers of the public listed firms. The issue has not been previously researched and therefore it represents unexplored new area of inquiry. Grounded theory is the most appropriate method for the study in an areas which has limited or no prior research (McCann & Clark, 2003; Smith & Biley, 1997), and therefore best suits this research. As
Stern (1980, p.20) puts it, ‘the strongest case for the use of grounded theory is in investigations of relatively uncharted waters, or to gain a fresh perspective in a familiar situation’. In this respect, the study ‘tests the water in a new situation’ by investigating corporate environmentalism issue in a new, unexplored distinctive setting whereby Islam pre-dominates the important aspects of life.

In a setting where Islam is dominant in a multi-racial society, a methodology that could capture the complexity of the political, economic and cultural aspects is required, both at corporate and personal levels. As such, a method that could explain how managers’ beliefs towards environmental protection were constructed, and how the beliefs influence corporate environmentalism, best suits the research.

Grounded theory method appears as the best approach to the research. Not only it allows flexibility to follow leads that emerge while gathering the data but at the same time provides a systematic way to develop a theory which is grounded in real and fresh data concerning the process in the social area. Thus it promotes rich data gathering which is crucial in the development of a theory that explains the social process pertaining to the issue of interest.

The nature of data gathering exercise in grounded theory which is conducted simultaneously with data analysis allows for early identification of the emergent issues that subsequently leads to a more focused data collection. Applying the theoretical sampling in the analysis, the unnecessary large volume of unfocussed data collected earlier was dropped in the subsequent data gathering exercise, making it precise and deep into the issues of concern. The four-step process in grounded theory which starts with seeking data, describing observed events, answering fundamental questions about what is happening and subsequently develops theoretical categories to understand the whole process of the issue of interest (Charmaz, 2006) provides a comprehensive guidance in analyzing a huge amount of data.

The process of induction and constant comparative analysis between incidents and incidents, concepts and incidents, and concepts and concepts in the grounded theory method stimulates the
understanding of the social process of how the Shariah teachings influence the managers in matters pertaining to corporate environmentalism. The strategy of probing questions of the identified events led to the development of categories and concepts about the social process. At every point of changes or stages, known as critical junctures, the data was taken to a higher level leading to the theory development. The descriptive level is therefore, shifted to the theoretical level in which a newly developed theory emerged.

In relation to the social theory, this study employed the constructionist perspective which assumes people create and maintain meaningful worlds through dialectic processes of conferring meaning on their realities and acting within them (Bury, 1986, as cited in Charmaz, 2000). Knowledge and meaning are constructed through human interaction and is influenced by the social context (Crotty, 1998). Constructionist grounded theory moves further from the positivist’s assumption of objective external reality towards Blumer’s symbolic interactionism process of the formation of meaning. Thus, the study assumes no uni-dimension of external reality, but is constructed out of human interactions.

4.5 RESEARCH PROCEDURE
This section outlines the procedure for setting up the research, including the context of study, the sampling methods employed and the process of identifying samples.

4.5.1 Context of study
The current study was conducted in Malaysia which represents a multi-racial, developing country in which Islam predominates. To test research questions established in an earlier section, firms listed on the Bursa Malaysia were identified as samples for the study. Approval to conduct the research was granted by the Ethics Committee of Monash University (CF10/2108 – 2010001187) on 16 August 2010.
4.5.2 Sampling strategy

The purposeful sampling was carried out based on the knowledge pertaining to the issue of interest. Samples were selected among those who have certain attributes or possess certain criteria (Creswell, 2007). In some instances, samples in purposeful sampling were identified after field investigations had been carried out (Berg, 2009).

Analysis in grounded theory started immediately after the first data collection was done. At this stage, the initial coding which was done before the trajectory was identified has resulted in mixed codes. Codes from earlier phase were grouped together with similar codes in the latter phase, without noticing changes in the characteristics of the data caused by various stages or phases in the social process. Thus changes or small differences that emerged in the general category were lost. Therefore, when stages were identified, the data was re-coded according to the trajectory.

Once the categories emerged from the data, theoretical sampling was applied. Participants who have particular responses to a particular experience, or have certain concepts that appeared significant were identified. Information from these participants was used to verify the theory in its entirety. It was also used to supplement information about linkages between two categories, hence contributing to the emerging theory.

On the other hand, information from participants who have not responded in the anticipated way, or who have opposite reactions to the majority to a particular phenomenon, was not discarded. As part of the sampling process, these negative cases were integrated into the emerging theory. However, a differentiation was made between negative cases and outliers as the latter are serendipitous errors and should be ignored (Morse, 2007).

Depending on the type of coding (initial, focused, axial, theoretical), theoretical sampling has different features. First, theoretical sampling is cumulative as the concepts and their relationship accumulate through the interplay of data collection and analysis. Second, sampling increases in
its depth and focus in which it starts with the process of identifying categories, followed by the concentration on the development, density and saturation of categories. The third feature is consistency, which requires researchers to gather data systematically on each category (Strauss & Corbin, 1998).

Theoretical sampling must also ensure variation and process (Charmaz, 2006). However, a certain degree of flexibility is also needed in order to incorporate expected and unexpected changes in the field. By doing so, any areas of investigation that have not been included in the initial plan are subsequently captured. Flexibility also allows the exploration of new areas that bring about great theoretical result although grounded theory starts with a set plan. Inflexibility in data collection may lead to the violation of the most basic and important canon of grounded theory- sampling on the basis of the evolving theoretical relevance of concepts (Morse, 2007).

Sampling in grounded theory is directed by the logic and aim of the three basic types of coding procedures, namely initial coding, focused coding and axial coding. It also relates to theoretical sensitivity which provide guidance on the issues of indicators in the data, and which data to focus on. Over time, sensitivity increases and sampling changes in line with new information gathered (Strauss & Corbin, 1998).

4.5.3 Identifying samples
Firms listed on both the Main Market and ACE market of the Bursa Malaysia represent the population for the study. To allow a rich data collection, no restriction was imposed on the nature of the sector and Securities Commission (SC) categorization of Shariah compliant and Shariah non-compliant firms.

The process of getting to the right person and gain the consent started in December 2010 based on the following strategies. First, we started the process by browsing the internet to find the firms’ details. Calls were made to the human resources department in order to get to the appropriate persons pertaining to the environmental issues. A brief description of the study was
sent to relevant persons. Nevertheless, the effort was totally fruitless. As the first approach was not successful, we decided to adopt a ‘connection’ approach. Through personal and work-related contacts, Monash and professional affiliations, interview sessions for six firms were successfully arranged and conducted.

4.5.4 Sample profiles
In the current study, purposeful sampling procedure was based on the following criteria:

(i) Firms listed on the Bursa Malaysia;
(ii) Top level managers who sit in the management committee meeting;
(iii) Middle level managers who oversee the environmental aspect and report to the top level manager;
(iv) Operational managers who deal directly with environmental matters.

The study focuses on firms due to their enormous contribution to the world’s ecological problem. Public listed firms (Bhd)\(^{61}\) were selected as samples in the study due to the size and obligations to comply with more legal requirements, in comparison to the privately owned firms (Sdn Bhd).

The interview sessions were conducted to assess whether managers’ personal beliefs influence their stance on corporate environmentalism. Top level managers were chosen as samples due to their ability in influencing the direction of the firms in matters pertaining to the environment. Inputs from the middle and operational managers were gathered to assess how the directives from the top level management were perceived and implemented, in view of their personal beliefs.

The study focuses on the Shariah-compliant firms. As Shariah compliant, these firms are expected to comply with the Shariah call to protect the environment and thus managers ought to be aware of the Shariah requirements on the environmental protection. Initially, samples were divided into Shariah-compliant and Shariah-non-compliant firms for comparison purpose.

\(^{61}\) Firms listed on the Main Board of the Bursa Malaysia.
Nevertheless, none of the Shariah-non-compliant firm was cooperative towards this study and hence only the Shariah-compliant firms were considered.

Table 4.1: Sample profiles of the Shariah-compliant public listed firms

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<tbody>
<tr>
<td>Managers: Top</td>
<td>Male Chinese</td>
<td>Female Malay</td>
<td>Male Chinese</td>
<td>Male Malay</td>
<td>Female Malay</td>
<td>Male Malay</td>
<td>Male Chinese</td>
<td>NA</td>
</tr>
<tr>
<td>Middle</td>
<td>Male Chinese</td>
<td>Male Chinese</td>
<td>Male Chinese</td>
<td>Male Chinese</td>
<td>Male Chinese</td>
<td>Male Malay</td>
<td>NA</td>
<td>Male Malay</td>
</tr>
<tr>
<td>Operational</td>
<td>Male Chinese</td>
<td>Male Malay</td>
<td>Male Chinese</td>
<td>Male Malay</td>
<td>Male Malay</td>
<td>Male Malay</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Total assets (RM)</td>
<td>4,564.8m</td>
<td>37,577.6m</td>
<td>98.8m</td>
<td>800.5m</td>
<td>7,884.7m</td>
<td>465.7m</td>
<td>36.5m</td>
<td>26,126.4m</td>
</tr>
<tr>
<td>Operations</td>
<td>Local &amp; International</td>
<td>Local &amp; International</td>
<td>Local</td>
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Firms from different type of industries/sectors were chosen as samples due to the differences in their environmental impacts and types of regulations imposed on them. As such, firms from five different sectors; property, industrial products, trading & services, construction, consumer products, were selected as samples (refer Table 4.1). However, two firms were excluded from the analysis due to the failure to get the three levels of managers to participate in the interviews. For Company G, the top management has participated in the interview process but refused to allow access to the middle and operational managers. On the other hand, the challenge for Company H was to get to the top management. The communication was restricted to the personal assistant, who did not allow a direct access to the top level manager.
4.5.5 Sample size and data saturation
As a general rule for grounded theory, data collection shall cease when data gets saturated. Saturation in this instance refers to data adequacy. For grounded theory research, it is not possible to decide at the beginning of the data collection how many interviews are needed for the research. Darlington and Scott (2002) suggest that the data collection has to stop when the following circumstances occur. First, none of the participants shares the same perspectives and that there is always something new to add to the data. Second, when new data acts as a confirmatory rather than contradictory.

The saturation issue may be viewed from various aspects. Although the common use of the term ‘saturation’ refers to ‘nothing new happening’ (Morse, 1995, p.113), it should cautiously be differentiated from repetition of events, actions or statements. Glaser (2001, p.191) provides a definition of saturation as:

Saturation is not seeing the same pattern over and over again. It is the conceptualization of comparisons of these incidents which yield different properties of the pattern, until new properties of the pattern emerge. This yields the conceptual density that when integrated into hypotheses make up the body of the generated grounded theory with theoretical completeness.

The data started to show signs of saturation after the twelfth interview. However, the data collection continued and the saturation was finally achieved in the fifth firm (fifteenth interview) when no new concept emerged from the data. Legitimacy remains as the main concept/theme, consistent across all participants. To ensure that ‘the new data acts as confirmatory rather than contradictory’, three more interviews were conducted.

4.5.6 Efforts to protect confidentiality and anonymity
In accordance with Monash University’s ethic requirement, each participant was given an explanatory statement that briefly explain the research, the way it is conducted and assurance on the confidentiality and anonymity of information. In addition to that, participants were also
required to fill in the consent form which document participants’ declaration on their willingness to participate in the interview exercise.

4.6 DATA COLLECTION

4.6.1 Choice of interviewing as a method of data collection

The main feature of grounded theory is the simultaneous involvement in the data collection and analysis. The early analytic work leads researchers to subsequently collect more data around emerging themes and questions (theoretical sampling). It also avoids the collection of a large volume of general, unfocussed data that lead to no new discoveries. The analysis done on data helps to collect additional data on the emerging analytic interests and themes. For instance, an answer from a participant may lead to a better way to get the information from others.

In grounded theory, analytic categories emerge directly from the data. Therefore, researchers need to focus on ‘what is happening’ which is the central problem of the study. From a constructivist, interpretative perspective, researchers must study the meanings, intentions and actions of the research participants in order to explain the social and social psychological processes. As such, two main techniques were used in this study, namely the interview and documentation.

(i) Interview

Interview is a way of understanding the social world by listening and interpreting what is said by the participants. Qualitative interview employs a flexible style, and that the degree of structure is bound more by the implicit rules of conversation than any rules of research method. The qualitative researcher reflects an interest in more ineffable matters, knowledge of which is co-constructed with participants. Contrary to the survey method, interview is addressed as an information gathering exercise on the basis that participants can act as informants about the topic (Fielding, 2003).
‘Non-standardised’ or ‘unstructured’ interviews involve questions that can be changed or adapted to meet the participant's intelligence, understanding or belief. This type of interview offers a limited, pre-set range of answers for participants to choose. Nevertheless, Jones (2004) rejects the idea of ‘unstructured’ interviews as there must be some structure when conversation (interview) commences. The degree of structure must be chosen to suit the purpose, such as to minimize any interventions. The study adopts this approach as it is consistent with the grounded theory procedures to develop a theory based on leads from the data.

The ‘non-standardised’ or ‘unstructured’ interview method applied in the study is directed to the grounded theory approach of interviewing. Unlike the in-depth interviewing, ‘the research process proceeds in that grounded theorists narrow the range of interview topics to gather specific data for their theoretical frameworks’ (Charmaz, 2001, p.676). Interviews in grounded theory are set to derive at data that could explain social and social psychological processes. As such, the challenge for grounded theorists is to ‘balance between hearing the story and probing for processes’ (Charmaz, 2001, p.678). Hence, interview questions in grounded theory study should therefore aim to define and explore processes. Researchers need to strike a balance between asking significant questions and forcing responses.

Constructivist grounded theorists would put forward questions to generate data on the participants’ perceptions, assumptions, implicit meanings and tacit rules, and seek for definitions of terms, situations and events, in contrary to the objectivists who focus on accurate information. The very basic question represents the central problem of the study or experience of the participant. In the attempt to get the key events, their contexts and the processes that contribute to shaping the events, constructivist view of grounded theory accept the data as ‘views’ and not ‘hard facts’ as the objectivists do.

To get to know ‘what is happening’ in the data, interview questions in grounded theory were set to be sufficiently general to explore the researcher’s topic and subsequently narrow down to fit the participant’s individual experience. In line with the symbolic interactionist approach,
questions were therefore set to emphasize participants’ subjective meanings and on stressing their actions.

(ii) Documentation
In addition to the interview data, the study also used both internal and external corporate reports pertaining to the environmental issues. Internal documents are in the form of (email) circulations to the employees, while external sources such as media releases, special reports or annual reports were gathered. The documents were sought to confirm and support claims made by the participants. As the secondary source of information, both the internal and external documents are regarded as highly reliable.

4.6.2 Challenges of interviewing
The principal aim of an interview is to get valid and reliable data through a direct contact with the participants. However, in some cases, participants were reluctant to engage in the interview due to various reasons. Although researchers may have all procedures and interview techniques in place, other factors posed a challenge in achieving such an aim. While some factors were caused by the researcher, for instance lack of ability to communicate effectively, others were due to the participants’ attitude.

Adler and Adler (2003) identify two types of reluctance that researchers may encounter at different stages of the interview process; access and resistance. Reluctant to access occurs in the earlier stage of the interview process while the resistance type of reluctance occurs during the interview sessions.

4.6.2.1 Access type of reluctance
The problem in gaining access to corporate executives was highlighted by Thomas (1995, as cited in Adler & Adler, 2003) who refers to them as ‘highly visible but not accessible’. In this study, the ‘highly visible but not accessible’ problem is associated to the email and telephone
communications. Emails sent to the human resource departments were either not responded or responded only to decline the invitation to conduct the interviews. In addition to the emails, we also encountered the accessibility problem in the form of a direct telephone communication. Personal assistants to the top level managers put a (communication) barrier to avoid a direct contact to the CEOs or MDs. The denial of access to the highly visible parties did not only stop at the very initial phase of communication but continued even after an appointment has been set. Similar to Useem’s (1995, as cited in Adler & Adler, 2003) experience, we also encountered problems to meet up with a manager, even though time and venue were agreed.

The accessibility problem was partially overcome by employing the ‘joint membership’ strategy (Adler & Adler, 2003). As a member of a professional association, we used the affiliation to get access to the participants. Similarly, our social ties have helped us in getting the access to the top level managers. Although in general, once the top management has given his/her consent for the interview, the medium and operational managers will give their full cooperation. However, in one particular case, the medium level manager refused to the interview session even though all arrangements were set in place. In this particular case, we have to, once again, contacted the top management who then directed the human resource manager to immediately arrange for a meeting with another participant.

In addition to the access barrier, some managers were reluctant to participate in the interview due to the confidentiality issues. This is particularly visible for firms which are heavily involved in the research and development activities. To overcome this problem, we gave the managers assurance that the issue of interest is of non-technical in nature. In addition, we sent a set of guiding questions to the participants to convince them that no technical information is needed for the research.
4.6.2.2 Resistance type of reluctance

The second type of reluctance proposed by Alder and Alder (2003) refers to the resistance during the interview sessions. Confidentiality is the main concern for almost all of the participants. Participants tend to withhold the information if such a disclosure is deemed to jeopardize their position in the firms. Known as the ego-threat, Gorden (1956) suggests that anonymity as an important aspect to overcome such a problem. Bogardus (2003) relates the anonymity with defensive act, which poses as a barrier to the data gathering process. Defense mechanism is likely to arise when anonymity is perceived to be lacking or non-existent. For instance, if the interviewer has no contact with the interviewee’s friends or colleagues, the possibility that any barrier will exist is relatively low. The interview may take on ‘impersonal confession’ traits in which the interview participant secures a ‘relief of mind’ without losing status within his groups ‘at home’ (Bogardus, 2003, p.86). Similarly, defense mechanism is unlikely to arise when an interview participant feels like she/he is not to be examined. Generally, the higher the participant’s status, the more difficult it is to get information if anonymity is not assured.

To overcome this type of confidentiality concern, Monash assurance form was given to each participant prior to the interview session. In addition, we offered the participants to review the interview transcriptions to ensure that their words and ideas were not taken out of the context. However, none of the participants was interested in such offer.

Participants’ resistance during the interviewee session may also occur due to the perceived relationship with the researcher. Darlington and Scott (2002) caution the risk of having a rapport with the participants. In this respect, participants may not provide detailed information and skip important aspects of the story based on the assumption that the researcher is well versed with their business environment or nature of business. To avoid such incidence, the research topic was explained in general, as well as the interviewer’s profession as an accountant. We emphasized the fact that the firms’ nature of business or work-related technical language is not familiar to us. In addition, we told the participants about the nature of the data gathering that required us to clarify certain issues if there is a need to do so. Due to their busy work schedule, we believed that the
participants might not be able to meet the researchers again and therefore, they tried to give out the information in their best possible ways during the interview sessions.

Apart from the participants’ factors, the venue of the interview also contributed to the quality of data gathered. Referring this as the set up issue by Adler and Adler (2003), the demographic matter intertwined with the location of interview, especially when it involves social stimuli and responses. Wiess (1994) proposes that (among all), gender issue is an important link to the participants (as cited in Adler & Adler, 2003). In this instance, being a female interviewer has its own disadvantage, especially when dealing with the opposite sex in a setting where such meetings can lead to defamation. Furthermore, from the Shariah perspective, a woman is prohibited from being in seclusion with a non-mahram\textsuperscript{62} man. In total, 89% of the respondents are male and thus classified as non-mahram to the interviewer. Below is the interviewer’s experience pertaining to the issue:

On 28 December 2010, I met X1 at 10.30am at the Executive Lounge. We had a chat while he was having his breakfast. I told him that the lounge might not be the best place as there was a reasonably loud background music that could affect the recording process. In addition, he might also get distracted as there were many people came in and out from the place. Since X1 was so concerned about what people say about him meeting with a lady (of the same race), the meeting could exposed him more to the unwarranted gossips.

I suggested that his office would be a better option (the venue where I met him on 16 December 2010). At first he seemed reluctant as he felt uneasy with his staff members who might have negative thought about the meeting, but he finally agreed to the idea. So we walked back to his office which was located at the upper floor of the factory building.

Considering various aspects of the set up issue, all interviews were conducted at the participants’ workplace (offices or meeting rooms), at their time of preference or convenience, as proposed by Thomas (1975, as cited in Adler & Adler, 2003).

During the interview sessions, various types of resistance concerning the comfort level of the participants were encountered. However, none of the resistance was considered serious enough to

\textsuperscript{62} A mahram (محرم) refers to all those males whom a woman cannot marry at any time in her life (Sultan, 2008).
affect the quality of data or information. For instance, one of the participants asked about the interviewer’s relationship with one of the members of the Board of Directors. To avoid any misunderstanding about the confidentiality of any sorts, the connection with the said person was denied. On the same note, a few participants seemed uncomfortable with the interview when the interviewer introduced herself and her affiliation with the University. To avoid further uneasiness, the interviewer tried to portray the interview as an informal conversation and kept the situation in a non-serious mode. Besides that, the interviewer has carefully rephrased the guiding questions, and asked generic rather than personal questions to the participants. This defection technique helped in reducing self-consciousness and perceived threat due to personal exposure (Hoffman, 1980).

Throughout the interview sessions, the ‘normalizing perceived deviance’ ploy was applied, as proposed by Johnson (1975, as cited in Adler & Adler, 2003). Upon hearing some unexpected or ‘beyond the norm’ opinions, the interviewer tried to hide emotional or physical expressions such as raising eyebrows or change of voice tone. For instance, the following response is regarded as ‘beyond the norm’. This remark was made when the participant was asked about his perception or stance toward energy savings:

‘Don’t really care (NN: Tak adalah?) (Translation: No?) Hmm. Energy murah aje (laugh) (Translation: The energy is cheap)’.

The manager’s response was something that the interviewer did not expect to hear. According to the ‘normalizing perceived deviance’ approach (Johnson, 1975, as cited Adler & Adler, 2003), interviewers can either nodded affirmatively or ignore such response and continue with the interview process. In this instance, the latter option was chosen. The interviewer pretended that she did not hear what has been said by the participant.

Unlike other types of social research that deal with sensitive and emotional participants, this research did not encounter problems associated with Gorden’s (1956) eight schemes, namely the
degree of ego-threat; degrees of forgetting; degrees of generalization; degree of subjectivity of experience; conscious versus unconscious experience; degree of trauma; degree of etiquette; and, chronological aspect. The eight schemes are associated with sensitive and emotional participants who have gone through terrible experiences and trauma in their life. They are prone to negative feelings such as guilty, scared and hatred when asked about their experiences. Therefore, the tendency to withhold information is very high for various possible reasons. However, in the current data gathering exercise, participants were found to have been freely talking about their perceptions and experiences without any sign of problems identified by Gorden.

4.6.3 Development of interview guide

As Charmaz (2001) puts it, grounded theory researchers use in-depth interviewing to explore, not to interrogate the participants. With the objectives of defining and exploring processes pertaining to the central issue of the study, the interview questions were developed to explore the issue of interest from the participants’ perspectives, taking into account their assumptions, perceptions and situations. As much possible, questions were forwarded in the form of open-ended.

The study adopted constructivist approach and therefore, the interview questions were set to seek the participants’ definitions of terms, situations and events in the attempt to get to the participants’ assumptions, implicit meanings and tacit rules rather than obtaining accurate information pertaining to chronology, events, settings and behaviors (Charmaz, 2001).

In preparation for the guiding questions, two guidelines to conduct interview were used, as proposed by Tomm (1988)\textsuperscript{63}. Circular type of questions was used when dealing with questions which are explanatory in nature. It is best applied at the start of the interview to open up discussions pertaining to the issue of interest. Applying this approach, the interviewer explored the meaning of the ‘environment’, viewed from the managers’ personal perspective. In addition,

\textsuperscript{63} The guidelines were first developed for the therapeutic purpose by Selvini, Boscolo, Cecchin, and Prata (1980).
Tomm (1988) proposed the use of lineal questions, which were mostly used due to its investigative nature which deals with what, where, how and why questions.

Guiding questions were prepared to identify factors that impacted managers’ environmental beliefs, and how such beliefs influenced corporate environmentalism. A background search on the firms’ environmental activities and recognition was carried out as it provided a valuable resource for the interview (Holstein & Gubrium, 1995). The search was carried out using public domains through internet access to the firms’ websites, Bursa Malaysia’s (http://www.bursamalaysia.com) and Securities Commission’s (http://www.sc.com.my). A search was also carried out through the on-line media for any news or media releases. An example of an interview guide for a selected firm is provided in Appendix 2.

4.6.4 Formal interview process

In total twenty interviews were conducted, involving eight firms. However, two firms were dropped from the sample list due to the inability to get access to the three levels of managers. The data for the research is therefore, consists of eighteen managers from six firms, each from the top, middle and operational levels.

At the start of the session, the interviewer thanked all the participants for their willingness to spare their time for the interview despite their tight work schedule. A brief explanation about the research and its objective was given. The interviewer also explained about Monash University’s procedures for conducting research and ethics committee’s requirement to give out a copy of an explanatory statement to the participants (Appendix 3) and the need for them to fill in the consent form (Appendix 4). The interviewer also emphasized the confidentiality and anonymity of information, as explained in the explanatory statement and that technical information about their operation is irrelevant to the thesis due to the diversity of the type of industry covered in the study.

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64 After 13 months of data collection period.
The data collection exercise commenced in December 2010 and took slightly more than a year to complete. All interview conversations were audiotaped in order to capture the words and perceptions of the participants (Johnson, 2001). However, it is noted that the method of recording the interview conversation has two main disadvantages. First, the idea of audiotaping ‘may be different to different respondents’ (Warren, 2001, p.91). While some participants may give consent to the idea of recording the conversation, others may react adversely to it. In the particular data gathering exercise, it was observed that a number of participants were uneasy to have their conversation recorded but they continue to do so, presumably due to the directive from their superior to take part in this study. However, in general, the conversations were conducted smoothly and there was no sign of resistance or nervousness in the interview session. However, two exceptional cases were observed in which research participants refused to have their conversation recorded and hence, the interview session was not conducted. The second disadvantage of this method is associated with the risk of losing the data due to the device dysfunctional (Darlington & Scott, 2002). Fortunately, throughout the data gathering exercise, no such unfavorable incident happened and all conversations were successfully recorded and transcribed.

In addition to the recording, Johnson (2001) and Lofland, Snow, Anderson, and Lofland (2006) encouraged a brief note-taking to avoid over-dependence on the recording. The brief note-taking method was chosen as it is believed that a heavy note-taking increases the possibility of losing focus on the information conveyed in the interview process. As the interviewer did not have any training in stenography, such an exercise obviously reduces the ability to probe further questions. In addition to that, the process to encode and decode the questions and answers from the participants was very challenging given a short interval and at times, it happened simultaneously. Hence the quality of data will be highly affected by the note-taking exercise. In addition, from the point of view of the participants, such a gesture (busy in taking notes) may send a signal that the interviewer is not paying full attention to what has been said.
In general, the interview sessions went well although most participants were very much inclined to talk about their work-related matters such as detailing out their job processes pertaining to the environmental protection, rather than answering the question based on the context of the study. The situation was dealt with by initially asking them about their job. When the managers seemed to be comfortable to talk, the interviewer then slowly redirected questions pertaining to the research questions.

4.7 PROCESS OF DATA ANALYSIS

Creswell (2007) suggests that data analysis in qualitative research involves analytic circles rather than linear approach (refer Figure 4.5). Once data is available, the process starts with data management in which the interview conversation is transcribed. Data is later kept in various types of storage unit. In this particular research, the interview data and transcriptions were stored in the Mp3 and Word files, respectively.

![Figure 4.5: The data analysis spiral](image)

Once the transcriptions were available, the reading phase commenced and subsequently the preparation of the initial memos. The process then continued with a higher level of analysis such as describing, classifying and interpreting. At this stage, the analysis was focused on coding and
memo preparation, with the aim to identify a higher level of groupings of categories and concepts. The process of data management was still in progress as the codes, categories and concepts were put together in an Excel format. The processes of data management, reading and memoing, and describing, classifying and interpreting were therefore, done in a loop. The final stage of the data analysis was reached when the researcher is ready to present the data in the text, tabular or figure form.

The following sub-sections discuss three major activities in the data analysis process employed in this study, namely transcribing, coding and memoing.

4.7.1 Transcribing
Immediately following the interviews, all recorded conversations were transcribed to facilitate detailed analysis. Although the process was very tedious and time consuming, it contributes to a better understanding of the data. The recorded conversations included elements that can assist the analysis such as voice tones and hesitation. In this respect, only emotional responses relevant to the research issues were transcribed. As such, the non-verbal responses captured in the transcriptions are laughs (transcribed as ‘laughs’) and uncertainty or pause (transcribed as ‘…’). Other emotional responses such as anger, sadness, hatred and other emotional content were not dealt with during the interview sessions. These emotions are not applicable due to the nature of the research issues which are not of a sensitive type. Below is an example of the quote that captured the cheerful mood of a participant:

Yeah, as well. Because we are dealing with so much DOE, kalau..memanglah kalau enforcement di peringkat plant apa semua tu, memang ada regular check benda2 ni (NN: Strict-lah). Memang very strict-lah. Memang in fact, kalau dia datang check sampling, so daripada sampling tu pun ada off-spec dari dia punya ni, memang kena ada sampai-lah love letters tu (laugh).

*Translation:* Yeah, as well. Because we are dealing with so much DOE..it is true if the enforcement is at the plant level, there are regular checks on these things (NN: Strict-lah). Yes, indeed, very strict. In fact, if they come to take samples, and if it happens that the samples are off-spec, then we will definitely receive love-letters (laugh).
In the process of transcribing, there are instances in which some of the words or phrases could not be heard or comprehended by the researcher due to their technical nature. As suggested by Darlington and Scott (2002), a series of cross (xx) are used to fill in the missing words or phrases. However, the overall structure and meaning of the sentences are not affected by such replacements. The following extracts illustrate both cases. The first quote shows an example of an unclear word, and the subsequent quote refers to a technical reference:

But I think now very good already, now, like my son already, the school already teaching them all these things already, recycling, xx. I think it is very good. I think they should actually be taught at school level so that when they come to our level, so they (NN: The awareness is already there), exactly. So I think it is very good to let children, pushed at the school level.

Plant? Yes, we have our own, our product is all the way. Each and every component that we made is actually manufactured by us. We have our own galvanizing plant, we have our own xx coating plant. Things like that we have our own and anything they developed up in the market is manufactured by ourselves.

The transcribing process was carried out with a great care to avoid errors. Poland (2001) cautious researchers of the errors that may occur during the transcribing process and affect the quality of the transcription. For instance, certain words may have been transcribed based on the pronunciation but do not fit into the context. The possibility of incurring the homophone error was dealt with by considering the overall context of the conversation to detect any words which were unrelated to such topic. Another type of error that may have impacted the transcription quality was the omission of certain words in a sentence. This type of error may be caused by the nature of conversation which involves different voice tones and paces, or due to the tape dysfunctional as a result of playing it back and forth. The transcription was checked and rechecked to minimize the incurrence of such error.

During the interview, the researcher may have uttered a few words in between the participants’ sentences, with the purpose of reconfirming the points mentioned. In such cases, the researcher’s conversation is denoted as NN, and is typed in italic. Some of the conversations were also conducted in Bahasa Melayu and English. A translation was not made in the transcription as some phrases or words may not be accurately translated and hence will lose their actual meaning.
Nevertheless, translations were made available alongside with the Bahasa Melayu terms, for each code when they are reported in the thesis.

4.7.2 The coding process
Following the transcribing, the coding process took place. Coding refers to the process of assigning codes to the data. A code is generally refers to ‘a word of short phrases that symbolically assigns a summative, salient, essence capturing, and/or evocative attribute for a portion of language-based or visual data’ (Saldana, 2009, p.3).

A general rule for coding is, all ‘metadata activities’ are coded, which refers to ‘the entire process and product of creating data about the data in the form of codes, analytic memos and graphical summaries’(MacQueen & Guest, 2008, as cited in Saldana, 2009).

Saldana (2009) views coding as an interpretive act rather than a precise science. As such, the coding process is very much dependent on the ontological and epistemological stance of the researcher. Codes are created based on the researchers’ understanding of the data. The same data can be coded differently by different researchers, depending on how the researcher understands it. This research adopts the social constructivism approach of epistemology which recognizes differences in meanings viewed by different people in relation to the same phenomenon. Through researcher-participant interactions, interpretations of the phenomenon were made based on the values that reside within the construct.

The associations between codes and categories, sub-categories and concepts or themes are shown in. Different codes were grouped together under a major heading or a category. Some categories may need further refinements, known as sub-categories. Categories of a higher level and more abstracts are known as concepts or themes. The ability to show how the categories and concepts or themes systematically interrelate leads toward the development of a theory (Corbin & Strauss, 2008).
Coding helped in understanding the data. Contrary to the quantitative logic that has pre-conceived concepts, coding in grounded theory enabled the researcher ‘to understand the acts and accounts, scenes and sentiments, stories and silences’, viewed from the participants’ perspectives (Charmaz, 2006, p.46). Codes were defined and refined in the process of understanding the participants’ views and actions from their perspectives.

Four phases of coding in grounded theory applied in the research; initial coding, focused coding, axial coding, theoretical coding, are presented in the following sub-sections.

4.7.2.1 Initial coding
The first engagement in the coding process was the preparation of the initial codes. Practically, initial codes are the summary of the interview transcripts, as understood by the researcher through the interaction process with the participants and interpretations of the phenomenon of interest. Initial coding was carried out without any pre-conceptions and thus very much grounded in the data. Charmaz (2006) provides a few practical tips for the codes to fit into the data. Codes...
should ‘remain open, stay close to the data, keep codes simple and precise, construct short codes, preserve actions, compare data with data, move quickly through the data’ (Charmaz, 2006, p.49). The line-by-line coding method was used as the first step of coding in this study.

Table 4.2: Example of line-by-line coding

<table>
<thead>
<tr>
<th>Original interview quotes</th>
<th>Initial codes</th>
</tr>
</thead>
</table>
| I think, well, I believe the view is created, can I say that the fact that I live outside from KL. I choose to live from outside, I chose to. I brought up my children, in the environment where they can enjoy the environment, they can enjoy the greens. I told my children that sometimes you need to stop and smell the flowers around you. Because life is hectic and I did not get that much earlier though it is by nature that we used to be brought up not to buang sampah merata rata (translation: throw rubbish inconsiderately) but sometimes I admit I do that, so the discipline is not there, but discipline strengthen as I appreciate it better, may be from work experience, maybe experience from seeing people suffer, maybe the experience of smelling things. Bila you lalu tempat sampah (translation: when you pass by the rubbish area), it creates a view. So over those experiences that I built up, when I was a student, before I got married, then I got a child and then it strengthen. And it even more strengthen the fact that I live outside from KL, when I live in a rubber estate, it matters to me (E1). | Stays outside city area  
Bring up children in green environment  
Influence children to be aware of green surroundings  
Work experience influence nature appreciation  
Seeing people suffer  
Seeing dirty and smelly areas  
View towards environment changes over time |
| Yeah, xx important. School is very important, as I said, it starts from school. I mean in our younger days you know, the Girl Guides, the school Scouts, they teach you all these, you see. You know, keeping the environment clean, you know. I mean my school, you know. We will be given the task looking after the compound or inside the classroom. So every class, after the class, we don’t need a cleaner in the school. So we are xx. And of course, as I say, the younger days, we study civic, nowadays I don’t see the subject anymore, civic consciousness (C1). | Co-curricular activities  
Emphasis on civic consciousness in old days |

According to Glaser (1978), line-by-line coding refers to naming each line of the written data. This type of coding needs detailed consideration in order to identify sentences which are important and worth coded. Line-by-line coding also helps to remain open to the data and to identify implicit concerns as well as explicit statements. Examples of line-by-line coding used in the study are presented in Table 4.2.
4.7.2.2 **Focused coding**

Initial codes prepared in the initial coding phase did not have any particular pattern or direction and were loose and scattered. These codes need to be grouped under broader conceptual categories to facilitate further analysis that subsequently lead to theoretical development. Such an exercise is called the focused coding. Focused coding refers to the selection of ‘the most significant and/or frequent earlier (initial) codes’ (Charmaz, 2006, p.57). Table 4.3 shows how focused coding was used to categorize the data.

Table 4.3: Example of focused coding

<table>
<thead>
<tr>
<th>Original interview quotes</th>
<th>Initial Coding</th>
<th>Focused Coding</th>
</tr>
</thead>
<tbody>
<tr>
<td>I think, well, I believe the view is created, can I say that the fact that I live outside from KL. I choose to live from outside, I chose to. I brought up my children, in the environment where they can enjoy the environment, they can enjoy the greens. I told my children that sometimes you need to stop and smell the flowers around you. Because life is hectic and I did not get that much earlier though it is by nature that we used to be brought up not to buang sampah merata rata (translation: throw rubbish inconsiderately) but sometimes I admit I do that, so the discipline is not there, but discipline strengthen as I appreciate it better, may be from work experience, maybe experience from seeing people suffer, maybe the experience of smelling things. Bila you lalu tempat sampah (translation: when you pass by the rubbish area), it creates a view. So over those experiences that I built up, when I was a student, before I got married, then I got a child and then it strengthen. And it even more strengthen the fact that I live outside from KL, when I live in a rubber estate, it matters to me (E1).</td>
<td>Stays outside city area</td>
<td>Influence children to appreciate nature</td>
</tr>
<tr>
<td>Stays outside city area</td>
<td>Bring up children in green environment</td>
<td>Influence children to appreciate nature</td>
</tr>
<tr>
<td>Bring up children in green environment</td>
<td>Influence children to be aware of green surroundings</td>
<td></td>
</tr>
<tr>
<td>Influence children to be aware of green surroundings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work experience influence nature appreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work experience influence nature appreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seeing people suffer</td>
<td>Seeing dirty and smelly areas</td>
<td></td>
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<tr>
<td>Seeing dirty and smelly areas</td>
<td></td>
<td></td>
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<tr>
<td>View towards environment changes over time</td>
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<tr>
<td>View towards environment changes over time</td>
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<td>Influence children to appreciate nature</td>
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<tr>
<td>Work experience influences nature appreciation</td>
<td></td>
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<tr>
<td>Life experience influences nature appreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life experience influences nature appreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yeah, xx important. School is very important, as I said, it starts from school. I mean in our younger days you know, the Girl Guides, the school Scouts, they teach you all these, you see. You know, keeping the environment clean, you know, I mean my school, you know. We will be given the task looking after the compound or inside the classroom. So every class, after the class, we don’t need a cleaner in the school. So we are xx. And of course, as I say, the younger days, we study civic, nowadays I don’t see the subject anymore, civic consciousness (C1).</td>
<td>Co-curricular activities</td>
<td>Schooldays training to keep the environment clean</td>
</tr>
<tr>
<td>Co-curricular activities</td>
<td>Emphasis on civic consciousness in old days</td>
<td></td>
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<tr>
<td>Emphasis on civic consciousness in old days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schooldays training to keep the environment clean</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.7.2.3 Axial coding

When initial coding was carried out, the data was fractured into a large volume of codes without any particular pattern or direction. These codes were later brought together under broader categories in the focused coding phase. The next phase is to bring back the initial codes together in a coherent whole via the axial coding exercise (Strauss & Corbin, 1998). The purposes of axial coding are to sort, synthesize, and organize large amounts of data and reassemble them in new ways after open coding (Cresswell, 1998, as cited in Charmaz, 2006).

Generally, axial coding relates categories to sub-categories, and specifies the properties and dimensions of a category. Through this exercise, the earlier open coding fractured data was reassembled and thus, brought coherence to emerging analysis. The application of axial coding in this research is shown in Table 4.4. Axial coding provides answers to various questions of what, when, how, where, who, how the sub-categories are related to the category. For instance, how firms remain competitive in the market was explained by the ‘business opportunity’ and ‘financial issues’ sub-categories.

Table 4.4: Example of axial coding

<table>
<thead>
<tr>
<th>Quotes</th>
<th>Code</th>
<th>Sub-category</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>I think this is a good culture that we have to inculcate within the company. You know, it is voluntary in nature and furthermore, we keep statistic on what we have done for the past 10 years. And this statistics, at the end of the day is very important for us in promoting ourselves. So it work both ways, number one it is important to the existence of the company, secondly we can write our own record to secure more contracts (26.45). So it work dual ways.. (D1).</td>
<td>Secure future contract</td>
<td>Business opportunity</td>
<td>Competitiveness</td>
</tr>
<tr>
<td>We are profit margin of company because we always talk about, when we do this project the margin is like that, aah..don't think we put it there just to. (NN: Yeah, because environmental activities costs, not to say vast amount but..) You hurt your margin, somehow (laugh). For me, for short, short term it is okay but xx you have to sustain it, it requires a lot of effort and..,(D3).</td>
<td>Reduces profit</td>
<td>Financial issues</td>
<td></td>
</tr>
</tbody>
</table>
4.7.2.4 Theoretical coding

Initial codes from the initial coding, categories from the focused coding and sub-categories that represent the properties of categories from the axial coding were considered together in the theoretical coding phase. Theoretical coding is the last phase of the coding exercise in which a theory emerges from the data. Glaser (1978, p.72) proposes that theoretical coding ‘weave the fractured story back together’. Theoretical coding links codes, sub-categories and categories with each other and change them into theoretical links. It also provides an integrative scope, broad pictures and new perspective about the data.

Glaser (1978, p.74) proposes eighteen coding families to assist researcher in getting to the theoretical links; Six Cs (causes, contexts, contingencies, consequences, covariances, and conditions), the ‘process’, ‘degree’, ‘dimension’, ‘type’, ‘strategy’, ‘interactive’, ‘identity-self’, ‘cutting-point’, ‘means-goal’, ‘cultural’, ‘consensus’, ‘mainline, ‘theoretical’, ‘ordering’ or ‘elaboration’, ‘unit’, ‘reading’ and ‘models’ families. These families are not mutually exclusive and may overlap considerably. In addition, their flexibility and arbitrary usage may also create a new family. For instance, the ‘causes’ family that consists of sources and reasons, is very closely related to the ‘consequence’ family, and these two are classified as a ‘process’ family when time factor is considered.

Charmaz (2006) points out that Glaser’s coding family list is not comprehensive enough to capture other aspects of agency and action, networks, narrative and biography. Nevertheless, Charmaz acknowledges Glaser’s point that new coding families might emerge from the existing ones.

Although the coding family serves as a useful tool in developing a theory, Glaser (1978) warns the danger of focusing on ‘pet’ code, and neglects the variations of theoretical codes. Pet codes potentially forced the data into preconceived boxes, and narrow the scope of seeing the data. Such incident may be influenced by previous studies and the background of the researchers such as training and knowledge in certain areas.
Table 4.5: Example of theoretical coding

<table>
<thead>
<tr>
<th>Quotes</th>
<th>Code</th>
<th>Sub-category</th>
<th>Category</th>
<th>Theoretical code</th>
</tr>
</thead>
<tbody>
<tr>
<td>I think this is a good culture that we have to inculcate within the company. You know, it is voluntary in nature and furthermore, we keep statistic on what we have done for the past 10 years. And this statistics, at the end of the day is very important for us in promoting ourselves. So it work both ways, number one it is important to the existence of the company, secondly we can write our own record to secure more contracts. So it work dual ways..(D1).</td>
<td>Secure future contract</td>
<td>Business opportunity</td>
<td>Competitiveness</td>
<td></td>
</tr>
<tr>
<td>We are profit margin of company because we always talk about, when we do this project the margin is like that, aah..don’t think we put it there just to.. (NN: Yeah, because environmental activities costs, not to say vast amount but..) You hurt your margin, somehow (laugh). For me, for short, short term it is okay but xx you have to sustain it, it requires a lot of effort and..(D3).</td>
<td>Reduces profit</td>
<td>Financial issues</td>
<td>Legitimacy</td>
<td></td>
</tr>
<tr>
<td>Yeah, but right now, aah environment, why do this. Okay, as a contractor for example, I got a lot of timber at site. If I want to save the money, I just burn the timber, okay. Don’t need to transport out, pay the dumping fee and all that. But I don’t burn at site, because why..because (NN: Alam Sekitar), hmm the requirement, is against the rule, they can come and fine me. It is just the matter of complying with the regulation. Not to say that I don’t burn because (NN: I nak save the..) haa..(laugh). I would prefer to burn because save me the xx (F2).</td>
<td>Avoid penalty</td>
<td>Requirement</td>
<td>Legal requirements</td>
<td></td>
</tr>
<tr>
<td>Because previously also as I said, part of public listed company, you got to have CSR. You got to comply but when you have a proper procedure, everything you can monitor things properly. If you don’t have any procedures, you do things but I would say ad-hoc basis (NN: Not systematic), not systematic yeah. Now we have the management system, abiding us to comply to all these requirements (F2).</td>
<td>Forced to comply</td>
<td>Requirement</td>
<td>Requirement</td>
<td>for PLCs</td>
</tr>
</tbody>
</table>

The theoretical coding was carried out considering Glaser’s proposed coding families and reminder of the ‘pet code’, and Charmaz’s remarks of the incomprehensiveness of the coding list.
According to Charmaz (2006), theoretical codes specify possible relationships between categories developed in focused coding. As shown in Table 4.5, the ‘legitimacy’ theoretical code provides a link between the ‘competitiveness’ and ‘legal requirements’ categories.

In summary, the coding process employed in the analysis consists of initial coding, focused coding, axial coding and theoretical coding (Figure 4.7). The associations among the four coding steps are shown below. Initial coding summarizes quotes into codes. Focused coding links codes and category. Axial coding breaks category into sub-categories and lastly, theoretical coding integrates the initial codes, sub-categories and categories into a higher level.

**Figure 4.7: The four coding steps used in the analysis**

4.7.3 Memoing
The analysis was not restricted to the coding exercise but also included memo writing. Better known as memoing, it captured what the researcher thinks, predicts, poses questions and provides possible explanations to what he or she thinks about the data. Saldana (2009, p.32) refers memoing as a place ‘to dump your brain’ about the participants, phenomenon or process under
investigation by thinking and writing. Such an exercise stimulates thinking and the cycle of writing and thinking continues. Memos written in the analytical phase are important in writing up the theory (Glaser, 1978).

Charmaz (2006) categorizes memo writing into early and advanced stages. The former stimulates further data collection, while the latter is used in a higher level of analysis such as data categorization, description on how category emerges and changes, and assumptions used. Advanced memo is also used to make comparisons between and within the same interview participants, categories and sub-categories.

The following memos were prepared when comparing data from the same manager pertaining to his/her views and experiences throughout his/her life, in consideration to the manager’s roles as an individual and a corporate leader.

**Example of a memo about a personal dilemma with the manager’s response**

NN: Let say you sit at the river bank tu kan, aah this is the place that you can see fish swimming, sekarang ni tak nampak apa dah (translation: now you can’t see it anymore).

AAG: Maybe that, the, because as you moved on, okay, the river is not important anymore. It is not part of your life, your life in the city, okay. You have other activities, right, maybe that is other people’s problem. River is not my life anymore, I don’t need the river to swim.

NN: But your children missed that.. (AAG: Yeah), isn’t?

AAG: That extend, so maybe, maybe their memory that swimming in the swimming pool (NN: At the hotel rather than natural). As we move on, something, something like that-lah. I think everywhere is the same. For example in Johor, last time people used to take bath in the, what do you call, in the taliair tu kan, parit tu kan (NN: Sawah?), bukan sawah, dia dekat..dia macam taliair-lah, okay sekarang you have the pipe water, so you don’t need that anymore. So whether last time you care for it to be clean, because you use the water. Now you have the pipe water, so that is not part of your life anymore, so you don’t bathe inside there. So doesn’t matter it goes, what do you call, from bad to worse, that kind of thing.

**Memo:** The manager’s response is very much unexpected. As a person who has the opportunity and privilege to swim in a natural flow of water (river), the manager did not seem to bother to preserve the river for future generations to experience the enjoyment he has gone through. The manager was brought up in a rural area and now resides in a city. However, the manager takes the approach of
‘life has to move on’ without having the sense of guilt for not letting the future generations to personally encounter such a beautiful experience. Was it the pressure for survival, physically, emotionally or financially, that influenced the manager to take such stance? Or is it due to the attitude of other people in the society that influenced the manager? Did the manager’s value represent the greater society? Could it be the same for someone who has been brought up in an urban area, who has never experienced the beauty of the nature?

The above memo has prompted the researcher to compare the manager’s experience, belief and stance with managers that have the same background (brought up in a rural area and now resides in an urban area), as well as those who did not (spent the childhood life in a city). In this respect, the memoing exercise has stimulated the constant comparison exercise, a key feature of the grounded theory method.

In addition to the cross-participants comparison, the memo has also led the researcher to compare the manager’s belief and that of the society. The following extract explains the societal attitude towards the environment in general, and the river in particular. Members of the society prioritized their own conveniences above the responsibility to care for the environment. The ‘don’t care’ attitude appeared to be an acceptable behavior in the society.

Something happened but nothing, nobody did anything about that. And, should be the authority-lah, okay. The thing, the river in my kampong, the problem was, they used the river to, what do you call, dump rubbish (NN: You mean the industry or the locals?) xx rubbish. (NN: The villagers-lah?) Not the villagers, we have the rubbish collector, okay, this rubbish collector supposed to find, what do you the call, the proper (NN: Dump site) dumping but that time, I can remember, that was 30-40 years ago, this guy just dump in it inside the river and nobody stop it. So it become natural (laugh), the natural murder of river. So nobody did anything, the authority or individual (NN: No complaints against him?), no complaints. So without realizing it, the river is dead now.

The memo also prompted the researcher to identify the process and find the link between the manager’s personal and corporate stance pertaining to the environmental matters. The manager’s stance on corporate environmentalism shows consistency with his personal stance. Below is the
manager’s response in relation to the actual corporate environmentalism practice. From the manager’s perspective, corporate environmental practices were carried out to fulfill the requirements, and not because of the belief to protect the environment;

Everybody will do it. I was in the construction industry for a long time. Even if they don’t have the requirement, so that time the practice was to burn everything at site. Anything you don’t need, you burnt. Any wastage you burnt, you save money. But after a while they introduce this requirement and also they, what do you call, they enforce it, so you have no choice. So now everybody knows that you cannot burn. Why you cannot burn, you get caught (NN: Fine), haa you got fined. But I don’t think that, haa I don’t want to burn because I want to..(save costs)

In summary, this section discusses the process undertaken in the data analysis. The interview conversation was transcribed to enable the coding and memoing exercises took place. During the coding phase, data was fractured and weaved back in the initial coding and theoretical coding, respectively. Memoing also form a part of the analysis in which the researcher ‘talked’ to the data, in the effort to understand it better.

4.8 CHAPTER SUMMARY

The chapter discusses about the grounded theory as the methodology for the research. Grounded theory is a methodology that seeks to construct a theory about important issues in peoples’ lives. As such, grounded theory method that aims at building a theory out of the data suits the objective of the study. In the absence of prior knowledge in the area of corporate environmentalism and Islam, grounded theory allows a new theory to be constructed without any pre-conceived ideas from extant literature.

The chapter begins with the introduction to the chapter in Section 4.1, followed by the research questions of the study. An overview of the research paradigm in presented in Section 4.3. Each of the concepts under the epistemology, theoretical perspective, methodology and method applicable for the study is discussed. Section 4.4 provides discussions on various issues pertaining to the grounded theory, including its versions and main features.
A detailed description of the research procedure is provided in the section that follows. In Section 4.6, the data collection procedures are presented, which explain in detail about the in-depth interview process. The section also provides discussion on issues pertaining to the suitability and practicality of the method employed.

Section 4.7 details out the analysis steps in grounded theory, as applied in the study. Discussions on the transcribing, coding and memoing steps are provided. Findings from the analysis are presented in the following chapter.
CHAPTER 5: FINDINGS OF CORPORATE ENVIRONMENTALISM IN MALAYSIA

5.1 INTRODUCTION
This chapter focuses on gaining insights into corporate environmentalism, viewed from the perspectives of managers of the public listed firms. Using the grounded theory method of analysis, various aspects pertaining to the issue emerged, ranging from pressures influencing the drivers to come out with corporate environmental aims, and efforts undertaken in realizing the set aims. Figure 5.1 provides an overview of this section.

The results are derived through the application of the grounded theory steps of coding and constant comparison analysis. The application of initial coding and focused coding has resulted in the emergence of the codes, sub-categories and categories.

5.2 PRESSURES FOR CORPORATE ENVIRONMENTALISM
This part explores managers’ perceived influences on corporate environmentalism. The understanding of managerial perceptions provide a more effective framework for ‘strategic bridging’ besides promoting collaboration between firms and the external parties (Westley & Vredenburg, 1991, as cited in Banerjee, 2000). Supporting previous findings (e.g. Banerjee et al., 2003; Henriques & Sadorsky, 1996), the data reveals that both internal and external pressures

65 Defined as the recognition and integration of environmental issues in the firm’s strategic plans (Banerjee, Iyer, & Kashyap, 2003).
impacted corporate environmentalism, as perceived by the managers. The following sub-sections provide discussions on internal and external pressures for corporate environmentalism in Malaysia.

5.2.1 Internal pressures
A handful of managers from various industry (F1, A1, A2, B2, A3, F3) believe that no external parties has ever pressured the firms to engage in the environmental protection activities. Comments from A3 and A2 below explain such view:

No, no pressure from outside. So far no complaints (A3).

No external parties driving us (A2).

Supporting the above view, two managers from the construction industry, A1 and A2 perceive that the corporate environmental activities are self-initiated. It is believed that the move to go green originated from the top management’s internal drive. A remark from A1 is as below:

No, I wouldn’t say there is a pressure to go green. It is a belief for us that we want to go into this. That’s why we are going into it and we want to see how much and how fast what are the things that we can do. There is no pressure from anybody. Our stakeholder don’t pressure us on that part (A1).

On the same note, A2 emphasizes the dual role played by the top management in driving corporate environmentalism. Not only the top management drives the corporate environmentalism but also monitors the effort. The remark by A2 is as follows:

No, we drive ourselves. Pressure is of course from the management (A2).

A2 also believes that the firm is doing more than what is required by the external parties. Hence, A2 opines that it is less likely for the external party to make complaints or exert pressure on the firm to engage in environmental protection. A2 elaborates:

No external parties driving us because honestly we are doing more than what external parties wants. Trust me, we are doing more than that. More than that (A2).
The above views suggest that managers consider environmental efforts carried out by firms as self-driven, and not from the external pressures.

The analysis also reveals that the drive for corporate environmentalism comes from the individual belief that it is the right way of doing business. As a top level manager, A1 admits that his personal belief influences his stance on matters pertaining to the environment at the corporate level. Coded as a ‘passion to initiate’, A1 explains:

No, I wouldn’t say there is a pressure to go green. It is a belief for us that we want to go into this. That’s why we are going into it and we want to see how much and how fast what are the things that we can do. There is no pressure from anybody. Our stakeholders don’t pressure us on that part (A1).

The analysis shows that managers’ individual environmental belief is constructed from the understanding of the issue, together with the surrounding factors such as information and experiences. Section 5.2.1.1 and 5.2.1.2 detail out the process of constructing the environmental belief and how such a belief is influenced by the learning process through information gathering and experiences.

5.2.1.1 Construction of managers’ environmental belief

The process of constructing managers’ environmental belief starts with managers defining the ‘environment’. Figure 5.2 presents the managers’ construction of the ‘environment’ and the ‘environmental awareness and beliefs’. Each of the categories and concepts is discussed in the sections that follow.
5.2.1.1.1 **Defining environment**
A number of categories appear from the data based on responses given by managers in relation to the environment. Referring to Table 5.1, eight categories that emerge from the data are; substance, work-related issue, life categorization, natural resources, pollution, natural disaster, interaction, and reliance.

Among various categories offered by the managers in their attempt to define the environment, three concepts appear from the data: defining environment based on ‘elements’, defining environment based on ‘condition’, and defining environment based on ‘dependency’.

5.2.1.1.1.1 **Elements as the concept in the construction of the ‘environment’**
The analysis shows that four environmental categories emerge from the data in support of the ‘elements’ concept. They are substance that can be or cannot be seen, work-related issue, live categorization which refers to items with lives or inanimate, and natural resources. ‘Elements’ as an umbrella category refers to all types of items surrounding human, ranging from items with lives or inanimate, have physical or non-physical substance, viewed from daily life or work perspective, and natural existence or human made. ‘Elements’ appears as the most popular concept for the ‘environment’. The following extract refers to the environment as ‘elements’, as provided by the managers:
So it is air, top is air, basically, by horizontally is basically ground level, trees and all sort of things. Beneath is basically minerals and all sorts of things, oil, soil and everything. So these are elements that actually surround us (A2).

Okay, the environment, we talk about the environment, environmental, we talk about tree, about major aspect, which is noise, which is water and also there is another one, whatever thing which is surrounding us (A3).

| Table 5.1: Codes supporting managers’ construction of the ‘environment’ |
|---------------------------------|-----------------|-----------------|
| **Codes**                       | **Categories**  | **Concepts**    |
| Environment as a physical substance (A2,B1,B2,B3,C1,D3,E2,F1,F2) | Substance that can be or cannot be seen | Elements |
| Environment as non-physical substance (A2,B1,B2,B3,C1,C2,D3,E2,F1,F2,F3) | | |
| Environment as a company’s environmental issue (A3,B2,D3,E2,F1,F3) | Work related issue | |
| Environment as a living thing (A2,A3,B1,C3,F2) | Life categorization, refers to animate or inanimate things | |
| Environment as non-living thing (A2,B1,F2) | | |
| Environment as a natural resource (A2,A3,B1,B2,B3,C1,C3,D2,E1,E2,F1,F2) | Natural resources | |
| Environment as environmental change arising from human factor (A1,B2,C2,D1,D3,E1,E3,F1,F3) | Pollution | Condition |
| Environment based on unexplained environmental change (A1,C2,D1) | Natural disaster | |
| Defining environment based on human interaction with other elements (B3,C2,D2,E1) | Interaction among elements | Dependency |
| Defining environment based on human’s reliance on other elements (B1,C2,D2) | Reliance of each element on others | |

‘Elements’ as a category in defining the environment refers to the surroundings. From the extracts given by the managers, environment is viewed as every element that exists in the universe, which include items that have physical and non-physical substance, living and non-
living creature, and, natural and non-natural resources. Such a classification is viewed at both personal or individual, and work or company-related perspectives.

5.2.1.1.2  **Condition as the concept in the construction of the ‘environment’**
Two categories that emerge in the construction of the ‘environment’, namely the ‘pollution’ and ‘natural disaster’, lead to the ‘condition’ concept. Condition refers to the state of the environment. Managers associate the environment with the current poor condition, due to the pollution and natural disaster. The following responses are given by A1 and C2, which illustrate the ‘pollution’ and ‘natural disaster’ categories:

What my understanding is about the issues here, in terms of climate change, we hear a lot about all this. In north pole, all this, ice melting, how it impact in terms of sea level. That is part of the environment. We also hear a lot of things like weather change, flooding in a lot of areas due to exceptional rain fall, environmental change and also this carbon emission issues (A1).

Maybe daily life will be the smoking effect, and maybe the pollution, you know, from the industry and from the construction sector, how they actually open up certain forest, certain green areas, you know. And that is how it is detrimental to the city, to the nation (C2).

In general, the above responses refer to the current state of the environment. Managers associate the ‘environment’ with environmental issues currently faced by the global community such as carbon emission and floods. Hence, such a response suggests that the environment is linked with the condition of its elements.

5.2.1.1.3  **Dependency as the concept in the construction of the ‘environment’**
The other two categories in the construction of the ‘environment’, namely ‘interaction’ and ‘reliance’, appear to support the ‘dependency’ concept of the ‘environment’. Dependency refers to a situation in which each elements of the environment is interdependent on other elements to survive. As explained below, managers define an environment as the interaction between human and other elements of the environment:

Definition dia, kalau alam sekitar ni, or environment ni, is actually all the elements, land water, air and the interaction between flora fauna, and people activities. That is environment that I consider-lah (B3).
On the same note, a manager perceives the interactions between human and other elements as a factor that influences the way human think and react. E1 explains:

In my view, if I go on the perspective that we can influence the environment with our senses, it is also a self-realization to me that all actions, all thoughts that come along with it, influence it as well. And it is vice versa because the environment affect what we think and for that matter, how we react (E1).

Another category that supports the ‘dependency’ concept is ‘reliance’. A manager views an environment as ‘everything that we cannot do without’. Such a remark suggests that human is a component of a wider spectrum of elements of the environment, and that human is dependent on others to the extent that he(she) cannot survive without the existence of others. The following quote explains:

So, everything that we cannot do without, we cannot do without it, to ensure that we live on for tomorrow. So to us, that is the definition of an environment (B1).

5.2.1.1.2 Protection as the concept of the ‘environment’
From the perspective of the managers, ‘elements’ and ‘condition’ emerge as the two concepts of the environment. Managers perceive that the environment is associated with its surrounding elements and their conditions. Analysis of the data indicates that ‘elements’ and ‘condition’ are connected by the concept of ‘protection’. Specifically, the data suggests that managers perceive that elements of the environment are in need of protection due to their current condition. The following extract of a manager’s response pertaining to the ‘protection’ as an umbrella concept of ‘elements’ and ‘condition’ is shown below:

But I would take personally that if we don’t take some action now, very soon the rain forest will also be depleted because if continue cutting and there is no program to replant, there must be a replanting program. You can do logging but logging must come with this replanting. The whole thing can be sustainable (A1).

The above extract illustrates how manager relates the element of an environment (rain forest) with its current condition (depleting). The manager believes that there is a need for a code in human activities (cutting of trees) in line with a sustainable practices (replanting program). In
other words, the manager perceives the need for environmental protection due to irresponsible human activities. The concept of ‘protection’ therefore, emerges as a link between ‘elements’ and ‘condition’ concepts.

Similarly, the following extract further supports ‘protection’ as a link to both the ‘elements’ and ‘condition’ categories.

We also hear a lot of things like weather change, flooding in a lot of areas due to exceptional rain fall, environmental change and also this carbon emission issues, and then, what we call..encouraging people not to consume more what is required (A1).

Elements of the environment in this extract refer to the water and air, while the conditions of these elements are floods and air pollution. The call for people not to consume more than what is required supports the ‘protection’ category. The protection category provides a link between elements of the environment and their present state.

<table>
<thead>
<tr>
<th>Title of Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>People to consume what is needed (A1,F2)</td>
</tr>
<tr>
<td>The need to have an environmental care program (A1)</td>
</tr>
<tr>
<td>Various parties must play their roles in the environmental care program (A1)</td>
</tr>
<tr>
<td>The need to take actions to control negative effects of human activities (A1,A2,A3,B2)</td>
</tr>
<tr>
<td>The need to control pollution (A2,B2,D1)</td>
</tr>
<tr>
<td>The need to have procedures to control negative impacts of business operation (A3,C2)</td>
</tr>
<tr>
<td>Environment is everything that we cannot we do without (B1)</td>
</tr>
<tr>
<td>Responsibility of human to take care of all elements (E3)</td>
</tr>
<tr>
<td>How human care for the environment (E3)</td>
</tr>
</tbody>
</table>

Based on the managers’ responses, the concept of ‘protection’ connecting the ‘elements’ and ‘condition’ categories is supported by nine codes (refer to Table 5.2). These codes generally call for environmental protection from various parties including individuals, firms and governmental bodies.
5.2.1.1.3  **De-categorizing Protection**  
The preceding discussions show that managers perceived the environment as consisting of individual elements and their conditions. The two categories of ‘elements’ and ‘condition’ are linked via the concept of ‘protection’. Analysis of ‘protection’ was carried out in order to understand how it has been constituted. In other words, the question is ‘How ‘protection’ is understood and manifested by the managers, in relation to their environmental awareness and beliefs?’ The data reveal that the managers’ perception of ‘protection’ is underpinned by the concept of ‘responsibility’. The analysis shows that the ‘responsibility’ is supported by three constituents; cause of environmental problem, limited supply of natural resources, and, obligation to future generation (refer Figure 5.3).

![Figure 5.3: Categories informing ‘responsibility’](image)

To further understand managers’ perception of the environment and how it influenced managers’ environmental practices, the three categories are discussed in detail.

### 5.2.1.1.3.1  **Causes of environmental problem as a category informing ‘responsibility’**

The data shows that managers regard human activities as the main factor affecting the environment. Regardless of whether the activities are in the form of personal or business, human activities clearly affected the environment. A manager expresses his view:

Yeah, human activities, mainly human activities is actually affect, either beneficial or adverse to the environment (B3).
More specifically, another manager pointed out the adverse effect of human attitude on the environment. A few examples of human attitudes that led to the environmental problem were suggested. For instance, a manager identified the ill-attitude of using non-disposal items as the cause of environmental issue. Coded as ‘the use of non-disposal items’ a manager commented:

… in terms of the use of plastic bag. That is the environmental issue because it is very difficult to dispose of (A1).

Another form of human attitude identified as the cause of environmental problem relates to the issue of cleanliness as a societal norm. Although it may be considered as a basic issue, the manager believed that cleanliness has been taken very lightly by some people. The following quote explains the manager’s concern about the ‘lack of emphasis on cleanliness issue’:

I know they know that xx runs by the hawker, rubbish on the floor is the environment you know, xx the plates not being washed is an environment issues you know, drains have not been cleaned, you see rubbish all elogged out because the drain water cannot flow, so those are environment issues. Those are actually very, very, very basic environmental issues (A2).

A simple remark by a manager “Chewing gums, you know. Ugly” shows how the manager feels towards the attitude of throwing away chewing gums at inappropriate places.

In addition to the cleanliness issue, open burning is also perceived as the cause of environmental problems. Associating the impact of open burning and air quality, a manager elaborated:

For us I think the most common, the most common warning system that we have is the haze that we get from Indonesia. Then people feel the impact, then people start to realize, you know, that that is not okay to do open burning (D1).

Apart from the individuals, managers perceived that firms also contributed to the environmental problem. This is particularly when business activities were carried out excessively without a proper planning. Considering the danger of having a higher rate of logging than tree replanting, a
manager believed that the practice will lead to land erosions and other related environmental problems. A manager expressed his concern in the following remark:

… if continue cutting and there is no program to replant, there must be a replanting program. You can do logging but logging must come with this replanting (A1).

Similarly, another manager shared his opinion in which firms adversely affected the environment in their daily operations. He explained:

Yes, whatever thing which is, whatever xx that we think, we are actually affect the environment badly or negatively..(A3).

In summary, managers have identified individuals and firms as the main parties that caused the environmental problems through daily activities and excessive consumptions.

5.2.1.3.2 Limited supply of natural resources as a category informing ‘responsibility’

Natural resources are often regarded by many as exist naturally and are readily available to use. As free resources, many individuals do not care much about their conditions nor supply. This idea was forwarded by a manager:

Environment sometimes is treated as..it is there because it is there. (NN: They take it for granted). They take it for granted (E1).

However, many individuals did not realize that the supply of the natural resources is limited. In this context, managers believed that excess consumption of natural resources leads to the depletion because the supply is limited. As explained in the following extract, a manager opined that although natural resources seemed abundance at the present moment, they will soon be depleted due to the excessive consumption. Coded as ‘forest clearance ahead of replanting growth’, a manager commented:

Personally I would look at it as..maybe because we have a lot of rain forest, people may think that..eh, that is not a problem for us because so much abundance of rain forest which we can just cut, cut, cut. But I would take personally that if we don’t take some action now, very soon the rain forest will also be depleted because if continue cutting and there is no program to replant, there must be a replanting program. You can do logging but logging must come with this replanting. The
whole thing can be sustainable. It is a cycle, you know you plant, it will take a couple of years before the trees is mature enough and all those things (A1).

The same manager pointed out his concern about the water supply. Although at present, the natural resources seem to be in abundance and cheap, managers believed that fresh and clean water supply will soon be restricted. Categorized as ‘uncertain about water sufficiency in future’, two managers gave the following comments:

..like the usage of water, we are lucky because water is still very cheap in Malaysia but water is also one of the resources we should actually try to conserve. In future we may have water problem, we don’t know (A1).

Water, because we know that fresh water supply is getting harder and harder to find, so if we can eliminate, if everybody do their part, cutting down all these wastages then of course, we can do our little bit (E2).

The above extracts suggest that managers are aware of the limited of natural resources. It is also believed that there is a need for humans to be responsible in the usage of these resources.

5.3.1.1.3.3 Obligation to future generation as a category informing ‘responsibility’
The third category of the ‘protection’ is ‘obligation to future generation’. It refers to the belief that the current generation is obliged to protect other elements of the environment for the sake of the next generations. Such a belief relates to the second category of ‘protection’ namely the ‘limited supply of natural resources’. Due to the limited supply of the natural resources, managers perceived that the current generation is responsible to ensure that natural resources are properly cared for so that future generations could enjoy them as much as the previous and current generations had. The following extracts explain the code ‘unfair to bring up future generations in a bad environment’, and ‘future generations will face environmental problems’, respectively:

I think basically for future generations. I think it is not fair to bring up future generations and the environment which is getting worse and worse and worse. Because life is not going to get any better for them. That is what I always tell my children, maybe you should not have any children because the world is not going to get any better (laugh), the world is getting worse you know so you are going to bring them in an environment which is getting worse. If you don’t move, if you don’t move, xx right now, I think the future generations will suffer, very drastically (A2).
So if there is no firm action, done by the industry player, by the government, then maybe 20 years down the line, we will be... our children or our grandchildren, that we will be having a problem. Today maybe it is not so serious yet, maybe we still have a lot of this forest and things like that, but action needs to be taken on it now (A1).

Another manager believed that the younger generation has changed the way she looked at the environment. The sense of responsibility to provide the chance for the new generations to enjoy the nature has prompted her to be responsible to care for the environment. Coded as ‘obliged to provide a better green environment’ for the future generation, the manager said:

> Our future generation are the one that inspire me to rethink on the way I look at things in the normal way, in the normal perspective. So to be more, in terms of asking myself of what can you do differently to provide a better future to them in terms of a green environment for them. That is how I look at things (B1).

A similar stance is shared by another manager who believed that the current generation needs to take actions to conserve resources for future generations. As the manager put it ‘whatever we do’, which refers to the daily household activities and business activities, all individuals need to ‘keep resources available’ for the next generations. He explained:

> So that is basically general understanding, plus what do we call that, not to say that much, minimum understanding with regards to conservation, what we call it, whatever that we do we still need to keep our resources available for future generations so that would not be ni-lah. So basically that is the general understanding what I have in regards to the environment (D3).

Based on the environmental condition now, a manager also expressed his concern about the importance of addressing environmental issues for the sake of the future generations. The term ‘suffer’ refers to the future generation’s experience of living in a polluted environment. Supporting the code ‘avoid future generation from suffer’, the manager’s remark is as follows:

> And secondly, we started to realize the importance of us keep doing the initiative in addressing all those issues. Or else if we are not addressing it now, our future generations will suffer. That is how I look at it (D1).
All the three categories of ‘protection’, namely the ‘causes of environmental problem’, ‘limited supply of natural resources’ and ‘obligation to future generation’, support the concept of ‘responsibility’ in defining the environment. Managers believed that the role to protect the environment lies on various parties such as individuals, firms or industry players and the government. The following quote illustrates how a manager looked at individuals as the main and important party in protecting the environment. Classified under the code ‘individuals’, the manager commented:

So on the personal side, I believe we have to do something, on the personal basis, but whether we are doing enough or not, it is quite subjective-lah, at this moment (A1).

The same view is shared by another manager who believed that each individual should bear the responsibility to care for the environment, regardless of any constraints. The manager explained:

Whatever yang I terdaya nak buat, I buat (translation: whatever I can do, I will do it). So I think that is the mentality that we should have, you know. I don’t expect we, at our level, we should..we will be able to do something because of constraint, the budget and whatever, you know (B1).

On the same note, the data also reveals that managers believed that other parties such as the government and firms are equally responsible to protect the environment. Coded as ‘industry player and government’, the remark is as follows:

So if there is no firm action, done by the industry player, by the government, then maybe 20 years down the line, we will be..our children or our grandchildren, that we will be having a problem. Today maybe it is not so serious yet, maybe we still have a lot of this forest and things like that, but action needs to be taken on it now (A1).

In summary, the protection concept emerged from the ‘responsibility’ concept, which is supported by three categories; causes, limited supply, and obligation to future generation. Each of the categories is supported by various codes. The associations among the concepts, categories and codes are presented in Figure 5.4.
5.2.1.2 Factors affecting managers’ environmental belief
The findings reveal that managers’ environmental belief is influenced by surrounding factors such as information and experiences. The belief was constructed out of the process of learning (via information gathered), and adapting to the greater environment (work and life experience) (refer Figure 5.5).
5.2.1.2.1 **Information as a category informing managers’ environmental belief**

Religious influence appeared as an indirect way in influencing the managers’ environmental belief. Religious information refers to religious teachings pertaining to the environment. The data shows that the knowledge about the environment was not gathered through a formal religious counseling session, but as informal advice during academic sessions. Nevertheless B1 admitted that the advice has prompted her to expand her thinking horizons and looked at the environment from another perspective. Coded as ‘religious perspective on the environment’, B1 explained:

> But when I go to the university, I am very, you know like a, I got the privilege where I study in UKM so in UKM, and my lecturers mostly are Muslims and they have some influence over me because most of them, like one of my lecturers, he is a very religious person, he always preach. Whenever he conduct the lecture, he always preach that whatever ultimately that you are going to reach, it is not the certificate or the degree that you look at from this university but what are you going to use the knowledge in the university to contribute back. And he always preach that, you know, in Islam that actually, God has given a lot of, you know, benefits but how do we value it, how do we make full use of it. So he does, inculcate that kind of different perspective on how you should look at, you know, the environment, rather than the way, the normal way that people are looking at it. So I think, you are right, I get that kind of exposure and interest gathered during my university time. So he has some influence over me (B1).

On the other hand, C1 acknowledged religious calls for the environmental protection but did not regard such call as a factor that influences his stance pertaining to the environmental issue. C1 said:

> Well, in terms of me as a Christian, it is a very straight forward you know. God created the world, God created Man to look after the world. So if Man doesn’t look after it you know, then you are responsible, you know, you can’t blame God. So if you are talking from in terms of religious point of view, this is where, I think if everyone understood that you know, God made the world, and God made Man to live in the world, to live in peace you know, to look after it, then we have the responsibility to do so –lah (C1)
However, contrary to the religious influence, non-religious information appeared to have a direct influence on managers’ environmental belief. Non-religious information influence refers to information and knowledge pertaining to the current deteriorating state of the environmental condition, which was gathered by managers through various sources. Table 5.3 shows the codes supporting the ‘non-religious information’ category.

Table 5.3: Codes supporting ‘non-religious information’ as a factor influencing managers’ environmental beliefs

<table>
<thead>
<tr>
<th>Code</th>
<th>Sub-Category</th>
<th>Category</th>
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<tbody>
<tr>
<td>Environmental protection efforts taken by others (A2,A3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poor state of environmental conditions (A1,C2,C3,E2,F3)</td>
<td>Non-religious</td>
<td>Information</td>
</tr>
<tr>
<td>Emergence of new diseases (D2)</td>
<td></td>
<td></td>
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</tbody>
</table>

The code ‘environmental protection efforts taken by others’ in Table 5.3 refers to environmental protection activities carried out by other community members which have influenced managers’ environmental belief. According to A3, he knew about what other society members did through the newsletters regularly delivered to his house. The following quote explains:

We also gradually notice gradually, you know, a lot of newsletter related to the environment. Because everything about the environment have, environment, you know, so we actually, gradually focus, pay more attention to the environment (A3).

The ‘poor state of environmental conditions’ code refers to the information about the current local and global environmental state. Information about the natural and human-made disasters came to managers’ knowledge via media broadcasts such as the newspapers, articles, documentaries and news. The deteriorating state of the environmental condition and its impacts to human, have triggered awareness of the need to protect the environment. A1 explained:

..when we read newspaper, news or article or watch documentary, we realize a lot of these are actually happening, in terms of these environmental issues. That gives us more awareness (A1).
On the same note, D2 raised the issue of how the poor environmental conditions impacted human well-being. D2 associated the current environmental condition with various new deadly diseases. Coded as ‘emergence of new diseases’, the following extract was forwarded by D2:

I think we can feel from the..what do you call, from the previous until now, we can see so much pollution and xx, so we can see that. And new diseases, all these (NN: yeah, the new type of disease) Yeah (NN: Which we never heard before, right?) Yeah. Go through a lot of changes, chemistry (D2).

5.2.1.2.2 Experience as a category informing managers’ environmental belief
In addition to information gathered via various means of communication, managers’ belief was also influenced by a real life experience. Within the data, references to ‘experience’ as a factor influencing managers’ awareness and beliefs are abundant. ‘Life experience’ and ‘work experience’ are two sub-categories that emerged from the data. Figure 5.6 shows the codes supporting the ‘experience’ category.

‘Work experience’ appeared as the sub-category supporting managers’ environmental belief. The code ‘nature of job that concerns with green development’ explains how A1’s environmental belief was influenced by the work-related exposure. The nature of the work that dealt with environmental care has created consciousness about environmental matters. The following extract by A1 explained:

I must admit that we are not so much exposed to it. We were not conscious about these things. So when we embarked into this, on a personal capacity we also alert (A1).

The nature of work that required managers to gather information pertaining to the environment also influenced managers’ environmental belief. Over time, the information about the current environmental state and procedures to deal with the environment has, somehow, triggered managers to think about the environment. The following remarks by A1, B3, B2 explain the ‘job associated with green development’ code:
May be because of our job nature-lah. Because for ABC, we actually embarked, as a property developer, we actually embarked on green development. When was it-ah..may be about 4 years ago. So we embarked into it, we have to know about it also. So we share the information, after reading out, you get more information and you become more aware of it. So in a way, it also influence your personal thinking about all these things (A1).

I think one of it because I am in it, I work in the environment safety and at the same time people has actually start talking . In my work, actually I need to do a few research, not a lot when we want to xx people, what is environment safety and at the same time actually give me knowledge kind of what are the new things, what are, how they do it and that is how I actually look, get to know environment more, then I start to realize, oh this is the way to go and actually it is good for the environment and we should educate more people, how we actually look after the environment (B3).

And during only, I think, I think 5 or 6 years back, they were saying the, the world is sick because we sitting near training isn’t, so one of the facilitator quite good, so she said that the world is sick. So I thought why, and then she started to explain-lah because at that time we are actually embarking at the ISO14000 management system so she explained that. Then only started, that is when we started on the realization and moving forward also in line with the company objective and policies, so that is why, then only (NN: The company direction). Yes, yes, that is right (B2).

Figure 5.6: Codes supporting 'experience' as a category of managers' environmental beliefs

| Job associated with green development (A1,B1,B2,B3,F3) |
| Working in a highly regulated industry (D1,E2,E3) |
| Involvement with project bidding (D3) |
| Living in a residential area that promotes environmental care (A2) |
| Experience weather change (A2) |
| Reduced areas of greeneries (C2,E2,F3) |
| Experience visiting highly polluted cities (A2) |
| Experience seeing others practicing environmental care (D1) |
| Staying in a community that practices environmental care (A2,A3,D3) |
| Child-rearing experience (B1) |
| Parental upbringing (C1,E2) |
| Co-curricular activities at schools (C1) |
| Daily experience with carbon monoxide (C2) |
| Child born with environmental-caused disease (C3) |
| Living in an area with lots of greens (D3,E1) |
| Direct contact with flora and fauna (E1) |
| Spouse influence (E1) |
From another perspective, D1 admitted that his working experience in a highly regulated industry influenced his personal belief towards the environment. Dealing with various legal requirements prompted him to realize that the practice is the right thing to do. D1’s personal sense of obligation to care for the environment motivated him to extend it within the firm. Coded as ‘working in a high regulated industry’, D1 explained:

Oh yeah, yeah. Not only the influence on me, I am going to influence the company because what I believe in, because I have been practicing that in my smaller unit, and now that I am in this company, who has this awareness, who has this culture. So I think both ways, it is for the company and myself (D1).

In addition to the work experience, the data also reveals that managers’ environmental beliefs were influenced by their own personal daily experience. Specifically, managers had experienced environmental changes and this has influenced them on how they looked at the environment.

The code ‘living in a residential area which promotes environmental care’ suggests that the environment where individuals reside influence their beliefs. A2 relates his own experience in which the environmental care support provided by the party managing the residential area, and observing other residences using such facilities have influenced his perception towards the environmental issue. The following remark explains:

..we recycle quite a lot, because I think the environment we are living in practice recycling. So I think they also used to it, so when they throw rubbish, they know which bin to use, not throw all over the place. So it is more of a habit, habitual already.

No. It is the management actually runs it. You know when you have people down there who are very aware of the environment, they encourage, they do it. We have practicing this for years you know. I have been in the condos for 5 years, the last 5 years we have been there already. So it is not an issue actually. Yeah, yeah. Yes, the whole environment around you actually influence you (referring to the residential environment).

In my condo, we have recycle bin, very big so we segregate.

Yes, the whole environment around you actually influence you (A2).
Another code that supports the ‘life experience’ category is ‘life experience on weather change’. A2 related his childhood experience with the current state of environment. The global warming has taken its effect and A2 experienced the temperature rise in places where he once enjoyed the cold weather.

Yes, look at our age, when we were children, how was the environment surrounding us. We are now, I am already more or less 50 years down the line, 50 years you can see a drastic change in the environment. You have been to Cameron Highlands those days you still have to use sweaters, nowadays you don’t even bother to have sweaters (A2).

The ‘experience visiting highly polluted cities’ code also supports the ‘life experience’ category. Having travelled to places which are heavily polluted, A2 appreciated and realized the need to care for the environment before the worst happens. A2 explained:

If you go to Shanghai, go to Beijing. I was in Kunming, I actually can smell the factories even though you are in the bus, so that is very bad. Beijing sometimes you can’t even see the sky. Yeah, hazy (laugh), very, very, bad. Of course, of course, yeah, yeah it is reading, a bit of knowledge you know, then experience, of course it is experience (in response to the question of what factors influence his environmental awareness and belief) (A2).

Similarly, D1 believed that his experience living in another country affected his personal belief. D1 observed the practices of the people in that community taking care of the environment and such experience has changed his beliefs to become more concerned to the environmental care. Coded as ‘experience seeing others practicing environmental care’, D1 explained:

Yeah, I think it is based on the understanding, you know, based on understanding. Number one, we have seen how other people (Germans) manage their environment, you know. And secondly, we started to realize the importance of us keep doing the initiative in addressing all those issues (D1).

A3 shares the same view. As a member of the community, A3 felt odd for not practicing environmental care when others did. Although at first, A3 found it difficult and inconvenient to engage in environmental care practices but time has gradually changed A3’s belief to adapt to, and support that way of living. The following remark illustrates the code ‘staying in a community that practices environmental care’:
I don’t feel it until I go Ireland then I can feel it, the difference. Everyone is doing the same thing. If you are not doing the same thing then you are something different. A bit odd. A bit odd. So this is one thing. We also gradually notice gradually, you know, a lot of newsletter related to the environment. Because everything about the environment have, environment, you know, so we actually, gradually focus, pay more attention to the environment. Actually it is the influence from the people surrounding you (A3).

In Ireland it is very common. When I went there, I said why people carry the trolley, ugly man. Then I slowly, gradually I..yeah this is the reason, and I should get one. Because I got very heavy (A3).

From a different perspective, B1’s child-rearing experience influenced her perceptions towards the environment. The current unfavorable environmental condition triggered B1 to think about the future generation’s needs. At a personal level, B1 is very concerned with her children’ future who may not have the opportunity to enjoy free natural resources such as the air and water, if she did not take steps to protect the environment. Coded as the ‘child rearing experience’, B1 explained:

I think what contribute to my belief is what we call it experience in my actual life, you know. Because I think all of us have children so we always want the best for our children so my children has been the one who has inspire me to contribute whatever, within my capacity to provide a better future for them. So better future does not mean just only monetary or better education but most importantly, to me, I need to provide a better environment to them to live in. So how can we do, as an adult or as parents from now and within our capacity to ensure them a greener environment for them to live in. Not, not to provide a situation where, in the future they already becoming an adult, they need a house to live in and all you know that there is not enough land in Malaysia for them to live in, to buy a house, to build a house, because all the land has been converted into landfills. Because of all the waste that we dump now. So, I think that is the way I look at things (B1).

Our future generations are the one that inspire me to rethink on the way I look at things in the normal way, in the normal perspective. So to be more, in terms of asking myself of what can you do differently to provide a better future to them in terms of a green environment for them. That is how I look at things (B1).

E1 offered a different perspective on how her belief was influenced by her experience with the natural environment. E1 believed that the interaction with the nature has affected her senses and consequently triggered her system to react to such impulse. Being very appreciative to the nature, the explanation below supports the code ‘direct contact with flora and fauna’:
Well, day life experience. We talk about experience, we talk about your daily experience. Contact to the so-called environment. So if again, if you are focusing on the state of the flora and fauna, on a day to day basis, you start as you walk out of your house, and again it is your senses, in my..the feel that I get, the view, the smell, that gives the perception and influence the thoughts and provides the view (E1).

The above findings show that managers’ belief towards the environment was influenced by the information gathered through various means, as well as life and work experience.

### 5.2.2 External pressures

In addition to the internal pressures, some managers perceived that the firms do get pressures from external parties, both from the legal bodies (D1,E1,D2,F2,C3) and/or other parties (C1,E1,D2,B3,D3). The following remarks support the view that legal parties exerted pressures to the firms. Legal parties in this context refer to the regulatory bodies overseeing firms’ operations from the legal perspective. From a legal perspective, it is mandatory to comply with legal parties’ pressures to ensure continuous legal existence.

Indirect yes, indirect because it is part of the requirement for oil and gas, you know (D1).

They do *(Government imposes pressures)*. A lot. Because the nature of the business, we are practically.. then it has to be worked from the sense of a team rather than we are we and you are you. But they don’t get paid because they are the enforcement (E1).

I mean follow their list of requirements, their standard requirement. So (24.55), if certain things we comply them then we will not be approved by them (D2).

So like us when we start implement, yes there are some tenders or contract that doesn’t allow the budget for the environment protection but then as ISO14000 we have to do it (F2).

Managers also perceived that firms were pressured by non-legal parties to engage in environmental care activities. Although these parties did not have legal rights to exert pressures but firms were obliged to follow their requirements to secure business dealings. According to B3, competitors are among these non-legal parties who exerted pressures to engage in corporate environmentalism:

The other one is the competitor also. They actually banging on the environmental, the green thing where, to me like a peer pressure, the competitor punya pressure and at the same time is actually what we want to project ourselves, kind of (B3).
Managers also viewed customers as the party that imposed pressures for the firms to care for the environment. In some instances, customers required a higher specification beyond the existing local legal requirements. This is the case of international corporate customers who need to comply with their home country’s environmental regulations. Having relatively stricter environmental regulations in their home country, firms were pressured to comply with their customers’ requirements in order to secure business dealings. C1 explained:

Yes. So when you export to these European countries you know. They want to know about your environmental you know, control. They come and check. Even some of the US company, indirectly, we don’t sell to them. We sell to their customer who also use our product because their product is put on to our product, they come and do audit on our factory (C1).

Similarly, the following remark supports the above claim. The firm was made to follow customer’s specific requirements to enable it to proceed with the business dealings with international corporate customers.

We have some, we have instances from GE before (NTH’s phone rings) from Shanghai office (NN: General Electric?), yeah, yes, yes. So they came here and they audit us before they give us the job for the, one of the jobs for PD power station. So at that time they were not too happy to see the way we handle the acid. So they want us to make a proper container to make sure that everything is xx, you cannot just drain to this longkang (translation: drain) (D2).

The same case is applicable to the local corporate customer. Operating in an industry which has a relatively stricter regulation, the firm has to ensure its involvement and has a good record of environmental activities in order to support its bidding for business tenders.

Not so much of the government, our tender is to the oil and gas like M, N. Normally they will ask, what do you call, environmental related activities that have been carried out (D3).

From another perspective, E1 believed that there was an association between the nature of firm and pressures received from the external parties. As an entity that dealt directly with natural resources, it has been under a close scrutiny by various parties. The firm was pressured to operate
within the set boundaries, failing which will result in excessive negative reactions from parties such as NGOs, shareholders and the public. E1 explained:

Expectation...there is always high expectation of the E, being the national xyz company. Equal the expectation of other xyz company but the pressure on the national xyz company is always there.. It is NGOs. As much as the expectations are high, the external, the public is quick to perceive things..opposite kalau apa2-kan, they see it because of our brand..tak ada lain dah, E lah… We are not short of getting letters from all sorts of parties, including NGOs.. They do. They do. They (shareholders) talk about..but one thing about the environment..kadang2 bila benda berlaku ajie kita bercerita (translation: at times, people will talk only when unfavourable things happened). If you are coming from the fact that talk all the time, this is where we say that people take for granted there is always good, but we are sensitive towards incidences, and we don’t talk about our regulations all the time (E1).

In summary, the above findings suggest that firms received pressures from various legal and non-legal external parties. Two types of pressures exerted by the external parties are legal and non-legal. Firms reacted to legal and non-legal requirements to fulfill mandatory requirements and for competitiveness reason, respectively (refer Figure 5.7).

Figure 5.7: Sub- categories and categories informing external pressures for corporate environmentalism efforts

<table>
<thead>
<tr>
<th>External pressures</th>
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<tbody>
<tr>
<td>Competitiveness</td>
</tr>
<tr>
<td>Business opportunity</td>
</tr>
<tr>
<td>Financial issues</td>
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<tr>
<td>Legal requirements</td>
</tr>
<tr>
<td>Codes: Requirement for PLCs (F2) Requirement by regulator (F1,F2)</td>
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5.2.2.1 Competitiveness as the category informing external pressures
Firms responded to pressures from non-legal parties to remain competitive in the market. The competitive aspect is classified into two areas, namely the ‘business opportunity’ and ‘financial
issues’. Being competitive in this respect refers to the ability to continuously exist in the market through securing business opportunities, and maintaining the financial strength. To gain competitiveness, firms need to engage in efforts beyond what is required by the legal requirements. In other words, the efforts are voluntary in nature, pro-active and above the minimum requirements set by the regulatory bodies.

5.2.2.1 Business opportunity as the sub-category informing competitiveness category

As an element of a greater business environment, firms are interdependent on various stakeholders for resources and supports to ensure continuous survival. In relation to this, D1 looked at corporate environmentalism as a way to secure business dealings. In a highly regulated industry, business opportunities are very much dependent on the past good record of the firm, particularly in matters pertaining to the handling of the environmentally sensitive and dangerous items. Therefore, a proper documentation of corporate environmentalism efforts in the past period is important as an evidence to support tender applications. D1 explained:

I think this is a good culture that we have to inculcate within the company. You know, it is voluntary in nature and furthermore, we keep statistic on what we have done for the past 10 years. And this statistics, at the end of the day is very important for us in promoting ourselves. So it work both ways, number one it is important to the existence of the company, secondly we can write our own record to secure more contracts. So it works dual ways (D1).

On the same note, F3 believed that firms engaged in corporate environmentalism as part of the strategic plan to expand their business opportunities beyond the local market. Due to a relatively stricter environmental regulation of the international market as compared to the local market, firms need to ensure the compliance to various international requirements in order to penetrate the international market. In this respect, environmental efforts were carried out to ‘fulfill customers’ requirements’, with the ultimate aim to secure business dealings at the international arena. The following brief remark by F3 explains the idea of engaging in corporate environmentalism to secure business dealings:
Similarly, F1 shared the same view. Although not personally convinced with the idea of corporate environmentalism as the right way of doing business, F1 admitted that such efforts were carried out to fulfill the external, non-legal parties’ requirements.

So what I am normally concerned is the, what do you call, the compliance with the clients’ requirement to upkeep the environmental plan. To say that I do that because I want to save the environment, I think it is not accurate-lah. Just do because it is required to do, because of the requirement (F1).

Another view was forwarded by F3 who believed that the purpose of corporate environmentalism was to portray a good business image. Under the merit system, firms’ performance was assessed based on points achieved. Firms with higher points are in a better position to obtain business deals than those that have lower points. Points will be deducted if firms failed to follow any of the set requirements. In the event they have lost the points (de-merit), firms need to find ways to increase them through voluntary environmental efforts such as the community work. F3 explained:

Biasa, kalau kita tengok teruk sangat, kita orang conduct gotong-royong (translation: Normally, when the working area is very bad, we will conduct community work) (NN: So ada lah) Gotong-royong lah. Kemudian kita ada buat safety campaign, kita combine sekali dengan environment lah (Translation: Community work. Then we conduct a safety campaign, and we combine with the environment.) Kita panggil client, kemudian local authority, BOMBA (translation: We invite clients, the local authority, fire department). Kemudian kita dapat merit lah. Bukan de-merit. Merit. Sebab sebelum ni kita pernah dapat de-merit (translation: then we will get merit, not de-merit. Because before this, we have been de-merited) (F3).

5.2.2.1.2 Financial issues as the sub-category informing competitiveness category
The second sub-category that supports the ‘competitiveness’ category is the ‘financial issues’. As a profit oriented entity, firms only support activities that could increase the profit margin. For instance, the effort to minimize paper usage is an acceptable business practice as it contributes to reducing the printing costs. The following remark by D3 explains how the choice to engage in
Corporate environmentalism was influenced by the cost factor rather than the belief of doing so. Classified under the ‘cost saving’ code, D3 said:

I would say that it is more cost..rather than more the environmental efforts (D3).

From another perspective, the financial factor also posed a negative impact on corporate environmentalism efforts due to its adverse effect on the financial health. For instance, environmental friendly products (e.g. light-emitting diode (LED) bulbs) are generally more expensive than the non-environmentally friendly products. Emphasizing the importance of keeping the profit margin at the desired level, D3’s explanation supports the code ‘reduces profit’:

We are a profit margin company because we always talk about, when we do this project the margin is like that, aah..don’t think we put it there just to.. (NN: Yeah, because environmental activities costs, not to say vast amount but..) You hurt your margin, somehow (laugh). For me, for short, short term it is okay but xx you have to sustain it, it requires a lot of effort and..(D3).

5.2.2.2 Legal requirements as the category informing external pressures
Apart from the need to remain competitive in the market, firms were also pressured to fulfill legal requirements by the regulators and legal parties. Securities Commission, for instance, requires firms to engage in a number of corporate responsibility (CR, previously known as corporate social responsibility, CSR) activities, which include the environmental component. Assessing the requirement from the positive aspect, F2 opined that fulfillment of legal requirements benefited firms as it led to a better environmental management system through the preparation of the systematic and comprehensive steps in dealing with the environmental issues. A complete set of procedures in matters pertaining to the environment serves a guideline for the firms in their daily operations. The following extract by F2 explains the code ‘requirement for PLC’:

Because previously also as I said, part of public listed company, you got to have CSR. You got to comply but when you have a proper procedure, everything you can monitor things properly. If you don’t have any procedures, you do things but I would say ad-hoc basis (NN: Not systematic), not systematic yeah. Now we have the management system, abiding us to comply to all these requirements (F2).
F2 further explained that the reason for fulfilling the legal requirements was to comply with the regulators’ requirements. Although it was relatively easier to dispose environmental wastes by burning them in an open space, and that the penalty did not cost much, yet the firms chose to comply with the legal requirements. F2 confessed that such an act was not because he wanted to do it but only to comply with the regulators’ requirement. Coded as ‘requirement by regulator’, F2 elaborated:

Yeah, but right now, aah environment, why do this. Okay, as a contractor for example, I got a lot of timber at site. If I want to save the money, I just burn the timber, okay. Don’t need to transport out, pay the dumping fee and all that. But I don’t burn at site, because why..because (NN: Alam Sekitar), hmm the requirement, is against the rule, they can come and fine me. It is just the matter of complying with the regulation. Not to say that I don’t burn because (NN: I nak save the..) haa..(laugh). I would prefer to burn because save me the xx (F2).

Similarly, F1 also agreed that the fulfillment of legal requirements was merely for compliance purpose, not because he believes that he is obliged to care of the environment.

To say that I do that because I want to save the environment, I think it is not accurate-lah (F1).

F1 supported the above view that compliance to the legal requirement was the reason for the firm to take up environmental efforts. Operating in an industry which is governed by the Department of Environment (Jabatan Alam Sekitar), firms are obliged to comply with all the set requirements. Failing to do so will result in hefty fines\(^{66}\), and even the loss of licenses. F1 explained:

...some project we have, under the contract, we have to comply to requirements of Jabatan Alam Sekitar. So our supervisors will act in order to satisfy this requirement (F1).

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\(^{66}\) For instance, under Section 24 Restriction on pollution of the soil of the Environment Quality Act 1974, fines not exceeding RM100 000 or a term of imprisonment of the maximum of 5 years or both or to a further fine of not exceeding RM1 000 a day for every day that the offence is continued after the notice from the Director General is issued (Laws of Malaysia, 1974).
In summary, the findings reveal that both internal and external parties have exerted pressures for firms to engage in corporate environmentalism. Top management emerged as the internal party that exerted pressures, while legal bodies, competitors and customers represent the external parties. Analysis shows that external pressures are associated with the need to remain competitive, besides gaining legal approval from the regulators. Internal pressure, on the other hand, was influenced by the belief that caring for the environment is the right way of doing businesses. The construction of pressures, as derived from the data is as shown in Figure 5.8.

5.3 DRIVERS OF CORPORATE ENVIRONMENTALISM
This part explores managers’ perspective on parties perceived to have driven corporate environmentalism. Based on the responses given by the managers, current and previous top management emerged as the two main categories supporting the concept (refer Table 5.4). Top management refers to individuals at the highest level of organizational management, who have the authority over the overall operational and management of the organization.
Table 5.4: Codes supporting managers’ perception of the driver of the environmental protection

<table>
<thead>
<tr>
<th>Codes</th>
<th>Category</th>
<th>Concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current top management (A1,A2,A3,B1,B2,B3,C1,D1,E1,F2, F3)</td>
<td>Current top management</td>
<td>Top management</td>
</tr>
<tr>
<td>Previous top management (A1,A2,E1)</td>
<td>Previous top management</td>
<td></td>
</tr>
</tbody>
</table>

### 5.3.1 Current top management

The ‘current top management’ is consistently referred to as the driver of corporate environmentalism. The following remarks explain how managers viewed the role of the current management in initiating the corporate environmentalism effort. A3, for instance, strongly believed that corporate environmentalism initiative originated from within the firm, and not from external forces. B2, on the other hand, valued the current top management’s support in approving ideas and initiatives forwarded by the other team members. B1 shared the same idea and further explained how the current top management’s belief in caring and protecting the environment influenced his decision in directing corporate environmentalism.

I don’t think anyone of them is doing it (referring to the regulators). And then it is purely from the firm doing this, from our top management (A3).

Our MD is very cooperative. Whatever initiatives that we actually put up, he actually agreed (B2).

We are so glad to have a MD who is very highly interested and concerned about the environment. So he is the driver in the company that really drives environmental initiatives in the company. So he is the believer in it and for your information, he knows more than what the rests of us know (B1).

C1 believed that the environmental behavior of any firm resembles the behavior of its top management. Being the main party who controlled the resources, top management has the ability in influencing corporate environmental directions. He proposed that it is unlikely to have a firm that engages in corporate environmentalism if the top management does not believe in it. C1 elaborated:
I think everyone also want to. I mean you are responsible for yourself, you keep your environment clean, then when you run a company, you also want to keep the environment (NN: Yes). That is why I said it is education. Right. If you get a CEO you know, cincai bocai one you know, throwing rubbish, you don’t expect him to keep his factory clean also (NN: Yeah, true). Because the attitude is in-built in him already. That is why there is so-called China-man mentality (C1).

A2 looked at the issue from a broader perspective, incorporating a greater circle of the corporate structure. The influence of the top management of the Group was perceived as vital in directing the firm’s corporate environmentalism.

5.3.2 Previous top management
Another category emerging from the data is the ‘previous top management’. The previous team was perceived as the pioneer in the corporate environmental efforts through an accidental discovery. According to A1, one of the previous top management has come across the sustainable development concept and since then, has built his passion and introduced various efforts to direct the firms towards the new concept he has recently discovered.

I think, for one..I think the senior management also have been travelling around and they can see a lot of..especially overseas, the awareness of all this green, quite strong. ..Credit must be given to, I think Mr XX, he is our MD. ..He came across it at one of the Singapore seminar. So when he came back he shares with us all these things. Personally I think he is very passionate about this (A1).

A2 shared the same view. Two previous top level managers were identified as the drivers of corporate environmental initiatives. Nevertheless, both of them have left the firm to take a new assignment at the Group level, in the recent corporate exercise to strengthen the company’s position as a global real estate player. A2 explained:

Mr XX, Mr XY. They are all the drivers. But Mr XX was the initial driver. He drives it (A2).
The data also reveals a continuous pattern in the corporate environmentalism effort. The corporate environmentalism path set by the previous management gained its support from the current management team. Admitting that the current effort is the continuation of the previous effort, A1 explained:

No, no, I wouldn’t claim myself to be the main driver. I must..this thing here, is the pioneer driver. We all, most of the senior, we follow, now we become the co-driver of it (A1).

The above findings suggest that both the previous and current top management are the key drivers in promoting environmental care at the corporate level. The responses are consistent throughout all managerial levels (top, middle and operational). Based on the two categories that emerged from the data, ‘top management’ was identified as the main concept in identifying the drivers of the corporate environmentalism.

5.4 CORPORATE AIMS
This section provides managers’ views on corporate aims pertaining to the environmental issues. Referred to as the corporate environmental orientation, Banerjee (2002, p.182) defines it as ‘the notion of corporate responsibility toward the environment’, in response to the external stakeholders’ needs, as well as being a good corporate citizen. The identification of corporate aims is useful in providing insights on how firms react to the environmental issues. The findings are useful for the firms as they contribute to the internal decision making process. For external parties such as the regulatory bodies, the findings provide alternatives to and complement the existing environmental regulations.

Three main concepts appeared from the data; external recognition, internalization of sustainable value and practice, and extending sustainable value and practice to others. The concepts and their associations with the firm and other social actors in the greater society are shown in Figure 5.9.
Corporate environmentalism is believed to gain recognition from parties external to the firms. As a social actor who is reliant on others for resources, firms have to ensure that their existence is recognized and accepted by others. Under the ‘external recognition’ concept, firms incorporated the expectations and requirements of various external parties such as the public and the regulatory bodies, in dealing with the environmental issues. This outside-in approach is shown as seeking outside ‘approval’ from the external parties (shown as the red dotted line that goes into the firm in Figure 5.9).

Corporate environmentalism is also believed to educate and influence parties within the firms. It refers to the aim set by the firms in the effort to instill an environmental care value and practices among the staff members. Categorized as the ‘internalization of sustainable value and practice’ concept, it is based on the idea of shaping the value and practices of the staff members towards the sustainable living culture within the firms (shown as the four arrows in the purple box).

The third concept, ‘extending sustainable practice to others’, refers to the aim set by the firms to get the involvement and support of other external parties pertaining to their corporate environmental efforts. Shown as the blue dotted line that goes out from the purple box (firm) to reach the greater society, this inside-out approach is based on the idea of extending the firms’ sustainable value and practices to the greater society.
The three main concepts emerged from the data fit into Banerjee’s (2002) assessment of corporate environmental orientation. The ‘external recognition’ and ‘extending sustainable value and practices to others’ concepts fit into the externally focused orientation classification, while the ‘internalization of sustainable value and practices’ concept relates to the internally focused orientation. The former reflects managers’ perception of and responses to the external stakeholders’ interests while the latter focuses on the firms’ internal values, ethical behavior and commitment to environmental issues.

Each of the concepts is supported by the categories, which form the firms’ strategic plans. Figure 5.10 shows the three concepts identified from the data, and the supporting categories and codes.

5.4.1  **External recognition as the corporate environmental aim**

The ‘external recognition’ concept refers to the acknowledgement and acceptance of the firms’ existence by various external parties. This concept is based on the legitimacy theory which regards a firm as an interdependent actor who influences and being influenced by other social actors. As such, firms rely on the conferment of the acceptance or legitimization status granted by the surrounding social actors, to remain in existence and continue to operate.

Information transfer is vital in achieving the external recognition aim. Managers have identified two ways to achieve such recognition, namely through portraying a sustainable image, and offering actual sustainable practices (Figure 5.10). The former aims to develop an image of a firm that cares for the environment in the eyes of various stakeholders. The latter, on the other hand, refers to the actual environmental care practices undertaken.
### Sustainable Image

**Codes:**
- Developing image (A1,A2,B2,B3)
- Maintaining image (A1,A2,B2,B3,E1,F2)

### Sustainable business practice

**Codes:**
- Sustainable practices in business operation (A1,C1,C3,E1,E3)
- Conformation to the standard (A2,C2,F3)

### Adoption of sustainable value and practice

**Code:**
- Instilling environmental care culture (A1,B1,D1)

### Influence other parties

**Codes:**
- Extending sustainable practice to others (A1)
- Get other parties accredited (A1)

### Educate other parties

**Code:**
- Educate others on sustainable practices (A3)

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#### 5.4.1.1 Sustainable image as a category informing external recognition concept

Legitimacy can only be gained with the support of other social actors, and this is only possible if the firms’ operations and policies are perceived to be consistent with the society’s generally accepted rules, norms and procedures. Hence, in this instance, communication plays an important role in displaying the message of an environmentally friendly firm. Two codes that support the ‘sustainable image’ category are the ‘developing image’ and ‘maintaining image’.

The ‘developing image’ code refers to the creation of a new image of the firm. A1 believed that the public associated the development activities carried out by firms in the property sector with environmental degradation. Due to this general perception, A1 believed that it is important to
change the ‘destroying the environment’ stigma and portray the firm as ‘a responsible property developer’ image in the eyes of the public. A1 explained:

Because a lot of people associate the development as destroying the environment. I think that is the public perception that when you do the development, you go and open the jungle, you clear all the habitation, these are all destroying the environment so the association is the developers are the one who destroy the environment (A1).

The ‘developing image’ code is consistent with the purpose of extending legitimacy. Ashforth and Gibbs (1990) suggest that this type of legitimacy is more intense and proactive in order to get support from other social actors. Other social actors are more likely to scrutinize the firm to ensure that its existence is justified. Therefore firms have to take every measure to ensure adherence to the generally accepted social norms, practices and values. In this respect, the firm set a target to be known as a property developer which not only built residences but also ensures a well-balanced development. A1 explained:

We want to call ourselves a sustainable developer. Sustainable in the sense that we want to tell people that we don’t just build a house, home for you but we also make sure that is sustainable, that means, the whole development is very sustainable (A1).

Three other managers from the same industry (B2, A3, B3) shared the same view. They believed that environmental protection efforts are in line with the aim to develop a corporate tag as sustainable development firms. The following quotes explain:

Yes, yes, that is right. It (environmental protection) is actually spelt in our policy, in our policy and then our B tag, developing sustainable development. So that is also in line with the.. so we are trying our level best, so we are not perfect, we are still trying, still trying (B2).

So we are actually care about our surroundings, the environment. Not only at the site and actually we also care about the neighborhood. Because we have carried out a lot of categories on activities for the development so neighborhood is our concern also. So we need to take care of it (A3).

Yes we are actually taking care of our environment though we are actually doing our business but at the same time we are actually taking care of the environment. So I think that is the message that ABC want to portray outside and on top of that we also adhering to what the environmental requirements (B3).
‘Maintaining image’ is the second code that supports the ‘sustainable image’ category. It refers to the effort to maintain the good image that the firms have already portrayed. As one of the top players in the property market, A2 believed that the firm is committed to the sustainable development business. It is therefore important for the firm to maintain the image it has already built in the market. The following remark explains:

But we are in a business, we are in a business sustainable, we are here, we are here to stay, we have to maintain the image. That is important. Those are the big players-lah. All big, big players-lah. We are ranked number 3, in terms of top xyz, developing the country, we are number 3 (A2).

On the same note, A1 regarded the green development project currently undertaken as a reflection of the firm’s image as a sustainable developer. A1 said:

Number 2, it also reflects us better, as a sustainable operation, a firm who cares for the environment (A1).

The above two views are supported by B2’s remark who believed that maintaining a good reputation is a serious business agenda. B2 emphasized on the risk of getting the reputation tarnished even with a single unfavorable incident.

Because ours is very much on company image, company image, reputation. Kalau one fine, keluar dekat newspaper, habis kita (translation: even if there is one fine/penalty reported in the newspaper, our image will be gone) (B2).

E1 looked at the image issue from another perspective. E1 believed that allowing the public to have a real life experience is a better way to maintain the image rather than merely displaying an image as ‘a responsible corporate citizen’ through the media. E1 explained:

We want to be seen that we are responsible. Again as I said, we work based on experiences. It matters that people experience a lot more than they read about us (E1).

In support of the ‘maintaining image’ code, A1 suggested that the firm set its aims to be different from other players in the market. Operating in the property development sector, A1 believed that
the green development project has a niche market and that differentiates it from other industry players. The remark below explains the code:

Number 1, to differentiate ourselves from other firms, we use that (green development project) as a differentiating factor (A1).

On the same note, B3 viewed that the firm aimed to maintain the sustainable image by becoming a pioneer in the property development market through the offering of its environmental friendly products. B3 further explained:

We want to develop a new trend or trend setting that we are actually moving towards the environmental friendly, on top of it because we have established a model house, called 123 model. So that is, the xx, the study, we will replicate to other projects where possible (B3).

The ‘maintaining image’ code suggested by the managers represents a response to the challenges faced by the firms to ensure that other social actors to continue to support and grant them the legitimacy status. Over time, firms’ performance and societal expectations may form a gap due to the changes in business actions and/or the society’s expectations. When the gap widens, firms may lose its legitimacy status and ultimately its survival (Sethi, 1979). Considering the current expectations and anticipating the future change, firms took a pro-active step in maintaining a sustainable image to the other social actors.

5.4.1.2 Sustainable business practice as a category informing external recognition concept
In addition to portraying the sustainable image, managers also suggested that firms engaged in sustainable business practices to gain external recognition. Legitimacy status shall be granted when the values and practices of the firms and the society are perceived to be congruent. From this perspective, the sustainable business practice aim is consistent with the substantive management approach of gaining legitimacy, as proposed by Ashforth & Gibbs (1990). Substantive management involves the structural, goals and process transformation of action or changes in socially institutionalized practices in conformity to the generally accepted social values.
Two codes that support the ‘sustainable business practice’ category are the ‘sustainable practice in business operation’ and ‘conformation to the standard’. Both are categorized as altering resource dependencies and coercive isomorphism types of substantive management, respectively.

According to the altering resource dependencies type of substantive management, firms, as a social actor in a broader society, need to respond to the social demands and expectations. These responses directly affect the resource dependencies of the organization (Pfeffer & Salancik, 1978), and consequently impact the environmental texture, such as uncertainty of the environment as well as the dependency of the firms on the environment (Strand, 1983). Stability and certainty in the resource exchanges will follow suit which subsequently allow the firms to be more selective in determining which social demands that needs to be responded to.

In this context, firms anticipated that the society is changing their perception to care more for the environment due to serious environmental problems faced by the worldwide community. In line with such expectation, firms chose to engage in environmental activities as a way to gain support from the external resource providers. Below is A1’s explanation in support of the ‘sustainable practice in business operation’ code:

So for us when we embarked on this (green development) 4 years ago, we actually use that as our guiding principle, in terms of the design and things like that. So that we consciously design, so as we evolve then we realize that something bigger than this green mark thing, which is the sustainable development concept. The concept, I think you have heard about it. And one of the pillars of the concept, actually talks about sustainable living (A1).

The above quote explains how the green development initiative led to the adoption of the sustainable business practice in the firm’s business operation. Such an adoption was to ensure that their business operations were conducted in line with the sustainable way of living, as a response to an anticipated social demands and expectations.
Similarly, E1 viewed the sustainable business practice adopted by the firm contributed to the public environmental care. The practice of caring for the environment was perceived as a reflection of a good value to the public. Although E1 admitted that the business operation affected the environmental balance, E1 believed that such interference benefited the environment through the caring-for-the-environment value instilled by the firm among the public.

The firm position itself, I would say, very well, it terms that, the firm recognizes the importance, and actually position it at the top of our business model. It is a value to us, it shows through our value, that when we do business, it matters that the environment benefit from our business, rather than we use the environment. Of course we intervene in its natural state, and that is how the business is, but we return it in a different manner (E1).

The second code supporting the ‘sustainable business practice’ category is ‘conformation to the standard’. The effort is categorized under the coercive isomorphism type of substantive management, which refers to the situation in which firms are forced to follow the societal values, norms and expectations due to formal and informal pressures from other social actors who have direct and indirect controls over the firms. Such acts serve as a security to access resources and gain support from the social actors. If institutionalized paradigms already exist for relevant domain, structures and processes, firms may get legitimized by adhering to such paradigms (Meyer & Rowan, 1977; Zucker, 1987b).

In this respect, firms were made to follow the external parties’ formal requirements. The accreditation status granted by the external parties reflected the firms’ achievement in gaining a certain level of sustainable practice that worth the recognition. To maintain the accredited status, firms have to ensure that their business practices conformed to the standard set by the accreditation body. As entities that are reliant on the operational parties to carry out the ground work, firms enforced the rules and procedures to the parties at the operational level. A2 commented:

We are pushing, we are like the policeman (laugh), we are taking the stick and whip, because we need to maintain our standards. We have just got it last year and we have got to maintain it so we
are pushing. It is just like taking a cane, you must do this, you must do this, you must do this. It is like that-lah (A2).

5.4.2 **Internalization of sustainable value and practices as the corporate environmental aim**

This concept aims for the staff members to appreciate the sustainable business value and practices at an individual level. Incorporating the environmental element as part of the sustainable business agenda, it is aimed to have staff members who accept environmental care as part of their value system and ultimately transform such value into practices. Supporting the ‘adoption of sustainable value and practice’ category, the response below explains the effort initiated by the firm for the staff members to appreciate the environment at an individual level. Coded as ‘instilling environmental care culture’, A1 explained:

…now they have this, which is bigger than the green we are talking about. Green is only one of the pillar of the sustainable concept. So that is how we got it started-lah. And we all move towards, it is still a journey, it is a journey, it is not something that you stop, so it is a continuing effort to make sure, number 1 the whole organization can be the culture of it, we are not there yet (A1).

B1 shared the same view. Acknowledging the importance of the staff members as the main force or implementer of the business strategies, managers believed that it is crucial to have the business environmental aims congruent with the staff members’ environmental value and practices. Therefore, the firm aimed to internalize the sustainable value and practices among the staff members as the corporate culture. B1 elaborated:

We, in B, we talk about the environment as part of the Environment, Safety and Health. And also now, we are talking about sustainability, we are talking about the 4Ps. In the general term, when you talk about sustainability, we are talking about the People, Profit and Planet, but in this entity, we talking in the context of 4Ps, which is People, Profit and Planet and additional of P1. P1 is a Greek word that we use in terms of it tells you about the spirit and soul. Meaning that how you internalize the 3Ps and you know, make it part of you. As part of the culture that you work, that you live, you know (B1).

5.4.3 **Extending sustainable practice to others as the corporate environmental aim**

‘Extending sustainable practice to others’ concept refers to the aim of getting external parties to involve in the corporate sustainable business practices. As a social actor who is interdependent on
other actors in the broader society, firms need to ensure that the supporting parties carry out the business activities in the way consistent with the corporate environmental aims and societal expectations. The data reveals that the concept is supported by two categories; educate other parties, and influence other parties.

5.3.3.1 Educate other parties as the category informing external sustainable practices to others concept

The ‘extending sustainable concept to others’ concept is also supported by the ‘educate other parties’ category. In order to get other parties to support their environmental care effort, the information transfer must take place as a means to educate these parties. Since firms are reliant on the (external) parties to carry out the operational work, they have to ensure that the ‘doers’ understand, be aware of, and practice sustainable operational activities. A3 explained:

The same three main objectives is the same, we have to, we have to meet this minimum xx, and also to prevent environmental pollution and zero summon from the authority, and to improve knowledge and awareness on sustainable category on practices (A3).

5.3.3.2 Influence other parties as the category informing external sustainable practices to others concept

‘Influence other parties’ emerged as the category that supports the ‘extending sustainable practices to others’ concept. Two codes emerged from the data in support of this category are ‘get other parties accredited’, and ‘extending the sustainable practice to the Group’. Apart from educating operational parties in issues pertaining to the sustainable practices, managers believed that firms need to ensure that their operation is conducted in a sustainable and environment-friendly way. Therefore, A1 believed that it is crucial to get accreditation for the external parties who perform the operational work for the firms. Accreditation represents the achievement of a certain level of standard of sustainable practices. In order to retain the status, the external parties have to comply with certain rules and requirements set by the accreditation bodies. A1 elaborated:

That is why we go into, that is also another reason why we have, last year, decide that we must also go into this ISO14000. We also got ISO9001 for many years, okay, so we realize we have reached the stage, we have to go to ISO14000 because of a lot of our consciousness side, we can see the
base are there. And contractors are not having the ownership to handle all these. So we feel that, if we drive for this ISO14000 which is environmental, and get our contractors to go in with us as partners in this, then in time to come we hope all the sites will be very environmentally conscious when they do the construction work (A1).

The second code supporting the ‘influence other parties’ category is ‘extending the sustainable practice to others’. It refers to the initiative to get other firms to involve in the environmental care efforts. The manager believed that the sustainable practice is the correct way to conduct business and therefore the management aimed to promote it to other entities under the same administration/management. Anticipating a major corporate exercise in the near future, A1 explained:

We hope, post merger, the rest of the Group can go into this sustainable concept thing (A1).

The above findings reveal that firms have set various aims in relation to the corporate environmental issues, namely ‘external recognition’, ‘internalization of sustainable value and practices’, and ‘extending sustainable value and practices to others’. These concepts support Henriques and Sadorsky’s (1996) view that firms integrate environmental issues in their business strategy and become environmentally responsive67 as a move to achieve ecologically sustainable development.

Various categories which form the strategies to achieve the set aims, support the three concepts identified above. The findings suggest that firms employed environmental strategies to achieve competitive advantage (high environmental strategy focus), as well as comply with the minimum regulations (low environmental strategy focus)68 (Banerjee, 2002).

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67 Environmentally responsiveness refers to an official plan formulated to deal with environmental issues (Henriques & Sadorsky, 1996).
68 The environmental strategy focus refers to the degree of integration of environmental issues into the strategic planning process (Banerjee, 2002).
5.5 CORPORATE ENVIRONMENTAL EFFORTS

This section focuses on the actual efforts undertaken by firms in realizing the corporate aims set at the strategic level. Two concepts that emerged from the data are ‘voluntary’ and ‘mandatory’ corporate environmental efforts. Figure 5.11 shows the sub-categories and categories informing both concepts.

Figure 5.11: Codes, sub-categories and categories informing firms' corporate environmentalism efforts

As shown in Figure 5.11, the ‘voluntary efforts’ concept is supported by two categories of ‘educating’ and ‘business opportunity’, while the ‘compliance’ category supports the ‘mandatory efforts’ concept.
5.5.1 Educating as the category informing the voluntary effort concept
Firms are reliant on various stakeholders for resources to operate. To gain the stakeholders’ support for corporate environmentalism, managers believed that information transfer is vital to get a buy-in. The data shows two main ways of communication were employed as a means to educate stakeholders on matters pertaining to the corporate environmental effort; information dissemination and community programs.

5.5.1.1 Information dissemination as the sub-category informing educating category
Information transfer is believed to be an important aspect in educating the stakeholders to support corporate environmental efforts. Various ways were used to disseminate information, ranging along the continuum of public broadcasts to individual consultation and special reports. Depending on the suitability and effectiveness, each way was applied to different types of stakeholders.

Customer represents one of the main stakeholders to all firms. Support from the customers is the utmost importance, as they provide resource upon which the success of the firm depends on. Nevertheless, customers’ choices are often restricted by their budget constraint. Therefore, unless they are properly informed about the need to care for the environment, it is less likely the customers will support corporate environmental effort because environmentally-friendly products are relatively more costly than those without such features. As such, A1 considered information dissemination as an important tool to educate the (potential) customers. Coded as ‘public information’, A1 explained:

We, we,.what we try to do is we try to put up all those posters and buntings around our sales gallery and show house whenever we have projects such as when the customer comes, they are being exposed to all this (A1).

The above extract shows that firms provide public information about environmental issues at their business venues. Apart from the public information, firms also employed an interactive way of information transfer. Using a personal approach, firms provided free consultation sessions to
potential customers who visit the venues. This approach enabled customers to discuss and get detailed explanations pertaining to various issues of interest. The code ‘consultation’ is explained by the following remark;

Then our sales people are also trained to explain all these to the customers because we find that a lot of them are still not aware about all these things. What are the green mark, what are the ISOs, green building. Then we explain, perhaps put it up in a very layman’s term. We have this green feature, what is..what so good about this so we put in a very simple, layman language for the customer, as part of the education and the awareness (A1).

However, the consultation session was very much focused at an individual level, which covered issues that are beneficial to the (potential) customers. According to A1, customers’ information only revolved around their individual benefits, rather than global environmental issues. As such, the scope of the discussion usually focused on issues such as the cost-savings of the products.

As far as this, all the sales launches, the events are concerned, the focus is still on what the benefits the individual prospect can get, not so much on the very global this..and the reason being..because currently, I think a very small percentage of people are aware of this. So this people when they come to the sales launch all those things, they got no time, they don’t want to hear this, so we have no choice, we have to be very focus, okay we have this so if you are going to buy the house, this is what you are going to enjoy, maybe the benefit to them, not so much on the global thing (A1).

The data also reveals that firms conducted free seminars as a means to educate various stakeholders about corporate environmentalism. Both legal (e.g regulators) and non-legal parties (e.g customers and consultants) were invited to the seminars. The main aim of the seminar was to provide a platform to discuss practical issues pertaining to the environment and to increase the environmental awareness level among these parties. Coded as ‘seminars’, A1 explained:

We did try to do some seminars which started about 1½ years ago, we call the livable city series-lah. Livable-living series. So we have conducted one green building where we invited current..those who have already bought houses from us. We have completed so many houses, they have resident associations, some of them are management corporations of condominium, so we invited and we say that this is what I can give you and you can send one or two representatives for those seminars. It is free, We try to get a group of hundred so we invited that, we invited prospects, we invited the local authorities, we also invited our consultants. So the purpose of these seminar series, so far we conducted 4 already, over a period of about 1½ year, it is about every 4 months we have once. So the objective is to create awareness, all the stakeholder. Stakeholder to our industry. Stakeholder meaning not mean just the purchaser, we also talk about the consultant (A1).
Managers also identified local authority as an important stakeholder at the seminar. Being a regulatory body that overlooks the legal aspect of the business operations, A1 is in the opinion that there is a need to minimize the knowledge gap between the regulators and the industry players (firms). A1 believed that the local authorities’ knowledge on environmental issues is way behind the current development in the market. Hence, A1 recognized the need to educate the regulators on new advancements and other matters pertaining to the firm’s corporate environmental efforts. Without proper and adequate knowledge, it is difficult to get approvals from the local authority for the projects which are equipped with new environmentally advanced features. Below is an extract given by A1:

We also invite the local authorities because they are the one of the stakeholders because they are going to xx and they have to understand why we are doing this. Sometimes they say, no no you cannot do this so you have to get a buy in from them. So we have been doing this at a company level so we hope we can continue to create such an awareness by having this on a regular basis. But unfortunately we cannot do it so regular so we try to do one..maybe one seminar every 4 months but we have to think of topics that is quite easy for them to understand (A1).

B1 shared the same view with A1. Various regulatory agencies such as the Department of Irrigation and Drainage (JPS) and Department of Environment (DOE), were also invited to the seminar to share information about the current development and problems pertaining to the environmental issues. B1 explained:

For our business associates, like the contractors, sometimes we organize environmental training for them. We will invite all the authorities, the agencies from the government to come and share with them. We did call the DOE and we call people like JPS to talk about the importance of taking care of the river. So these kind of things are on-going. It is on-going basis at the mean time (B1).

On the same note, A2 acknowledged the challenges in educating and creating environmental awareness among the governing bodies. However, despite the challenges, they continued the effort to educate various legal authorities. A2 explained:
But we can highlight them (government authorities), create awareness-lah. That is why when we have all those awareness seminar series, we invited them. So they do send people to come, hopefully this awareness that they can be more aware-lah. But it is not easy-lah (A2).

A wider scope of environmental issues was covered in the seminar, in comparison to the consultation sessions which mainly focused on personal benefits. Various issues at a higher level such as ISO certification and global environmental problems were among the issues discussed in the seminar. Both A1 and A2 shared their views as follows:

We take that, later from 2009 to up to early 2010 where we held a series of seminars, we called it A Seminars. It is a series you know, where we talk about green buildings, where we talked about ISO14000 and all those sorts of things, to bring the level of awareness that the company is doing something, actually, basically on the environment (A2).

Those things like awareness on the global will be touched during those seminar series because that is where different stakeholders are there, say the hundred participants that come to my seminar, they are already my customer or they are my stakeholder or the government authority. So we want, the objective is we want to create awareness, so it is a different audience, so we can bombard them with these global issues of the environment and what we need to do and the things that we can do. Okay, compare with in the sales launches. These people come, they just want to.. see what you can offer for them, this is the property that you are putting up for sales. So that is the way (A1).

Another important stakeholder that granted attention is the contractor. Being the ‘doers’ for the development projects, contractors must comply with all the set requirements pertaining to the environmental protection. However, perceived as having a low environmental awareness level, they often did not comply with the set requirements. Therefore, B2 stressed on the importance to educate the contractors about the need to protect the environment. B2 said:

We can actually put a lot of requirement, a lot of, can put a requirement this thick but at the end of the day, this people when they read the requirement, they will say, what is this? Dia tak faham (Translation: They don’t understand). So itu-lah, we need to educate them. We have to bring them to a certain level then only we can actually work together. So that is currently what we are doing, what we are driving currently (B2).

A manager revealed that all communications with contractors were carried out in meetings. However, since firms did not have direct associations with neither the sub-contractors nor the operation site workers, firms can only inform the main contractors about the environmental
requirements and advise them to cascade the information to the sub-contractors and operational workers at sites. Recognizing the constraint, firms adopted the main contractor-subcontractor approach. Information was conveyed to the main contractor who subsequently delivered the information and enforced it to the sub-contractor. In other words, firms delegated the responsibility to educate the ‘doers’ to the main contractor. Assessment of the progress was discussed in a tool-box meeting between the firms, main contractor, and subcontractors. Coded as the ‘tool box meeting’, A2 explained:

I can’t educate, I only educate the top level. They will have to educate the down line you know, they have 300 workers at the site, they have to educate them you know. So anyway, we force them to have, what do we call, we have every month, what do they call, the tool box meeting. Tool box meeting, okay, so we force to teach the environment (A2).

Firms also used the accreditation status as a way to disseminate information to the contractors. To ensure that parties dealing with the environment matters are fully aware of, and comply with various set of requirements, firms appointed contractors as their mentees and guided them to achieve the accredited status such as the ISO certification. Once accredited, contractors are obliged to follow the set requirements to retain the status. Coded as ‘mentorship program’, B2 elaborated:

And then, moving forward, 3 or 4 years ago, we have started mentor, mentor project, mentorship program. What happened is, we actually educate our contractors to become certified to 3 systems, ISO 9000, ISO14001 and OSHAS14001. We actually mentor our contractor so that we know that, we know that currently, the contractors, they have zero knowledge (B2).

Firms used the same approach in dealing with the consultants. According to B2, as a party who should be aware of the current issues, consultants ought to provide guidance and advise the main and sub-contractors on issues pertaining to the environmental matters. However, managers have observed otherwise. B2 commented:

Yeah, we are actually pushing that because we want everybody, at the end of the day, we want everybody to reach a certain level because eventually is the contractor, because they are the implementer. So that is why we actually push them. If you notice that we engage the consultant, he
is supposed to manage the contractor but he has zero knowledge. So that is why we took another
initiative to bring them on par. Currently we are actually driving that. It is actually is still a long
journey. It is still a long journey.

So that is why last year we actually did a mentorship for consultants (NN: Consultants also).
Consultants also (B2).

Apart from the above efforts, firms also utilized the media to broadcast their corporate
environmental efforts. This effort aimed to inform and educate a wide range of audiences from
diverse backgrounds such as professionals, business executives and potential customers, about
various corporate environmentalism issues. Categorized under the code ‘media releases’, A2 said:

Generally, generally we have publicized ourselves, as a green developer (NN: Through?). Yes we
have publicized ourselves through The Edge magazine, through forums and all we publicized about
the greens (A2).

Another form of information dissemination identified by managers is the issuance of a special
report. Being a member of an international network, B2 suggested that the report aimed to inform
‘the world’ about their corporate environmental efforts. Referring the General Reporting
Initiative\(^\text{69}\) (GRI) report as the ‘special report’, B2 explained:

Because of, a lot of the NGO were questioning how we treat, how we cut down the trees, that sort
of things. And they always criticize us and a lot of good things that we have done, we have not
informed everybody. So this GRI report, actually we, we actually telling the world what we are
doing currently. Moving forward, these are the things that we are going to do. Similarly, this will
be cascaded to all divisions so we are supposed to come out, Group is supposed to come out with a
report this year. Next year, we are going to come out with our own report, individual division, we
are going to come out with GRI report. Currently what we are doing currently for our divisions.

\(^{69}\) The Global Reporting Initiative (GRI) which was created in 1997, is a leading organization in the sustainability
field. GRI promotes the use of sustainability reporting as a way for organizations to become more sustainable and
contribute to sustainable development. GRI has pioneered and developed a comprehensive Sustainability Reporting
Framework that is widely used around the world. A sustainability report is a report published by a company or
organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability
report also presents the organization’s values and governance model, and demonstrates the link between its
strategy and its commitment to a sustainable global economy. The mission is to make sustainability reporting
standard practice for all companies and organizations. Its Framework is a reporting system that provides metrics and
methods for measuring and reporting sustainability-related impacts and performance (Global Reporting Initiative,
n.d.).
They have a lot, they are 17 indicators, 17 environmental indicators. So that one quite detail you know (B2).

5.5.1.2 Community program as the sub-category informing educating category

Besides the information transfer, firms also adopted a practical approach in educating stakeholders on the environmental issues. The public was invited to join various programs to create awareness, and get the opportunity to participate in caring for the environment efforts. For instance, a get-together event was conducted at the housing areas to promote a healthy lifestyle. Such an activity indirectly contributed to create environmental awareness among the residences. The code ‘environmental awareness’ is explained in the following extract by B3;

Looking at that, so, on top of that we always have this local community punya gathering where people will actually do some environmental activities as part of their awareness. One of it that, the recent one is actually at BJ where they have this bicycle hunt, to create the environmental awareness, kind of. Where they don’t pollute to travel from one place to another but it is actually a small area within the township, kind of so. I am still waiting for that report, what are the outcome of the xx, we still working on that (B3).

Similarly, the effort to educate the public was realized through the ‘switch program’. With the aim to create awareness on energy savings, residences at selected housing areas were given the privilege to buy energy saving bulbs at a discounted price. Coded as ‘energy savings’, B3 explained:

That one is the xx, I think that is done quite a bit where last time we call it switch program, now is actually discontinued where the xyz, residents can actually go and exchange their LED bulb, the normal bulb to the LED bulb, the more efficient one at discounted price (B3).

Another way of educating the public is through the nature appreciation program. Coded as ‘improving ecosystem’, the replanting program aimed to keep away the erosion and protect the shoreline, besides educating the public of the importance of improving the ecosystem. D1 explained:
I think the good one, the high impact project that we have done is the replanting of the (NN: Mangrove) mangrove along the shore. That has the high impact. We should repeat the same thing (D1).

The preceding discussions show that firms engaged in various ways to disseminate information about their corporate environmental activities to the public. Although the level of awareness among the public and particularly business stakeholders has improved over time, firms continue with the efforts to educate them.

I think more and more people are more aware, and of course they are the stakeholder, the customer, our authority and all these things. Even our consultant, I can see more and more, more of them now are more conscious of these things. Maybe because we keep telling them about these thing (A1).

5.5.2 Business Opportunity as the category informing the voluntary effort concept
Apart from educating external stakeholders, firms also integrated environmental issues directly in their business operations. The effort is voluntarily in nature and contributed to expand business opportunities in capturing certain segments of a niche market. Even though environmental friendly products cost more, firms continued to offer them to fulfill the demand of a certain group of customers who believe in their contribution to protect the environment. Corporate environmentalism appeared as a competitive advantage to capture a wider business opportunity. For the local and international markets, firms engaged in green initiatives and voluntarily complied with international environmental requirements, respectively.

5.5.2.1 Green initiatives as the sub-category informing business opportunity category
‘Green initiatives’ emerge as the sub-category that supports the ‘business opportunity’ category. It refers to the effort to offer products that produced less adverse environmental effects. Using high technological advancements, products equipped with energy saving features were introduced in the market on a trial basis. Coded as ‘energy savings’, B1 explained:

…we have constructed the and ‘123 model’, if you use the XY highway, the XY Expressway, you can see an orange building on the road, on the highway, an orange, very prominent building, along the XY highway, dekat YY area. That model is the birth of our sustainable green product. So inside they, you can see all the appliances, the materials used, semua tu are all green materials (NN: Is it
called 123 model). Yes, that is the one, that is the one, that’s the one, yes. (NN: Completed in June 2010). And in fact, if you live in that house, you don’t even need to on the fan or the aircond because we harvest the wind channeling. Because in the house, you can even sleep in the hall, without any fan on (B1).

Firms also offered products above the minimum legal requirement. In particular, A2 explained how the firm has provided wider green areas, above the requirement level of the local authority. Coded as ‘green areas’, below is the explanation by A2:

Space is only 10%. We go beyond that, open space we go beyond that, definitely go beyond that. Some places we go up to 30%, 40% open space, in terms of the plan space because we plant on the top roofs. You know we the buildings like that (gesturing a flat surface), we create the top. So from where you see, it can be as high as 70% green (A2).

5.5.2.2 Internationalization as the sub-category informing business opportunity category
Besides local customers, the data also reveals that firms engaged in corporate environmental efforts to penetrate international markets. International customers who are bounded by their home countries requirements, transferred the pressure to fulfill the requirements was transferred to the firms. Firms are obliged to fulfill the requirements to remain competitive in an international arena. The case is particularly for countries with stricter environmental requirements than the local requirements. Failure to comply with the international customers’ requirements will restrict the opportunity to conduct business with the international customers. Coded as the ‘internationalization’, C1 explained:

We comply to the international standards. We do it on our own, you see. We constantly upgrade ourselves because we are competing in the international arena. So if you don’t upgrade yourself, you can’t compete in the international arena (C1).

5.5.3 Compliance as the category informing the mandatory effort concept
Apart from voluntary efforts, firms also engaged in mandatory environmental efforts. Compliance refers to the fulfillment of legal requirements set by various regulatory bodies. Two sub-categories supporting the ‘compliance’ category are the ‘award of contract’ and ‘self-adherence’. Compliance to the requirements is a mandatory effort because it poses a threat to the
firms’ existence from a legal perspective. Failing to comply with the legal requirements may result in the cease of operation.

5.5.3.1 **Award of contract as the sub-category informing the compliance category**

Firms may not be able to, or it is not practically beneficial to carry out business operations using internal resources. In such cases, they have to outsource the work to external parties. Therefore, they are fully reliant on the external, third parties whom are appointed to carry out the operational work. The challenge that firms have to face is to ensure that the third parties, who deal with the on-site operational activities, abide to the legal requirements.

According to the managers, firms applied an indirect method by imposing restrictions on the contract due to the inability to control these parties directly. For instance, firms set the selection criteria for job offers based on the accreditation status. Unaccredited operational parties will lose out to those who have gained the status. By imposing such rule, these parties are forced to gain the accreditation status to secure the contract. Once accredited, these parties are obliged to comply with environmentally friendly procedures. In this respect, accreditation served as the way to ensure compliance to the process of environmental management, as specified in the accreditation criteria. The following quote explains the code ‘ISO accreditation’:

> They also want to work with us, you have to get certification ISO14000. So, another contract, xyz get the contractor, get the certification early than us, a few months earlier than us. *(NN: Okay)*. So in the future, we try to engage ISO14001 contractor to do our job, to manage (A2).

The same approach was suggested by B2. Contractors and consultants who did not meet certain certifications will be declined jobs. Below is B2’s comment:

> So what happened is, our management director are very cooperative. He has actually make it a stand where contractor consultants they must have a management systems if not they will not in the list of approval (B2).

> So after that, we already inform our contractor, consultant, from this date, kalau you tak ada, you will be out. Will be out from B-lah, no more job for you (B2).
Another code that supports the ‘award of contract’ category is ‘penalty’. F2 believed that firms have to use the penalty system to ensure that the environmental care requirements are complied with. The following quote explains:

We try to enforce hard-lah because we have meetings, if they doesn’t do that, we penalize them whatsoever. We have to keep on doing that until everybody got the right attitude on that (F2).

5.5.3.2 Self-adherence as the sub-category informing the compliance category
The compliance category is also supported by the self-adherence sub category. In this respect, the fulfillment of the legal requirements is within a direct control of the firms. Firms took measures to ensure the fulfillment of all of the requirements set by the legal authorities. Failing to do so will result in (hefty) penalties or even the risk of losing the licenses or operating status. Coded as ‘internal procedure’, F1 explains:

I think we have the environmental policy, for every project, we normally, because the government, the government contract they normally have this requirement for us to comply with authority procedures, the Jabatan Alam Sekitar (JAS). Okay, JAS will monitor our construction activities so that we don’t pollute, okay. So in order to do that, we always have, for every project, this Project Environmental Plan, okay. I am not very sure but normally what we do is that we just monitor actually, okay, we just monitor, we just avoid doing things against the Jabatan Alam Sekitar-lah (NN: Their regulations), ha the regulations (F1).

In summary, this section provides the findings in relation to corporate environmental efforts undertaken by firms in achieving the set aims. The findings reveal that firms engaged in both voluntary and mandatory environmental efforts. The former is supported by two main categories of ‘educating’ and ‘business opportunity’, while the ‘compliance’ category appears to support the latter.
5.6  CHAPTER SUMMARY

This chapter focuses on the concepts of ‘pressures’, ‘drivers’, ‘corporate aims’ and ‘efforts’, in the effort to understand the process of corporate environmentalism among the firms, viewed from the managers’ perspective. The analysis is divided into two main parts, namely the strategic and operational levels (refer Figure 5.12). The former provides a general view of how firms incorporated corporate environmentalism at the strategic level, while the latter, focuses on the actual efforts carried out in line with corporate aims set at the strategic level.

Figure 5.12: Model of corporate environmentalism process in Malaysia

Data analysis indicates that corporate environmentalism was carried out in response to pressures from various parties internal and external to the firms. Analysis also reveals that the pressures were influenced by the top management’s individual beliefs, besides the need to fulfill legal requirements and remain competitive in the market.
‘Pressures’ appeared as the concept that initiated the whole process of corporate environmentalism. Both the voluntary and mandatory corporate environmental efforts were carried out to gain the legitimacy status from within and outside firms.
CHAPTER 6: DISCUSSION OF FINDINGS FROM THE SHARIAH PERSPECTIVE

6.1 INTRODUCTION
Chapter 5 presents the results of the study. The process of corporate environmentalism started with parties internal and external to the firms, exerted pressures to the drivers to engage in corporate environmentalism. In response, top management as the driver of corporate environmentalism incorporated the pressures in setting up corporate environmental aims. This chapter discusses the findings in light of the Islamic perspective. Specifically, this chapter identifies the underlying mechanisms that lead to each step in the corporate environmentalism process in view of Islamic influence.

6.2 PRESSURES FOR CORPORATE ENVIRONMENTALISM AND ISLAMIC INFLUENCE
Findings in Chapter 5 reveal that pressures to engage in corporate environmentalism came from parties internal and external to the firms. The former originated from the top management initiatives to promote corporate environmentalism, while the latter refers to the legal and non-legal parties such as regulators, competitors and customers.

6.2.1 Internal pressures
The data reveals that corporate environmentalism was perceived as an internal affair, with the initiative and efforts originated from factors within the firms. The internal drive came from managers’ environmental belief that corporate environmentalism was the right way of doing business (A1). Findings presented in the preceding chapter reveal that managers’ environmental belief was constructed out of three concepts of ‘elements’, ‘condition’ and ‘dependency’, that support the main concept of ‘protection’ (Figure 5.2). The findings also show that managers went through the learning and adaptation processes via information gathering, as well as work and life experiences, in deriving at the environmental belief. The following sub-sections provide detailed discussions on the construction of managers’ belief and factors impacting such belief, in view of the Islamic influence.
6.2.1.1 Managers’ view of the environment and Islamic perspective

This sub-section analyzes the process of constructing managers’ environmental belief in view of the Islamic perspective of the environment. Findings in the preceding chapter show that managers’ environmental belief was constructed out of three main components of ‘elements’, ‘condition’ and ‘dependency’ (Figure 5.2).

The first concept that emerged from the data is ‘elements’. The findings show that managers regarded all elements in the surrounding, both in their physical and non-physical forms, constituted the environment. Such a definition matches the Islamic perspective of the environment. Islam refers the environment as everything that Allah has created, be it alive or non-alive, visible or invisible. In other words, Islam refers the environment as everything that lies between the sky and earth (Quran 21:16) that includes every single element in the universe.

The second concept identified by managers in constructing the environment is ‘condition’. The findings show that the ‘condition’ concept was derived from the current state of the environment faced by the global community. Managers have come out with the ‘pollution’ and ‘natural disasters’ categories as a reference to the environmental condition. Managers’ references to the devastating environmental condition led to an umbrella concept of ‘protection’. In other words, the current devastating state of the environment has led managers to believe that there is a need to protect the environment. Nevertheless, such belief was based on the current environmental condition, which differs from the Islamic perspectives.

Managers’ view of the need for ‘protection’ which was based on the current environmental condition refers to the post-damaged condition (Figure 6.1). Managers assessed the current bad state of the environment and recognized the need to protect it to prevent further degradation. For instance, there have been numerous incidents involving severe landslides due to a heavy
downpour recently (e.g Setiawangsa, December 2012; Putra Heights, January 2013 70). Development projects were claimed to have caused the land structure to become unstable. These incidents have prompted relevant parties to take actions to protect the areas from further slides, including engaging in the slope stabilization work such as creating a buffer zone. The move to protect the environment at this point was taken after the damage had occurred.

However, from the Islamic perspective, the need to protect the environment is derived from the concept of submission between an individual (Man) and the one and the only creator (Allah). It implies that, the need to protect the environment started from the moment it was first created. Man as the caliph, is obliged to care for other elements to ensure that all of Allah’s creations are cared for and protected and that the balances are perfectly maintained. In other words, Islam calls for environmental protection when the environment is in its perfect condition and balanced (pre-damaged condition).

Figure 6.1: A comparison between managers’ and Islamic view of the environment

The point of divergence emerged between managers’ view and the normative way of defining the environment from an Islamic perspective. Figure 6.1 provides a comparison of the two views. Managers believed that the responsibility to protect the environment emerged when

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70 The recent landslides in Setiawangsa affected 15 luxury houses, and in Putra Heights, the slide buried six vehicles. However, in both incidents, no casualties were reported (Anonymous, 2012; Zolkepli, Ho, & Mei, 2013).
environmental condition has reached a devastating stage to the extent that it has threatened humans’ life. Natural and human-made tragedies served as a wake-up call for human to take immediate action to protect the environment. Islam, on the other hand, promotes environmental protection ever since all elements were first created. The responsibility of Man to ensure all creations (elements) are maintained at the perfect balance assumed when Man agreed to accept the responsibility to submit him(her) self to Allah, along the concept of tawhid (oneness of God). As such, Allah has repeatedly reminded Man not to do harm to the environment. Verse 11 of Surah al-Baqarah is referred:

And when it is said unto them: Make not mischief in the earth, they say: We are peacemakers only (Quran 2:11)

The third concept that supports the managers’ construction of environmental belief is ‘dependency’. This concept is consistent with the Islamic perspective of the environment in which managers made reference to the interactions and reliance of human and other elements. This is congruent with the Islamic ilm al-tabyw concept of interconnectedness among all elements of the environment.

The ‘dependency’ concept recognizes the existence and interdependency of various elements in the environment. However, analysis of managers’ view of ‘dependency’ revealed that it is based on the western worldview. The dominion over the nature belief regards the environment as something to be possessed. As such, although humans are aware of the interdependency or all elements, humans did not take the responsibility to care for other elements. Instead, humans manipulated the ability to influence the environment and ignored the need of others. As the sole and ultimate owner of the possessed environment, humans are free to utilize all elements of the environment to the maximum. Environment is therefore subject to the individualistic and manipulative attributes of the possessor. Such a view represents the cause of the environmental problems currently faced by the global community.
The ‘dependency’ concept as viewed by managers is incongruent with the Islamic view of the interdependency concept among various elements of the environment. The Islamic approach to the environment is based on the supply side, through the principles of tawhid, khalifah and akhirah (hisab). The tawhid principle emphasizes the Oneness of Allah that leads to the act of submission to Him. As such, Islam outlines the duty to care for the environment (apart from the duty to Allah) as a mandatory obligation for each individual. The khalifah principle regards Man as the absolute owner of all elements in the universe although Man is encouraged and free to utilize the environment within a permitted limit. The akhirah or hisab principle relates to the life after death in which Man is made accountable for each action carried out during his(her) life on earth. The combinations of the three principles lead to the notion that Man is free to utilize all resources available but is made accountable for his(her) wrongdoings. In other words, Islam promotes moral responsibility and prevents Man from doing any harmful effect towards the environment because the absolute ownership of the creations (supply) lies in the hand of the Creator.

In summary, managers’ environmental belief which is derived from the construction of the ‘protection’ concept is found not rooted from the Islamic teachings. Figure 6.1 shows two different views of the environment, from the managers’ lenses and Islamic perspective. The former originated from the secular or western approach which regards the environment as something to be possessed and that human have the sole ownership over the acquired elements (demand side). The need for protection viewed from this approach arose from the current degradation condition of the environment (post-damaged condition). The Shariah rulings, on the other hand, promote the concept of the Oneness of Allah that calls for the protection of each of the environmental elements ever since they were first created. In other words, the need to care and protect the environment should be considered and carried out prior to the damage (pre-damaged condition). Furthermore, Islam looks at the environment from the supply side and emphasizes the concept of trusteeship of human towards other elements of the environment.
6.2.1.2  **Factors influencing managers’ belief and Islamic influence**

Analysis from Chapter 5 pertaining to managers’ environmental belief reveals that it was developed out of the learning process via information gathering from both religious and non-religious sources. Generally, managers’ environmental belief was found to have influenced by non-religious information except for B1 and C1 who admitted that their views towards the environment were influenced by religious information. The following parts focus on ‘information’ as the impacting factor in the construction of the managers’ environmental belief.

Figure 6.2: Current state of environmental condition as the source of non-religious information

The findings reveal that non-religious information affecting the managers’ environmental belief was based on the environmental protection and conservation efforts carried out by others (A2, A3), the current state of the environment condition (A1, C2, C3, E2, F3), and emergence of new diseases as the results of the pollution (D2). These sources of information emerged out of the current, devastating environmental condition faced by the global community (refer Figure 6.2). Information about the current state of the environment was made known to the public when actual natural and/or man-made disasters occurred. In the latest man-made tragedy in the local setting occurred in June 2013, the Air Pollution Index (API) has reached its hazardous level of 750 causing the government to declare an emergency state. The disaster was caused by open burning in the neighboring country and was made a headline in the local newspaper and other media (Emergency in Muar and Ledang, 2013).
Figure 6.2 shows how the current devastating state of the environment condition led to the environmental protection and conservation efforts and the emergence of new diseases (red lines). As in the previous sub-section, the current environmental condition emerged as the main contributing factor to the construction of the managers’ environmental belief. Thus it appears that non-religious information gathered by managers was based on the post-damaged condition of the western worldview of the environment. This is incongruent with the Islamic approach to environmental issues which emphasizes the pre-damaged condition of the environment.

In addition to the non-religious information, managers also proposed that religious information also affected their environmental belief. Both C1 and B1 believed that the responsibility to care for the environment as obligation of Man towards the Creator. In view of the Islamic perspective, B1 and C1’s claim associate with the umbrella concept of ‘responsibility’.

B1 and C1 provided a basic view of the universe as God’s creation. Both of them looked at the responsibility to care and protect the environment as an obligation or return for the benefits that have been given by the Creator to humans. C1 believed that God has given humans the place to dwell in and therefore humans are responsible to care for the environment to ensure that they can ‘live in peace’. This view suggests that humans have absolute ownership on the environment upon which human’s wellbeing is dependent on. Humans may utilize available resources in all possible ways to achieve a comfortable living.

C1’s view is very much rooted from the secularist perspective on the environment. Often associated with modernization, secularism relies on the experimental or scientific observations as a source of authority. Secularism accepts the conception of anthropocentric as a dominant principle. This concept resembles the religious view that humans are the ruler of nature. As the central element of all components of the universe, humans have the ‘let’s dominate and transform nature’ mentality (Kirman, 2008).
Two main attributes of the western or secularism approach to the environment relate to C1’s view. First, the mechanistic view is based on a scientific rational-causal relationship. Elements of the environment are not regarded as sacred and that human interaction with nature is purely relies on rationality, human reason and critical reflection (McGrath, 2003, as cited in Kirman, 2008). Second, secularism rejects the practices based on institutionalized traditional values and norms but accept those of rational and utilitarian basis (Kirman, 2008). From this perspective, C1’s perception towards the environment reflects humans’ utilitarian nature of interaction with the environment. Every action taken in connection with the environment was made to fit the aim to live comfortably, even at the expense of damaging ecological balances.

B1, on the other hand, proposed that the responsibility to care for the environment emerged from the idea of ‘giving back’. B1 believed that God has given all the necessities for human to survive and settle in. Thus human ought to care for the environment as an appreciation to the gift. Although this view did not fully reflect the Islamic concept of ‘responsibility’, it resembled the trusteeship principle of the Islamic environmental ethic. B1’s concept of ‘giving back’ restricts unconditional human access to the environment, as proposed by the Shariah.

The above analysis shows that religious information did not, in its true sense, influence managers’ environmental belief. As shown in Figure 6.3, the scientific rational-causal relationship was derived from the view that humans are responsible to ensure he or she can ‘live in peace’. This view matches the secular materialist view of the social reality. The ‘giving back’ view of human’s responsibility towards environmental protection is partly linked to the trusteeship principle of the Islamic environmental ethics (dotted line).
In addition to the religious and non-religious information, managers’ environmental belief was also influenced by both work (A1, B1, B2, B3, F3, D1, E2, E3, D3) and life experiences (A2, D3, E1 C2, E2, F3, D1, A3, B1, C1, C3). Managers’ work experience is very much related to the legal requirements. For instance, A1 admitted that his work involvement in corporate environmentalism has made him realize that caring for the environment is a good approach to the sustainable living. Life experience, according to A1, is very much influenced by the surrounding factors such as societal influences.

Analysis on the work experience as an impacting factor for managers’ environmental belief reveals that it originated from the need to fulfill external legal requirements (Figure 6.4). As part of the work requirement, managers were made to involve in various environmental care procedures to ensure the fulfillment of legal requirements. For instance, a proper drainage is required to ensure chemicals are properly disposed according to the procedures. In addition, managers were also required to gather information about the current environmental issues such as air pollution which is hazardous to human health. Managers’ belief is therefore, directly influenced by the need to fulfill legal requirements, and directly through the information about the current environmental condition.
The need to involve in environmental care practices and to gather information about the state of environmental condition form parts of managers’ work requirements, which were driven by the need to fulfill legal requirements. Thus, managers’ work experience is actually associated with and driven by the need to fulfill requirements set by legal bodies. Further discussion on legal requirements that arose from pressures exerted by legal bodies and their association with Islamic perspective is presented in the following section (Section 6.2.2).

Analysis on life experience as an impacting factor to managers’ belief reveals that the surrounding people played an important role in shaping managers’ belief. Such an influence came from family members and members of a greater society, as well as managers’ own experience.
dealing with the environment (Figure 6.5). As a social actor in the greater society, managers were influenced by how other social actors behaved and reacted towards the environment. A2, A3, D3 and E1 admitted that the practice and attitude of other residences in the housing area influenced their view towards the environment. The tendency to adopt the same general view is greater when an individual regarded himself or herself as a part of the society he or she lived in. For instance, A3 felt odd when he did not join other residences in the community in carrying out environmental care activities. Therefore, he made an effort to learn about the practice through reading and observed how other residences behaved. Ultimately, he decided to join others in their effort to care for the environment. Similarly, A2 learnt about the activity of waste recycling from other residences who utilized the recycling facilities provided by the authority. The societal influence did not show any evidence to suggest that managers’ life experiences were associated with the *Shariah*, neither in the formal nor informal way. The former refers to *Shariah* rules pertaining to the environment while the latter is in the form of informal activities initiated by religious groups. Instead, such an influence was based on a universal worldview of saving resources and practicing a good way of life.

On a smaller societal scale, managers’ environmental belief was also found to have been influenced by immediate family members such as parents (C1, E2) and spouse (E1). Parental influence is in the form of discipline to ensure cleanliness of the house whereas spousal influence relates to outdoor activities and the appreciation of natural surroundings. In both cases, the influence was very much linked to the universal worldview of having a quality health. It also associated with human nature which is fond of cleanliness and beauty. Similar to the societal influence, family members’ influence was also not found originated from Islam.

Managers’ personal experiences on the current environmental condition also contributed to the construction of their environmental belief. Specifically, over time, managers bore witness of the changes in the climate as the result of global warming (A2), reduced green areas for development purposes (C2, E2, F3) and air pollution due to industrialization (C2). The deteriorating environmental condition has prompted managers to realize that the earth is becoming less capable
to fulfill humans’ demand. Having gone through the experience influenced managers to appreciate the natural environment. E1, for instance, valued the nature by appreciating the fresh smell of the surrounding flora. The nature appreciation sense has driven E1 to move out from the city and lives in an estate area surrounded by rubber trees. C3, on the other hand, blamed the pollution that causes his daughter to suffer from the harelip.

As discussed in the preceding sub-section, managers’ experiences were found to have based on the pre and post-damaged environmental conditions. Managers’ environmental belief was influenced by their own experience living in a post-damaged condition. The appreciation of nature and remorse feelings emerged after managers have gone through two different phases in life (pre and post-damaged condition). The findings also show that societal and family pressures, together with managers’ own experience that led to the belief that the environment is in need of protection, did not originated from the Shariah teachings.

The above analysis shows that Islam did not play any influential role in constructing managers’ environmental beliefs based on work and life experiences. The discussion on work related experience will be provided in the following section. Analysis on life experience as the factor influencing managers’ environmental belief shows that the society appeared as an influential factor. However, the influence was not associated with Islam, both at the societal and family levels. It was also observed that managers’ personal experiences in witnessing and experiencing environmental changes due to global warming effect and development are related to the post-damaged condition of the environment. Contrary to the pre-damaged condition proposed by the Shariah teachings, post-damaged condition associates with the secularist view to environmental protection.

6.2.2 External pressures
In addition to internal pressures, the findings show that both legal and non-legal external parties exerted pressures for firms to engage in corporate environmentalism. The former refers to
regulatory bodies that govern firms’ operations, while the latter comprises of other market players such as customers and competitors.

6.2.2.1 Legal pressures
Corporate environmentalism as a response to legal bodies’ pressures was aimed at gaining legitimacy in the form of licenses for continuous legal existence. Corporate environmentalism was carried out to fulfill industry’s strict requirements (D1), local authorities’ requirements (E2, D2), and quality certification (F2) (blue line in Figure 6.6). These responses are crucial to gain acceptance and approval from parties that exerted pressures. The red lines represent the legitimization process in which corporate environmentalism appeared as the response to legal pressures. Upon the fulfillment of the requirements, legitimacy is granted by legal, regulatory bodies.

Figure 6.6: Corporate environmentalism as the legitimizing agent via fulfillment of legal requirements

Legal pressures for corporate environmentalism did not emanate from the Shariah rulings. The current legal requirements in Malaysia do not have reference in matters pertaining to the environmental matters from the Islamic perspective. An overview of Malaysia’s approach towards environmental protection presented in Chapter 3 shows that the secular approach to environmental protection through regulatory mechanism (e.g reporting requirement, environmental law, National Environmental Policy) is purely based on the conventional perspective. The Malaysian Environmental Law, for instance, that consists of five sources;
statutes, subsidiary legislations, environmental guidelines, national environmental policy, environmental law principles (refer Figure 3.5), is very much influenced by the secularist. Thus, Malaysia’s environmental legal system neither originates nor associates with Shariah rulings of environmental care. Instead, firms’ engagement in corporate environmentalism represents a response to the legal pressures to gain legitimacy from external parties.

6.2.2.2 Non-legal pressures
Apart from legal pressures, firms also received pressures from non-regulatory bodies to engage in corporate environmentalism. Government and non-governmental bodies exerted pressures through various forms of incentives and requirements. Three types of impacting factors for firms to engage corporate environmentalism are shown in Figure 6.7; government incentives, non-profit organizations (NGOs) and international participation. Although not mandatory, these pressures are influential in influencing firms to enhance their environmental efforts (blue line in Figure 6.7). For instance, MGBC as one of the non-regulatory bodies that promotes green building in Malaysia has gained its success in promoting the development of buildings and townships with energy saving features. MGBC uses the Green Building Index (GBI)\(^{71}\) as the benchmark for environmentally responsible and resource-efficient indicators. Firms that received the GBI rating are regarded as successfully achieved a high level of success in environmental care. A1, for instance, revealed that the firm set a target to achieve the GBI highest recognition (platinum rating) for the townships which are currently under construction.

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\(^{71}\) Green buildings are designed to save energy and resources, recycle materials and minimize the emission of toxic substances throughout its life cycle. They also harmonize with the local climate, traditions, culture and the surrounding environment, besides able to sustain and improve the quality of human life whilst maintaining the capacity of the ecosystem at local and global levels. Green buildings make efficient use of resources, have significant operational savings and increases workplace productivity. In addition, green building sends the right message about a company or organization – that it is well run, responsible, and committed to the future (Green Building Index, 2012).
Figure 6.7: Corporate environmentalism as the legitimizing agent via fulfillment of non-legal requirements

The effort to achieve the aimed status (GBI recognition) was motivated by business-related benefits, with the ultimate aim to gain legitimacy (Section 6.4 provides detailed discussion on legitimacy issues). Although such aim matched with firms’ social responsibility agenda, *Shariah* did not appear to be influential.

The preceding discussion shows that both legal and non-legal pressures for corporate environmentalism did not emanate from the *Shariah*. *Shariah* appeared distinctive from the environmental issues, assessed from the source of pressures as well as the reason for adherence to the environmental requirements. The separation is also present at the regulatory level. Environmental matters are not explicitly stated as the defining criteria in the classification of securities into the *Shariah*-compliance and *Shariah*-non-compliance categories.\(^\text{72}\)

A close examination of the defining criteria for the *Shariah*-compliance category reveals that the environmental issues have never been considered as part of the *Shariah* requirement in determining the *Shariah*-compliant since its formation in 1996.\(^\text{73}\) The assessment of *halal* (permissible) and *haram* (non-permissible) only revolves around the nature of business operations.

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\(^\text{72}\) The Securities Commission, as the body governing the securities and future markets in Malaysia, has come out with such categorization in 1997 in view of the need of investors who are concerned with *halal* trading activities. The status of *Shariah*-compliant securities is determined by the *Shariah* Advisory Council (SAC). Members of the SAC comprise of experts in the legal and financial area, as well as *Shariah*.

\(^\text{73}\) Prior to the current setting, Bank Islam Malaysia Berhad has been the reviewer of the firms’ *Shariah*-compliant status.
Specifically, the previous criteria categorizes a security as *Shariah*-compliant if it does not extensively involved in: financial services based on *riba* (interest); gambling and gaming; manufacture or sale of non-*halal* products or related products; conventional insurance; entertainment activities that are non-permissible according to *Shariah*; manufacture or sale of tobacco-based products or related products; stockbroking or share trading in *Shariah*-non-compliant securities; and other activities deemed non-permissible according to *Shariah* (Appendix 6). Although the SAC has come out with a revised the screening methodology which took effect in November 2013, no specific reference is made to environmental issues.

A discussion with two members of the SAC confirmed that the environmental aspect has never been raised in the assessment discussion in the fourteen years of operation (1997-2011)\(^74\). The following extracts explain:

> We did not go further on how they (firms) have contributed to the environment (*Scholar2*).

> That is why we did not discuss because it has not been included. Because, if we consider the income, based on the nature of the business, what is assessed is based on the business context. (8.26) Based on the business context, if they do *halal* job, that is good, but if they pollute the environment, that is another problem. It is not related to whether the product is *haram* or *halal*. That is a side aspect (8.45). So, if they are at fault, they are guilty from the sideway aspect because they did not take care of the environment, that is another matter, but it is *halal* based from the nature of business. So SC just looked at that only (*Scholar2*).

Such findings show that environmental issues have been overlooked by the governing body in its assessment of the *Shariah*-compliant status. Nevertheless, the SAC of the SC recognizes the need to accommodate issues that may arise due to changes in the social environment. In view of this, the provision to include environmental issues in determining the *Shariah*-compliant category is included in the open clause of ‘other activities deemed non-permissible according to *Shariah*’ (Appendix 6). The open clause allows new items to be considered in the assessment criteria if deemed necessary. The following comment by the SAC member explains:

\(^74\) One of the scholars has been in the SAC committee since its establishment in 1997.
Because the others are clearly stated but the open clause can include many things that prone to change from time to time, SAC may need to decide what activities which do not comply with the Shariah, so they need to be flexible/open as there are many more to come. That is why they set the open-clause, because there is a possibility that one day there are other activities that could be included in assessing companies (Scholar2).

The SAC approach to allow emerging issues to be assessed under the open clause suggests that there is a room to consider environmental issues in the Shariah-compliant category of the SC. Such an approach is consistent with the Islamic way of incorporating mechanisms for adaptation to a change. This approach was adopted by the religious authority in Malaysia (JAKIM) in dealing with the smoking issue. Although smoking was previously allowed in Islam but since it contributes to health hazard, JAKIM has issued a fatwa that smoking is haram (Appendix 7). The decision was made on 23 March 1995 based on numerous references to the Quran and other sources\textsuperscript{75}. The following reference from the Quran explicitly prohibits any kind of destruction to anybody or anything. In the case of smoking, toxic ingredients in the cigarette not only cause destructive effects to the active smoker but also to passive smokers.

\textit{And do not accidentally throw yourselves into destruction (Quran 2: 195).}

The open clause in the SC criteria for Shariah-compliant category allows environmental issues to be included in assessing firms as Shariah-compliant or non-Shariah compliant. However, there was no further consideration or any move to incorporate environmental issues into such categorization has been made.

In addition to pressures from the government and non-government organizations (NGOs), firms also received pressures from non-legal parties such as other market players (competitors), as well as customers. Non legal parties refer to parties that do not have any legal rights to impose requirements for firms to comply with. However, in the absence of legal obligation to respond to this type of pressures, firms adhered to such requirements to ensure survival in the market. B3,

\textsuperscript{75} Imam al-Shafie had issued a fatwa in his famous al-Umm, namely, ‘If they take (a food, beverage or something smoked, sniffed or inhaled can be intoxicating) then the act is clearly illegal. (Including) containing toxins that cause death. I still consider (issue fatwa) it is illegal. Allah ban (any kind) killer murder means killing myself’.

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C1, D2, D3 and E1, for instance, admitted that corporate environmentalism represented a response to the competitors and customers’ pressures with the aim to secure business dealings. In other words, firms undertook corporate environmentalism to gain acceptance from social actors in the market, other than legal and regulatory bodies.

Competitors imposed indirect pressures for firms to adhere to environmental requirements. Both firms and competitors compete with each other to fulfill customers’ environmental requirements. Parties that failed to fulfill the requirements in the open market competition will lose out to their competitors. Hence, the fulfillment of environmental requirements by firms was actually driven by the need to remain competitive in the market.

Analysis on the customers’ pressures reveals that they were originated from legal pressures, both at international (C1, D2) and domestic (D3, E1) levels. This is mainly due to the fact that pressures were exerted by corporate customers and not individuals. Corporate customers were bound with legal requirements, which subsequently being passed on to the firms in the form of non-legal pressures to engage in corporate environmentalism (Figure 6.8).

Figure 6.8: Legal bodies and competitors as the source of customers’ pressures for corporate environmentalism
Figure 6.8 shows the associations between corporate customers and legal bodies and competitors as the source of pressures for corporate environmentalism. Local and international legal bodies appeared to be the main source of pressures for corporate environmentalism. Corporate customers were pressured to fulfill legal requirements (blue arrows) and subsequently transferred the pressures to firms in the form of non-legal pressures (purple arrows). Firms are obliged to fulfill customers’ pressures to avoid losing business opportunities to the competitors. Thus, corporate environmentalism represented the response for non-legal pressures exerted by corporate customers. Upon the fulfillment of the requirements, corporate customers will then confer legitimacy to firms.

The above discussion shows that requirements from local and international legal bodies emerged as the main factor for corporate environmentalism. These pressures were exerted by local and international corporate customers. The findings are consistent with findings in the preceding section. Shariah did not appear to be associated with legal pressures exerted by local and international regulatory bodies.

In summary, this section discusses two types of pressures (internal and external) received by firms in view of Islamic influence. Analysis on the internal pressures for corporate environmentalism reveals that Shariah teachings neither played any role in constructing managers’ environmental belief nor influenced managers’ belief through the process of learning (via information) and adaptation (via experience).

Analysis on external pressures reveals that firms received pressures from legal (regulatory bodies) and non-legal parties (customers and competitors). Both pressures originated from legal requirements and did not have any Shariah reference and influence. The detachment of environmental issues and the Shariah was also observed at the regulatory level. Environmental issues were not explicitly stated in the pre-defined criteria of halal and haram securities, and have never been included in the SAC discussion since its establishment in 1997.
6.3 TOP MANAGEMENT AS THE DRIVER OF CORPORATE ENVIRONMENTALISM

Findings presented in the preceding chapter reveal that current and previous top management emerged as drivers for corporate environmentalism. This section continues to analyze this finding from the Shariah perspective.

The move for corporate environmentalism was found to have come from internal drive and/or as a response to external pressures from parties such as legal bodies (legal external pressures) and competitors and customers (non-legal external pressures) (Section 5.2). The drive for corporate environmentalism have arisen directly from managers’ individual belief, and indirectly from external pressures in which managers were made to believe that corporate environmentalism is the right thing to do (brown line in Figure 6.9).

![Diagram](image_url)

Figure 6.9: Individual belief and external pressures as factors influencing the driver of corporate environmentalism

At one end, corporate environmentalism was initiated out of the internal drive, which refers to the managers’ belief that it is the right thing to do. In its general sense, such a belief is consistent with the Islamic view of an individual’s responsibility towards the nature. This view comes under the umbrella concept of Man’s submission to Allah. Man is therefore responsible to ensure justice to his/her environment. Since firms are regarded as an entity that has responsibilities as a social actor in the society, top management as an agent for the principal (owner) is therefore obliged to ensure that firms fulfill their socio-economic justice.
However, analysis on the construction of managers’ environmental belief shows that the concept of ‘protection’ is not rooted from the *Shariah* teachings (refer Section 6.2.1). *Shariah* teachings also did not appear to influence managers’ learning process. Instead, managers’ work and life experiences were directly influenced by the secularism (via legal requirements).

At the other end, the drive for top management to engage in corporate environmentalism was found to have come from external pressures. Corporate environmentalism was initiated by the need to fulfill regulatory requirements (F1, F2) and remain competitive in the market (D1, D3, F1, F3). Similar to the individual belief, external pressures were not found to be influenced by *Shariah*. Discussion in the preceding section (Section 6.2.2) suggests that the main source of external pressures arose from legal requirements, which was influenced by the secularist view.

Analysis on external pressures shows that legal requirements were directly exerted to the top management, and indirectly via top management’s individual belief. Regardless of the way external pressures affected top management’s responses to corporate environmentalism (either directly to the top management or indirectly by affecting top management’s individual belief), the main source of pressure was found to have come from legal requirements. Discussion in the previous section reveals that legal requirements are heavily influenced by the secularism.

The above discussion concludes that top management appears as the driver for corporate environmentalism. The effort to engage in corporate environmentalism was driven by the belief that corporate environmentalism is the right way of doing business, and/or influenced by external pressures in the form of legal and non-legal requirements. Regardless of the source for such drive, analysis in the preceding section revealed that the individual belief and the need to fulfill legal requirements were rooted from secularism.
6.4 CORPORATE ENVIRONMENTAL AIMS AND EFFORTS FROM AN ISLAMIC PERSPECTIVE

Findings in the preceding chapter (Section 5.4) show that firms set their environmental aims to gain external recognition, extending sustainable value and practices to external parties, and internalizing sustainable value and practices within firms. This section discusses the three aims together with the efforts taken in realizing the aims, in view of Islamic concept of environmental responsibility.

6.4.1 Gaining external recognition aim

Analysis in Chapter 5 reveals that corporate environmentalism served as an agent to gain recognition from parties external to the firms. The recognition is in the form of societal acceptance that enabled firms’ to continuously exist as a legal entity. As an actor of a greater business environment which is very much reliant on others for resources, such an acceptance or approval is an utmost importance for business survival.

The need to have access to external resources and gain external recognition is crucial for firms to survive. Findings in Chapter 5 show two main efforts were undertaken to achieve external recognition aim; portraying sustainable image, and implementing sustainable business practices (Figure 5.10). The portrayal of image refers to efforts to develop (A1,A2,B2,B3) and maintain firms’ sustainable image (A1,A2,B2,B3,E1,F2). On the other hand, the implementation of sustainable business practice in the business operation (A1,C1,C3,E1,E3) was aimed at conforming to the standard imposed by various regulatory and accreditation bodies (A2,C2,F3). The fulfillment is to ensure (continuous) recognition by the regulators and certifier bodies that grant the permit, licenses or accreditation status.

The aim to gain external parties’ approval through displaying sustainable image was carried out through the dissemination of information about the sustainable activities to the stakeholders. Firms employed various ways to convey such information to the intended recipients, such as media releases (A2, B1), special report (B2), consultation (A1) and seminars (A1, A2, B1). From
this perspective, societal perception appeared as an important aspect to gain acceptance. Efforts to influence public perception were further supported by hard evidences. Accrediting and legal bodies circulated and acknowledged the public about the efforts via annual reports and press releases. Below is an example of the information conveyed to the public pertaining to the achievement in securing the accreditation status:

ISO 9001 Certification: The Commercial Business Division which secured the ISO 9001 certification in 2008 was re-certified in 2011 by SIRIM, based on the ISO Rectification Surveillance Audit conducted in February 2011. With this seal of approval, industrial and commercial customers are assured of the international standard of our work processes and procedures. These are further backed by our commitment to service excellence, quality assurance and competent manpower, to deliver the best for our customers (E, Annual Report 2011, p.40).

The findings reveal that firms emphasized the portrayal of a good image with the support of objective and hard evidences such as the accreditation report. Image and the use of strong words such as ‘service excellence’ and ‘quality assurance’ do not at all time hold significant true meaning of responsibility. Such an approach is based on the belief that the impression is more important than the actual activities carried out.

From another perspective, the Islamic approach to corporate environmentalism focuses on the spiritual and moral dimensions of the concept of ‘responsibility’. The portrayal of a good image is meaningless compared to the actual act of being ‘responsible’. Therefore, although Islam calls for Man to be good to other creations, it does not support the idea of informing others about it. As such, Islam dismisses the need for firms to inform others (stakeholders) about their good deeds. Instead, Islam emphasizes the actual practice that comes out from the belief of being responsible. The following verse of the Quran is referred:

If ye publish your almsgiving, it is well, but if ye hide it and give it to the poor, it will be better for you, and will atone for some of your ill-deed. Allah is informed of what ye do (Quran 2:271).
Firms’ efforts to gain external recognition resemble the secularist view to social reality in which soft properties and spiritual aspect of the issues concerned are neglected (Parvez & Ahmed, 2004). As the findings revealed, the emphasis was on material aspects and hard properties. Firms highlighted the importance of achieving and maintaining the accreditation status and provided objective evidence to prove such achievement. The ISO certification represents the hard evidence that the firm has successfully gained a certain level of achievement or status. This approach relies heavily on the extrinsic mechanism to ensure compliance to such standard.

Figure 6.10: A comparison between the secularist approach adopted by firms and the Islamic approach to gain external recognition

<table>
<thead>
<tr>
<th>Firms/ Secularist approach</th>
<th>Islamic approach</th>
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<tr>
<td><strong>External parties</strong></td>
<td><strong>External parties</strong></td>
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<tr>
<td>confirming</td>
<td>trust</td>
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<tr>
<td><strong>Control mechanism</strong></td>
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<td>fulfillment</td>
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<tr>
<td><strong>Firms</strong></td>
<td><strong>Firms</strong></td>
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</table>

On the contrary, Islam looks at corporate environmentalism from a different view. From an Islamic perspective, no external control mechanism is needed to ensure the fulfillment of firms’ socio-economic responsibilities. In the normative form, firms shall perform their corporate responsibility obligation in their best possible way when it is believed that they are obliged to do so. This situation happens when the trust level between the social actor and the Creater (Allah) is at the highest level. However, a heavy reliance on control mechanism reflects the weakening of trust between firms and their stakeholders, and Allah. As shown by the findings, third party’s (certifier bodies) involvement was needed as an assurance of the fulfillment of the stakeholders’ requirements. Similarly, verification by the third party in the form of accreditation and licenses was required to increase stakeholders’ confidence that firms have indeed carried out their
environmental responsibilities. Such findings suggest that the trust between firms and the stakeholders is almost non-existent as both parties are reliant on the regulatory or accreditation bodies’ role as a controlling agent (Figure 6.10).

As shown in Figure 6.10, the component of ‘trust’ dismisses the need for control mechanism as firms should be aware of and willingly bear the responsibility to fulfill their obligation towards Allah. On the other hand, external parties should have unconditional trust towards firms that they have performed the socio-economic obligations in the best possible way.

Figure 6.11: The external recognition aim of corporate environmentalism: a comparison between firms’ approach and the Islamic perspective

![Diagram](image)

Figure 6.11 shows the differences between firms’ secularist approach and Islamic perspective to gain external recognition. Findings from the study revealed that firms emphasize observable and material forms of social reality in the effort to gain external recognition. Therefore, control mechanism is very much needed as an assurance of compliance to the external parties’ requirements. On the contrary, Islam promotes the component of trust between firms, the
stakeholders (customers, suppliers and regulators) and Allah. As such, Islam does not support the idea of informing others about the good deeds and the need for explicit evidence as an assurance of compliance. The trusteeship principle should be an integral part of the human personality and behavior in the context of care for the environment. It should be regarded as mandatory obligation as an appointed trustee (caliph) of Allah.

6.4.2 Internalization of sustainable value and practices aim
The second aim that emerged from the data is internalization of sustainable value and practices. A two-step approach was adopted in realizing this aim. The process of instilling the sustainable business value and practices started when staff members accept the value and practices as their own. Once the value and practices are congruent with the staff’s personal value and practices, the practices become a norm and they shall willingly practice them at the workplace (black dotted arrow in Figure 6.12). From the normative aspect, this aim is set to minimize or avoid the use of the extrinsic mechanisms because once the sustainable value and practices are accepted as personal value and practices, staff members would practice the sustainable way of conducting business operation without the need of supervision or control mechanism.

Analysis on the internalization of sustainable value and practices as the corporate environmental aim reveals that it is associated with the aim of gaining external recognition (red arrow in Figure 6.12). In the effort to get legal approval from regulatory bodies and acceptance from other social actors, firms need to ensure that every detail of the set procedures is followed. However, recognizing the difficulty to ensure compliance, firms adopted a soft approach by changing the perception of the staff members to accept sustainable business value as their personal value. This aim appeared consistent with the Islamic approach in which environmental issues are tackled from moral and spiritual dimension. However, analysis on the reason why firms set this aim, and the way it was executed suggest otherwise.
The above discussion suggests that the internalization of sustainable value and practices aim serves as a medium to achieve the ultimate aim of gaining the external recognition aim (Figure 6.12). External recognition aim can only be achieved when external procedures and requirements are fulfilled. In ensuring adherence, firms need to get the staff members to strictly follow all of the requirements. In order to save cost of non-compliance and monitoring costs, firms decided to instill the sustainable value to the staff members and subsequently enforced it as a practice at the workplace.

Two impacting factors that motivated the internalization of sustainable value and practices aim are identified from the analysis. First, the ultimate aim is to achieve external recognition from other social actors (legal bodies, customers and competitors) for continuous survival. Second, the aim was set to reduce monitoring cost. Both factors suggest that the focus on material and economic resources appeared as the main factors to realize such aim.

Although the effort to minimize the need for control mechanism resembles the Islamic approach to corporate environmental responsibility (blue dotted arrow in Figure 6.13), the focus on the profit suggests otherwise. Materialism became the main concern at all time, and thus the aim to
internalize the sustainable value and practices was intended to increase the profit via the reduction of the supervisory costs (Figure 6.13).

Figure 6.13: A comparison between firms’ and Islamic approaches to the internalization of sustainable value and practices aim of corporate environmentalism

<table>
<thead>
<tr>
<th>Firms’ approach</th>
<th>Islamic approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internalization of sustainable value and practices</td>
<td>Internalization of sustainable value and practices</td>
</tr>
<tr>
<td>Minimize control</td>
<td>Dismiss control mechanism</td>
</tr>
<tr>
<td>Profit</td>
<td>Trust</td>
</tr>
<tr>
<td>Mandatory</td>
<td>Voluntarily</td>
</tr>
<tr>
<td>Objective data</td>
<td>Subjective</td>
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</tbody>
</table>

On the same line of argument, the emphasis on the profit is evident through the use of mandatory control mechanism. In the effort to promote sustainable business value and practices among the staff members, environmental-related aspect was included in the work performance assessment. Although this approach is claimed to be a motivating factor, it actually served as indirect rules which were made mandatory for staff members to comply with. B1’s explanation below reveals how monetary incentive was used as the key performance indicator (KPI) to encourage staff to support corporate environmentalism.

..now we a making is as a KPI for them that everybody has to do to deliver like 3 sessions per year (B1).

Similarly, B3 explained how a strict monitoring way was employed to track the energy saving effort. Objective data in the form of statistical record based on the water usage was prepared to measure the success of the effort. The following extract from B3 explains:
We are actually monitoring the usage on the monthly basis. The number that we are looking at is cubic meter, the number of cubic meter used on a monthly basis and actually looking at the trend, we don’t look individual trend, we look B as a whole. I think the previous one, the number declining and I am quite happy with that (B3).

Contrary to the above mandatory enforcement and reliance on objective data, the Islamic approach of instilling sustainable value and practices among individuals is based on the rust-building. Staff members should be given the trust that they will achieve the internalization of sustainable value and practices aim (voluntarily) without a heavy reliance on objective control mechanism (subjective) (green boxes in Figure 6.13).

The above analysis reveals that the effort to instill sustainable value among the staff members has the ultimate aim to gain external recognition. Although such aim seems congruent with the Islamic approach of promoting sustainable value and practices among individuals, the implementation aspect suggests that it resembles the secularist approach through a great emphasis on objective measures such as the profit. The mandatory inclusion of environmental aspect in staff performance assessment, together with a close scrutiny on the usage of energy reflects a heavy reliance on the hard property and material aspect of social reality. Islamic approach that promotes trust between the parties involved to achieve the aim does not seem to have any influence.

6.4.3 Extending sustainable practice to external parties aim
Findings in the preceding chapter reveal that, in addition to internalize sustainable value and practices to the internal staff members, firms also aim to extend it to other external parties. This aim was realized by influencing and educating external parties to support corporate environmentalism. The same process adopted in the internalization of the sustainable value and practices was observed. To achieve the aim, firms seek support from operational parties to ensure the fulfillment of the procedures and requirements set by legal regulatory bodies, as well as the
customers. Figure 6.14 shows the association between ‘internalization of the sustainable value and practices’ and ‘extending sustainable value and practices to others aims’ in achieving the ‘external recognition’ aim.

Figure 6.14: The link between the internalization of sustainable value and practices, and extending sustainable value and practices, and external recognition aims

Being the party that directly deals with customers and legal regulatory bodies, firms are liable for the environmental impact from their business operations although the work was carried out by the appointed external parties (Figure 6.15). In the event that the appointed parties failed to fulfill legal regulatory bodies and/or customers’ requirements, firms will be liable to all possible consequences such as financial penalty (A3) and/or tarnished of good image (A1).

Due to various consequences of non-compliance, firms employed the monitory mechanism to ensure that the appointed parties follow the requirements set by legal regulatory bodies and customers. The ‘award of contract’ strategy (A3, B2, F2, F3), for instance, penalized the appointed parties in the form of financial aspect, as well disqualification for job opportunities. Although Islam imposes financial penalty for various offences, firms’ approach to restrict job opportunities did not appear to treat the root of the problem as proposed by Islam. Instead, this
approach only provides a temporary solution to the environmental problem. The element of trust that should be built between parties involved remains lacking or even non-existent.

Figure 6.15: Firms as the liable party to fulfill the requirements of legal regulatory bodies and customers

In general, although the effort to influence and educate external parties in matters concerning the environment is consistent with the Islamic view of responsibility, the findings of the study showed otherwise. The ultimate aim of extending sustainable value and practices to others appeared to support the external recognition aim. The same findings were found for the internalization of the sustainable value and practices aim (Figure 6.12). Both aims were set with the main aim to gain recognition from external parties such as legal and non-legal parties.

Figure 6.16: External recognition as the main aim of corporate environmentalism
In summary, all the three corporate environmental aims set by firms are inter-related with each other. As shown in Figure 6.16, the external recognition appears as the main aim for corporate environmentalism. Firms engaged in corporate environmentalism to gain external recognition from parties who possess resources required by the firms for their operation. Thus, acceptance by other social actors in the legal and non-legal forms is regarded as the utmost importance.

Analysis on the strategies employed to operationalize the three corporate environmental aims reveals that they are inconsistent with the Islamic approach to corporate environmentalism. The results show that the aims and implementation mechanism fit well into the secularist view of corporate environmentalism that emphasizes material aspect of social reality. The Islamic approach of corporate environmentalism that promotes trust as the key component did not appear to be influential.

**6.5 CHAPTER SUMMARY**

This chapter discusses findings presented in the preceding chapter in light of the Islamic perspective of corporate environmental responsibility. Each factor and step in the corporate environmentalism process was analyzed from the Islamic perspective. Internal pressures that originated from managers’ personal environmental belief show that it was constructed out of the secularist perspective of looking the environment from the demand-side and post-damaged condition. Islam also was found not to influence managers’ belief, neither in the form of information nor experiences. The same findings were found for external pressures. Legal requirements emerged as main factor for corporate environmentalism. Firms were directly pressured by regulatory bodies and indirectly by customers and competitors to comply with legal requirements. Analysis on the source of legal requirements in Malaysia shows that it is based on the conventional, secularist perspective due to the heavy influences of the United Nations conventions.
Three corporate environmental aims, namely external recognition, internalization of sustainable value and practices, and extending sustainable value and practices, were found related to one another. The external recognition aims emerged as the main aim, supported by the other two aims. Analysis on the aim to gain external recognition revealed that it resembled the secular-economic approach which emphasized the materiality and objectivity aspects. The findings also revealed that efforts to realize the aim were heavily relied on extrinsic control mechanisms. External and independent parties were very much reliance on reports with objective data to convince stakeholders that firms have fulfilled their requirements in the required manner. *Shariah* did not seem to be influential in setting the aim, as well as in the implementation phase.

Discussion of the findings continues in the next chapter, incorporating extant literature to produce a grounded theory of corporate environmentalism in Malaysia.
CHAPTER 7: A THEORY OF CORPORATE ENVIRONMENTALISM IN MALAYSIA FROM AN ISLAMIC PERSPECTIVE

7.1 INTRODUCTION
The preceding two chapters present the findings of the research. Chapter 5 discusses factors that influence corporate environmentalism among Shariah-compliant firms in Malaysia. Pressures from within and outside firms are considered and incorporated into corporate environmental aims and strategies of these firms. Firms responded to these pressures by fulfilling the demands in the form of legal and non-legal requirements. Legitimacy is granted when parties exerting pressures are satisfied with the fulfillment of their requirements, and in return provide access to their economic resources. These findings are grounded based on empirical data and supported by the managers’ views, which are transformed into conceptual codes and categories during the grounded theory method of analysis. Chapter 6 examined the degree of influence Shariah principles have on corporate environmental practices among Shariah-compliant firms. Based on the analysis from Chapters 5 and 6, this chapter develops a theoretical underpinning for corporate environmentalism among Shariah-compliant firms in Malaysia.

7.2 PRESSURES FOR CORPORATE ENVIRONMENTALISM, ISOMORPHISM AND LEGITIMACY

7.2.1 Types of pressures
Findings in the preceding chapters reveal that the corporate environmentalism cycle started when firms received pressures from internal (F1,A1,A2,B2,A3,F3) and external parties (B3, C1, C3, D1, D2, D3, E1, F2). Managers identified internal management, as well as various legal (D1,E1,D2,F2,C3) and non-legal parties (C1,E1,D2,B3,D3) such as the customers and competitors, as parties who have driven or exerted pressures for firms to engage in corporate environmentalism. These social actors are influential in directing corporate environmentalism, regardless of the extent of their direct and indirect contributions or involvements.
As stakeholders of the firms, each and every party identified by the managers is important to the firms’ existence. The interdependency between firms and their surrounding elements reflects Scott’s (1998) perspective of an organization as an open system. As an element of a system, firms influence and are influenced by other elements of the system, namely the social structure, goals, participants and technology (Figure 7.1).

![Figure 7.1: Leavitt’s Diamond: A model of an organization](source: Scott (1998, p.17), modified from Leavitt (1965, p.1145).)

The identification of various influential parties to firms has been documented in the corporate environmentalism literature. Henriques and Sadorsky (1999), for instance, found that internal management perceived the regulators, organizational members, community members and the media as important parties in the natural environment management. Studies by Bansal and Roth (2000), Arora and Cason (1996), Berry and Rondinelli (1998) and Banerjee et al. (2003) found that regulatory compliance, competitive advantage, stakeholder pressures, ethical concerns, critical events, and top management initiative as factors contributing to the firms’ responses to the environmental issues.

Other studies on corporate environmentalism also provide support on the importance of various stakeholders to the firms. Gray, Kouhy, and Lavers (1995) for instance, found that firms disclosed environmental information due to the concern of the firms-society interactions pertaining to the natural environment, employees, communities and customers. Sandhu’s study (2008) on a developing country reveals similar findings. Customers (multinational organizational
buyers) and institutional pressures for internationalization were found to be the main factors for corporate environmentalism in India.

On the same note, findings of this study show that firms, as an element of a greater society, are influenced by the social environment. Both internal and external pressures emerge out of the interactions between firms and other social actors. However, a closer examination of the data collected from Shariah-compliant firms reveal that none of the pressures received by firms are associated with parties related to Islam. Neither regulatory bodies such as the Malaysia Department of Islamic Development (JAKIM) nor other non-regulatory bodies in charge of Islamic affairs emerge as exerting pressures for corporate environmentalism among Shariah-compliant firms. The following section provides a discussion on factors impacting firms’ responses to the pressures of meeting environmental requirements.

7.2.2 Factors impacting firms’ response to pressures
Findings from Chapter 6 reveal that internal and external pressures impact corporate environmentalism, both in positive and negative ways. At one end, the pressures enhance corporate environmentalism but at the other, they pose constraints. For instance, firms engage in corporate environmentalism to remain competitive in the market through the fulfillment of customers’ requirements (e.g D2). However, corporate environmentalism reduces firms’ competitiveness due to its adverse impact on profit (e.g D3).

Table 7.1: Factors impacting corporate environmentalism: selected extant literature

<table>
<thead>
<tr>
<th>Factors</th>
<th>Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitiveness</td>
<td>Sandhu (2008); Bendell and Kearins (2005); Banerjee et al (2003);</td>
</tr>
<tr>
<td>(Business opportunity/Public concern/</td>
<td>Bansal and Roth (2000); Berry and Rondinelli (1998)</td>
</tr>
<tr>
<td>Stakeholders’ forces; Financial reason)</td>
<td></td>
</tr>
<tr>
<td>Legal requirements</td>
<td>Sandhu (2008); Banerjee et al (2003); Berry and Rondinelli (1998)</td>
</tr>
<tr>
<td>Individual belief/ Managerial attitude/</td>
<td></td>
</tr>
<tr>
<td>Ecological responsibility</td>
<td>Sandhu (2012); Sangle (2010); Bendell and Kearins (2005); Banerjee et al (2003); Bansal and Roth (2000)</td>
</tr>
</tbody>
</table>
The current findings show that corporate environmentalism among Shariah-compliant firms in Malaysia are driven by the need to remain competitive in the market (C1,E1,D2,B3,D3) and to fulfill legal requirements (D1,E1,D2,F2,C3). In addition, the data also suggests that corporate environmentalism is carried out as a response to the top management’s individual belief (F1,A1,A2,B2,A3,F3). As shown in Table 7.1, three factors that drive corporate environmentalism appear consistent with prior findings in different settings.

The following section explores factors that contribute to corporate environmentalism among Shariah-compliant firms in Malaysia by incorporating existing theories in the literature and from an Islamic perspective. Specifically, the analysis investigates the underlying reason for the fulfillment of the external parties’ legal and non-legal requirements and their implementation aspect. The analysis also examines managers’ environmental belief as an internal drive for corporate environmentalism.

7.2.2.1 Corporate environmentalism as a response to external pressures
Findings in the preceding chapters reveal that firms respond to external pressures with the aim to fulfill both legal and non-legal requirements. The former is considered as a mandatory requirement to gain recognition from a legal perspective. Without such recognition, firms are in breach of a pre-condition for legal existence. Firms also fulfill non-legal requirements to gain acceptance from parties such as customers and shareholders. As such, firms’ responses to the external legal and non-legal pressures appear to be as important mechanism to gain legitimacy from multiple stakeholders. This is important for achieving competitiveness and sustainable development.

From a theoretical perspective, such phenomenon is referred to as legitimation\textsuperscript{76}. It refers to a situation in which institutions are linked to a broader cultural framework of beliefs that are

\textsuperscript{76} Various definitions of legitimation are available. For instance, Parsons (1963, p.175) defines legitimation as ‘the appraisal of action in terms of shared or common values in the context of the action in the social system’. Sethi (1975, p.60) suggests that ‘legitimation involves not only the type of corporate activities, but also the process of
presumed to be generally accepted as objective social facts. Legitimation arises from diverse sets of social actors of a business environment, including customers, employees and regulatory bodies. Legitimacy ensures the survival and success of a firm in its social environment. To secure such position, firms require more than material resources and technical information to gain social acceptance (Scott, 2008).

The study notes the need to respond to the customers and legal bodies’ requirements. This reflects the perceived importance to adapt to the collectively accepted social norms, values and beliefs pertaining to the environmental issues to gain legitimacy and therefore, ensure continuous existence and success in the greater society. Sethi (1975, p.60) refers to responses to market forces or legal constraints to gain legitimacy as a ‘social obligation’. Among past studies that provide evidence on the inclusion of various stakeholders in business strategies to maintain the competitive advantages are Neu, Warsame, and Pedwell (1998), Mitchell, Agle, and Wood (1997), Henriques and Sadorsky (1996), Henriques and Sadorsky (1999) and Sandhu (2008).

Findings from the study also reveal that Shariah-compliant firms in Malaysia encounter pressures from other market players to engage in corporate environmentalism. Firms compete with each other to find the best available alternative to gain legitimacy. Pressures to choose the best option lead to these firms to learn from one another and this subsequently resulted in homogeneity of practices, which is referred to as isomorphic behavior. Isomorphism refers to the process of homogenization of organizational forms and practices, as the result of organizational change to adapt to environmental characteristics (DiMaggio & Powell, 1983).

The findings suggest that Shariah-compliant firms in Malaysia gain legitimacy in the presence of isomorphic pressures from market players, as shown in Figure 7.2. Firms gain legitimacy upon

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internal decision making; the perception of external environment; the manipulation of external environment-physical, social and political- to make it more receptive to corporate activities; and the nature of accountability to other social institutions in the system’.

77 Dowling and Pfeffer (1975) and Epstein (1972) argue that legal criterion alone is insufficient to offer corporate legitimacy.
the fulfillment of the legal and non-legal requirements and this is referred to in the literature as \textit{pragmatic legitimacy}. Pragmatic legitimacy considers firms’ responses to the immediate stakeholders who have direct exchanges with the firms (Suchman, 1995).

Figure 7.2: Corporate environmentalism as a response to isomorphic pressures to gain legitimacy

The following sub-sections provide a more detailed discussion on the issues of isomorphism and legitimacy in relation to corporate environmentalism in Malaysia.

\textbf{7.2.2.1.1 Corporate environmentalism as a response to external legal pressures}

The data shows that firms fulfill legal requirements to get approval from the regulatory bodies (D2, E1). The firms adopt environmental management practices due to coercive isomorphic pressures from regulators, who establish and continually revise environmental standards and benchmarks for firms (Figure 7.3). Firms that do not conform to the established standard can face legal and other punitive measures such as fines. Firms that do not take corrective measures can lead to loss of license to operate (red arrow). Hence, firms received the approval to operate their businesses from regulatory authorities through the issuance of licenses and this is subject to regular renewals (represented by the blue arrow).
In the context of the study, legal requirements serve as the major factor for Shariah-compliant firms to engage in corporate environmentalism. This results in homogeneity in environmental practices. In other words, these firms comply with legal environmental requirements, gain legitimacy and continue to legally exist in the market. Thus, regulatory bodies appear as the party whose pressures influence Shariah-compliant firms’ corporate environmentalism behavior. The pressures are regarded as a mandatory force and thus fulfillment of the requirements becomes a pre-requisite for gaining legitimacy.

The presence of coercive isomorphic force that leads to the attainment of legitimacy in this study is supported by prior studies. Rowan (1982), for instance, provides empirical evidence in relation to the choice of organizational structure among public schools in the US. From a natural history
perspective, the study investigates the effects of changes in the social control networks on the administrative expansion (addition of structural units) among public schools. In educational organizations, institutionalized norms, values and technicality played an extremely important role in bestowing the legitimacy status. Rowan’s (1982) findings show that the adoption of such structures are very much influenced by the pressures to conform to the existing structures which have been supported and endorsed by key agencies in the institutional environment.

Similar findings were reported by Tolbert and Zucker (1983) and Mezias (1990). Tolbert and Zucker (1983) found that the adoption of the civil service procedures among cities was more rapidly done when coercive pressure, in terms of state mandatory requirement, was present. On the other hand, the adoption was done gradually in the absence of the state-level legitimation. Mezias’s (1990) findings also support the coercive pressures in the form of generally accepted accounting principles. The adoption of certain accounting practices by the reporting firms was significantly affected by the requirements of the regulator (Accounting Principles Board (APB)).

The current findings appear consistent with the results of selected studies across time and settings. The Shariah-compliant firms respond to coercive pressures which subsequently lead to a homogenous corporate environmental practice. Legal requirements emerge as the main factor that pressures these firms to engage in environmental activities. However, the findings are inconsistent with the context of the current study, in which Islamic teachings govern Shariah-compliant firms in Malaysia. The role of Islamic institutions in exerting coercive pressure for isomorphic corporate environmental practices among these firms is non-existent compared to practices relating to riba (interest), gambling and liquor.

Two main reasons can be identified for the above findings. First, no Shariah reference is made in the Environmental Quality Act 1974 (EQA) although the call for environmental care and

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78 Rowan’s (1982) study assumes that numerous agencies, such as the state and federal legislatures, the state education agency, and the teacher training institutions in the state, form a network. These agencies strive to maintain a state of balance, and this is achieved when ideological consensus and coordinated working relations are developed. The measurement of ‘balance’ in the study is based on historical sources.
protection in the Malaysia’s legal requirements (EQA) is congruent with the Shariah teaching. As a result, corporate environmentalism is perceived as and driven by secular, legal pressures, which is distinctive from the Shariah.

Second, environmental issues are not included in the Shariah requirements set by the Islamic regulatory bodies. For instance, environmental protection is not explicitly stated in the predefined criteria of the Shariah-compliant classification by the Shariah Advisory Council of the Securities Commission (refer Appendix 5 and 6). Similarly, halal certification by Jabatan Kemajuan Islam Malaysia (JAKIM) does not make any reference to environmental standards or practices. The omission shows that environmental issues are not considered as a serious issue that grant specific and detailed attention in the classification of the halal (permissible) and haram (forbidden) status. Without clear Shariah guidelines about environment standards and punitive measures for violation of the standard, it is unlikely Islamic regulatory authorities will form a coercive force for corporate environmentalism among Shariah-compliant firms in Malaysia.

The legitimacy process for Shariah-compliant firms in Malaysia with regard to corporate environmentalism is consistent with findings documented in past studies, where firms were found to be responsive to secular regulatory requirements (Sandhu, 2008; Shah & Rivera, 2013). The legitimacy process in response to the secular legal requirements as coercive isomorphic pressures for corporate environmentalism is shown in Figure 7.4. External secular legal requirements as a source of coercive isomorphic pressures forces firms to comply with legal requirements for legitimacy purpose. The legitimacy process is influenced by the secular materialist worldview. Upon the fulfillment of the legal requirements and supported with objective evidences, firms are granted legitimacy in the form of licenses for continuous existence.
Figure 7.4: Secular legal requirements as coercive isomorphic pressures for *Shariah*-compliant public listed firms to engage in corporate environmentalism

Figure 7.5 shows the current findings in view of the Islamic approach to corporate environmentalism. The blue arrows represent the findings of the study while the green dotted arrows show the *Shariah* normative way for firms to discharge their environmental duties. The secularist approach appears dominant in the corporate environmentalism process to gain legitimacy. Legal requirements imposed by the regulatory bodies form coercive isomorphic pressures for firms to engage in corporate environmentalism. Compliance reports serve as a verification of the fulfillment and as a return, legitimacy is therefore conferred by the regulatory bodies. Hard evidences such as reports that contain objective measures appear as important elements in the legitimacy process for secular regulatory authorities.

On the contrary, although *Shariah* emphasizes the component of trust in the legitimacy process, however, none of the managers made reference to the role of *Shariah*-principles in the decision making pertaining to environmental practices. Based on these findings, the *Shariah*-normative call for environmental practice was found to have negligible influence among managers in *Shariah*-compliant firms (shown as green dotted lines in Figure 7.5). This is because trust the anchor to adherence to Islamic environmental management practice is subjective in nature and has non-observable and non-measurable features. Hard evidences are unimportant from an
Islamic perspective to ensure adherence to legal requirements, as legitimacy is perceived as an element to gain blessings in the life thereafter.

Figure 7.5: Corporate environmentalism as a response to the coercive isomorphic pressures among Shariah-compliant public listed firms in comparison to the Islamic approach

Although in its normative form, trust plays an important role under the Shariah perspective of corporate environmentalism (Figure 7.5), Shariah does not deny the need for penalty and control mechanisms to promote learning and instill good values (Parvez, 2000). In other words, Shariah recognizes the need for the EQA as a mechanism to derive good corporate environmental behavior among firms. However, the fact that punitive measures for non-compliance to environmental standard have not been clearly articulated within the Shariah regulatory framework, coercive isomorphic pressure from Islamic regulatory authorities are not present among Shariah-compliant firms in Malaysia. Instead, secular legal requirements that have clearly specified the standards and punitive measures have greater influence on these firms.

In summary, the above discussion leads to the conclusion that the processes of isomorphism and legitimacy pertaining to corporate environmentalism are present among Shariah-compliant firms.
in Malaysia. However, the coercive isomorphic pressures are exerted by secular as opposed to Islamic regulatory authorities.

7.2.2.1.2 Corporate environmentalism as a response to external non-legal pressures

The study finds that Shariah-compliant firms in Malaysia regard non-legal parties such as customers and competitors as equally important as the regulatory bodies and thus, respond to their pressures. The fulfillment of non-legal requirements enables firms to gain acceptance from the broader group of stakeholders, resulting in access to external resources and opening business opportunities. The need to remain competitive in the market drives firms to respond to direct customers’ pressures (C1, D2, D3, D1, F3, F1) and indirect competitors’ pressures (B3) to retain and/or extend legitimacy. The reliance on the expectations of other social actors to gain legitimacy is referred to as the cognitive legitimacy. Such expectations are dependent on how well the social actors are informed about the firms (Suchman, 1995). ‘The shared conceptions that constitute the nature of social reality and create the frames through which meaning is made’ is referred to as the cognitive-cultural process, which is central to the cognitive legitimacy (Scott, 1998, p.67).

Various studies in other settings provide evidence on the cognitive legitimacy issue. For instance, Sandhu, Smallman, Ozanne, and Cullen (2012) find that a powerful supply chain customers and institutional pressures appear as the main drivers for corporate responsiveness. Steadman, Zimmerer, and Green (1995) assert that firms incorporate social and environmental issues into their corporate strategies beyond what is required by the legislation. For instance, the 'green movement' strategy benefits firms in enhancing their competitive advantage, globally as well as domestically.

Apart from identifying the types of non-legal parties, the current study explores reasons for the pressures being exerted to the firms. The results reveal that these pressures actually originate from legal requirements (Section 6.2.2.2). Corporate customers were pressured to fulfill legal requirements and therefore transferred the pressures to the firms. C1 and D2, for instance,
identified the Europe and US regulations as the factor behind their international customers’ pressures, while D3 associated local customers’ requirements with the industry’s strict requirements.

Figure 7.6: Legal requirements as the main source for corporate customers and competitors’ pressures for corporate environmentalism, in view of Shariah

Figure 7.6 shows the current findings in relation to external, non-legal requirements as the pressures for corporate environmentalism in Malaysia. Non-legal requirements refer to the requirements set by parties who do not have the regulatory power to impose legal restrictions to firms. As revealed by the findings, legal requirements based on the secularist perspective (blue box) emerge as the main source for customers and competitors’ pressures. Shariah, as shown by the green dotted arrows, is not influential in affecting the customers and competitors’ pressures for corporate environmentalism in Malaysia.

The findings show that corporate customers and competitors do not perceive the need for corporate environmentalism as arriving from the religious, Islamic perspective. Instead, environmental protection is perceived as mandatory legal requirements for the survival of business operations. Thus, legal requirements for corporate environmentalism and the Shariah call for environmental care are perceived as unrelated. At one end, legal requirements are
enforceable by law and the fulfillment is supported by hard evidences with objective measures. Failure to comply with legal requirements leads to various forms of material losses. However, Shariah call for environmental protection emerges out of the divine urge to gain blessings from the ultimate owner of the universe. No measure is available to trace the level of fulfillment as the whole process of discharging obligation and gaining legitimacy is based on trust. Therefore, Shariah does not appear as external non-legal pressures for corporate environmentalism in Malaysia due to the dominancy of the secularist worldview which looks at the social reality from a material perspective.

The findings of the study show that firms regard customers and competitors as the party that grants legitimacy. As such, customers and competitors set their own set of requirements and became the source of authority to assess the compliance or fulfillment of the requirements prior to granting of legitimacy. Although these parties do not have the power to enforce compliance or provide any authority for firms to adhere to the requirements, firms are highly likely to comply with the requirements. This is due to the force to fulfill external requirements is strong as the results of the market-driven factor that supports the supply-chain effect.

The conferment of legitimacy by parties that set the requirements involves the internal evaluative process based on the predefined legitimacy criteria. According to D2, the legitimacy criteria are normally set above the mandatorily enforced minimum requirements. Assessment is made to determine the level of compliance to the set requirements. Upon the fulfillment of the requirements, legitimacy will then be granted. Cashore (2002) used the Non-State Market-Driven (NSMD) governance model to explain this issue. The NSMD governance was based on market transactions in which the pushing factor came from external, non-regulatory parties such as customers and other social actors.

The study also reveals that the evaluative process to determine the compliance level requires verification as evidence on the fulfillment of the requirements. Firms are considered as successful in achieving a certain level of quality or status with the support of objective, hard evidences. To
illustrate, the following extract from an annual report of a firm explains how it has successfully fulfilled the requirements to gain the compliant status from the certifier body. The issuance of the International Organization of Standardization (ISO) certification suggests that the firm has achieved a certain level of standard of service or quality. Compliance to the ISO reflects the acceptance to a group whose products or processes are internationally verified as safe, reliable and of good quality. Such an assurance enables firms to expand their competitiveness.

*Internal Quality Audits are conducted regularly on the Quality Management System (ISO 9001:2000). Surveillance audits are carried out by LLOYD’s Register Quality Assurance periodically to ensure that the ISO 9001:2000 procedures have been complied with. Observations identified during the audits are documented and action taken accordingly. The policies and procedures are periodically reviewed to ensure they continue to be relevant as the Group’s business evolves (C, Annual Report 2011, p. 21).*

The above discussion suggests that firms respond to non-regulatory pressures due to market forces to remain competitive in the market. Corporate environmentalism serves as a legitimizing agent through the fulfillment of requirements set by other social actors. The need to gain legitimacy pressures firms to fulfill the set requirements. Failure to fulfill the requirements results in firms having less or no opportunity to secure job contracts. Over time, this causes firms to be less competitive in the market and will gradually lead them to cease operations.

The associations between the options to fulfill and not to fulfill non-legal requirements are shown in Figure 7.7. The isomorphic pressure drives firms to fulfill environmental-related requirements from customers and competitors. Firms that do not initially comply with the pressures may alter their behavior due to the punitive and corrective measures imposed by customers and competitors. Failure to do so leads to the demise of the firms in the long run. Although this option has no legal consequence in the sense that they remain as legal entities in the market, the inability to gain support from customers and remain competitive in the market leads to such ending.

Referring to the same diagram, the force to fulfill the market players’ or other social actors’ environmental requirements represents a normative isomorphic pressure. Failing to conform to the pressure will cause firms to cease operation in the long run. In this respect,
professionalization\textsuperscript{79} plays an important role that contributes to status ordering, which refers to a commonly recognized hierarchy of status, center or periphery. For instance, the recognition of a group of selected firms (by certifier bodies such as the ISO) is seen as securing legitimacy and visibility. Other firms will therefore, make attempts to imitate certain practice or procedures of the recognized group in order to obtain similar recognition. Each of the isomorphism processes can take place due to reasons such as widening business opportunities other than efficiency (DiMaggio & Powell, 1983).

Figure 7.7: Non-legal requirements as normative isomorphic pressures for Shariah-compliant firms to gain the legitimacy status via corporate environmentalism

\textsuperscript{79} DiMaggio and Powell (1983, p.152) defines professionalization as ‘the collective struggle of members of an occupation to define the conditions and methods of their work, to control the ‘production of producers’, and to establish a cognitive base and legitimation for their occupational autonomy’.
The above discussion illustrates how non-legal bodies such as customers and competitors force Shariah-compliant firms to be responsive to the normative isomorphic pressures and gain the cognitive type of legitimacy through the formation of common symbolic systems and shared meanings. In this respect, information plays a vital role in the internal evaluation process. Based on objective evidences, legitimacy is granted when it is perceived that all expectations are met.

The process of gaining legitimacy in the presence of normative isomorphic pressures among Shariah-compliant firms in Malaysia is consistent with extant theory and findings in different settings (e.g. Delmas & Toffel, 2004; Perkins, 2007). Secularist approach is dominant in firms’ responses to external, non-legal pressures. This is evident from the source of pressures, as well as the way legitimacy is gained. Specifically, the need to comply with legal requirements has led non-legal parties such as corporate customers and competitors to exert pressures for firms to engage in corporate environmentalism. From the implementation aspect, objective measures play an important role as a proof of compliance for the fulfillment of the requirements.

Corporate environmentalism process as a response to external non-legal pressures in this study appears to be different from the Islamic normative call for three reasons. First, from the Islamic perspective, corporate environmentalism is treated as an obligation and a divine act to Allah. Contrary to the nature of other social actors, Allah has no physical appearance and does not impose any material penalty should firms failed to fulfill the set requirements. The findings, however, reveal that corporate environmentalism is carried out to fulfill non-legal parties’ (corporate customers and competitors) requirements. The party that grants legitimacy is physically observable in nature and has the ability to impose material constraints to firms. Corporate environmentalism is therefore seen as purely a physical obligation to other social actors (regulators, competitors and corporate customers) and does not involve a spiritual aspect.

Second, due to the perceived obligation towards other social actors, the main source of pressures for corporate environmentalism comes from legal requirements created by the regulatory
authorities and passed on by corporate customers to Shariah-compliant firms. As such, corporate environmental requirements are set by the regulatory bodies and passed on by other social actors (corporate customers and competitors) whom are perceived as the party that grants legitimacy to the Shariah-compliant firms. On the contrary, Islam outlines individual obligations to protect and care for the environment based on the Shariah teachings in reference to the Quran and Hadith. Since religious authorities have not clearly articulated their position on the violation of environment, these religious institutions’ role in pressuring corporate customers and competitors to adhere to good environmental management practice is weak. As such, the corporate customers and competitors role in pressuring Shariah-compliant firms is also weak.

Third, the process adopted by firms in response to the non-legal pressures to gain legitimacy also appears inconsistent with the Islamic way of viewing the social reality. Firms rely on hard evidences as a proof of compliance, such as the statement of compliance by firm C (p.229). Legitimacy is gained based on objective and observable evidences. From the Islamic perspective, the process of gaining legitimacy does not rely on material evidences. Instead, it involves the fulfillment of spiritual obligation to attain self-actualization. Trust is an important element for discharging environmental responsibilities and gaining legitimacy. No mechanism is available to monitor and measure the trust component, and rewards in the form of legitimacy are also non-observable and non-measurable.

The findings of the study and the normative call for corporate environmentalism under the Shariah are presented in Figure 7.8. Firms respond to pressures from external non-legal bodies with the aim to gain legitimacy. Legitimacy is conferred upon the verification (compliance report) that the requirements have been fulfilled. Although Shariah call for firms to care and protect the environment is consistent with the non-legal bodies’ requirements, the normative isomorphic pressure for corporate environmentalism from the Shariah is almost non-existent (green dotted arrows). The nature of the Shariah call is spiritual and individualistic in nature. The pressure to be accepted in a group which is perceived to have gained legitimacy does not exist because the legitimacy granted by Allah is non-observable and does not involve any measure and
evidence. In other words, from the Islamic perspective, the process to gain legitimacy is a personal matter. Adherence to the Shariah requirements is based on the trust component and it is non-measureable and non-verifiable. Referring to Figure 7.8, the normative Shariah call for non-legal bodies to have trust in firms in discharging their corporate environmentalism responsibility is shown by the green dotted arrows. However, the trust level appeared to be very minimal, as suggested by the source of legal requirements, as well as the heavy reliant on control mechanism to verify firms’ adherence to the requirements.

Figure 7.8: Corporate environmentalism as a response to the normative isomorphic pressures: a comparison to the Islamic approach

7.2.2.2 Corporate environmentalism as a response to internal pressures
In addition to external pressures, the data also reveals that internal pressure such as managers’ personal belief influences firms to engage in corporate environmentalism. Viewed from the moral legitimacy perspective, the effort is perceived to have come from top management’s belief that environmental care is the right thing to do, rather than a response to the stakeholders’ pressures. Sethi (1975, p.62) refers the concept of moral legitimacy as the ‘social responsibility’ of an organization, which involves the process of ‘bringing corporate behavior up to a level where it is
congruent with the prevailing social norms, values and expectations of performance’. Moral legitimacy\footnote{Also known as sociological legitimacy (Aldrich & Fiol, 1994).} applies the concept of ‘sociotropic’, which is prescriptive in nature (Sethi, 1975, p.62). It refers to a situation where an action is believed to be the right thing to do rather than the judgment of whether it is the best thing to do under existing collective norms and values.

Findings from this study show that ‘individual belief’ emerges as the factor that drives corporate environmentalism. Managers believe that they are responsible to care for the environment (A1) and that the effort is self-driven. The current findings are consistent with previous studies by Bansal and Roth (2000), Banerjee et al. (2003), Bendell and Kearins (2005), Sandhu (2008), Collins, Roper, and Lawrence (2010), Sangle (2010) and Sandhu et al. (2012). However, the current study goes a step further to explore the construction of managers’ environmental belief as the internal pressures for corporate environmentalism. The findings reveal that manager’s environmental belief is based on the post-damaged condition and that managers view natural resources from the demand side (Section 6.2.1.1). The findings also show that the concept of responsibility is driven by the scientific rational-causal relationship (Section 6.2.1.2). Humans’ responsibility to protect the environment is to ensure that he (she) lives comfortably in this world. In addition, managers’ belief is also found to be influenced by the knowledge about the local and global environmental condition, in addition to their personal life and work experience (Section 6.2.1.2).

As the results show, although Islam has heavy influence on the social and cultural aspects in Malaysia, it does not appear to affect the societal belief and practices in issues pertaining to the environment. Islam is not influential in the construction of the managers’ belief neither in the form of knowledge, nor in real life experience. Islamic view of the environment from the supply side and promotion of environmental protection based on its pre-damaged condition is not reflected in the managers’ belief. On the same note, managers’ belief in the scientific rational-causal relationship contradicts with the Islamic view of the environment that calls for human to
be just to other elements, in line with the fundamental concept in Islam of Man’s submission to Allah (tawhid principle) (refer Figure 6.3 and 6.5). As previously discussed, the nature of call for environmental protection in Islam contributes to the dominancy of the secular materialism in matters pertaining to the environment in Malaysia. From the Islamic perspective, Allah as the party that grants legitimacy is non-observable and do not have a tangible feature. In addition, there is no control mechanism available to monitor and measure the adherence to the call. In every respect, trust plays an important role in directing an individual’s belief and practices.

The findings of the study reveal that corporate environmentalism is based on the belief that it is the right way to conduct business. However, it may not be the best way to do so, viewed from two different perspectives. First, it does not support the profit maximization aim due to the relatively higher costs to engage in the environmental care (D3). Second, it is inconsistent with ‘the prevailing social norms, values and expectations of firms’ performance’. The following remarks by A1, A2 and B1 suggest that various social actors in the greater society (e.g customers, employees, business associates, regulatory bodies) do not believe in caring and protecting the environment;

From our experience, after, since we started all this green mark accreditation and GBI, all those things, we find only a small percentage of our customer appreciate that green (A1).

So that is why, the drive to enforce it is very, very tough. Because the mentality is still not there yet. There is no..the level of maturity in this type of things is still not there. Not in our industry (A2).

I think the passion to drive from their side (contractor) is actually is not there. The passion to drive is very far, I see it lacking. That is the problem you know. The society (A2).

The government, local authority has certain guidelines that very square-minded that they are not willing to change the guideline and that has been impeding our progress to, you know, to produce an environmental friendly product (B1).

Corporate environmentalism is not seen as the best way to conduct business due to its negative impact to profit. Such a belief is heavily influenced by the secularist worldview and contrary to the Islamic calls for firms to fulfill their social responsibility to ensure that the environment
remain in their original, perfect balances, regardless of financial consequences (Dusuki, 2008). While the secularist focuses on observable and measurable features such as profit, Shariah emphasizes trust as an element to direct and guide the environmental behavior.

The societal environmental belief also appears inconsistent with the normative Islamic approach to social responsibility. Islam calls for the environmental care and protection, both individually (fard ain) and collectively (fard kifayah). However, even though Islam has a strong influence in Malaysia, the Islamic environmental value does not appear to be the shared value among the societal members such as customers (A1), market players (A2), social actors (A2) and local authority and regulatory bodies (B1).

Based on the responses forwarded by A1, A2 and B1, pressures to engage in corporate environmentalism that originated from the internal drive do not match ‘the prevailing social norms, values and expectations of performance’. Caring for the environment is not currently accepted as a common belief and practice in the society. Hence, the top management’s effort to care for the environment is neither due to the pressure to do so, nor to match to the existing practice and expectations of the public. Instead, it is a strategy to alter socially institutionalized practices in anticipation of the future. In other words, firms are in the process of creating a practice that will possibly be socially institutionalized in the future. Once institutionalized, a practice becomes ‘a rule-like, social fact quality of an organized pattern of action that embedded in formal structures which are not tied to particular actors or situations’ (Zucker, 1987a, p.444). It refers to a framework of behavior in which repeated actions are assigned similar meanings by social actors.

By becoming a pioneer in the environmental care, firms take the lead to inform and educate the public to value and become appreciative to the environment. Over time, the belief and practices to care for the environment will ultimately be accepted as a norm and get socially institutionalized.
Firms’ approach to be a pioneer in the environmental care comes with the aim to gain competitive advantages. As such, offering environmental-friendly products and engaging in sustainable practices formed a part of the environmental strategy (Banerjee, 2002) to suit the world community’s trend which has become more environmentally conscious. Nevertheless, Sethi (1979) and Dowling and Pfeffer (1975) acknowledge that such an effort is relatively more difficult to achieve, compared to altering firms’ own operation to suit the existing acceptable social values and practices. Further discussion on this issue in respect to the institutional theory is presented in Section 7.4.2.

The above discussion shows that corporate environmentalism appears as the response to the top management’s pressure. Findings of this study are consistent with other studies across different settings. The analysis reveals that the process of constructing managers’ belief on environmental management practice is heavily influenced by the secularist world view, despite a strong Islamic influence among Shariah-compliant firms in Malaysia in other aspects of business activities such as prohibition of *riba* and partaking activities related to gambling and liquor.

### 7.2.2.3 Summary

In summary, discussions in this section reveal that corporate environmentalism serves as a response to both internal and external pressures. Firms respond to external legal and non-legal requirements to gain legitimacy from the regulatory bodies and other social actors or market participants (e.g. customers and competitors). The results show that legitimacy emerges as the main reason for firms to respond to the coercive and normative isomorphic pressures to reach at a homogenous corporate environmentalism practice. In this respect, homogeneous corporate environmental practice refers to the fulfillment of legal requirements set by the regulatory bodies.

In view of the Islamic influence, the analysis suggests that *Shariah* does not play any role in the internal and external pressures for corporate environmentalism. This is viewed from the source of pressures, as well as parties that exert pressures. The Environmental Quality Act 1974 (EQA)
seemed to be a main source of external legal environmental regulations, is found to have been heavily influenced by the secularist perspective. Pressures exerted by non-legal parties such as customers and competitors are actually originated from legal requirements. On the same note, analysis on the internal pressures reveals that managers’ environmental belief is driven by the secular materialist view, based on the post-damaged condition and the demand-side of natural resources.

The findings also reveal that only immediate stakeholders who have direct interest in the business operations such as the regulatory bodies, customers and competitors are identified as parties that exert pressures for corporate environmentalism. Parties which do not have any business related interests such as religious-related groups and individuals were not identified by the managers to not exert pressures on *Shariah*-compliant firms in Malaysia. Such findings show that *Shariah*-compliant firms regard environmental issues as business related matters, which have no association with the *Shariah*.

The detachment of corporate environmentalism and *Shariah* is due to the approach taken by the religious regulatory bodies in Malaysia. As a party responsible to uphold the *Shariah* teachings, the religious regulatory bodies failed to utilize the *Shariah* teachings in the context of changing economy that is highly dependent on impacts that contribute to the environmental pollution and generate output that potentially contribute to worsening of quality of the environment. The practice and attention towards the environment remain as what they were during the Prophet’s time and have not incorporated social and economic changes that have taken place over time. The environmental regulations seem to be frozen in time and have not incorporate modern methods to address environmental degradation. Lack of effective Islamic environmental regulatory framework has deemed Islamic environmental thought not relevant in modern times to address the environmental challenges of present day society.
7.3 DRIVERS OF CORPORATE ENVIRONMENTALISM AND INSTITUTIONALISM

Findings in Chapter 5 show that top management emerges as the main concept driving corporate environmentalism. The findings suggest that current management’s drive for corporate environmentalism is influenced by previous management (Figure 7.9). Chapter 6 provides a discussion on the top management as the driver for corporate environmentalism from an Islamic perspective. The drive for corporate environmentalism comes from the belief that doing so is the right way of conducting business and/or from direct and indirect pressures from the external parties. Regardless of the sources of pressures, the analysis shows that Islam is not an influential factor in encouraging corporate environmentalism among Shariah-compliant firms in Malaysia.

This section discusses the issue from the institutional theory perspective, which incorporates the relationship between the institution and individuals. Institution is defined as the ‘formal or informal procedures, routine, norms and conventions embedded in the organizational structure of the polity or political economy’ (Hall & Taylor, 1996, p.938). The new institutionalism recognizes the cognitive language that ‘rationalized and impersonal prescriptions, shared typifications, independent of any particular entity to which moral allegiance might be owed’ and also emphasizes ‘the relationship between stability and legitimacy, and the power of common understandings that are seldom explicitly articulated’ (Powell & DiMaggio, 1991, pp.12-15).

Figure 7.9: Top management as the main driver of corporate environmentalism
In the subsequent section, a discussion on the underlying mechanism that leads to the continuation of efforts by the current top management is presented.

7.3.1 Path dependency and corporate environmentalism
Findings in the preceding chapters show that the previous top management initiates corporate environmental effort, which subsequently continued by the current top management. Initially, the effort appears as an ‘accidental discovery’ (A1). At this point of time, a variety of options are available for the top management to choose from, along the continuum of non-compliance at one end, to the pro-active environmental approach at the other. The choice to engage in corporate environmentalism at this time is not a superior choice for firms due to the inconclusive evidence to establish a link between corporate environmentalism and economic performance (e.g Konar & Cohen, 2001; Wagner, 2001). Instead, the first move to engage in corporate environmentalism is driven by the passion to conduct business in a sustainable way as there is no societal pressure to do so (A1).

However, over time, corporate environmentalism gains its acceptance by the current management. A1, for instance, admits that the current management team continues to support the previous management’s corporate environmentalism effort. In addition, the change in the current societal expectations that require more environmental protection from parties such as the customers (C1, D2, D3), competitors (B3), the public (E1) and regulators (D1, D2, E1), also contribute to the continuation of the corporate environmentalism effort. The process of conforming to the increasing societal expectations is referred to as increasing legitimacy.

The continuation of effort by the current management resembles the ‘path dependency’ concept of historical institutionalism. The concept explains how an organization’s behavior is influenced by its previous policy and structural choices. The ‘path dependency’ has been broadly defined as past events ‘that influence future events’ (Mahoney, 2000, p.507).
As shown in Figure 7.10, the choice to venture into corporate environmentalism emerges among a wide variety of other possible options (Time 1- initial condition). Over time, the choice is adopted and institutionalized. The first adopted effort or new institution (Time 2- critical juncture) induces subsequent events to move in the same direction and that it is difficult or impossible to reverse such direction (Time 3- self reinforcement). This is referred to as institutional reproduction.

Figure 7.10: Illustration of contingency in self-reinforcing sequence

<table>
<thead>
<tr>
<th>Time 1 (Initial condition)</th>
<th>Time 2 (Critical juncture)</th>
<th>Time 3 (Self reinforcement)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple options (A,B,C) are available for selection. Theory is unable to predict or explain the option that will be adopted.</td>
<td>Option B is initially favored over competing options. This is a contingent event.</td>
<td>Option B capitalizes on initial advantage and is stably reproduced over time.</td>
</tr>
</tbody>
</table>


Under the path dependence of historical institutionalism, the historical event (the new institution) is not supported and explained by predominant theories. For instance, the economic theory of cost benefit analysis does not fully support corporate environmentalism historical event due to the adverse effect on the profit, and the nature of many environmental effects that could not be quantified. This is due to the characteristics of public goods which are ‘non-rivalness and non-excludability’ (Hanley & Spash, 2003, p. 10). Therefore, despite the absence of the theoretical support to corporate environmentalism at the time of first adoption, a new institution in the form of corporate environmentalism is created.

The continuation of corporate environmentalism efforts in this study can be explained using Mahoney’s (2000) model of self-reinforcing sequence (Figure 7.10). Over time, corporate environmentalism as the new institution gains its acceptance and considered as ‘inertia’
Unlike the historical event, the reproduction of the institution is supported by predominant theories. In this respect, the continuation of corporate environmentalism as an institutional reproduction is explained by the stakeholders’ theory in which parties internal and external to the firms are considered in the firms’ directions. In line with the rise of the global awareness of the environmental care, the institutional reproduction is unlikely to change in the near future. According to Mahoney (2000), the institutional reproduction is also affected by the efficaciousness factors to the extent that they are prone to resistance to a change. In the context of the study, the factor identified (among all) is in the form of various tax exemptions for buildings which are certified by the Green Building Index (GBI).

7.3.2 Factors leading to path dependency
Findings of the study reveal that the current top management continues corporate environmental efforts initiated by the past management. The continuation of the effort and the persistence to a change suggest that the institutional reproduction occurs, representing a path-dependency attribute of the historical institution. From the legitimation perspective, the institutional reproduction is due to subjective assessment and personal beliefs about what is appropriate or correct (Dowling & Pfeffer, 1975)\textsuperscript{81}.

The reproduction of the institution is reinforced through the process of increasing legitimation. The institution which is initially favored, which refers to initial move to engage in corporate environmentalism, has achieved its legitimacy. Over time, the reproduction reinforces legitimation through the ‘positive feedback cycle in which an initial precedent about what is appropriate forms a basis for future decisions about what is appropriate’ (Mahoney, 2000, p.523). To illustrate, Figure 7.11 shows the process of institutional reproduction of corporate environmentalism through the path dependency concept.

\textsuperscript{81} Corporate generosity, as proxied by the managers’ altruistic behavior, is identified as an effort to gain legitimacy.
The findings reveal two factors that contribute to the continuation of effort and persistence to a change within a firm (Figure 7.11). First, it is due to the current top management belief that it is morally just to engage in corporate environmentalism (A2, B1 and C1). From this perspective, the continuation of the reproduction is voluntarily in nature. The institutional persistence is therefore, driven by the self-belief about the correctness of a decision, rather than the utilitarian rationality, system functionality or elite power\(^2\). However, when the preceding discussion in Section 6.2.1.1 is considered, it is found that the construction of the managers’ environmental belief does not originate from the Shariah. Managers look at the post-damaged environmental condition and utilizing the environment from its demand-side, resembling the secularist, western way of viewing the environment. This is contrary to the Islamic perspective of viewing the environment. The findings imply that the Shariah is not influential in the construction of the societal environmental value. Even though managers recognize the need to care for the environment and therefore continue to support the previous management’s effort, the belief does not associate with the Shariah teachings.

\(^2\) Institutional reproduction is viewed from the utilitarian, functional, power and legitimation perspectives, which identify different mechanisms of institutional reproduction. From the utilitarian perspective, the institution is reproduced through the cost-benefit assessment. The functional mechanism regards the institution as reproduced because it serves a function for an overall system. The power explanation is based on the idea that the institution is reproduced because it is believed that it is morally just or appropriate to do so (Collins, 1994).
Second, corporate environmentalism’s initial effort become the ‘basis for future decisions about what is appropriate’ when it gains acceptance from various stakeholders such as the competitors (B3), NGOs (E1), customers (C1, D2, D3), shareholders (E1) and the public (E1). A1’s remark supports this claim. The ‘accidental’ decision to engage in corporate environmentalism by the past management has gradually gained its acceptance by the market players. Pressures from various parties such as customers and competitors, together with the new requirements introduced by the regulators and accreditation bodies, such as the Green Building Index, serve as the reinforcement of the legitimation status. Firms are preparing for the anticipated change of the social norms and values, as the results of the deteriorating state of the global environmental condition. As the global community becomes more concerned about the state of the environment, corporate environmentalism becomes the main business agenda to secure or extend future legitimacy status.

The overall process of reinforcing the legitimacy status appear independent from the Shariah based on three aspects. First, in the process of gaining the legitimacy status, firms’ interaction with the stakeholders resembles the secularist approach of achieving material gains. Firms gain support from various stakeholders (eg customers, NGOs) upon the fulfillment of their requirements. This type of material rewards motivates firms to continue corporate environmentalism initiative and as the return, legitimacy is extended.

Second, religious authority does not appear to be among the group of stakeholders who support the new institution. None of the legal and non-legal religious groups exert pressures for firms to engage in corporate environmentalism. From the legal aspect, no criteria or requirements set by the religious authority such as the Shariah Advisory Committee (SAC) of the Securities Commission (SC) to reinforce the institutional reproduction. Environmental aspect is not explicitly stated as a criterion for the Shariah compliance categorization of the SC. Environmental issue also has never been discussed by the committee since its formation in 1997.
Third, when the source of pressures is considered, it is found that none of the external parties’ pressures originates from the Shariah teachings (Section 6.2.2). Instead, legal requirements appear as the main source for firms to continue with the corporate environmentalism effort. These pressures are exerted directly by legal bodies and indirectly by corporate customers and other non-regulatory bodies.

In summary, this section discusses about the top management as the driver for corporate environmentalism. The continuation of corporate environmental efforts by the current top management resembles the path dependency concept of historical institutionalism. Nevertheless, Shariah did not appear as influential, neither in the construction of the managers’ environmental belief nor the reinforcement of legitimacy.

7.4 CORPORATE ENVIRONMENTAL AIDS, LEGITIMACY AND INSTITUTIONALISM
Findings in Chapter 5 reveal that corporate environmentalism is carried out in response to the internal and external pressures. In doing so, firms promote sustainable value and practices to their staff members and external parties to gain supports from within and outside firms. From the legitimacy theory perspective, firms engage in corporate environmentalism to gain legitimacy from other social actors by conforming to the collectively shared social orders. The collectively shared social orders refers to a property of a situation or behavior that is defined by ‘a set of social norms as correct or appropriate’ (Scott, 1998, p.307). Parsons (1963, p.176) emphasizes the action rather than values in defining legitimacy in which he defines legitimacy as ‘a set of criteria by reference to which ‘adherence’ to a pattern of values is translated by the individual into implementing action’. In this respect, corporate environmentalism is an agent to gain acceptance into the society through the adherence to the behavior defined by the society as correct or appropriate.
Corporate environmentalism can also be explained from the institutional theory perspective. Institutionalism explains how a social actor’s behavior is shaped and constrained by the collectively accepted norms, values, rules and practices. While each social actor is assumed to be autonomous, their values and behaviors are strongly influenced by the institutions within which they are ‘embedded and which they come into contact’ (Peters & Pierre, 1998, p.566). In the context of the study, firms are pressured to engage in corporate environmentalism by their (immediate) stakeholders through the set requirements. The following sections discuss the corporate environmentalism aims from the legitimacy (Section 7.4.1) and institutional perspectives (Section 7.4.2), incorporating the Islamic influence which is predominant in Malaysia.

7.4.1 Corporate environmental aims and the legitimacy theory
From a business perspective, legitimacy is important for firms to attract resources and gain support from other social actors, including other market players and the government (Parsons, 1963). As firms interact with, and their behavior is influenced by the society, legitimacy theory asserts the importance of external factors for organizations to legitimize their activities in a given social system (Deegan, 2005). Acceptance by the society, by way of operating within its bounds and norms, is crucial for continuous survival of an organization. As such, firms need to adapt to the ever changing expectation of the society, and make necessary changes to secure the legitimacy status.

Legitimacy is regarded as a resource when it provides competitive advantages to firms that gain the status. The data reveals that firms strive for legitimacy through the concept of ‘external recognition’, in which the consent and recognition of the firms’ existence is sought for, in return to the fulfillment of the external parties’ requirements and expectations. In this respect, legitimacy status granted by the external parties enabled firms to access to the societal controlled resources, giving firms competitive advantages over those that do not gain such status.
On the other hand, legitimacy also poses problems and constraints to firms (Perrow, 1970). In this instance, other social actors may have perceived firms as failed to fulfill their expectations and requirements, and therefore, do not grant them the status, or the status is granted but firms are at risk of losing it. Dowling and Pfeffer (1975) suggest that legitimacy poses as a dynamic constraint when it changes as the firm adapts to the changing social values which define the legitimacy. In this respect, legitimacy poses problem and constraint to the firms when it is anticipated that there will be a societal change pertaining to the environmental care which may lead to a broader gap between the societal expectations and firms’ practices. In response to the anticipated change, firms take pro-active corporate environmentalism steps with the aim to narrow the gap that may take place sometime in the near future.

As an actor of a greater society, the collectively shared norms, values and beliefs may not be consistent with the social actor’s individual rules and beliefs. However, since the societal shared norms, values and beliefs are accepted and supported by most others, an individual’s behavior becomes oriented to the collectively shared social orders. As such, even if individuals are not agreeable to the collective orders, their behavior will abide by them. This is to avoid being regarded as ‘odd’ and face the risk of being rejected as a member of the society.

The concepts of propriety and validity explain the abiding behavior. The ‘propriety concept’ refers to a situation in which an individual believes that she/he is obliged to follow the generally accepted norms and procedures regardless of her/his own judgment. In the case of corporate environmentalism, regardless of managers’ personal belief, they comply with external parties’ environmental requirements to ensure firms’ survival. Market forces are powerful to the extent that managers choose to follow practices which are inconsistent with their beliefs. On the other hand, the ‘validity concept’ assumes that an individual is agreeable to the generally accepted norms and procedures and believes that they are desirable and appropriate patterns of action.

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83 Norms refer to the specification of ‘how things should be done in a way that they define legitimate means to pursue valued ends’. Values are defined as the ‘conceptions of the preferred or the desirable, together with the construction of standards to which existing structures or behavior can be compared and assessed’ (Scott, 2008, pp.56-57).
Based on the findings, the validity concept applies when managers believe that corporate environmentalism is the right way of doing business. The following subsections discuss corporate environmental aims in view of the need to gain or remain legitimate.

7.4.1.1 ‘External recognition’ concept as gaining and maintaining legitimacy

Firms can only survive when their existence is recognized and accepted by other social actors in the field. Legitimacy is the key factor for the survival of any social actor. As a social actor in the field, firms are bound with this rule. Thus, firms exist in the market when they have already gained legitimacy from both legal bodies and societal acceptance in the form of support to access to the economic resources.

The legitimacy status lies along a continuum of not-legitimized to fully-legitimized. At one end, firms’ presence is not recognized by any of the social actors while at the other end, legitimacy is granted by each and every social actor. Between these two extremes lies the case of partial-legitimation. In the context of the study, it refers to the non-Shariah-compliant firms whose presence is not legitimized by the Muslim stakeholders. Unlike the Shariah-compliant firms which are conferred legitimacy by legal parties and other non-legal stakeholders (e.g. customers), the non-Shariah-compliant firms do not get legitimized by the Muslim stakeholders but continue to operate in the market due to the support from the regulatory bodies and the non-Muslims public. The non-Shariah-compliant firms do not get the support from the Muslims stakeholders due to the non-compliant status as determined by the Shariah Advisory Council of the Securities Commission. Income from the investment is considered as haram and therefore, Muslims are prohibited from providing support to the Shariah-non-compliant securities. As the result, these firms failed to gain legitimacy from the Muslims public.

The non-Shariah-compliant categorization is based on the predefined criteria of the Securities Commission, in reference to the Shariah rulings (Appendix 6). For instance, firms that produce alcoholic drinks such as Carlsberg falls under the non-Shariah-compliant category and therefore
categorized as a non-Shariah-compliant security\textsuperscript{84}. The findings of the study suggest that the conferment of legitimacy from the legal perspective represents the key factor for firms’ continuous existence. Even without the societal support from Muslim stakeholders, the non-Shariah-compliant firms continue to exist in the field (Figure 7.12).

Figure 7.12: Conferment of legitimacy to Shariah-compliant and non-Shariah-compliant firms by the regulatory and non-regulatory bodies

The above findings suggest that even within a clear predefined Securities Commission’s criteria of Shariah-compliance and non-Shariah-compliance categorization, Islam plays a minimum role in the legitimizing process. This is evident when Shariah-non-compliant firms continue to survive in the Malaysian market regardless of their haram status. Further, the non-Shariah-compliant securities are among the top performing securities, as they comprise of 37% (11 out of 30) of the blue chip securities on the Bursa Malaysia\textsuperscript{85}.

\textsuperscript{84} In the latest development (as at 30 May 2014), 240 firms are classified as non-Shariah-compliant securities based on the newly adopted Shariah-compliant criteria. This represents 26.5% of the total securities listed on the Bursa Malaysia (Securities Commission of Malaysia, 2014).

\textsuperscript{85} The blue-chips securities are (the non-Shariah-compliant firms are highlighted in italic): AMBank (Finance), Astro (Trading/Services), Axiata (Trading/Services), British American Tobacco (Consumer Product), CIMB (Finance), DIGI (IPC), FGV (Plantation), Genting Malaysia Bhd (Trading/Services), Genting Bhd (Trading/Services), Hong Leong Bank (Finance), Hong Leong Financial Group Bhd (Finance), IHH Healthcare (Trading/Service), IOI Corp (Plantation), KLK (Plantation), Maxis (Trading/Services), Maybank (Finance), MISC (Trading/Services), Public
A closer look at the list of Shariah-compliant securities reveals that firms dealing with the extraction of natural resources are classified as Shariah compliant (e.g. Shell Refining Company Bhd, Petronas Chemical, Petronas Dagangan, Petronas Gas and Sapura Kencana Petroleum) although they directly contribute to various types of pollutions and impose destruction to the natural ecology. Such classification suggests that environmental issues are not perceived as an important matter by the Shariah Advisory Council (SAC). The fact that environmental care is not explicitly included in the Shariah-compliant defining criteria shows that issues related to environmental protection and preservation are regarded as minor, insignificant and distinctive from the Shariah.

Furthermore, not only it is excluded from the Shariah-compliant predefined criteria, environmental issues have never been discussed in the SAC meeting ever since its establishment. The following statement by the SAC member clearly reflects the SAC stance on environmental issues. Environment is treated as a separate matter, distinctive from the business operations. The determination of the halal and haram category is based on the nature of business. Regardless of the adverse effect on the environment, firms are categorized as halal securities as long their nature of business falls under the halal business category.

No, no. It has never been an issue as a guideline to determine whether it is Shariah-compliant or not. Not included, not included. That is why we did not discuss because it has not been included. Because, if we consider the income, based on the nature of the business, what is assessed is based on the business context. (8.26) Based on the business context, if they do halal job, that is good, but if they pollute the environment, that is another problem. It is not related to whether the product is haram or halal. That is a side aspect (8.45). So, if they are at fault, they are guilty from the sideway aspect because they did not take care of the environment, that is another matter, but it is halal based from the nature of business. So SC just looked at that only (translated from Bahasa Melayu) (SAC member 1).

Bank (Finance), Petronas Chemical (Industrial Product), Petronas Dagangan (Trading/Services), Petronas Gas (Industrial Product), PPB (Consumer Product), RHB Capital (Finance), Sime Darby (Trading/Services), Sapura Kencana Petroleum (Trading/Services), Tenaga Nasional (Trading/Services), Telekom (Trading/Services, UEM Sunrise (Properties), UMW (Consumer Product), YTL (Trading/Services) (Malaysian Stock.biz, n.d.).
The findings of the study suggest that firms’ existence in Malaysia is dependent on the legitimization by the secular regulatory bodies. Specifically, firms respond to the EQA as the source of coercive pressures for corporate environmentalism. Religious regulatory bodies such as the SAC of the SC do not play a significant role in the legitimacy process. Discussion in Section 7.2 highlights two contributing factors that lead to such finding; the absence of *Shariah* reference in the EQA, and the exclusion of environmental issue in the *Shariah* regulatory requirements. The secular materialist approach appears dominant in this respect. Corporate environmentalism is treated as a means to gain legitimacy from other social actors. As such, firms’ survival is subject to observable and material forms of evidences, as required by the EQA.

Firms need to maintain legitimacy for continuous survival and the issue of maintaining legitimacy arises when firms’ performance and the societal expectations diverge due to the changing societal expectations. This happens when firms continue to follow the same environmental practice while the society expects a more demanding way to tackle the issue of concerned. With an increasing attention given to the environmental issues by the global community, firms are pressured to take various strategies (Klassen & Whybark, 1999) to maintain legitimacy. Failure to keep up with the changing societal expectations leads to a continuous widening (legitimacy) gap that subsequently results in the firm losing its legitimacy and ultimately its survival (Sethi, 1979). From this perspective, firms ought to consider the component of uncertainty pertaining to the societal expectations which requires self-assessment on the risks and vulnerabilities, beyond what is required by the law or legal requirements. In addition, firms must also consider public opinions and preferences on the environmental issues to avoid negative consequences that could adversely impact their operations, performance and reputations (Hunt & Auster, 1990). Ashforth and Gibbs (1990) found that firms maintain their legitimacy through the provision of continuous role performance and symbolic assurance to the broader society.

An increasing attention on the environmental issues worldwide sent a signal that the societal expectations in the local arena may soon change. Anticipating the societal change that requires
firms to be environmentally responsible corporate citizens, two categories that emerge from the data, namely portraying a sustainable image and engaging in sustainable practices (Section 5.4.1), represent proactive steps to gear up for the change. This type of maintaining legitimacy is classified as gradual and anticipated (Ginzel, Kramer, & Sutton, 1992) as the change in the societal expectations gradually takes place and that such change is known and expected by the firms. Discussion in Section 6.4.1 shows that both firms and external parties rely on control mechanisms in the implementation of the efforts. The emphasis is on hard properties such as an objective verification as a proof of compliance to the set requirements.

A comparison between the current findings pertaining to external recognition and Islamic approach to corporate environmentalism is shown in Figure 7.13. Findings of the study reveal that firms portray a sustainable image and engage in sustainable practice in the effort to gain external recognition. Islam, on the other hand, calls for firms (as a social actor) to care for the environment as a duty to the Allah. In this respect, trust component plays an important role in discharging the accountability to Allah. Islam recognizes the need for laws and enforcement to guide business conduct. However, Islamic does not over-rely on material evidence for ensuring good business or environmental practices, but promotes spiritual and moral dimensions of discharging responsibility as prescribed by Allah.

In summary, the results of this study reveal that firms utilize corporate environmentalism to gain and maintain legitimacy. The process of legitimization is consistent with the legitimacy theory in which firms set aims in respond to pressures exerted by parties who controlled the required resources. Specifically, firms comply with secular legal requirements as they represent the main source of isomorphic pressures for corporate environmentalism in Malaysia (Section 7.2).
*Hard properties are based on materialistic worldview that emphasizes extrinsic rewards and monitoring mechanism. Soft properties relate to the spiritual dimensions of human which are driven by internal forces and values.

The findings also reveal that *Shariah* is not influential in the process of gaining and maintaining legitimacy. The fulfillment of other social actors’ requirements (e.g. customers) does not match the fundamental concept of responsibility in Islam. *Shariah* influence is found to be weak, both at the regulatory and societal levels. As the legal body that has the power to impose pressures for firms to comply with the *Shariah* rulings, *Shariah* Advisory Council (SAC) of the Securities Commission (SC) is found to have excluded environmental issues from the predefined criteria for *Shariah*-compliant categorization.

Further, societal support from the Muslim stakeholders appears to be weak, as reflected by the continuous existence and high performance of the non-*Shariah*-compliant firms in the market. Similarly, *Shariah*-compliant firms which heavily contribute to environmental degradation are
among the blue chip securities at Bursa Malaysia. Such finding reflects the secularist dominancy in the society in matters pertaining to the environmental issues. Environment is viewed from the materialistic perspective, and thus legitimacy is supported by hard evidences and objective measures, which are used to verify compliance. Contrary to the Islamic way of not publicizing good deeds and trusteeship principle, firms are found to have promoted and marketed their good environmental image and sustainable business practice as tools to gain legitimacy.

**7.4.1.2 ‘Internalization of sustainable value and practices’ and ‘extending sustainable business practices to others’ concepts as extending legitimacy**

In the preceding chapters, both the ‘internalization of sustainable value and practices’ and ‘extending sustainable value and practice to others’ aims emerge as supporting the main aim of gaining and maintaining legitimacy from external parties. Figure 7.14 shows the interrelations among the three corporate environmental aims set by firms.

![Figure 7.14: The associations between corporate environmental aims and legitimacy](image)

In the effort to gain external recognition, firms internalize and extend the sustainable value and practices to internal staff members and external parties, respectively. From the legitimacy perspective, both ways are carried out with the aim to extend the current legitimacy status. Extending legitimacy refers to the process of seeking legitimacy when an entity wishes to become established, is entering a new domain of activity or utilizing new structures or processes. Relative to other purposes, this type of legitimacy is more intense and proactive in order to get
support from other social actors (Ashforth & Gibbs, 1990) as they are more likely to scrutinize the firm to ensure that the existence is justified. Therefore, firms have to take every measure to ensure adherence to the generally accepted social norms, practices and values.

We refer the effort to internalize the sustainable value and practices as the process of extending the legitimacy status to parties internal to the firms (Figure 7.15). The findings suggest that firms adopt the sustainable concept as a common practice among staff members at the workplace for matters pertaining to work, as well as personal matters. For instance, apart from the requirement to follow various environmental care procedures in carrying out their tasks, staff members also have to observe personal environmental care practices such as minimizing paper usage due to the lack of waste-paper baskets made available at their work-stations. The effort aims to increase the level of environmental awareness among the staff members and ultimately instill and institutionalize environmental care value and practices among them. Once the value is institutionalized, legitimacy is conferred and staff members (social actor) will provide support for corporate environmentalism as it is congruent with their values and belief.

Figure 7.15: Internalization of sustainable value and practices as an effort to gain or maintain external legitimacy

When the sustainable value and practices are accepted by the staff members and perceived as consistent with their collective social norms and values, a lower threshold of legitimacy level is required. In this context, firms receive a passive support from the staff members based on the belief that such practice is necessary to do so, or based on taken-for-granted cultural account.
This phenomenon, according to Jepperson (1991), refers to a situation in which the acceptance is distinctive from evaluation, comprehension or conscious awareness.

Figure 7.16: Internalization of sustainable value and practices’ aim and the secularist approach

The above discussion suggests that the ‘internalization of sustainable value and practices’ aim serves as a medium to achieve the main aim of gaining external legitimacy. To ensure that internal staff follows the external set of requirements, such value and practices are introduced as internal procedures so that they are well aware of, and subsequently accept them as their personal value and practices. In other words, external pressures are transformed into internal pressures for the staff members to comply with (Figure 7.16).

The move to instill good environmental value and practices among their staff members appears to be congruent with the Islamic approach to corporate environmentalism. Efforts to create awareness and promote good environmental practices among staff members within firms resemble a holistic, Islamic approach to corporate environmentalism. However, the analysis suggests otherwise. The focus to fulfill external parties’ requirements is inconsistent with the Shariah’s concept of responsibility. Islam emphasizes the responsibility of an individual (also firms as a social actor) to Allah and all of His creations. Normative aim for such effort should be clear from other factors apart from discharging the accountability towards Allah. However, the findings show that corporate environmentalism appears to be a responsibility between firms and other parties such as customers or legal bodies, and not between firms and Allah.
In addition to the main aim of corporate environmentalism which is found inconsistent with the Shariah’s concept of social responsibility, the process of internalizing the sustainable value and practices also appears diverges from the Shariah teachings. The findings reveal that the sustainable value and practices were made mandatory to the staff members to follow. The compliance is then verified by objective evidence in the form of reports and statistical records. The inclusion of environmental practices into the staff members’ key performance indicator represents a very forceful pressure as their financial rewards are dependent on the assessment of compliance. As such, the practice promotes individualistic behavior with the aim to achieve material and financial gains. On the other hand, although Islam recognizes the reward system in its teaching, such rewards are in the form of spiritual and moral aspects. For instance, the following hadith shows how Islam promises rewards to those who take the effort to green the earth by planting trees and growing seeds. Contrary to the secular materialist approach to social reality, such rewards are non-observable in nature and do not involve any financial gains. Furthermore, the rewards are promised for everybody who has fulfill his(her) obligations without the need to compete with each other.

According to Sahih Bukhari Vol. 3, Book 39, No. 513, as narrated by Anas bin Malik: Allah's Apostle said, "There is none amongst the Muslims who plants a tree or sows seeds, and then a bird, or a person or an animal eats from it, but is regarded as a charitable gift for him". (Sahih Bukhari, n.d.).

The findings reveal that financial rewards and forceful pressures used in the process of internalizing the sustainable value and practices diverges from the Islamic way of tackling the issue. Islam promotes good moral values based on non-financial, non-observable and subjective rewards. Figure 7.17 shows the differences between secularist and Islamic approaches in relation to the internalization of sustainable value and practices adopted by firms.
On a similar ground, ‘extending sustainable value and practices to others’ aim is also set to gain or maintain legitimacy. Such aim is to get external stakeholders to support the effort to gain external legitimacy. Thus, the reason and how the process takes place are similar to the ‘internalization of sustainable value and practices’ aim except that the parties involved are external to the firms (Figure 7.18).

Figure 7.18: Extending sustainable value and practices to others’ aim and the secularist approach
In the process of gaining support from the external parties, firms recognize the need to influence and educate other parties to support corporate environmentalism. The effort appears to support the spiritual and moral aspects of corporate environmentalism. However, the analysis on the implementation aspect revealed that firms employed the concept of mandatory compliance by imposing various restrictions on external parties as criteria for job offers. Specifically, external parties are required to attain accreditation status to enable them to gain job contracts. The ‘award of contract’ strategy relies on control mechanism as a measure of adherence. The element of ‘trust’ does not exist and therefore extrinsic mechanism is important in ensuring compliance to the requirements.

Figure 7.19 illustrates the association between the ‘extending sustainable value and practices to others’ and ‘gaining and maintaining external legitimacy’ aims, viewed from the secularist and Islamic perspectives. Extending sustainable value and practices to others as a means to extend the legitimacy status emphasizes hard properties such as reports that contains objective and quantitative data. Both firms and external operational parties put a very heavy reliance on the certification (accreditation) as the medium of trust. At one end, firms rely on the accredited status as an assurance that the operational parties will abide to the set requirements. On the other end, external operational parties are made obliged to fulfill the requirements as specified in the certified procedures. Although the whole process suggests that firms intend to educate external parties to conduct business in a sustainable way, the way it is implemented is very much influenced by the secularist view to social reality.
Relatively, Islam puts less emphasis on specific verifications and evidences as the means to gain environmental legitimacy. We relate this fact with the time when the Quran and Hadith were revealed to mankind. During this period, environmental issues did not pose serious threats to humans and therefore the reference to such offence is very minimal. Furthermore, there were no advanced tools to measure and assess the impact of environmental degradation during that period. However, Islamic approach to environmental protection considers a wider aspect beyond verifications and evidences, which includes the spiritual and moral aspects. For instance, in the effort to educate and influence external parties to support corporate environmentalism, material gains should not be the main objective. Forcing external operational parties to absorb the cost of the relatively more expensive environmental-friendly products only provide a temporary solution for the environmental problem. This approach only treats the symptoms of the main problem but neglects its root.
In summary, the two concepts that emerge from the data, namely the ‘internalization of sustainable value and practice’ and ‘extending the sustainable value and practice to others’, appear to be congruent with the Islamic approach in promoting spiritual and moral dimensions of environmental problems. However, the fact that both concepts support the external recognition aim shows that corporate environmentalism is perceived as an obligation to other (external) social actors. Shariah, on the other hand, promotes the discharge of accountability before Allah.

The analysis also shows that the implementation aspect is very much influenced by the secular materialist perspective. Quantitative reports and accreditation certificates were used to ensure that the set aims are achieved. We note that the dominancy of the secularist in the corporate environmentalism aims and the way it is implemented are influenced by the perception of how legitimacy is gained. Discussion from the previous section reveals that secular legal requirements appear as direct and indirect coercive isomorphic pressures that force firms to engage in corporate environmentalism in order to gain legitimacy (Section 7.2.2.1.1 and Section 7.2.2.1.2, respectively). Legitimacy from this perspective is heavily reliant on observable and objective measures as a mechanism to verify compliance. The legitimacy process is supported by objective and observable evidence. This includes the tangibility of the social actors as the party that grants legitimacy, as well as the rewards in the form of access to the economic resources.

7.4.2 Corporate environmental aims and the institutional theory
This section analyses the three corporate aims that surface from the data, viewed from the institutional theory perspective. Institutionalization refers to the process of the creation and perpetuation of enduring social groups (Berger and Luckmann, 1967, as cited in Tolbert & Zucker, 1994). The process of institutionalization starts with the creation of actions or behavior in respond to external pressures (Tolbert & Zucker, 1994). In the context of the study, this phase is marked by the response to legal (regulatory bodies) and non-legal parties (customers and competitors) who exert pressures for firms to engage in corporate environmentalism.
The first two concepts that represent corporate environmentalism aims, namely the ‘external recognition’ and ‘extending sustainable value and practices to others’, show the interdependency of firms with other elements in the social environment. Each and every element in the social environment influences and is influenced by others through their formal and informal interactions and social contacts.

Findings of the study show that the ‘sustainable image’ category of the ‘external recognition’ concept form the firms’ competitive advantage strategies. This category emphasizes the importance of image which can affect firms’ relationships with external stakeholders. According to the managers, the aim was set to change negative public perceptions towards business activities, and subsequently creates and maintains a good image of firms that ‘care for the environment’.

The ‘sustainable business practice’ appears as the second category under the ‘external recognition’ concept. This category emerges as a response to the increased level of public awareness and pressures on the governing bodies to enact environmental regulations and legal restrictions. The changing social and economic situations cause firms to focus on efforts to practically minimize the negative impact of their operations on the environment. With this aim in mind, firms were made to operate in a sustainable manner and consequently achieved and maintained their accredited status.

The third concept that represents corporate environmental aims is the ‘internalization of sustainable value and practices’. This concept has a direct association with the ‘sustainable business practice’ category of the ‘external recognition’ concept. In order to ensure business operations are carried out in a sustainable manner, staff members are to accept the sustainable value as their own values. At this point, the value and practices have reached their institutionalized level within the firm. The internal institutionalized value and practices will
subsequently be extended to other social actors in the society. This effort is referred to as ‘extending sustainable business value and practice to others’ concept.

Figure 7.20: Component processes of institutionalization

<table>
<thead>
<tr>
<th>Technological change</th>
<th>Legislation</th>
<th>Market forces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Habitualization</td>
<td>Objectification</td>
<td>Sedimented</td>
</tr>
<tr>
<td>Interorganization monitoring</td>
<td>Theorizing</td>
<td>Positive outcomes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Interest group Resistance, Advocacy</td>
</tr>
</tbody>
</table>

Source: Tolbert and Zucker (1994).

The process of corporate environmentalism is illustrated using Tolbert and Zucker’s (1994) model of component processes of institutionalization (Figure 7.20). The three concepts/aims as responses to various pressures from legal and non-legal pressures are referred to as the innovation phase of institutionalization (red box). These responses arise from external pressures such as technological change in the industry and market forces. Findings of the study show that these pressures are exerted by corporate customers and competitors for firms to engage in corporate environmentalism. On the other hand, pressures in the form of legislations are exerted by legal and regulatory bodies. In addition to the external pressures, findings of the study also show that internal pressures also influence the innovation phase of the institutionalization process. The pressure for corporate environmentalism comes in the form of directives from the internal top management. As such, the process of institutionalization occurs within the firm. The finding is consistent with the institutional theory of organization that suggests firms are also influenced by normative pressures that arise from within firms (Zucker, 1987b).

The three concepts emerge from the data are categorized into two groups based on the origin and the flow of influence of the institutionalized elements; outside-in and inside-out. The outside-in category relates to the expectations and practices of external legal and non-legal parties
pertaining to the environmental matters which have impacted firms’ corporate environmentalism aims and practices. The institutionalization process takes place when the external institutionalized elements are adopted within the firm due to the isomorphic pressures. Subsequently, these elements gain legitimacy when staff members accept the external institutionalized elements as their own values and practices.

On the other hand, environmental practices of the inside-out category originate from within the firms. Environmental practices are adopted internally as standard procedures and practices in the presence of internal isomorphic pressures. Over time, the practices are accepted by the staff members and subsequently get internally institutionalized.

Figure 7.21: Theoretical approaches in institutional theory

Both the outside-in and inside-out categorization of concepts that emerge from the data resemble two theoretical approaches in institutional theory (refer Figure 7.21), namely the environment-as-institution and organization-as-institution approaches (Zucker, 1987b, p.445). The environment-as-institution explains how external elements influence the value and practices of the firms (red box). Through the internal isomorphism shift, external institutionalized elements are accepted and subsequently gained internal legitimacy.
On the other hand, the organization-as-institution approach emphasizes the importance of the role of the ‘institutional entrepreneur’ in creating the social order (DiMaggio, 1987, as cited in Zucker, 1987b). In this respect, internally set environmentalism aims and practices are institutionalized when the tasks are transformed into routines (Nelson and Winter, 1982, as cited in Zucker, 1987b). At this point, corporate environmentalism becomes an accepted common practice among the staff members. This type of institutional process is shown in the green box in Figure 7.21.

The process of achieving isomorphism and legitimacy status of the organization-as-institution type of institutional theory is identical to the environment-as-institution approach. Firms respond to the isomorphic pressures and ultimately gained the legitimacy status. The point of difference between the environment-as-institution and organization-as-institution approaches lies in the origin of the institutionalized elements. For the environment-as-institution, the institutionalized elements originate from external sources, while the institutionalized elements for the organization-as-institution approach are developed internally.

The following sub-sections discuss each of the corporate environmental aims in relation to the two types of approaches in the institutional theory.

7.4.2.1 ‘External recognition’ concept and environment-as-institution approach
The ‘external recognition’ concept reflects the outside-in type of institutionalized elements flow, and is congruent with the environment-as-institution approach of institutional theory. Corporate environmental aims and practices of the individual firms are adopted from external institutionalized elements that arise from societal expectations and isomorphic pressures. This is referred to as the ‘reproduction or copying of system-wide (or sector-wide) social facts on the organizational level’ (Zucker, 1987b, p.444).
In the context of the study, firms choose to adopt certain environmental strategies and practices due to the increased environmental awareness, expectations and practices of external parties. The move is beneficial as a means to fulfill the societal expectations, promotes success and survival of an organization (Meyer & Rowan, 1977) and increase the flow of societal resources (Scott & Meyer, 1983). However, such choice may not necessarily represent the most optimal option for business purposes and therefore, reduce efficiency (Scott & Meyer, 1983). The findings show that corporate environmentalism is perceived from the materialist perspective and therefore such a move is likely to adversely affect financial gains.

The process of environment-as-institution approach in relation to the ‘external recognition’ aim is shown in Figure 7.22. Firms respond to external expectations and isomorphic pressures by incorporating environmental issues as part of the business agenda. The adoption of external
values and practices leads to internal isomorphism and legitimacy. When the internal value and practices are deemed congruent with the external expectations, firms are rewarded legitimacy (red arrow).

Firms adopt the institutionalized environmental value and practices and gain acceptance into the greater society upon the fulfillment of the expectations. Pressures and expectations imposed on firms are set based on the common beliefs and practices of the social actors. Section 7.2.2.1 identifies various types of social actors and analyses the source of these external pressures. The findings reveal that legal bodies and corporate social actors (customers and competitors) represent parties that exert forceful pressures for corporate environmentalism. Laws and legislations appear as the main source of pressures (Figure 7.22) and are heavily influenced by the secularism (Mustafa, 2011).

External expectations that originate from legal requirements result in coercive isomorphic pressures for firms to engage in corporate environmentalism. Coercive isomorphism explains how the dependency of an organization on others affects its behavior and structure. In this respect, pressures exerted are in the form of legal and technical requirements. Depending on how these pressures are interpreted, they can be regarded as force, persuasion or invitation to join the broader group. If the pressures are regarded as a force, changes are therefore mandatory to ensure compliance to legal requirements (DiMaggio & Powell, 1983).

In addition to the coercive isomorphic pressure, firms fulfill external requirements due to the uncertainty in the business environment. Firms imitate other firms’ practices and behavior when uncertainty arises in relation to the future environmental prospect and trend. For instance, the changing public expectation in relation to environmental-related issues poses uncertainty to the demand of the firms’ outputs. The uncertainty aspect forces firms to model similar firms in the field which are perceived to be more legitimate or successful. Similarity in the practices of firms that arises from direct imitation is associated with modeling, rather than to enhance efficiency.
The findings reveal that the modeling process diffuses intentionally through direct imitation. This scenario is explained by A2:

*Because this type of industry, either you are the leader or you are the follower. If you lead means you lead-lah. When you lead already people will follow. Because the trend, it is always like that one (laugh). People will follow you, I mean if people want to make name for themselves for the market. You have already set the level, everybody will follow. No choice. I think that is not the choice, you know. You don’t follow then you will be lost in the market place (A2).*

The imitation of practices of others, or mimetic isomorphism, is linked with network ties among professionals. Members, who are the members of the professional bodies, are likely to share issues related to the decision making, resources and information flow. The following extract from A1 supports the presence of network ties between firm managers in the same industry.

*I think B1 is a good candidate for you to interview and that is really my personal opinion. Well, I dealt with her in a few occasions and we keep in touch. And she is quite a very friendly person, and very willing to share and that is important (A1).*

Apart from the coercive and mimetic isomorphic pressures, firms also encounter the normative isomorphic pressure in the process of gaining external recognition. Normative isomorphism relates to the professionalization\(^{86}\), and associates with the expansion of professional networks in which new models diffuse rapidly. Such process contributes to status ordering or hierarchical status. For instance, the recognition of a group of selected firms is seen as securing legitimacy and visibility. Hence, other firms would make attempts to imitate certain practice or procedures of the recognized group in order to obtain similar recognition. Below is the explanation by B2 on how the firm responds to the normative isomorphic pressure to remain as the top property developer in the country:

*I think, I think among those top property developers, M, N, I, the top, top 20, I think they, all of them have signature to the drive firstly but not the small small ones. The small ones they don’t bother about these things because no value to them. Because if I have a parcel of land, because I*  

\(^{86}\)DiMaggio and Powell (1983, p.152) defines professionalization as ‘the collective struggle of members of an occupation to define the conditions and methods of their work, to control the ‘production of producers’, and to establish a cognitive base and legitimation for their occupational autonomy’.
The discussion leads to the conclusion that firms encounter three types of isomorphic pressures, namely the coercive, mimetic and normative, in the process of homogenization of corporate environmental practices. The way firms respond to the external requirements resembles the secularist approach to corporate environmentalism. The main aim is to gain legitimacy from other social actors by being competitive in the market. Legitimacy is captured through physical and measurable features such as profit and accolades. This is incongruent with the Shariah way of looking at corporate responsibility. Instead of seeking legitimacy from other social actors, firms ought to care for the environmental as a duty to Allah in order to gain the promised non-observable, non-quantifiable rewards thereafter.

On the same note, the process of gaining legitimacy is also found diverges from the Shariah teaching. Two types of effort used to gain and maintain the external legitimacy are the portrayal of a sustainable image and engaging in the sustainable practices. Although the latter is in line with the Islamic call for environmental care, the former does not match the Shariah way to discharge accountability. Portrayal of sustainable image refers to an effort to communicate and connect firms to the socially legitimate goals and actions. Islam calls for the actual effort to protect and care for the environment but at the same time prohibits the acts from being made known to others.

7.4.2.2 ‘Internalization of sustainable value and practices’ concept and organization-as-institution approach
Findings of the study reveal that firms internalize the sustainable value and practices with the ultimate aim for staff members to accept it as their own. Initiatives by the top management who believes that green initiatives are the best way to conduct business represent the central element of the organization-as-institution approach. In this respect, the generation of new institutional
elements in the firms comes from within the firm itself (Tolbert & Zucker, 1983). Under this type of approach, external coercive powers are not the cause of change as they result in deinstitutionalization due to the availability of alternatives (Zucker, 1987b).

The new institutional elements achieve its internal legitimacy stage when they are accepted by all staff members as their individual values and practices. At this point, the institutionalization of the environmental values and practices become the core value of the firms. The success of past corporate environmental strategy influences the process and thus, contributes to internal institutionalization. Schwartz (2009) refers this situation as ‘institutional automorphism’.

A closer look at the new internally generated institutionalized elements shows that they are not associated with and influenced by the Shariah. As suggested by A1, the previous management has ‘accidentally’ and ‘unconsciously’ discovered the environmental friendly practices, and upon realizing that the practice promotes good value, the current management decides to adopt the value within the firms. The unplanned discovery emerges out of managers’ life and work experiences, and do not have any association with Shariah.

The process of internalization of the sustainable value and practices involves the isomorphic pressure to gain the legitimacy status (Figure 7.23). Three types of isomorphic pressures involved in this phase are coercive, mimetic and normative. Coercive isomorphic pressure is exerted to the staff members via a mandatory enforcement of the penalty and reward system. Control mechanisms are used as the measure of work performance. B1 explains:

Yes, yes. Volunteer but now we a making is as a KPI for them that everybody has to do to deliver like 3 sessions per year. Just want to make it moving, so once it is being part of the culture, they will just like doing it as a norm. So to kick it off, we make it as part of the KPI, it is a job requirement. Yes, yes. And that is for our employees..(B1).

The process of internalization of sustainable value and practice is also influenced by the normative isomorphic pressure, which associates with professionalism. The resting of formal
education and of legitimation in a cognitive base plays an important role in influencing staff members to accept the sustainable value and practice as their own value and practices. As observed by managers, education level and age influence the staff members’ environmental awareness (e.g. A2, B1, D1). Staffs with higher education level and belong to a younger age group were found to have a higher environmental awareness. As such, managers who are relatively younger and possess a higher education level encounter the normative isomorphic pressure to remain accepted by their respective social group.

Figure 7.23: The ‘internalization of sustainable value and practices’ concept and the organization-as-institution approach in institutional theory

Coercive isomorphic pressure is regarded as a mandatory compliance for the purpose of achieving material rewards. Staff members are forced to imitate others who are perceived to be successful in the firm. The mimetic isomorphic pressure normally happens within the same department, in which supervisors’ practices become the model for the subordinates to mimic.

The internal isomorphism shift through the coercive, mimetic and normative pressures takes the process of internalization of sustainable value and practices to the legitimacy stage. Legitimacy is gained when the staff members’ beliefs and practices are consistent with the internally developed sustainable value and practices. Different forms of legitimacy are gained by the staff members,
depending on how the staff members perceive the isomorphic forces. For instance, when a staff member regards the sustainable value and practices as the right thing to do, moral legitimacy is therefore conferred. On the other hand, the pragmatic type of legitimacy is conferred when a staff member contributes to the process of institutionalizing the new elements (sustainable value and practices).

Among the three types of isomorphic pressures, namely coercive, mimetic and normative, coercive pressure appears as the main pressure in the process of internalization of the sustainable value and practices. Such pressure involves a mandatory compliance through the objective and observable penalty and reward system. Although the internalization of the sustainable value and practices is aimed at instilling good value and practices, the way it is implemented promotes a self-centered behavior. From this respect, the approach diverges from the Shariah. Shariah dismisses the need for Man to compete with others to gain the rewards. According to Shariah, rewards are promised to every individual and they are non-monetary and non-observable in nature. From another aspect, although Shariah imposes financial penalty for certain incompliance acts, it is meant to educate and instill good values among the believers rather than promoting material gains.

Although the aim to internalize sustainable value and practices matches the Islamic environmental value and practices, it is neither associate with nor originate from the Shariah. Sustainable environmental practices which become the new institutionalized elements within firms emerge out of the universal value and are discovered through life experiences. A heavy reliance on control mechanisms that have objective and material features to ensure compliance resembles the secular materialism view to social reality. Firms’ environmental efforts are driven by non-Islamic related factors and Shariah teachings have a very minimal influence on corporate environmentalism.

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87 For instance, when a believer is unable to fast in the month of Ramadhan due to a health problem, Islam imposes a monetary penalty in the form of fidyah, which requires the believer to provide main meals to the poor and the needy.
7.4.2.3 ‘Extending the sustainable values and practices to others’ concept and organization-as-institution approach

The third concept represents corporate environmental aim is ‘extending the sustainable values and practices to others’. Figure 7.24 shows each step involved in the process of extending sustainable value and practices to parties external to the firms. The process starts within the firms, when corporate environmentalism is believed to be the right way of conducting business. Such belief and practices are then extended to parties external to the firm. The process of extending sustainable value and practices to others is made via a mandatory enforcement through the penalty and reward system. These external parties are forced to support corporate environmental efforts to secure business dealings and remain competitive. Over time, compliance to the sustainable values and practices lead to the public acceptance and get institutionalized. The fulfillment of the requirements enabled firms to achieve external legitimacy. When the societal value and practices are perceived as congruent with the firms’, legitimacy shall then be conferred (red arrow).

The process of extending the internally generated institutionalized elements as the organization-as-institution approach appears similar with the two concepts discussed in the preceding sections. Firms exert coercive isomorphic pressures to the external parties through the mandatory enforcement. External parties comply with firms’ requirements to remain competitive in the market.

Over time, firms’ institutionalized elements in the form of sustainable value and practices gain public acceptance. However, hard evidences such as accreditation and certification play an important role as an assurance to the compliance. For instance, when a firm started to venture into green buildings, the effort was the first of its kind in the local market. No support from the market was available. However, when the Green Building Index (GBI) accreditation was introduced, it has received tremendous support. The membership of GBI organization has increased significantly and firms are striving hard to achieve the highest GBI rating (platinum). Not only GBI received support from firms, the government also provides incentive for the green
building effort by offering tax exemptions. The support for GBI represents coercive, mimetic and normative isomorphic pressures for firms to engage in corporate environmentalism (refer Section 7.4.2.1 for discussion on each type of pressure). Upon the fulfillment of the requirements based on the firm’s new institutionalized elements, legitimacy status is conferred.

The ‘extending of firms’ sustainable value and practices to others’ aim matches the Shariah call for corporate responsibility. However, the assessment of the source of the new institutionalized elements (Section 7.4.2.2) and the implementation aspect reveals that they resemble the secular materialist approach. The internally developed sustainable value and practices discovered from managers’ life experience do not relate to the Islamic environmental values and beliefs. From the implementation aspect, the use of mandatory enforcement through the certification and
compliance reports resembles the secular materialism approach to social reality. Environmental issues and Islam appear distinctive and unrelated as there is no religious-related party involved in the entire institutionalization process.

The three corporate environmental aims, namely the ‘external recognition’, ‘internalization of sustainable value and practices’, and ‘extending the sustainable values and practices to others’, and their associations with the two types of theoretical approaches in institutional theory; environment-as-institution and organization-as-institution, are shown in Figure 7.25. Legal pressures originated from secularist perspective were exerted directly by legal bodies, and indirectly by customers and competitors. These pressures become the external legal expectations in the greater society (grey box in Figure 7.25). The mandatory fulfillment of the legal requirements leads to the coercive isomorphic pressure that causes firms to mimic the practice of others whom are perceived to be successful. Likewise, a strong normative isomorphic pressure is observed due to the belief that corporate environmentalism is the correct way of doing business.

Legal requirements formed coercive, mimetic and normative isomorphic pressures that force firms to seek external legitimacy, in the form of pragmatic, moral and cognitive. The process of gaining and maintaining ‘external recognition’ under the environment-as-institution approach is shown in the red box. On the other hand, the blue box shows legitimacy process of ‘internalization of sustainable value and practices’ and ‘extending the sustainable value and practices to others’ that fall under the organization-as-institution approach.
In view of Islamic influence in Malaysia, Figure 7.26 shows the three concepts of environmental aims and their associations with the environment-as-institution and organization-as-institution theoretical approaches in institutional theory. Contrary to a strong secular legal requirement, a weak influence of Shariah is observed in the environmental-related laws and regulatory requirements. Religious body that has legal authority such as the SAC of the SC is found to have not explicitly included environmental matters in the Shariah-compliant categorization. Instead,
the provision for environmental issues is implicitly categorized as ‘activities deemed not permissible according to the Shariah’. The findings also show that no cultural and religious expectations based on the Shariah teachings for corporate environmentalism is present in the society. As previously discussed, the finding is contrary to the Shariah normative approach to corporate environmentalism. While Islam has a very significant influence among the majority of the population in Malaysia, its influence is not observed in matters pertaining to the environment.

Figure 7.26 shows a weak form of legal societal expectation based on Shariah is present among Shariah-compliant firms in Malaysia (red dotted arrow in the grey box). However, it failed to form mimetic, normative and coercive isomorphic pressure for corporate environmentalism (refer Section 7.2.2 for detailed discussion on firms’ responses to external and internal pressures).

The process of gaining, maintaining and extending legitimacy to parties internal and external to firms under the two types of theoretical approach to institutional theory in view of Shariah is shown in the purple and yellow boxes. The flow of the legitimacy process is similar to Figure 7.25. However, the black arrows with a red cross indicate that the processes do not occur in Malaysia.
In summary, analysis on corporate environmental aims reveals that Islamic principles do not appear to be influential in the institutionalization of sustainable value and practices, both within and outside firms. Despite the strong dominance in the social, economic and political aspects, Shariah influence in matters pertaining to the environment is non-existent in the Malaysian context.
7.5 CORPORATE ENVIRONMENTAL EFFORTS, EXTANT LITERATURE AND LEGITIMACY

Findings in the preceding chapter show that firms engaged in environmental efforts to fulfill legal requirements. Firms engaged in the mandatory and voluntary efforts for the purpose of complying and educating their stakeholders such as employees and customers. Besides that, firms also involve in environmental activities that are perceived to enhance business opportunities.

Both voluntary and mandatory types of environmental strategies represent firms’ responses to the internal and external pressures. The findings suggest that firms apply different environmental strategies to deal with different stakeholders. This finding is shared by Jawahar and McLaughlin (2001) and Mitchell et al. (1997). The following sub-sections discuss both the voluntarily and mandatory efforts in view of the legitimacy issue and Islam.

7.5.1 Voluntary corporate environmentalism efforts

The findings show that firms engage in a wide range of voluntary environmental efforts, consistent with findings of Bendell and Kearins (2005) and Collins et al. (2010). Exploring the reasons of doing so reveals that such engagement is aimed to educate the stakeholders and expand their business opportunities (shown as educating and business opportunity in Figure 7.27).

Two main approaches used to educate various stakeholders pertaining to corporate environmentalism are information dissemination (A1, A2, B1, B2, F3) and community programs (B3, D1, E3, F3). Information is disseminated to the public through variety of ways including consultation, seminars, distribution of flyers and media releases. Such effort is aimed to inform the general public about the current environmental condition as well as acknowledging new advancements in green products which are available in the market. Community programs, on the other hand, emphasize practical experience as a way to educate and promote environmental care among the public.
In addition to the effort to educate the public, findings of the study also show that firms expand their business opportunity by offering environmental-friendly products (A2, B1) and comply with the international requirements (C1) (shown as ‘green initiatives’ and ‘internationalization’ in Figure 7.27). The ‘business opportunity’ category reflects firms’ competitive ability in the market. Previous studies have shown that customers are willing to pay more for the environmental-friendly products which are relatively more expensive than the non-environmentally friendly products (e.g. Rowlands, Scott, & Parker, 2003; Shrum, McCarty, & Lowrey, 1995). The ‘green initiatives’ environmental effort emerges from the data is aimed to capture the market for this particular type of customers.

On the other hand, ‘internationalization’ represents firms’ response to pressures exerted by international customers. The need to comply with the home countries’ legal requirements has resulted in the international customers transferring these requirements to the firms. Customers’ pressures are translated into opportunities to expand business opportunities to enter the international markets. Both the ‘green initiatives’ and ‘internationalization’ represent firms’ responses to the external pressures. Upon the fulfillment of the requirements, firms will then gain or extend their legitimacy status (Figure 7.27).

The ‘educating’ and ‘business opportunity’ categories represent firms’ voluntary effort to corporate environmentalism. Voluntary corporate environmentalism refers to voluntary
implementation of environmental initiatives with the aim to improve environmental performance beyond what is required by the legislations or law (Arora & Cason, 1996). Voluntary corporate environmental effort is associated with the pro-active type of environmental strategies. Due to changes in the nature of environmental issues, the compliance to external requirements or reactive approach is claimed to be sub-optimal and unacceptable (Azzone & Bertele, 1994). In order to remain competitive, firms opt to adapt to pro-active environmental strategies to seek and maintain their legitimacy.

Contrary to the re-active strategy in which firms react to legal forces, firms that voluntarily involved in the pro-active environmental strategy take such stance due to various financial and non-financial reasons such as social reputation and profitable. This approach is an alternative to the costly re-activity strategy which involves costs of monitoring and enforcement (Arora & Cason, 1996) and is aimed to keep ahead of regulatory changes and remain competitive (Aragon-Correa, 1998; Steadman et al., 1995; Vastag, Kerekes, & Rondinelli, 1996). The pro-active initiatives may be in the form of excess of the requirements of extant laws, or to fulfill the requirements but deliver more than the legal requirement (Prakash, 2001).

Prakash (2001) classifies pro-active environmental strategy into two types; ‘beyond-compliance’ and ‘over-compliance’. The ‘business opportunity’ category resembles the ‘beyond-compliance’ strategy as it provides more than what is required by extant laws. An example of the ‘beyond compliance’ type of pro-active strategy found in the findings is the offering of green features in the product such as wind channeling units installed in the newly developed housing areas. The effort is not required by the local authority but is offered as a business strategy to capture the market.

The ‘business opportunity’ category is also classified as ‘over-compliance’ as it not only meeting the minimum legal requirement but exceeds it. An example of this type of strategy is the provision of wider green areas in the housing development in excess of the minimum area
required by the local authority. B1’s remark below explains how the firm takes initiatives to provide a wider space for green lung than what is required by the local authority.

In Subang Jaya, the local authority will require you to allocate 10%, between 10 to 15% for green lung, but in B, we do, we give more to the residence where we are allocating 20 to 30% of the space for green lung (B1).

In summary, the ‘educating’ and ‘business opportunity’ as the categories informing the voluntary effort of corporate environmentalism match Vastag et al. (1996) classification of main activities of pro-active environmental management, namely the communication and innovation. The effort to educate various stakeholders relates to communication approach to environmental management while the business opportunity effort reflects the innovation part of the pro-active type of environmentalism.

Due to its nature, voluntary environmental efforts undertaken by firms appear consistent with the Islamic approach to social responsibility. Islam promotes good deeds in addition to obligatory responsibilities. Without any explicit forceful pressure, firms have voluntarily provided more than the minimum requirements set by external parties. However, the analysis reveals that voluntary corporate environmentalism is actually undertaken to gain external legitimacy from other social actors, and not due to the sense of responsibility to the society. Such aim does not represent the Shariah view of corporate responsibility. Islam outlines the responsibility of each individual (social actor) to care for the environment at individual (fard ain) and collective (fard kifayah) levels. According to the Shariah, the aim or niat is the utmost important rather than the act. Niat refers to the intention to do an act for the sake of Allah. Hence, if the act of doing good deeds is not based on the niat for Allah, the act will not be counted and will not get any rewards in the form of blessings. In this respect, voluntary environmental efforts are regarded as a reward-free act due to the aim to achieve business related and material gains. A hadith below explains the situation:
According to Sahih Bukhari Vol. 1 Book 1 No.1, Umar b. al-Khattab narrated that the Prophet (pbuh) said: “Deeds are [a result] only of the intentions [of the actor], and an individual is [rewarded] only according to that which he intends. Therefore, whosoever has emigrated (hijrah) for the sake of Allah and His messenger, then his emigration was for Allah and His messenger. Whosoever emigrated for the sake of worldly gain, or a woman [whom he desires] to marry, then his emigration is for the sake of that which [moved him] to emigrate”.

(Sahih Bukhari, n.d.)

In summary, the findings show that firms look at voluntary corporate environmentalism as a medium to gain material benefits for business related purposes. Firms compete with each other to get the most of business opportunities and ultimately, maximize their profits. Such aim is based on secular materialist perspective, which is contrary to the normative way of looking at corporate environmentalism from an Islamic perspective. As a social actor, firms should regard environmental activities as an obligation to the Creator. When the niyat (aim) to protect the environment is directed at discharging accountability to Allah, material reward is not an issue of concerned. Rewards are promised and guaranteed for each individual (firm) in the life thereafter. According to the Shariah, the entire legitimacy process is subjective, viewed from the party that grants legitimacy (Allah), efforts to care for the environment and the promised rewards. The discharge of accountability is between individual (firm) and Allah and therefore no competition with other social actors is involved.

Discussion from the previous section shows that firms’ secular materialistic view to corporate environmentalism is caused by the secular legal requirements (EQA) which form the coercive isomorphic pressures for firms to gain legitimacy. The legitimacy process is reliant on control mechanisms with material and objective measures to ensure compliance.

7.5.2 Mandatory corporate environmentalism efforts
In addition to the voluntary efforts, firms were also found to have engaged in mandatory environmental activities to comply with external legal parties’ requirements. Compliance to legal requirements is categorized as the re-active type of environmental strategies (Vastag et al., 1996) as it involves legislative, enforcement and compliance costs (Cordano, 1993).
The findings show that the ‘compliance’ effort is supported by the ‘award of contract’ and ‘fulfillment of requirements’ (Figure 7.28). The ‘award of contract’ refers to activities carried out to ensure that the third parties, who actually involved in the implementation phase, comply with mandatory requirements. In doing so, firms required an assurance in the form of the accreditation status, besides imposing penalties on non-compliance matters. Once accredited, these supporting parties are obliged to follow all of the set requirements and thus, compliance to the legal requirements is assured.

The ‘compliance’ effort is also supported by the ‘fulfillment of requirements’. By complying with legal requirements, firms gain their legitimacy status from the legal perspective. For instance, compliance to the Department of Environment (DOE) requirements enabled firms to maintain their legitimacy through the continuing issuance of licenses to operate.

Findings in the preceding chapter show that the main aim for firms to comply with legal requirements is to maintain the external legitimacy (firms’ existence in the market implies that they have gained legitimacy). Figure 7.28 shows the associations between the ‘compliance’ category of the environmental effort and external legitimacy. Firms are granted the extension of legitimacy once the parties exerting pressures are satisfied with the fulfillment of their legal requirements.

Figure 7.28: Compliance category of mandatory environmental effort as the agent of legitimacy
Looking at firms’ environmental effort from the Islamic perspective, the fulfillment of the mandatory requirements resembles the obligation of an individual to the Creator (wajib), and the voluntary efforts represent the additional good deeds as proposed by the Prophet (sunnah). As a good social actor, firms play their parts by doing more than what is expected from them.

However, a closer look at other issues suggests that both the voluntary and mandatory corporate environmental efforts are not influenced by and associated with the Shariah. First, analysis on the main reason for corporate environmentalism shows that firms’ discharge their accountability due to the external parties’ pressures. From an Islamic perspective, this aim does not match the niat to do an act for the sake of Allah. Although managers believe that corporate environmentalism is the right way of doing business, it originates from life experience rather than from the religious or Islamic call. As for the voluntary efforts, firms compete with each other in matters pertaining to corporate environmentalism with the aim to gain material rewards in the form of business opportunities. A remark by A2 “because this type of industry, either you are the leader or you are the follower” suggests that firms are trying very hard to be the leader in the industry. Venturing into voluntary and new innovations help to map a way to a niche market and achieve the set aim.

Second, from the implementation aspect, the component of trust between firms and other stakeholders appears to be very minimal due to a heavy reliant on control mechanism that requires material and objective measures. Certified reports and accreditation play an important role in determining the compliance level and become the basis for the penalty and rewards system.

In summary, the mandatory and voluntary efforts shown by firms represent their responses to the external parties’ pressure to ensure survival in the market. Both efforts serve as the mechanism to gain, maintain and extend their legitimacy from other social actors. Such findings show the dominancy of the secularist materialism in matters pertaining to corporate environmentalism in Malaysia. Islam appears separated from the legitimacy process based on three aspects. First, the
source of pressures comes from legal requirements, as opposed to the Shariah. Second, corporate environmental efforts are aimed at gaining legitimacy from other social actors, contrary to Allah from an Islamic perspective. Third, corporate environmentalism is heavily reliant on hard evidences with objective measures to gain material rewards. From the Islamic perspective, legitimacy is a subjective process which does not require actions to be quantified and measured.

As highlighted in the previous section, the secular legal requirements (EQA) formed the coercive isomorphic pressures for firms to engage in corporate environmentalism. The need to be legally legitimized has forced firms to comply with the secular requirements. Shariah does not contribute to the formation of the coercive isomorphic pressures as the environment is not considered as an issue that needs special and urgent attention by religious bodies. This is evident when environmental issues are excluded from the defining criteria of the legal requirements (e.g Shariah-compliant categories of the SC).

7.6 ANALYSIS OF THE CURRENT SETTING, IMPLICATIONS AND WAY FORWARD

This section provides a discussion on factors influencing environmental management practices in among Shariah-compliant firms in Malaysia based on findings and discussions from the preceding sections. The first part of this section explores the reasons for Shariah teachings on the environmental issues are not influential in the corporate environmentalism process of Malaysian Shariah-compliant firms. In view of the impacting factors that lead to the current situation, the second part of the section offers explanations and was forward in the role of Shariah institutions in playing a more effective role in corporate environmental practices in Malaysia.

7.6.1 Analysis of the current setting

As revealed by the findings, Islam appears distinctive from the social and business environment in issues pertaining to corporate environmentalism in Malaysia. Environmental care is not regarded as an Islamic call although it is explicitly stated in the Quran and Hadith. Environment is viewed and treated from the secular-materialism perspective, both at the individual, as well as
corporate levels. At the individual level, managers’ environmental belief is influenced by the
dominion belief in which environment is regarded as something to be possessed and utilized.
Similarly, at the corporate level, environment is perceived as a resource to gain and/or extend
legitimacy to achieve physical and material aims.

The domination of the secular-materialism approach in Malaysia is evident by the strong legal
institutions, which originate from the western tradition, having a strong influence on corporate
environmental practices in Malaysia. A strong form of coercive, mimetic and normative types of
isomorphic pressures derived from these secular legal institutions forces firms to engage in
corporate environmentalism to gain legitimacy from other social actors.

Although Islam is dominant in Malaysia in various important aspects of life, the societal
expectation for corporate environmentalism from the Shariah perspective appears to be almost
non-existent. The findings show only a weak form of Shariah legal external expectation is
present. No coercive, mimetic and normative isomorphic pressure is observed (refer Figure 7.26).

The separation of environmental matters and the Shariah reflects the inability of the Islamic
scholars in Malaysia to apply Islamic teachings in changing the mindset and behavior of people
and organizations pertaining to environmental management and preservation activities. Since its
independence in 1957, Malaysia has undergone a vast development that causes serious
environmental issues such as landslides and floods. However, despite various disasters caused by
the development, Islamic scholars fail to consider the impact of the modernization on the
environment. Parvez (2000) identifies this situation as one of the causes of the downfall of the
Muslim community. Failure to exercise judgment to address emerging problems and deal with
new situations (ijtihad) poses a barrier for the Muslims to cope with the changes in the social
environment. A high dependency on previous practices (taqlid) in a different situation leads to
rigidity in practice and opinions of the Muslims, especially in the context of environmental
protection. This leads to Islamic institutions inability and capacity to play a significant role in
instilling good corporate environmental practices. We identify a number of factors that contribute to such situation.

The inability to address contemporary challenges in the modern time in view of Shariah is due to the lack of explicit prohibitions and punishments for matters related to environmental care in the Quran and Hadith. Environmental care is not emphasized as much as other deeds such as sadaqah (charity). Although Islam encourages Man to care for the environment and be just to other creations, details of the call are not explicitly stated in the Quran. The references available appear to be general statements for environmental protection (Quran 6:38 on page 25 is referred). On the other hand, a clear guideline on how to observe fasting, for instance, is provided in various parts of the Quran. Verse 187 of Surah al-Baqarah explicitly states the do-s and the don’t-s during the fasting period, as well as the specified period of fasting. The extract below outlines that Man has to refrain him (her)self from taking any food or drinks, and not to engage in intimate relationship during the fasting period which starts from the dawn and ends at dusk.

> It is made lawful for you to go in unto your wives on the night of the fast. They are raiment for you and ye are raiment for them. Allah is Aware that ye were deceiving yourselves in this respect and He hath turned in mercy toward you and relieved you. So hold intercourse with them and seek that which Allah hath ordained for you, and eat and drink until the white thread becometh distinct to you from the black threat of the dawn. Then strictly observe the fast till nightfall and touch them not, but be at your devotions in the mosques. These are the limits imposed by Allah, so approach them not. Thus Allah expoundeth His revelation to mankind that they may ward off (evil) (Quran 2: 187).

In addition to the lack of details on the implementation aspect with reference to environmental offence has not been clearly articulated in comparison to other types of offence. For instance,

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88 There are 71 references made to charity in the Quran. Among them are Quran 2:43 ‘Establish worship, pay the poor due, and bow your heads with those who bow (in worship); 2: 177 ‘It is not righteousness that ye turn your faces to the East and the West; but righteous is he who believeth in Allah and the Last Day and the angles and the Scripture and the prophets; and giveth wealth, for love of Him, to kinsfolk and to orphans and the needy and the wayfarer and to those who ask, and to set slaves free; and observeth proper worship and payeth the poor due. And those who keep their treaty when they make one, and the patient in tribulation and adversity and time of stress. Such are they who are sincere. Such are the Allah-fearing’.

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extracts from Surah al-Baqarah and Surah al-Ma’idah below illustrate the severity of the act of drinking and gambling and categorizes them as great sins.

They question thee about strong drink and games of chance. Say: In both is great sin, and (some) utility for men; but the sin of them is greater than their usefulness. And they ask thee what they ought to spend. Say: that whish is superfluous. Thus Allah maketh plain to you (His) revelations, that haply ye may reflect (Quran 2: 219).

O ye who believe! Strong drink and games of chance and idols and divining arrows are only an infamy of Satan’s handiwork. Leave it aside in order that ye may succeed. Satan seeketh only you cast among you enmity and hatred by means of strong drink and games of chance, and to turn you from remembrance of Allah and from (His) worship. Will ye then have done? (Quran 5: 90–91).

A very clear reference to both types of destructive attitudes has prompted Muslims to accept such behavior as strictly haram, leaving no rooms for compromise. Muslims have put a very high level of trust to this rule to the extent it prohibits them from engaging in such practice. Drinking and gambling are therefore, considered as a taboo and not acceptable as a common practice in an Islamic society. In Malaysia, drinking and gambling among Muslims are prohibited by force of law. Under the Syariah Criminal Offences (Act 559), the penalty for Muslims who are found guilty of gambling and drinking are provided in Part III Section 18\(^{89}\) and 19\(^{90}\), respectively.

The above discussions suggest that environmental related matters are less emphasized compared to other socioeconomic issues during the Prophet’s time. In general, references to addressing social ills are widely cited in the Quran. Drinking, for instance, was a common habit among the

\(^{89}\) Section 18 (1) Any person who gambles, or is found in a gaming house, shall be guilty of an offence and shall on conviction be liable to a fine not exceeding three thousand ringgit or to imprisonment for a term not exceeding two years or to both. (2) In this section, “gaming house” means any premises, including a room, an office or a stall, whether open or enclosed, used or kept for the purpose of any game of chance or a combination of skill and chance, whether permitted by any other law or otherwise, for money or money’s worth.

\(^{90}\) Section 19 (1) Any person who in any shop or other public place, consumes any intoxicating drink shall be guilty of an offence and shall on conviction be liable to a fine not exceeding three thousand ringgit or to imprisonment for a term not exceeding two years or to both. (2) Any person who makes, sells, offers or exhibits for sale, keeps or buys any intoxicating drink shall be guilty of an offence and shall on conviction be liable to a fine not exceeding five thousand ringgit or to imprisonment for a term not exceeding three years or to both.
Jahiliyah (جهاد يه) and thus, the Shariah explicitly prohibits this destructive behavior with detailed punishment for violators to this rule.

On the issue of environmental protection, Islam has cautioned the believers that Man, who is a superior creation above others, has a great tendency to destroy the environment due to the influence of the evil spirit (nafs). Thus, even before the environmental issues emerged as a problem, Man has been warned and reminded to maintain the environmental balance (ecosystem). However, the prohibition was not made explicit and detailed because environmental issue has not reached to an alarming level that granted specific reference during the Prophet’s time. Punishment for environmental offence was also not made explicit during the Prophet’s time, considering its nature and duration of the impact on the society. For example, when trees are uprooted, the impact on the ecological system may occur years later when the land becomes unstable. The lag effect between the act and its impact during Prophet’s time made it difficult to quantify the severity of such offence.

The problem was further exacerbated because it is also difficult to assess the broader impact and cost of pollution to society during Prophet’s time. For instance, due to the interdependency of elements of the environment, a polluted river does not only affect the marine ecosystem but also the wildlife and human beings. Lack of empirical evidence on the impact of environmental pollution during those times, made it difficult for Shariah regulators to prescribe measures to prevent environmental pollution and degradation undertaken by the corporate sector and the general public. The technology to detect environmental pollution during the Prophet’s time was also not well developed to ascertain the source of pollution and its impact on society. Without being able to accurately identify polluters and difficulty in assessing their impact to the society, the Quran and Hadith do not clearly identify the measures and regulations to prevent environmental pollution.

91 Refers to an Islamic concept of ‘ignorance of divine guidance’ or ‘the state of ignorance of the guidance from God’ (Wikipedia, n.d.-g).
On the contrary, major sins⁹² that are given much emphasis have direct and almost immediate impacts on the societal value. For instance, an individual who consumes alcoholic drinks has a very high tendency to commit other major sins. The effect of such act (consumption of liquor) is immediate and the offender can easily be identified. In this instance, the punishment for alcohol consumption according to Shariah laws is clearly prescribed.

The rigidity of the thinking and practice of the Islamic teachings in Malaysia is also influenced by the way Islam is administered. The Sunni of the Shafi’i School of Thought is the official and legal form of Islam in Malaysia. The sect is dominant and efforts are aggressively made to minimize the diversity in the belief and practices of the believers. For instance, the freedom to openly discuss emerging issues in view of Shariah is restricted by the provision of the Syariah Criminal Offences of Malaysia (Act 559). Any effort to ‘defy, disobey or dispute or to give, propagate or disseminate any opinion concerning Islamic teachings, Islamic law or any issue, contrary to any fatwa for the time being in force’ is categorized as a criminal offence (Anwar, 2013). Fatwa refers to an advisory opinion pertaining to the issues of concern, which is issued by a religious authority to guide Muslims to lead a life according to the Shariah. The restriction made by force of law to restrain the public from discussing the issues of concern causes the Muslims in Malaysia to be irresponsive to the changing situations in fear of legal charges.

Since Islam does not provide adequate provision for implementing strict rules for environmental violators and proposing any new changes to the existing Shariah rules adopted by the religious authority is prohibited, there is inertia in the development of rules of engagement and punitive measures to address breach in environmental standards from an Islamic perspective in Malaysia. Environmental issues are treated the same way as they were historically during the Prophet’s time.

⁹² According to Sahih Bukhari, Book 51, No. 28 as narrated by Abu Huraira: The Prophet said, Avoid the seven great destructive sins. The people enquire, O Allah’s Apostle! What are they? He said, to join others in worship along with Allah, to practice sorcery, to kill the life which Allah has forbidden except for a just cause, (according to Islamic law), to eat up riba (usury), to eat up an orphan’s wealth, to give back to the enemy and fleeing from the battlefield at the time of fighting, and to accuse, chaste women, who never even think of anything touching chastity and are good believers (Sahih Bukhari, n.d.).
although the types and modes of economic activities have changed over time, with new economic and industrial activities being primary contributor for environmental problems in Malaysia.

The preceding discussions reveal two main factors that contribute to the environmental problem in Malaysia. First, environment is viewed from the secular-materialist perspective. Influenced by the dominion belief, environment is seen from the demand side which allows it to be used on unlimited basis. At the corporate level, environment is treated as a legitimizing agent to gain physical and material objectives. The secular materialist view of social reality has caused the society to interfere with nature endlessly and without any sense of guilt. Environmental offences has become an accepted norm as greedy and selfishness became the center of ‘me-society’ (Parvez, 2000, p.83).

The secular-materialist view of the environment influences the way environmental problem is addressed. The findings show that a heavy reliance on external control mechanisms such as legislations, regulating bodies, media etc. is needed to ensure compliance. No inner control mechanism is observed as the component of trust among the social actors is lacking, or even totally missing. Environmental problems are dealt with the aim to gain material and physical needs such as business opportunities and accolades. The root of the problem concerning emotional and spiritual needs of the society has been neglected, in particular by the Shariah institutions.

The second factor that contributes to the environmental problem in Malaysia is the failure of Islamic religious bodies to adapt to the changing environmental landscape. This has resulted in confining to the thinking and practices of the earlier generations. Referring this group as the traditionalist (Parvez, 2000), a heavy taqlid that restrict new thinking, opinions or practices to emerge that meet current societal requirements and adapt to changes taking place in society over time. The traditionalist Islamic perspective appears to be dominant in matters pertaining to the environment in Malaysia, where Shariah principles have not been effectively integrated to address environmental challenges. One of the reasons for this is appropriate regulatory
framework and mechanisms within *Shariah* have not incorporated current knowledge and technology to address the impact and mitigation measure of environmental degradation on broader society.

![Figure 7.29: Current setting of the environmental problem in Malaysia](image)

The two factors that contribute to the environmental problems in Malaysia are shown in Figure 7.29. First, the passive and reluctant-to-change attitude of the traditionalist Muslim community in Malaysia in which a majority of the community take a literal interpretation of the Islamic teachings without considering the context that has had undergone various social and economic changes over time. Although environment is regarded as important issue from the theological perspective, the current environmental practices among *Shariah* compliant firms in Malaysia do not appear to conform to the *Shariah* teachings due lack of clear prescriptions and provision of environmental regulations within the *Shariah* framework.

Second, the secular materialist perspective on the environment has resulted in a heavy emphasis on the economic development with the ultimate aim of achieving material gains and benefits. As the environmental issues are kept separated from Islam by the traditionalist Muslim approach, coupled with Malaysia society placing a heavy emphasis on economic achievement, the secular-materialist approach to problem solving predominates the way to deal with environmental
problems in Malaysia. Financial and material aspects become the main focus of corporate environmentalism. Legitimacy is therefore granted upon the compliance to the rules and legislations set by the regulators.

Discussion in this section is summarized in Table 7.2. Findings of the study are analyzed in view of the secular and Islamic perspectives on corporate environmentalism based on six aspects, namely the principle underlying the concept, the context in which the findings and the secular perspective and Islamic normative call are referred to, key stakeholders involved, theoretical underpinnings, regulatory authority and perceptions on cost of non-compliance.

Findings of the study show that the root of the environmental problems in Malaysia lies in the way environment is viewed. Environment is regarded as an item to be possessed and owned, a view which resembles the dominion belief of the secular materialist approach. In the context of the study, environment is treated as a public good and thus corporate environmentalism is carried out with the aim to gain legitimacy from other social actors (regulatory and non-regulatory parties). External control mechanism with objective and material measures are used as monitoring mechanism to reduce the exploitation or overuse of the elements of the environment. The cost of non-compliance is measurable in monetary form and has to be dealt with punitive measures that are measurable in the form of fines, revocation of licenses and/or reputational damage. Firms gain legitimacy from external stakeholders such as regulators and customers through certification of meeting prescribed set of standards of environmental compliance. Due to the cost of compliance, most firms try to meet minimum standards. Only very few firms use aspirational standards as means of differentiating themselves from other firms in which it becomes a source of competitive advantage.

On the contrary, Islam looks at the environment from the pre-damaged condition and supply side. Individuals are obliged to care for the environment on behalf of the ultimate owner (Allah). As a divine creation of Allah’s creation, corporate environmentalism should therefore be undertaken to gain legitimacy from the Creator. The contract between individuals (firm) and Allah is based on
trust and therefore, measures and competition for efforts and the promised rewards is irrelevant. The cost of non-compliance is implicit and to be dealt with by the offenders in the life thereafter.

Table 7.2 shows the current findings, secular and Islamic perspectives on corporate environmentalism. The secular and Islamic perspectives on corporate environmentalism have different views in the principle underlying the concept, context, key stakeholders, regulatory authority and costs of non-compliance. Nevertheless, both perspectives share the same basis in the theoretical underpinning. Legitimacy emerges as the main aim for corporate environmentalism and that each social actor abides by the institutionalized value and practices to gain legitimacy. Table 7.2 also shows that the current findings closely resemble the secular perspective of corporate environmentalism in all respects.

Table 7.2: Corporate environmentalism: A comparison among the secularist perspective, Islamic normative perspective and the current findings

<table>
<thead>
<tr>
<th></th>
<th>Secular Perspective</th>
<th>Islamic Perspective</th>
<th>Findings of the study: Perspective of managers from Shariah-compliant firms in Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Principle</strong></td>
<td>The anthropocentric principle regards humans at the center all of things. Environmental attitude is based on the utilitarian and exploiter grounds.</td>
<td>Environment is viewed from the pre-damaged and supply side. Each individual is assigned a duty to ensure all elements are in a perfect balance as what they are first created. The absolute ownership of each element of the environment belongs to Allah.</td>
<td>Based on the dominion belief, environment is viewed from the post-damaged and demand side. Elements of the environment are treated as something to be possessed and owned. Environmental protection is needed only when damage has been done.</td>
</tr>
<tr>
<td><strong>Context</strong></td>
<td>Environment was rationally constructed and understood through the right use of human reason and critical reflection. Humans commit to a “let’s dominate and transform nature” mentality. Environment becomes the</td>
<td>Environment is a divine creation of Allah. Humans are the appointed trustee to care and protect the environment. As the custodian on earth, humans’ privileges to use all elements of the environment entail a profound</td>
<td>Environment is a public good and has become a major concern of the global community. Industrialization has caused major destructions to the environment. Technology to monitor and detect the impact is</td>
</tr>
<tr>
<td><strong>Key stakeholders</strong></td>
<td>Secularization eliminates the divine status of the environment and human responsibility to care for it.</td>
<td>Environmental protection is a mandatory obligation of each individual to <em>Allah</em>.</td>
<td>Caring for the environment as the fulfillment of other social actors’ requirements, such as regulators, customers and suppliers.</td>
</tr>
<tr>
<td>----------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Theoretical underpinning</strong></td>
<td>Social actors abide by the institutionalized value and practices to gain legitimacy from other social actors who are believed to have control over economic resources. Key theories that underpin social actors’ behavior are <em>Institutional Theory</em> and <em>Legitimacy Theory</em>. Key institutions that are supposed to uphold accepted environmental standards and best practices within the <em>Shariah</em> context are the <em>Shariah</em> courts. Legitimacy is obtained from <em>Allah</em> and the role of <em>Shariah</em> institutions is to inculcate good environmental values and best practices.</td>
<td>Each individual abides by the institutionalized values and practice as prescribed to gain legitimacy from <em>Allah</em>. Key theories that underpin social actors’ behavior are <em>Institutional Theory</em> and <em>Legitimacy Theory</em>. Key institutions that uphold accepted environmental standards and best practices include secular regulatory authorities, other firms and the broader society. Legitimacy is obtained by fulfillment of environmental standards and best practices established by regulatory authorities and the broader society.</td>
<td>Economic agents (managers and/or firms) abide to environmental standards and best practices established by secular regulatory authorities and external stakeholders (suppliers and customers). The role of <em>Shariah</em> in modifying behavior pertaining adherence to environmental standards and best practices are negligible.</td>
</tr>
<tr>
<td><strong>Regulatory authority</strong></td>
<td>Acceptance to the authority of experimental or scientific observations based on the rational-causal relationship. Regulations are based on objective and scientific evidence. Punitive actions are taken by legal authorities and are based quantifiable measures.</td>
<td>Emphasizes the internal control mechanism. The component of ‘trust’ and the belief of the promised rewards in the life thereafter define the codes of environmental behavior. Punitive actions are taken by <em>Allah</em> in after-life.</td>
<td>Heavy reliance on external control mechanism with objective measures and hard evidences to gain material and physical rewards. There is greater leaning towards conforming to standards due to pressures from legal authorities.</td>
</tr>
<tr>
<td><strong>Perspective on cost of</strong></td>
<td>Cost is objective and measurable in monetary form.</td>
<td>Implicit cost which is non-measurable in monetary form.</td>
<td>Financial loss and reputational damage which are objective</td>
</tr>
</tbody>
</table>
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| non-compliance | The cost of non-compliance includes loss of license to operate, prosecution in courts, loss of reputation and financial loss due to fines, clean-up activities or recovery cost for damage of property of health. These costs have to be incurred when the courts find the firms guilty of non-compliance to environmental standards. |
| Punishment or penalty of non-compliance is deferred to the life thereafter. The Shariah courts have not clearly prescribed the punitive measures for violation of environmental standards. Hence, there is no explicit cost associated with non-adherence to environmental-friendly behavior, as prescribed by Islamic principles. | and measurable are imposed upon conviction of environmental offence. |

### 7.6.2 Discussion and policy implications

The preceding section provides findings of the study and highlights the gap between the current societal values and practices and the normative call for environmental protection from Shariah perspective among Shariah-compliant firms in Malaysia. Two factors are identified as associated to the gap; the way the environment is viewed and treated by managers of Shariah-compliant companies, and the passive and irresponsible attitude of the parties responsible for upholding the Islamic environmental values and practices in Malaysia. The first relates to the secularist perspective, which treats the environment as an item owned and possessed by the acquirer. The secular regulatory approach to environmental protection tends to require firms to meet minimum standards, which may in the long-term contribute to adverse damage to the environment and the broader society.

The corporate environmentalism among Shariah-compliant firms in Malaysia was found to be directed at fulfilling the requirements of the perceived owner or possessor of the natural resources (environment) in order to create economic wealth. Managers of these firms did not view their role as custodians of the environment for Allah, but meeting the needs of their shareholders and external stakeholders within the allowable minimum environmental standards prescribed by regulators. Due to this view taken by the managers, Shariah-compliant firms which meet the minimal environmental standards are also contributing to the degradation of the environment in the long term.
Second, the findings revealed that lack of clear Islamic regulations and punitive measures for non-adherence to environment practices have led to managers of Shariah-compliant firms gaining legitimacy from secular regulatory authorities and external stakeholders (customers and competitors). The study reveals that Islamic religious bodies in Malaysia tend to regard environmental issues and Shariah principles as distinctive and unrelated activities. This is due to these religious authorities having taken a traditional interpretation of the environment as in the times of the Prophet. New modern technology, regulations and instruments have not been incorporated into the Shariah framework to educate, monitor and regulate issues related to environmental pollution and preservation.

Next, we discuss the role Islam can play in addressing the challenges of environmental pollution in a more effective and holistic way among Shariah-compliant firms. Several studies have shown that spiritual values can play an important role in modifying human behavior to achieve good environmental belief and practices of the individual and broader society. For example, Sherkat and Ellison (2007) found that religious group participation stimulate environmental protection activities among church attendees in the US. On the same note, Posas (2007) found significant role of religious groups in linking spiritual values and modern challenges in promoting good environmental behavior in the UK.

The ineffectiveness of the secularist approach and the religious authority’s stance on the environmental problem suggests that there is an urgent need for an alternative approach to address environmental problems in Malaysia. The approach should not only treat the symptoms but also addresses the root of the problem and other impacting factors. In a country with a majority Muslim population that have a significant Islamic influence on all aspects of life, the Islamic way of addressing environmental problems have not been fully explored and put into practice in Malaysia. Such approach employs a holistic way of treating the root of the environmental problem, beyond the symptoms.
The Islamic way of problem solving involves a two-step approach (Parvez, 2000). First, Islam considers a broader aspect of the problem by addressing the root of the problem and incorporates all factors impacting the problem situation. As such, all other softer factors concerning the society will be considered in getting to the solution for the problem. These factors include, among others, culture, social structure and social attitudes. When the scope of the problem is viewed from a broader perspective, the approach not only treats the symptoms but also the underlying factors that lead to the problem. Various possible reasons that cause people to engage in environmental destruction behavior are identified at an early stage, where education and training can be used in a more effective way to modify this human behavior pertaining to ensuring best practices are adhered to. Laws and enforcement are only employed in extreme circumstances for non-compliance to environmental practices that have broader negative impact to society.

Second, the Islamic approach to the environmental problems emphasizes a divine guidance to capture wider issues and factors affecting a particular problem situation. Islam recognizes human limitations to problem solving and therefore provides the Quran as a reference for comprehensive, pragmatic and balanced solutions to social problems. In this respect, the regulatory religious bodies play a crucial role to bring together the emerging issues and the principles of Shariah.

As revealed by the findings, the root of the problem lies in the way environment is perceived. Thus, the main focus of the problem solving treatment is to change the current secularist perspective on the environment to the Islamic view. As such, we believe that institutionalizing Islamic environmental belief and practices among the society members appear as an important way to treat the symptoms and contributing factors of the environmental problems in Malaysia. The same call was made by Joma (1991) who asserts that a synergy between Shariah teaching and Islamic institutional and laws leads to a comprehensive Islamic ethical system. Joma (1991) refers Islamic environmental values as providing guidelines for Islamic environmental ethics while the Islamic religious institutions and laws serve as the operational component of the ethical system.
The element of ‘trust’ is crucial in the Islamic approach to environmental value and behavior. Trust plays an important role in the relationship between an individual (social actor) and Allah. A high degree of trust ensures the fulfillment of a social actor’s obligation towards Allah. However, due to the non-observable and non-measureable feature of trust, the whole process of discharging accountability in Islam involves a high degree of subjectivity.

We identify a few of ways to institutionalize the Islamic environmental value and practices at an individual level. Considering the spiritual aspects and the changing social conditions, religious authority in Malaysia needs to come out with clear guidelines on environmental care and protection from an Islamic perspective. In this instance, the role of fatwa is important as a reference in matters arising from current issues. Thus, we urge religious authority to issue a fatwa to classify any kind of environmental destructive behavior as haram by reference to the Quran and Hadith. Unlike the current approach adopted by the religious authority which appears to detach Islam and the environmental issues, the newly proposed approach takes an active stance by identifying and incorporating new emerging issues and responds to them by reference to the Shariah.

This approach has been used in Malaysia in the matter pertaining to smoking. Smoking did not pose a problem earlier, but over time, the act was classified as dangerous as it causes deadly diseases not only to the active smokers but also to passive smokers. When such a behavior significantly contributes to bad health to society, religious scholars recognize the need for a new ruling to replace the previous ruling on smoking. Reference to the Quran was made in consideration of the hazardous effect of such act. Based on the following verses of Surahs, a fatwa prohibiting smoking was issued by JAKIM in 1995. Smoking was therefore, classified as a haram act in Malaysia since then (refer Appendix 7);

*And it is lawful to them the good things and ban them all a bad thing (Quran 7: 157).*
There is no single reference available in the Qur'an about the act of smoking. Both references above do not literally associate with smoking. However, since smoking is considered as a destructive behavior, the Ulamas utilize references available from the Qur'an and apply such ruling to matters arising from the current setting. The concern for bad effect of smoking on health is viewed from the Shariah which led to the issuance of a new fatwa classifying smoking as a haram act despite of any reference in the Qur'an that classify smoking as haram.

The above case shows that the ruling on smoking has been changed from harus (neither sinful nor meritorious) to haram (prohibited) due to the re-classification of its effect on human health. Such classification is done even when there is no specific reference in the Qur'an and Hadith. The same approach could be used for environmental degradation activities. Furthermore, such a move is supported by a few references which are available in the Qur'an and Hadith that prohibit the environmental destruction acts.

The change of ruling from harus to haram due to the differences in the time and context in which the act is carried out resembles the revivalist approach of Muslim reaction to social changes. According to Parvez (2000, p.65), the revivalist aims to ‘shape individuals and systems of life according to Islamic values, principles, traditions and ideals to achieve a better, moral and just social life’. Although strongly holding on to the principles and guidance from the Qur'an and Hadith, the revivalist opens up their thinking by considering emerging issues in the current context in order to cope with the challenges. In other words, in deriving at the halal (permissible), harus (neither sinful nor meritorious) or haram (prohibited) rules, the context of such act or behavior needs to be considered and reviewed on a regular basis to ensure that the rules are able to meet the needs of society at all times. An act may be halal at one point of time but becomes haram at another. The same goes for the environmental offences. Such offences were not considered a major concern during the Prophet’s time to be classified as a haram activity. However, when the act becomes destructive to the nature and human, religious parties should
assess the impact from new perspective and dimension, so as to ensure that societal health and wellbeing is not adversely impact by non-action on the part of regulators, especially in this context SAC in Malaysia.

Although efforts to instill Islamic environmental values and practices among the public by way of fatwa issuance have been initiated and carried out, they are considered as not being fruitful based on the outcomes. This is particularly due to weak enforcement of rules by Islamic institutions. For instance, the states of Selangor and Penang have gazetted the smoking fatwa at the state level. However, no action has ever been taken against offenders who violated the fatwa. In view of this, we foresee the need of having a force of law at the implementation phase in the process of institutionalizing the Islamic environmental value and practices. Islam does not reject laws and enforcement as an effective way to educate the public about environmental protection, as well as a mechanism to guide personal conduct. In fact, the Quran has outlined deterrent punishment to safeguard the society from crimes and injustice. From an Islamic perspective, laws and punishments are aimed at instilling social harmony, faith and accountability to Allah. These factors are important since they develop a good basis for societal values and laws. As such, we propose that a provision for environmental offence should be included in the Syariah Criminal Offences (Act 1997- Act 559), similar to the drinking and gambling offences. When an act is prohibited and is enforced by law, environmental offence will be seriously considered and over time, it will be regarded as a non-acceptable behavior in the society (Budge, Deahl, Dewhurst, Donajgrodzki, & Wood., 2009; Dolan, Hallsworth, Halpern, King, & Vlaev, n.d).

In addition to the issuance of fatwa, efforts need to be taken to open up the thinking by considering emerging issues in the current context. As such, fatwa should not be treated as rigid rules. Fatwa is just an opinion of the Ulama (jurists) and therefore, they are subject to changes according to the context. Differences in opinion should be welcomed to facilitate discussions. The preceding section highlights the provision of the Syariah Criminal Offences (Act 1997- Act 559) that prohibits any efforts to challenge the fatwa which is currently in force. We believe that, in order to avoid rigidity in the opinion and practice, and at the same time promote and recognize
differences in opinion, discussion on any emerging issue including those relate to the fatwa which are currently in force, should remain open for debate and discussion with the view that these deliberations will lead to optimal outcomes for society.

Besides fatwa, education plays an important role in institutionalizing the Islamic environmental value and practices at an individual level. Religious institutions can play an important role in teaching and educating believers in matters pertaining to environmental care. This approach has been taken by JAKIM and WWF Malaysia in the effort to preserve endangered wildlife in the states of Terengganu and Perak. Although no fatwa was issued, preachers or religious leaders (imams) inform and educate the society about the need to protect the wildlife. For this purpose, information was disseminated at religious gatherings at suraus and mosques. However, this approach is limited to face-to-face communication. To capture a wider range of recipients, Islamic religious institutions in Malaysia should adopt sophisticated and advanced methods such as the internet and other social networking tools to disseminate information to the believers. Such approach is in line with Frye (2012), who proposed religious institutions to use modern technology to increase the reach of religious education among adult learners.

Apart from information dissemination, mosques can also conduct environmental activities as part of, and in addition to the mandatory religious duties. Religious institutions in the US have gone through a ‘paradigm shift’ since 1980s in which the frequency and types of activities conducted by churches have increased as churches became a ‘locus for social services, as well as a center for worship and entertainment’ (Hamilton, 2005 as cited in Zale, 2011). In relation to environmental care, Ajit (2004) provides support for the change in the role of religious institutions beyond the routine religious activities. The study reveals that religious institutions in India have carried out environmental activities as part of the activities conducted at the worship places. Effiong (2011) also look at the role of religious education in increasing environmental awareness among the Christians. The study explores how church activities such as liturgy, religious education programs, and community life contribute to foster sustainable development.
In addition to the informal environmental education for adults, younger generations should be formally educated about the environment and Islam. Environmental issues from an Islamic perspective can be offered as a subject in schools and higher institutions. The environmental care component can be offered at the secular and religious schools as an additional subject or integrated in the existing curriculum. Similarly, environmental issues from an Islamic perspective could be offered as a subject at the tertiary level. In this respect, a formal education on Islam and the environment, serves as an agent to instill good environmental attitude among the new generation. Previous studies have documented the importance of environmental education in changing environmental behavior to care for the environment. Everett (1972), for instance, discusses the potential role of formal education in institutionalizing environmental movements while Hungerford and Volk (1990) highlight the ability of environmental education in developing the ‘sense of ownership and empowerment’ to direct individual’s behavior to care for the environment. Tilbury (1995) proposes a change in the environmental education direction through the adoption of the holistic approach to the environmental problem to maintain sustainability.

Apart from focusing at individual level, efforts to institutionalize Islamic environmental belief and practices are also needed at the corporate level. Findings of the study show that the process of gaining legitimacy as the response to isomorphic pressures is present among Shariah-compliant firms in Malaysia. A strong legal external expectation based on secularism that leads to powerful coercive, normative and mimetic isomorphic pressures is observed. Firms are forced to comply with the external requirements and in return, gain legitimacy. In view of the current findings, Shariah could also be used to create external expectations which subsequently lead to coercive, mimetic and normative isomorphic pressures for firms to engage in corporate environmentalism. In this respect, legal religious bodies play an important role in incorporating the Shariah rules into legal requirements. For instance, as the governing body for public listed firms in Malaysia, the SAC of the SC has the ability to put pressures by force of law for firms to comply with Shariah rulings pertaining to the environmental issues. Pressures from regulatory religious bodies play an important role in creating the Shariah legal force.
On the technical side, it is timely for the SAC of SC to provide an equal emphasis to environmental matters, as much as other haram elements such as liquor and tobacco. For instance, liquor is given a detailed consideration by the SAC in defining securities as Shariah compliant. Firms which have their core activities relate to the ‘manufacture or sale of non-halal products or related products’, are classified as Shariah-non-compliant securities. On the same note, firms are also categorized as Shariah-non-compliant even if they do not directly involve in the production of liquor, but portray a negative image by serving it to the customers. In this respect, the classification is made based on the ‘public perception or image’. Both cases show the SAC has made a very strong emphasis on the production and distribution of liquor as haram activities in its categorization of the Shariah-compliant categories. Nevertheless, the same emphasis is not given to the environmental issues at present.

In view of the current state of environmental problem in Malaysia, it proposed that environmental issues should be included as one of the criteria for the Shariah-compliant category for firms. The SAC of the SC should provide clear guidelines and criteria for firms on meeting environmental requirement to be certified as a Shariah-compliant security. In this respect, an independent agency such as the Environment Monitoring Agency should be employed as the assessor to firms’ activities. With the use of sophisticated and modern technology, any firms that breach the benchmark set for the environment should be given a set time to change their business practices to conform to best environmental standards. As part of their business transformation, SAC can work with key industry associations to educate and assist firms transform their business practices to ensure adherence the best environmental practices. Firms that continue to breach environmental standards should have their status as Shariah-compliant firm revoked.

Similar approach can be taken in the context of halal certification, where environmental best practices are taken into consideration as part of the certification process. Clear guidelines should be prescribed for firms to be certified as meeting the halal certification criteria. In this context too, JAKIM should engage with Environmental Monitoring Agency to develop business rules for
granting of *halal* certifications. Firms, products and services that do not conform to best environmental practices should not be granted *halal* certification.

The proposed changes to the roles of the SAC of SC and *Halal* Certification body under JAKIM in Malaysia as the religious regulatory bodies as key catalysts for creating coercive isomorphic pressures for *Shariah*-compliant firms to engage in corporate environmentalism is shown in Figure 7.30.

**Figure 7.30: Shariah as the source of coercive, mimetic and normative isomorphic pressures for corporate environmentalism among *Shariah*-compliant public listed firms:**  
A new *Shariah* Environmental Framework.

Besides the regulatory religious bodies, non-religious regulatory and non-regulatory bodies could also contribute to exert coercive *Shariah* pressures for firms to engage in corporate environmentalism. The GBI rating issued by the Green Building Index Organization, for instance, can be used as a criterion to categorize firms as *Shariah*-compliant and non-*Shariah*-compliant. The degree of compliance to the GBI rating determines the *Shariah*-compliant category of a
particular firm. With such ruling in place, not only firms are pressured to gain GBI accreditation but also to achieve the *Shariah*-compliant status.

In addition to the existing categorization of the *Shariah*-compliant and non-*Shariah*-compliant, regulatory bodies such as the *Shariah* courts could also introduce Islamic Jurisprudence system based on scientific assessment of business activities as secular courts to penalize *Shariah*-compliant firms that pollute the environment. With new advancements in technology, environmental offences which were previously difficult to quantify are now able to be detected and measured accurately. Air pollution, for instance, can now be easily identified and quantified using the Air Pollution Index (API) scale. In this respect, control mechanisms with objective measures not only serve as a tool to deter *Shariah*-compliant firms from destroying the environment but also to educate them to value and care for the environment. To ensure effective implementation of Islamic Jurisprudence on corporate environmental management, efforts to educate current Islamic legal fraternity in the country should be given priority.

We also foresee a combination of the Islamic concept and the current economic approach to deal with environmental issue as a feasible effort in institutionalizing Islamic environmental value and practices in Malaysia. For instance, a *waqf*-like agency (endowment) could be set up to manage carbon tax transactions from the *Shariah*-compliant firms. *Waqf* is a body responsible to manage the assets of the donor for the benefits of the defined recipients. The donor or *waqif* is not the owner of the asset and that the ownership can never be reverted. From an Islamic perspective, as long as the assets of the *waqf* is properly managed to provide benefits to the public, the rewards will perpetually flow to the donor. Since Malaysia is heavily reliant on the fossil fuel\(^93\), the polluter-pay principle is a suitable concept to reduce the fossil fuel consumption among the corporate users. Therefore, it is timely for big emitters of carbon pollution to pay the price for their environmental-damaging activities. The accumulated asset of the *waqf* can be used to finance environmental-related projects and clean-up for the benefits of the general public.

\(^{93}\) Based on 2011 data, fossil fuel dominates 94% of Malaysia total energy mix (Noh, 2012).
Indonesia and Kuwait are among the countries known to have explored the concept of *waqf* in protecting the environment (Al-Enizy, 2009; Budiman, 2011). However, to date, *waqf* has been used in a traditional way to protect the environment in activities such as greening the mosque yards and providing clean water.

The above suggestions represent ways to create *Shariah* external legal and non-legal expectations. As shown in Figure 7.30, coercive isomorphic pressures from legal regulatory bodies, together with requirements set by non-regulatory bodies can lead to coercive, mimetic and normative isomorphic pressures for firms to engage in corporate environmentalism. *Shariah* legal requirements set by the *Shariah*-regulatory bodies can be a main source of coercive, mimetic and normative isomorphic pressures that force firms to comply with the requirements to gain normative, moral and pragmatic types of legitimacy. Over time, corporate environmentalism based on *Shariah* will become accepted as norm among senior managers of *Shariah*-compliant firms in Malaysia.

In summary, this section discussed the implications and suggestions to the research findings. The findings reveal that current environmental practice among *Shariah*-compliant firms are based on meeting standards established by secular institutions and in most instances meeting minimum standards established by regulatory authorities. The role of *Shariah* in environmental management practices among *Shariah*-compliant firms in Malaysia is negligible. One of the key reasons for this result is that Islamic institutions have taken a more traditionalistic view of *Shariah* principle pertaining to environmental care. This approach ignores changes that have taken place over time, and therefore the current belief and practices remain fixed as in the Prophet’s time. Rapid socioeconomic changes since the industrial revolution have resulted in traditional Islamic approach to lose its ability in coping with contemporary challenges and therefore fail to play constructive roles in emerging issues (Parvez, 2000).

The findings show that most *Shariah*-compliant firms adhere to secular requirements as opposed to *Shariah* prescriptions to environmental care. While adherence to current practice does limit
environmental pollution and degradation, however the long-term impact of this practice may still lead to adverse impact on health and wellbeing of society. A more sustainable solution of preventing environmental degradation is to move from meeting minimum standards to aspirational standards of environmental care. Modification of human behavior to meet aspirational standards would require personal conviction that regards environmental care as part of one’s spiritual obligation to ensure any activities undertaken does not adversely disrupt the balance of nature, negatively impacting society. Hence, Islamic religious institutions in Malaysia should adapt to the revivalist approach and become more pro-active in their efforts to uphold the Shariah teachings pertaining to environmental care through more effective education, regulatory reforms and institutional development. In this context, Malaysian Islamic institutions such as SAC of SC, JAKIM, Mosques, legal community and educational institutions should play more holistic roles in institutionalizing Shariah perspective on environmental care among Muslims individuals of all walks of life and the corporate sector.
CHAPTER 8    CONCLUSION

8.1 INTRODUCTION
This study develops an understanding of corporate environmentalism in Malaysia; a country in which Islam has a strong influence in the economic, political and cultural aspects. The study focuses on practices and perceptions of managers of the Shariah-compliant public listed firms in Malaysia. Corporate sector becomes the focus of the study due to its heavy contribution to the environmental problem. Islam, through its Shariah teachings, strongly calls for environmental protection. However, the current state of environmental condition in Malaysia does not reflect the influence of the Shariah teaching pertaining to the environment.

The study addresses the gap between the call for environmental protection in Islam and the actual environmental management practice among Shariah-compliant public listed firms in Malaysia. Grounded theory methodology, in conjunction with social constructivist epistemology and symbolic interactionism theoretical perspective was used to study managers’ perspective on and adherence to environmental standards and best practices. A theory was developed and grounded in the experience of people who are responsible and capable in directing and implementing corporate environmentalism. Specifically, the grounded theory method used in the study utilizes the experience of the managers to build knowledge in the corporate environmentalism area through the application of the induction process and constant comparison analysis.

This concluding chapter provides a summary of the preceding chapters, key findings, research implications, limitations of the study and suggestions for further research.

8.2 SUMMARY OF CHAPTERS
The thesis consists of eight chapters. Chapter 1 provides an overview of the entire thesis. Chapter 2 outlines the call for environmental protection from the Shariah perspective. Discussion in Chapter 2 focuses on mankind’s responsibility as an appointed caliph on earth. According to the Shariah, the responsibility to care for other creations is set as individual (fard ain), as well as
societal (fard kifaya) obligations. The same obligation applies to firms based on the al-dhimmah concept. This chapter shows that there is a clarion call for environmental care and protection in Islam, which is clearly prescribed in various sections of the Quran and Hadith.

Chapter 3 continues with discussion of the environmental problems faced by the global community and Malaysia as the context of the study. As a fast developing country, Malaysia is facing serious environmental problems such as deforestation, air and water pollution and the mismanagement of hazardous waste and sewage discharges. In a country where Islam is dominant in the social, economic and political aspects, there seems a gap between the Shariah teachings and corporate adherence to environmental best practices. This chapter clearly articulates the need to study reasons for the lack of adherence among Malaysian corporate sector to Islamic environmental thought and best practices, even though Islamic influence have a far reaching impact on all aspects of socioeconomic development in Malaysia.

Chapter 4 outlines the research methodology of the study. The chapter provides an overview of the research paradigm in which the concepts under epistemology, theoretical perspective and the survey methodology used in this study, and method applicable for the study are discussed. Detailed discussions on various issues pertaining to the grounded theory as the method of the study, including the research procedure, the data and method of analysis are also presented.

Chapter 5 presents the findings of the study. At the highest level of abstraction, the concepts of ‘pressures’, ‘drivers’, ‘corporate aims’ and ‘efforts’ surface from the data. Corporate environmentalism among Shariah-compliant public listed firms in Malaysia appears to take place as a response to internal and external pressures. Mandatory and voluntary efforts are observed as a means to fulfill the requirements set by the parties exerting pressures, which include regulatory authorities, customers and other external stakeholders.

Findings from Chapter 5 are discussed from an Islamic perspective in Chapter 6. Both internal and external corporate environmental pressures on Shariah-compliant public listed firms in
Malaysia are found not associated with Islamic perspective of environmental management, that Man is regarded as the trustee to ensure the conservation and preservation of the environment. The former is constructed out of the secularist perspective of looking the environment from the demand-side and post-damaged condition. The latter refers to legal requirements which are exerted directly and indirectly by the regulatory bodies, customers and competitors. The main source of legal requirements in Malaysia is found to have been heavily influenced by the conventional and secularist perspective. Islamic regulatory institutions in Malaysia have negligible influence on manager’s perspective and practice on corporate environmentalism.

The findings also reveal that corporate environmentalism in Malaysia is aimed at gaining legitimacy. The fulfillment of external parties’ requirements appears to follow the secular-materialist approach through a heavy reliance on extrinsic control mechanisms with objective measures. Other aspects without external and observable features are overlooked and neglected. The findings are inconsistent with the Islamic approach which promotes the element of ‘trust’ as the main aspect to discharge responsibility.

Chapter 7 provides a review and discussion of the research findings in relation to theoretical concepts and Islamic influence. ‘Legitimacy’ emerges as the main concept in the analysis. Despite operating in a setting where Islam is influential in the social fabric of Malaysia, Islam does not appear to play any significant role, neither at the individual nor societal level in the corporate environmentalism process.

The findings or the study reveals that corporate environmentalism among Shariah-compliant firms in Malaysia is influenced by the material secularist perspective. Coercive, normative and mimetic isomorphic pressures are found to have been originated from secular requirements set by the regulatory authorities. Shariah influence in matters pertaining to the environment is found to be very minimal. The findings that show lack of active role played by Islamic institutions on corporate environmentalism in Malaysia can be traced back to the traditionalist stance adopted by religious institutions in charge of Islamic affairs in Malaysia. Many of these institutions ignore
socioeconomic changes that have taken place over time and thus resulted in the preservation of
environmental belief and practices from earlier generations who lived in an era whereby
environment was not a major concern for society. Many of the Islamic belief and practices
pertaining to environmental care are still caught in a ‘time-capsule’ during the Prophet’s time.

This chapter also highlights that lack of relevant business rules established by Islamic institutions
to address modern environmental challenges have resulted in corporate sector in Malaysia,
including Shariah-compliant firms, relying on secular institutions for guidance and directions on
best practices and standards for environmental management. While much of the current
environmental management practices of firms are to meet standards established by regulatory
authorities and other external stakeholders, most firms tend to meet minimum standards
established by regulatory institutions to ensure economic competitiveness. Although adherence to
the minimum standards set by the secular regulatory authorities does limit environmental
pollution and degradation, the long-term impact of this practice and the root of the problem
remain unsolved and untreated.

This chapter also highlights the key policy implications in view of the current devastating
environmental condition in Malaysia due to rapid industrialization over the past three decades.
The chapter argues that a more sustainable approach to address the environmental problem in
Malaysia will require a spiritual approach to corporate management, where a manager’s
responsibility is not just fulfilling the needs of regulatory authorities and their corporate
shareholders, but truly being the trustee on this earth, where both the regulatory and corporate
shareholders are a subset of the Creator. To ensure that this mind-set change takes place among
Shariah-compliant firms, Islamic religious institutions in Malaysia should take a more pro-active
stand in incorporating emerging issues in the contemporary setting to deal with the current
environmental problems. Resembling the revivalist approach to problem solving, efforts to
uphold Shariah teachings pertaining to environmental care should be focused on instilling
Islamic environmental values and practices among individuals and corporate sectors through
more effective religious and formal education, regulatory reforms and institutional development.
In summary, the Islamic approach to problem solving which treats the symptoms of the problem and considers a wider aspect of spiritual and other emotional needs of the society represents a feasible alternative to address the current environmental problem in Malaysia. The incorporation of the soft aspects such as culture, social structure, economic conditions etc., together with the divine guidance from the Quran, potentially provides a new perspective of corporate environmentalism that ensure a pristine environment is preserved for future generations.

8.3 DISCUSSION OF THE EMERGENT THEORY/ KEY FINDINGS
In this study ‘Legitimacy’ appears as the main factor driving corporate environmentalism among Shariah-compliant public listed firms in Malaysia, similar to other findings in extant literature across various settings (e.g. Bendell & Kearins, 2005; Collins et al., 2010; Jawahar & McLaughlin, 2001; Mitchell et al., 1997; Steadman et al., 1995). Findings of this study reveal that firms take various measures to ensure continuous existence in the business environment through the process of legitimization.

Detailed analysis of the legitimizing process within Malaysia shows that it is not driven by the Shariah teachings. Environmental belief of managers of the Shariah-compliant firms is constructed out of a secularist view. The need for environmental protection is based on the dominion belief and post-damaged environmental condition. In other words, managers believe that they can freely utilize all elements of the environment for corporate gain. Under this condition, the need for environmental protection only emerges when damage had been done to the elements. This is contrary to the Islamic way of looking at the environment. Islam calls for humans to be conscious of their economic activities and preventive measures should be in place to ensure the activities do not harm the environment (pre-damaged condition). If the measures taken cannot prevent environmental degradation, then the economic activities should be avoided. Humans are required to uphold the trusteeship principle and be just to the environment to ensure the ecosystem is in a perfect balance as inherited from Allah.
Analysis at the corporate level reveals that managers regard the fulfillment of the regulatory bodies and customers’ requirements as the utmost importance. However, this view diverges from the concept of social responsibility from the Islamic perspective. Islam calls for environmental protection at individual (fard ain) and societal levels (fard kifaya). Firms also bear the same responsibility, an opinion agreed by the modern jurists (fuqaha). As such, within Islam, corporate environmentalism should be driven by the sense of responsibility to Allah.

The findings of the study show that the implementation of corporate environmentalism in Malaysia strongly resembles the secular materialism approach to social reality. An over-reliance on the extrinsic mechanism for verification purposes promotes individualistic behavior. The component of ‘trust’ between firms and other social actors (stakeholders) as proposed by Islam is at the minimum level.

Corporate environmentalism in this study is found not to be driven by an Islamic value system. Islam also does not appear as an impacting factor in the institutionalization process despite its strong influence in various aspects of life in Malaysia. The inability of religious authorities in Malaysia in providing clear Islamic regulations and punitive measures for non-adherence to environment practices resembles the traditionalist approach to problem solving, which strictly follow the belief and practices of the earlier generations, whom did not face any environmental threats. Unfortunately the traditionalist Islamic view pertaining to environmental management is not in line with current environmental condition in Malaysia.

In view of the current environmental problems in Malaysia, it is timely for religious parties adopt an approach which recognizes socioeconomic changes that occur over time. The revivalist approach to social change is principally based on the guidance of the Quran and Hadith, incorporating new knowledge and using this knowledge to design new institutional structures, systems and regulations to continuously meet the needs of society over time. Drawing on to the divine guidance from the Quran and Hadith, the revivalist ‘aims at shaping individuals and
systems of life according to Islamic values, principles, traditions and ideals so that a better, moral and just social life comes into being’ (Parvez, 2000, p. 65). As such, religious and non-religious parties should join force to instill Islamic environmental value, so as to ensure Malaysians, especially the corporate sector have greater appreciation for nature and adhere to best environmental practice as espoused by Allah.

8.4 RESEARCH IMPLICATIONS
The research has important implications for policy and practice in the context of corporate environmentalism in Malaysia. With the aim to explore how corporate environmentalism is perceived and integrated at the strategic and operational level, the study provides insights into the corporate environmentalism issue in Malaysia.

The findings reveal that Shariah-compliant firms listed on the Bursa Malaysia are pressured by the internal and external parties to engage in corporate environmentalism. This is consistent with prior studies across different settings (Banerjee et al., 2003; Bansal & Roth, 2000; Bendell & Kearns, 2005; Berry & Rondinelli, 1998; Christmann & Taylor, 2001; D'Souza & Peretiatko, 2002; Rock, 2002; Sandhu et al., 2012; Sandhu, 2008). Islamic influences which are dominant in the economic, political and social aspects of Malaysia, do not surface as a significant factor in the legitimacy process in corporate environmentalism.

As discussed in the previous section, the inability of the religious parties in keeping abreast of the times have led to the separation of environmental issues from the Shariah teachings. The effort to narrow the diversity in opinion and practice on emerging issues by force of law contributes to the high emphasis on taqlid (imitation of earlier belief and practices). Corporate environmentalism is found to have been dominated by the secularist. Legal external pressures originated from the western tradition appear as the main force for coercive, mimetic and normative isomorphic pressures. At the implementation level, a heavy reliance on control mechanisms with hard evidences and objective measures such as compliance reports is observed.
As a final reflection, the findings have implications for the design of effective policies and programs to promote corporate environmentalism. Social policies and strategies that aim to address corporate environmentalism issue need to employ alternative approaches beyond the current conventional way. Although control mechanism and legislation play an important role in corporate environmentalism, they seem not to be the best solution in the long run. The current devastating environmental condition reflects the outcome of such approach.

A religious approach to corporate environmentalism that incorporates the non-material and spiritual dimensions of social reality is a complement to the existing conventional, materialistic secular worldview. An Islamic approach that provides a more comprehensive framework to address the environmental issue is urgently needed. Institutionalization of the Islamic environmental value and practices, together with laws and regulations as a means to guide and deter wrong doings provide an alternative way to the existing monitoring and reward-based system that is deeply rooted in the materialistic secular worldview.

The findings of the study provide a number of recommendations. The religious approach utilizes the Islamic way of identifying the root cause of ethical and social problems that lead to the environmental destruction. Individuals as the smallest component of the society should be spiritually and morally guided to appreciate the environment in the way Islam has outlined. When the value is embedded within self, each individual will feel obliged to care and protect the environment without the need for any rules or enforcement. In this respect, we propose that religious and non-religious bodies to join forces to instill values and practices of environmental care among the public.

Religious institutions in Malaysia should play pro-active roles in institutionalizing Islamic environmental values and practices. The issuance of fatwa by the religious authority should be supported by the non-religious parties in the form of enforcement to ensure the new rule is observed by the public and the corporate sector in Malaysia. In this instance, law and penalty
serve as a tool of educating and deterrence purpose. The joint effort tackles the root cause of the problem by incorporating moral and spiritual perspectives. Over time, when the normative environmental value and practice are embedded and institutionalized in the society, the non-religious role is no longer required, as the ‘trust’ component becomes an integral part of human decision making and behavior.

At present, the lack of emphasis on environmental care and protection from an Islamic perspective has led the society to believe that environmental issues and Islam are separate and unrelated. The non-existence of pressures from any Islamic-related associations pertaining to the environmental issues has contributed to the above contention. The Muslim Youth Movement of Malaysia (ABIM) and the Malaysia Department of Islamic Development (JAKIM), for instance, are among the bodies that are presently active in upholding Islamic teachings. Nevertheless, environmental issues appear not to emerge as the top agenda in their campaigns or projects.

At the corporate level, government agencies and regulators play an important role in integrating environmental issues and the Shariah teachings through various regulatory rules and legislations. Both religious and non-religious authorities could work together to create Shariah coercive, normative and mimetic isomorphic pressures for firms to engage in corporate environmentalism. For instance, at the moment, the categorization of the Shariah-compliant category of the SC is based on the nature of business operations, without any explicit reference to environmental protection. Thus, although firms are categorized as Shariah-compliant based on the SC categorization, some are not entitled to such categorization because their economic activities contribute extensively to environmental destruction. In other words, the current SC categorization does not reflect a comprehensive approach in defining ‘halal’ activities. Utilizing the Islamic influence on business activities, the Securities Commission (SC), should include environmental care as one of the defining criteria of the Shariah-compliant firms. Efforts to create Shariah

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94 Three main functions of JAKIM are legislation and standardization of Islamic Law, Islamic administration coordination, adjustment and the development of Islamic education (Department of Islamic Development Malaysia, n.d.-a).
95 Refer to Appendix 5 and 6 pertaining to the current criteria for categorization of the Shariah-compliant securities.
isomorphic pressures among firms in Malaysia could be further supported by non-religious bodies such as the Green Building Index (GBI). The GBI rating which utilizes modern technology provides an objective set criterion to determine Shari'ah-compliant category.

A blend between Islam environmental thought and economic concepts provides a feasible way to manage environmental issues from an Islamic perspective. The concept of waqf can be used to institutionalize Islamic environmental values and practices among Shari'ah-compliant firms in Malaysia. In this respect, waqf refers to an institution to manage environmental-related issues such as carbon tax or penalties for violation of Shari'ah-based regulations. Resources accumulated from the waqf should be channeled for environmental education, clean-up and preservation activities. Similar approach has been used by Islamic-based institutions such Tabung Haji and Pusat Zakat. Both institutions operate in structured and systematic ways similar to the conventional approach of operating business but at the same time, strictly follow the Islamic principles.

To facilitate the effectiveness of the Islamic framework on corporate environmentalism, an independent body to oversee firms’ environmental impact from the Shari'ah perspective is called for. Further, the Islamic Jurisprudence to environmental care is under-developed and for Islamic institutions to gain traction on environmental issues, the development of this regulatory system requires urgent attention by the Malaysian government. The Islamic environmental jurisprudence system should incorporate modern and sophisticated technology to assess the environmental impact of economic activities by Shari'ah-compliant firms.

8.5 RESEARCH LIMITATIONS AND FUTURE RESEARCH DIRECTION
The current study has a few limitations. First, the analysis is based on the perceptions and practices of managers of the Shari'ah-compliant firms listed on the Bursa Malaysia. Although it

96 Both institutions take charge of the hajj and zakah issues, respectively. In the latest development, Tabung Haji has announced 8% dividend for year 2013 to its depositors (Tabung Haji, n.d.).
was intended to include Shariah-non-compliant firms as samples, the invitation was turned down by the managers.

Second, the findings of the study are based on limited observations. A longitudinal study that captures a wider selection of firms across sectors and time may provide valuable insights to the understanding of corporate environmental behavior and developmental trend over time.

The third limitation of the study lies in the absence of other similar studies. As far as it is known, this study is the first of its kind concerning environmental issue from the perspective of Islam. Literature from other Islam dominated secular country or Islamic country might yield insights for further theoretical refinement. Being the first study of its kind, limited information on other similar studies poses a constraint on the comparative ability across different settings.

In spite of the above-mentioned limitations, this study provides valuable insights into the issue of corporate environmentalism among Shariah-compliant firms in a developing country in which Islam is the official religion. This is the first study in the literature to examine environmental issues in view of Shariah teachings. In view of the continuous deteriorating trend of the environmental condition in Malaysia and many Islamic countries, further research to gain more understanding on the role of religion on environmental management care is a timely effort. Future research can be pursued in two directions and they are outlined below.

First, lack of research in the area provides opportunity for further investigation on corporate environmentalism issue from an Islamic perspective. For instance, Indonesia is a secular, Malay ethnic dominated country with 87.2% Muslim population. Likewise, an extension of this research could be done using a setting where the primary guiding principles for the government is the Shariah or Islamic religious law (Islamic country). With the commencement of hudud law in
2014, Brunei\textsuperscript{97} provides an interesting avenue to explore the role of Islam on economic activities of the corporate sector. Similar studies can be undertaken in other Islamic countries, which do not have parallel secular regulatory and economic systems such as Malaysia. This includes countries in the Middle East, where many of the economies are dependent on petroleum, an energy source regarded as a major contributor to environmental pollution.

Second, the current study focuses on the public listed firms in Malaysia which are governed by various regulatory requirements. Further research could be extended to incorporate non-public listed entities (Sdn. Bhd.). In the absence of regulations binding their operations, the claim that small businesses are the worst polluters (D'Souza & Peretiatko, 2002) warrants further investigations. With the differences in the sample profile, a fresh new perspective could possibly emerge from the data.

In summary, the current study lays the foundation for further investigation in the area of corporate environmentalism from the Shariah perspective. Findings of the study reveal that Islamic principles in relation to the environmental care was literally interpreted and applied in Malaysia. The application of the Islamic principles is based on a situation or a period of time in which environmental issues were not a serious problem. Adopting such approach restricts the effectiveness of controlling environment degradation through Islamic approach. As Malaysia continues to suffer deterioration of the environment, this study shows that Islamic approach could be more proactively and systematically incorporated to complement current secular attempts to instill good environmental practice among the corporate sector. This would require Islamic religious authorities to clearly articulate the position of Islam on the environment, redefine the role of existing Islamic institutions, develop new regulatory architecture and foster smart-

\textsuperscript{97} Brunei is a Malay predominantly country with a population of 400,000 people that comprises of 70\% Muslim (Anonymous, 2013).
partnership between religious and non-religious authorities to promulgate good environmental corporate practices in Malaysia.
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## Appendix 1: Incentives for Investment: Incentives for Environmental Management

<table>
<thead>
<tr>
<th>Types of business activities</th>
<th>Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forest plantation projects</strong></td>
<td>Companies that undertake forest plantation projects are eligible for the following incentives under the Promotion of Investments Acts 1986: Pioneer Status with income tax exemption of 100% of the statutory income for 10 years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or Investment Tax Allowance (ITA) of 100% on the qualifying capital expenditure incurred within five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised. Applications should be submitted to MIDA. Alternatively, companies that undertake forest plantation projects can apply for the following incentives under Section 127, Income Tax Act 1967: Company which invest in the related company is eligible for tax deduction equivalent to the amount invested; and Company that undertakes an approved Forest Plantation Project is eligible for: *Tax exemption of 100% on statutory income for 10 years commencing from the first year the company enjoys statutory income. *Losses incurred before and during the exemption period are allowed to be brought forward after the exemption period of 10 years. Applications should be submitted to Ministry of Plantation Industries and Commodities.</td>
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<tr>
<td><strong>Storage, Treatment and Disposal of Toxic and Hazardous Wastes</strong></td>
<td>Incentives are offered to encourage the setting up of proper facilities to store, treat and dispose of toxic and hazardous wastes. Companies that are directly involved in these three activities in an integrated manner qualify for: Pioneer Status, with income tax exemption of 70% of the statutory income for a period of five years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or Investment Tax Allowance of 60% on the qualifying capital expenditure incurred within a period of five years. The allowance can be offset against 70% of the statutory income in each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised. Applications should be submitted to MIDA.</td>
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<tr>
<td><strong>Waste recycling activities</strong></td>
<td>Companies undertaking waste recycling activities that are high value-added and use high technology qualify for: Pioneer status, with income tax exemption of 70% (100% for promoted areas) of the statutory income for a period of 5 years. Investment tax allowance of 60% (100% for promoted areas) on the qualifying capital expenditure incurred within a period of 5 years. The allowance can be offset against 70% (100% for promoted areas) of the statutory income in each year of assessment, which may be carried forward until it is fully utilized</td>
</tr>
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</table>
Applications should be submitted to MIDA.

| Energy conservation | Companies Providing Energy Conservation Services  
In order to reduce operation costs as well as to promote environmental preservation, companies providing energy conservation services are eligible for the following incentives:  
Pioneer Status with income tax exemption of 100% of the statutory income for a period of 10 years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or  
Investment Tax Allowance (ITA) of 100% on the qualifying capital expenditure incurred within five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.  
The companies must implement their projects within one year from the date of approval.  
Applications received by 31 December 2015 are eligible for this incentive.  
Applications should be submitted to MIDA  

| Companies Undertaking Conservation of Energy for Own Consumption  
Companies which undertake conservation of energy for own consumption are eligible for ITA of 100% on the qualifying capital expenditure incurred within five years. The allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward until fully utilised.  
Applications received by 31 December 2015 are eligible for this incentive.  

| Energy generation activities using renewable energy resources | Companies undertaking generation of energy using biomass, hydropower (not exceeding 30 megawatts) and solar power that are renewable and environmentally friendly are eligible for the following incentives:  
Pioneer Status with income tax exemption of 100% of statutory income for 10 years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company; or  
Investment Tax Allowance of 100% on the qualifying capital expenditure incurred within a period of five years.  
This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.  
Companies must implement their projects within one year from the date of approval.  
With effect from 8 September 2007, other companies in the same group are eligible for the same incentives as above even though one company in the same group has been granted the incentive. Applications received by 31 December 2015 are eligible for this incentive.  
For the purpose of this incentive, 'biomass sources' refer to palm oil mill/estate waste, rice mill waste, sugar cane mill waste, timber/sawmill waste, paper recycling mill waste, municipal waste and biogas (from landfill, palm oil mill effluent (POME), animal waste and others), while energy forms refer to electricity, steam, chilled water, and heat.  

| Generation of renewable energy | Companies which generate energy from renewable resources for its own consumption are eligible for the Investment Tax Allowance of 100% on qualifying capital |
| **for own consumption** | expenditure incurred within a period of five years. This allowance can be offset against 100% of the statutory income for each year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised. Applications received by 31 December 2015 are eligible for this incentive. |
| **Building obtaining green building certificates** | In order to widen the usage of green technology, the Government has launched the green building index (GBI) on 21 May 2009. GBI is a green rating index on environment-friendly buildings. The index is based on certain criteria amongst which are: energy and water efficiency; indoor environmental quality; sustainable management and planning of building sites in respect of pollution control and facilities for workers; usage of recyclable and environment friendly materials and resources; and adoption of new technology. 
As a measure to encourage the construction of buildings using green technology: Owners of buildings awarded the GBI certificate, are eligible for tax exemption equivalent to 100% of the additional capital expenditure incurred to obtain the GBI certificate. The exemption is allowed to set-off against 100% of the statutory income for each year of assessment. The incentive is applicable for new buildings and upgrading of existing buildings. 
The incentive is given only for the first GBI certificate issued in respect of the building. This incentive is effective for buildings awarded with GBI certificates from 24 October 2009 until 31 December 2014. 
Buyers of buildings and residential properties awarded GBI certificate bought from real property developers are eligible for stamp duty exemption on instruments of transfer of ownership of such buildings. The amount of stamp duty exemption is on the additional cost incurred to obtain the GBI certificate. The incentive is given only once to the first owner of the building. This incentive is effective for sales and purchase agreement executed from 24 October 2009 until 31 December 2014 |
| **Accelerated Capital Allowance for Environmental Management** | Companies using environmental protection equipment are eligible for an initial allowance of 40% and an annual allowance of 20% on the qualifying capital expenditure. Thus, the full amount can be written off within three years. These companies are: 
* Waste generators and wish to establish facilities to store, treat and dispose off their wastes, either on-site or off-site; and 
* Undertake waste recycling activities. 
Applications should be submitted to IRB. 
In the case of companies that incur capital expenditure for conserving their own energy for consumption, the write-off period is accelerated by another one year. Applications should be submitted to IRB with a letter from the Ministry of Energy, Green Technology and Water certifying that the related equipment is used exclusively for the purpose of energy conservation. |

Source: (Malaysian Investment Development Authority, n.d.)
Appendix 2: Guiding questions for D Bhd

To assess participant’s view or belief in relation to the environmental issues, and factors influencing such values and behavior/practices?

1a. View or belief in relation to the environmental issues/protection
   i. What does ‘environment’ mean to you?
   ii. How do you see the need to protect or preserve the environment?
   iii. Do you regard an environment as a problem to the nation?
   iv. How do you assess the current state of environmental problem? Locally, internationally?
   v. How should the environment be protected at an individual, societal and international level?

1b. Factors influence the view or belief in relation to the environmental protection.
   i. What factors influence your stance pertaining to the environment? Experience- working, day life; Education; Upbringing; Religion

1c. Individual practice towards the environmental protection.
   i. How do you contribute to the environmental protection/preservation at an individual level?
      a. Where do you practice the belief, eg home, public places, work place?
      b. How do you practice your belief? (Recycle; Planting greens; Avoid styrofoams; Car pooling).
      c. Do you influence your family members to protect the environment? Do you extend your effort to the societal level?
      d. What are the factors that influence you to practice such a belief? Enforcement (fines and penalty for polluting the air)? Voluntarily? Is it due to personal belief that one should protect the environment, eg religious teaching? Or because others in the society or organization do so?

Perception towards the practices of others in the organization (subordinates/peers) pertaining to the environmental issues.

2a. Practice of others (subordinates/peers) in the organization towards the environmental issues.
   i. Are there any formal environmental protection procedures in place in your organization? Do they follow such requirements? Use of emails? Use of recycled papers? Power shut down during lunch time?
   ii. Do they take personal efforts, apart from formal requirements, in caring for the environment at the work place? What types of environmental protection do they practice? Switch off the power supply when not in use?
   iii. Is there any difference in the practice of (relatively) higher position, in comparison to other (lower) position staff members?

2b. Influencing subordinates or peers in matters relating to environmental protection.
   i. “Petra Energy’s senior management team have been active in leading and promoting HSE values and culture via site visits, planned inspections, employee engagements, counseling
sessions and various HSE meetings” (extract from HSE Management System). How do you influence your subordinates/peers in the environmental related matters?
   a. Through formal way such as performance assessment related measures?
   b. Or through verbal instructions?
   c. Or implicitly through your personal practice?
ii. Why there is a need to have others to care for the environment?
iii. Do you regard your way of getting others to involve in the environmental protection as successful?

**Does your business organization engage in corporate environmentalism? How? Why?**

3a. As a company that provides brown field services to the oil and gas industry, which in turn has a direct association with the extraction of the earth’s natural resources, how does your organization incorporate environmental factor/ sustainability aspect into the business?
   i. “Petra Energy’s senior management team have been active in leading and promoting HSE values and culture via site visits, planned inspections, employee engagements, counseling sessions and various HSE meetings” (extract from HSE Management System):
      a. What are the “HSE values and culture”?
      b. Who is the main driver behind the effort?
      c. How do you assess the outcome of such effort?
      d. Do these activities being extended to the greater public?
   ii. How does your organization minimize the environmental damage from its operations, onshore and offshore? What are the strategies, and are they being carried out?
   iii. Does Petra Energy contribute to the environmental protection above the legal requirements?
   iv. Petra Energy has an extensive list of awards from various parties (Petronas, Shell, Malaysia LNG, Exxon Mobil). Do you perceive such recognitions as an achievement in fulfilling the main objective of the HSE policy of (among all), preserving the quality of environment and prevents damage to property?
   v. Is the information pertaining to the stance available to the public? Public access such as annual reports or CSR reports, or internal documents?

3b. What are the factors that influence such a stance?
   i. As a market player associated with the oil and gas industry, does your organization being pressured to take such stance? If so, from which parties? External pressures from the NGOs, government or shareholders? Or Internal legitimacy via managers’ influence?

3c. What are the factors that lead to, or prevent the implementation of the strategies?
   i. Do internal factors such as (non) supportive staff members lead to or prevent from the implementation? Or external factors such as a strict or lack of enforcement, strong pressures from various parties such as shareholders or NGOs?
Appendix 3 : Explanatory Statement for the research

20 July 2010

Explanatory Statement

Title: Corporate environmentalism among Malaysian public listed business entities

This information sheet is for you to keep.

My name is Norita Mohd Nasir (Ms) and I am conducting a research project under the supervision of Professor Pervaiz K. Ahmed and Professor Mahendhiran Nair towards a Doctor of Philosophy degree at Monash University.

The purpose of this research is to investigate how business entities in Malaysia deal with environmental issues.

The outcome of this study contributes to current understanding on the environmental issues due to its distinctive setting. The current study focuses on a developing country where Islam predominates while extant literature generally based on western setting. The study also provides insights on how business entities balance competing interests between economy (development) and environment in a developing country.

Your contact detail was obtained from the Human Resource Department of your business entity. As the study investigates how individual (manager’s) values play a role in the corporate environmentalism, your participation would be most valuable to provide insights into the study.

The study adopts an in-depth interview, which takes between 1-2 hours, to explore managers’ personal values and practices pertaining to the environmental issues and how they are incorporated at the corporate level. The interview can be held at your office or any other public places deemed appropriate and convenient to you. All interviews are audio-taped to facilitate a detailed data analysis.

Participation in this study is voluntary and you are under no obligation to consent to participation in this research. However, if you do consent to participate, you may withdraw at any time prior to the commencement or during the interview session. All records will then be erased and will not be used at any stage of the research work.

Confidentiality of the results will be strictly ensured. Access to data will only available to the researchers. The material will be used strictly for academic purposes, and all information will be kept anonymous in any dissemination such as seminars, academic conferences and academic journal articles. In all instances, identification of the participants will remain anonymous. Storage of the data collected will adhere to the University regulations and kept on University premises in a locked cabinet for 5-years.
If you would like to be informed of the aggregate research finding, please contact Norita Mohd Nasir (Ms) through telephone at [redacted].

If you would like to contact the researchers about any aspect of this study, please contact the Supervisors:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position/Department</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor Pervaiz K Ahmed</td>
<td>Chair in Management</td>
<td>MONASH UNIVERSITY Jalan Lagoon Selatan 46150 Bandar Sunway Selangor Darul Ehsan Malaysia</td>
</tr>
<tr>
<td>Professor Mahendhiran Nair</td>
<td>Head of School</td>
<td>MONASH UNIVERSITY Jalan Lagoon Selatan 46150 Bandar Sunway Selangor Darul Ehsan Malaysia</td>
</tr>
<tr>
<td>Tang Hooi Ru, Joyce</td>
<td>Head Planning and Research Management (Organizational Effectiveness)</td>
<td>MONASH UNIVERSITY Jalan Lagoon Selatan 46150 Bandar Sunway Selangor Darul Ehsan Malaysia</td>
</tr>
</tbody>
</table>

If you have a complaint concerning the manner in which this research CF10/2108 - 2010001187 is being conducted, please contact:

Professor Pervaiz K Ahmed
Chair in Management
School of Business
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Selangor Darul Ehsan Malaysia

Professor Mahendhiran Nair
Head of School
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Darul Ehsan Malaysia

Tang Hooi Ru, Joyce
Head Planning and Research Management (Organizational Effectiveness)
MONASH UNIVERSITY
Jalan Lagoon Selatan
46150 Bandar Sunway Selangor
Darul Ehsan Malaysia

Thank you.

(Norita Mohd Nasir)
Appendix 4 : Consent Form for the research
20 July 2010

Consent Form

Title: Corporate environmentalism among Malaysian public listed entities

NOTE: This consent form will remain with the Monash University researcher for their records

I agree to take part in the Monash University research project specified above. I have had the project explained to me, and I have read the Explanatory Statement, which I keep for my records. I understand that agreeing to take part means that:

I agree to be interviewed by the researcher ☐ Yes ☐ No
I agree to allow the interview to be audio-taped ☐ Yes ☐ No
I agree to the expected duration required for the interview ☐ Yes ☐ No
I agree to make myself available for a further interview if required ☐ Yes ☐ No

and
I understand that my participation is voluntary, that I can choose not to participate in part or all of the project, and that I can withdraw at any stage prior to the commencement of the interview without being penalised or disadvantaged in any way.
and
I understand that any data that the researcher extracts from the interview survey for use in reports or published findings will not, under any circumstances, contain names or identifying characteristics.
and
I understand that any information I provide is confidential, and that no information that could lead to the identification of any individual will be disclosed in any reports on the project, or to any other party.
and
I understand that data from the interview in the forms of transcript and audio-tape will be kept in a secure storage and accessible to the research team. I also understand that the data will be destroyed after a 5 year period unless I consent to it being used in future research.

Participant’s name

Signature

Date
Appendix 5: The Securities Advisory Council (SAC) of the Securities Commission’s (SC) new benchmark in determining the Shariah-compliant status

In view of the developments and growing sophistications of the Islamic finance industry since the introduction of the current screening methodology in 1995, the SAC has revised the methodology by adopting a two-tier quantitative approach which applies the business activity benchmarks and the newly introduced financial ratio benchmarks.

The outcome of the revised methodology will be reflected in the List of Shariah-compliant Securities by the SC’s SAC effective from November 2013.

<table>
<thead>
<tr>
<th>Benchmarks</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business activity benchmark</td>
<td>The 5-percent benchmark would be applicable to the following business activities:</td>
</tr>
<tr>
<td>5-percent</td>
<td>- conventional banking;</td>
</tr>
<tr>
<td></td>
<td>- conventional insurance;</td>
</tr>
<tr>
<td></td>
<td>- gambling;</td>
</tr>
<tr>
<td></td>
<td>- liquor and liquor-related activities;</td>
</tr>
<tr>
<td></td>
<td>- pork and pork-related activities;</td>
</tr>
<tr>
<td></td>
<td>- non-halal food and beverages;</td>
</tr>
<tr>
<td></td>
<td>- Shariah-non-compliant entertainment;</td>
</tr>
<tr>
<td></td>
<td>- interest income from conventional accounts and instruments;</td>
</tr>
<tr>
<td></td>
<td>- tobacco and tobacco-related activities; and,</td>
</tr>
<tr>
<td></td>
<td>- other activities deemed non-compliant according to Shariah</td>
</tr>
<tr>
<td>20-percent</td>
<td>The 20-percent benchmark would be applicable to the following business activities:</td>
</tr>
<tr>
<td></td>
<td>- hotel and resorts operations;</td>
</tr>
<tr>
<td></td>
<td>- share trading;</td>
</tr>
<tr>
<td></td>
<td>- stockbroking business;</td>
</tr>
<tr>
<td></td>
<td>- rental received from Shariah-non-compliant activities; and,</td>
</tr>
<tr>
<td></td>
<td>- other activities deemed non-compliant according to Shariah</td>
</tr>
</tbody>
</table>

The contribution of the Shariah-non-compliant activities to the overall revenue and profit before tax of the company will be calculated and compared against the relevant business activity benchmarks.

<table>
<thead>
<tr>
<th>Financial ratio benchmark</th>
<th>The financial ratios applied are as follows:</th>
</tr>
</thead>
<tbody>
<tr>
<td>33-percent</td>
<td>1. Cash over total assets</td>
</tr>
<tr>
<td></td>
<td>Cash will only include cash placed in conventional accounts and instruments, whereas cash placed in Islamic accounts and instruments will be excluded from the</td>
</tr>
</tbody>
</table>
calculation.

2. Debt over total assets
   Debt will only include interest-bearing debt whereas Islamic debt/financing or *sukuk* will be excluded from the calculation.

Both ratios which are intended to measure *riba* and *riba*-based elements within a company’s balance sheet, must be lower than 33%.

In addition to the above two-tier quantitative assessment, the existing qualitative assessment will continue to be applicable while the release of the list of *Shariah*-compliant securities will remain twice a year.

Source: (Securities Commision of Malaysia, n.d.).
Appendix 6: The Securities Advisory Council (SAC) of the Securities Commission’s (SC) previous benchmark in determining the Shariah-compliant status

The SAC has applied a standard criterion in focusing on the activities of the companies listed on Bursa Malaysia. As such, subject to certain conditions, companies whose activities are not contrary to the Shariah principles will be classified as Shariah-compliant securities. On the other hand, companies will be classified as Shariah-non compliant securities if they are involved in the following core activities:

(a) Financial services based on riba (interest);
(b) Gambling and gaming;
(c) Manufacture or sale of non-halal products or related products;
(d) Conventional insurance;
(e) Entertainment activities that are non-permissible according to Shariah;
(f) Manufacture or sale of tobacco-based products or related products;
(g) Stockbroking or share trading in Shariah-non compliant securities; and
(h) Other activities deemed non-permissible according to Shariah.

The SAC also takes into account the level of contribution of interest income received by the company from conventional fixed depositors other interest bearing financial instruments. In addition, dividends received from investment in Shariah-non compliant securities are also considered in the analysis carried out by the SAC.

For companies with activities comprising both permissible and non-permissible elements, the SAC considers two additional criteria;

(a) The public perception or image of the company must be good; and
(b) The core activities of the company are important and considered maslahah (‘benefit’ in general) to the Muslim ummah (nation) and the country, and the non-permissible element is very small and involves matters such as ‘umum balwa’ (common plight and difficult to avoid), ‘uruf’ (custom) and the rights of the non-Muslim community which are accepted by Islam.

To determine the tolerable level of mixed contributions from permissible and non-permissible activities towards turnover and profit before tax of a company, the SAC has established several benchmarks based on ijtihad (reasoning from the source of Shariah by qualified Shariah scholars). If the contributions from non-permissible activities exceed the benchmark, the securities of the company will be classified as Shariah-non compliant. The benchmarks are:

<table>
<thead>
<tr>
<th>Benchmarks</th>
<th>Details</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-percent</td>
<td>Used to assess the level of mixed contributions from activities that are evidently prohibited</td>
<td>Riba (interest-based companies like conventional banks), gambling, liquor and pork</td>
</tr>
<tr>
<td>10-percent</td>
<td>Used to assess the level of mixed contributions from activities that involves the element of</td>
<td>Interest income from fixed deposits in conventional banks</td>
</tr>
</tbody>
</table>
**umum balwa**, a prohibited element which is difficult to avoid and affects most people. It is also used for tobacco-related activities.

| 20-percent | Used to assess the level of contribution of mixed rental payment from *Shariah* non-compliant activities | Rental payments from premises used for gambling and sale of liquor |
| 25-percent | Used to assess the level of mixed contributions from activities that are generally permissible and have an element of *maslahah* (public interest), but there are other elements that may affect the *Shariah* status of these activities | Hotel and resort operations, share trading, and stock broking as these activities may also involve other activities that are deemed non-permissible according to the *Shariah* |

*Shariah*-compliant securities include ordinary shares, warrants and transferable subscription rights (TSRs). This means that warrants and TSRs are classified as *Shariah*-compliant securities provided the underlying shares are also *Shariah* compliant. On the other hand, loan stocks and bonds are *Shariah* non-compliant securities unless they are issued based on *Shariah* principles.

Source: (Securities Commission, 2012)
Appendix 7: Fatwa on smoking from the perspective of Islam, as issued by the Malaysia Department of Islamic Development (JAKIM)

The 37th Discussion (Conference) of the Fatwa Committee of the National Council of Islamic Religious Affairs Malaysia is held on 23rd March 1995 has discussed on smoking from the perspective of Islam. The Committee has decided that smoking is prohibited in Islam because it is harmful.

Evidence / argument:
1. The results were determined by the Fatwa Committee Discussion National Council for Islamic Religious Affairs Malaysia is based on the following arguments:
   i. Cigarettes contain a variety of toxins. Fact of medical studies have proven that each cigarette contains 6-8 mg. nicotine and various other chemicals. Each puff of cigarette smoke smell in fact we have of 4,000 types of chemicals that can harm the body.
   ii. Tobacco addiction is not only a problem to the smoker, but it was in fourth place in the list of risk factors for serious diseases that spread around the world. Smoking is associated with the risk of cancer, heart disease and respiratory problems. There are several types of diseases caused by smoking, which include throat cancer, mouth cancer, cataracts (an eye damage that causes webbed the eye lenses and dim), stomach ulcers, heart disease, stroke, lung disease, emphysema, lung cancer and many again.
   iii. At present the number of smokers in the country whether developed or developing countries is still very large, although many efforts have been made by the Government and voluntary organizations to make people aware of the dangers of smoking to the public. In Malaysia, smoking contributes to over 10,000 deaths per year, 30% were due to 10 types of cancer, namely lung, mouth, esophagus, throat, pancreas, bladder, kidney, cervix, colon and stomach. A total of 50% of the deaths due to heart disease and stroke. The government has spent a lot of money to treat a variety of diseases associated with smoking and the country also suffered a loss of about Rs 20 billion a year to defray the cost of treatment and lost productivity.
   iv. Imam al-Shafi had issued a fatwa in his famous al-Umm, namely: "If they take (a food, beverage or something smoked, sniffed and inhaled) can be intoxicating, then the act is clearly illegal. (Including) containing toxins that cause death. I still consider (menfatwakan) it is illegal. Allah ban (any kind) killer murder means killing myself ".
   v. The scholars agreed stating that smoking is illegal because it is clear ruling on health harm, waste and squander the property, classified as a shameful thing, based on the following texts:
      a. Allah says in Surah al-Baqarah, verse 195 which says: "And do not accidentally throw yourselves into destruction ".
      b. Allah says in Surah al-A'raf verse 157 which means: "And it is lawful to them the good things and ban them all a bad thing".
      c. Prophet's saying that says: "Unable to harm him and respond with evil ". (Hadith narrated by Ahmad, Malik, Ibn Majah and al-Daraqutni)
      d. Method Usul Fiqh: درءالمفاسدمقدمعلىجلبالمصالحة which means "push the damage is advanced from the finding benefit"
      e. Imam Ibn. Hazm in his book al-Muhalla, volume 7, page 503 (problem no. 1027) pointed out that: "Spendthrift is illegal". Is an extravagance here is:
         i. Spending money on things that are prohibited by Allah, whether a lot or a little, although the wings of mosquitoes though.
         ii. No waste requirements.
         iii. Wasting money, how to remove even smaller amount for the purpose of making it without avail.
      vi. Some Muslim countries, and some scholars have issued a fatwa on authentic smoking habit. Among them are the following:
         a. Kingdom of Saudi Arabia issued a fatwa that smoking, tobacco planting and ruling memperniagakannya is illegal because of the evil there.
b. Ulama’ scholars during Egypt like Dr. Abdul Jalil Shalaby says smoking is forbidden because it may cause harm to public health.

c. Al Imam Abdul Halim Mahmud, in his book “Fatawa al-Imam Abdul Halim Mahmud” has given fatwa ruling smoking makrooh if it does not cause harm to health. Otherwise is illegal if it causes harm to health.

2. Law banning alcohol and pork can not be equated with illegal law because the law bans smoking on alcohol and pork has been stated clearly and qat’ie by Allah in the Holy Quran. While the law bans against smoking act was diisinbatkan by the consensus of scholars, past and present arguments based on Islamic texts clearly drawn as the Qur’an, al-Hadith, Ijma ‘Ulama’, Qaedah-Qaedah Fiqhiyah and others. The verses of the Qur’an and hadith as mentioned above clearly has detailed this issue.

3. Al-Shaykh Muhammad Hasanain Makhluf, former Mufti of Egypt in his book Fatawa Islamiyah Buhuth Syariyyah Wa state:
   "Indeed, plants (tobacco) was formerly not known. When it was introduced and used by humans to smoke, then ulama’ scholars from various schools of Islamic jurisprudence have been discussed to set the ruling based on principle (Qaedah fiqhiyyah) set."

   "Indeed, based on the original law a must. Not be excluded from the original principle unless there is a change things ruling it illegal or otherwise”. In this issue of smoking, because that makes it illegal is that the effect of nuisance and danger to demolish five main base (al-Kulliyatul Khams) which must be kept by every man of religion, life, honor lineage, intellect and property.

Source: (Department of Islamic Development Malaysia, n.d.-c).
Appendix 8: Description of corporate social responsibility continuum

<table>
<thead>
<tr>
<th>Level</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1: Irresponsible</td>
<td>This is an extreme situation depicting a firm's behaviour, which is irresponsible and even breaches the minimum moral standards required by law. Such actions vary from fraud, misrepresenting accounting statements, false advertising, dumping toxic waste in residential areas, violating employees' protection laws and rights such as health, safety, pay, work hours etc., to damaging environment and abusing other human rights. Many recent scandals and fiascos illustrate this point well, e.g. Enron, WorldCom, Xerox Corp., Arthur Andersen etc.</td>
</tr>
<tr>
<td>Level 2: Minimalist</td>
<td>Firms in this category are complying with the minimum requirement of legislation i.e. discharging its legal responsibility and playing by the 'rules of the game' as advocated by Friedman (1967 and 1994). Beyond the legal compliance, they engage in few or no activities that might be labelled voluntary CSR or more specifically those activities, which are considered altruistic or philanthropic by Carroll (1979 and 1991). The only primary objective of such companies is to maximize profits or shareholders' wealth.</td>
</tr>
<tr>
<td>Level 3: Apathetic</td>
<td>Companies at this level operate within the ambit of the law, at the same time they are committed to the mandatory ethical responsibilities i.e. conduct business morally, doing what is right, just and fair, and avoiding harm (Lantos, 2002). Their participation in other social responsibility activities like being altruistic and philanthropic is usually minimal, piecemeal, and with mixed motives. In some cases, the motive may be profit-oriented such as adding employees benefits to attract and retain highly skilled employees; in other cases, it may be personal, such as contributing to an owner's favourite charity (Johnson, 2005). Hence, we could label such behaviour as apathetic or indifferent in the sense that there is no strategic effort on the part of the firm to engage in the CSR activities.</td>
</tr>
<tr>
<td>Level 4: Theoretical</td>
<td>Companies in this category fulfill their social responsibilities, including the philanthropic or altruistic responsibilities such as making voluntary contributions to society, giving time and money to good works, which they perceive can give benefits to the firm in the long run, through positive publicity and goodwill, hence enhancing the companies' reputation and eventually securing long-term profits. This corresponds to the strategic/instrumental CSR doctrine as advocated by Burke and Logsdon (1996); Quater and Thompson (2001); Windsor (2001); Lantos (2001 and 2002); Johnson (2003); Husted (2003); Greenfield (2004); Gattig and Melé (2004); and others.</td>
</tr>
<tr>
<td>Level 5: Taqwi-centric</td>
<td>Companies at this level manifest their social responsibilities based on the belief that a company should be socially responsible regardless of the financial consequences, positive or negative. This belief is embedded in the Islamic worldview, guided by Shari'ah. Their commitment to societies is the manifestation of the taqwi-paradigm or God-consciousness, which also reflects their comprehension of the Islamic principles such as veneration or stewardship and justice. This is the highest order moral position representing the Islamic view of CSR.</td>
</tr>
</tbody>
</table>

Appendix 9: List of Organization of Islamic Cooperation member states by population, as of July 2008

<table>
<thead>
<tr>
<th>No</th>
<th>Country</th>
<th>Population (millions)</th>
<th>Total Ecological Footprint 2008, global hectares per person</th>
<th>Total Biocapacity 2008, global hectares per person</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Qatar</td>
<td>1.4</td>
<td>11.68</td>
<td>2.05</td>
</tr>
<tr>
<td>2</td>
<td>Kuwait</td>
<td>2.5</td>
<td>9.72</td>
<td>0.43</td>
</tr>
<tr>
<td>3</td>
<td>United Arab Emirates</td>
<td>8.1</td>
<td>8.44</td>
<td>0.64</td>
</tr>
<tr>
<td>4</td>
<td>Oman</td>
<td>2.6</td>
<td>5.69</td>
<td>2.20</td>
</tr>
<tr>
<td>5</td>
<td>Kazakhstan</td>
<td>15.7</td>
<td>4.14</td>
<td>3.48</td>
</tr>
<tr>
<td>6</td>
<td>Saudi Arabia</td>
<td>26.2</td>
<td>3.99</td>
<td>0.65</td>
</tr>
<tr>
<td>7</td>
<td>Turkmenistan</td>
<td>4.9</td>
<td>3.98</td>
<td>3.19</td>
</tr>
<tr>
<td>8</td>
<td>Malaysia</td>
<td>27.5</td>
<td>3.90</td>
<td>2.50</td>
</tr>
<tr>
<td>9</td>
<td>Libya</td>
<td>6.2</td>
<td>3.19</td>
<td>0.66</td>
</tr>
<tr>
<td>10</td>
<td>Mauritania*</td>
<td>3.3</td>
<td>2.86</td>
<td>5.21</td>
</tr>
<tr>
<td>11</td>
<td>Lebanon</td>
<td>4.2</td>
<td>2.85</td>
<td>0.39</td>
</tr>
<tr>
<td>12</td>
<td>Iran</td>
<td>72.3</td>
<td>2.66</td>
<td>0.84</td>
</tr>
<tr>
<td>13</td>
<td>Turkey</td>
<td>70.9</td>
<td>2.55</td>
<td>1.31</td>
</tr>
<tr>
<td>14</td>
<td>Jordan</td>
<td>5.8</td>
<td>2.13</td>
<td>0.24</td>
</tr>
<tr>
<td>15</td>
<td>Egypt</td>
<td>78.3</td>
<td>2.06</td>
<td>0.65</td>
</tr>
<tr>
<td>16</td>
<td>Azerbaijan</td>
<td>8.9</td>
<td>1.97</td>
<td>0.72</td>
</tr>
<tr>
<td>17</td>
<td>Chad*</td>
<td>10.7</td>
<td>1.89</td>
<td>3.17</td>
</tr>
<tr>
<td>18</td>
<td>Mali*</td>
<td>14.5</td>
<td>1.86</td>
<td>2.29</td>
</tr>
<tr>
<td>19</td>
<td>Uzbekistan</td>
<td>26.8</td>
<td>1.82</td>
<td>0.91</td>
</tr>
<tr>
<td>20</td>
<td>Albania</td>
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<td>1.81</td>
<td>0.88</td>
</tr>
<tr>
<td>21</td>
<td>Gabon*</td>
<td>1.5</td>
<td>1.81</td>
<td>28.72</td>
</tr>
<tr>
<td>22</td>
<td>Tunisia</td>
<td>10.2</td>
<td>1.76</td>
<td>0.96</td>
</tr>
<tr>
<td>23</td>
<td>Guinea*</td>
<td>9.6</td>
<td>1.72</td>
<td>2.93</td>
</tr>
<tr>
<td>24</td>
<td>Algeria</td>
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<td>1.65</td>
<td>0.56</td>
</tr>
<tr>
<td>25</td>
<td>Sudan*</td>
<td>41.4</td>
<td>1.63</td>
<td>2.34</td>
</tr>
<tr>
<td>26</td>
<td>Uganda</td>
<td>31.3</td>
<td>1.57</td>
<td>0.81</td>
</tr>
<tr>
<td>27</td>
<td>Burkina Faso</td>
<td>15.5</td>
<td>1.53</td>
<td>1.37</td>
</tr>
<tr>
<td>28</td>
<td>Senegal</td>
<td>11.8</td>
<td>1.53</td>
<td>1.40</td>
</tr>
<tr>
<td>29</td>
<td>Syria</td>
<td>19.7</td>
<td>1.45</td>
<td>0.57</td>
</tr>
<tr>
<td>30</td>
<td>Nigeria</td>
<td>150.7</td>
<td>1.44</td>
<td>1.12</td>
</tr>
<tr>
<td>31</td>
<td>Somalia</td>
<td>8.9</td>
<td>1.44</td>
<td>1.36</td>
</tr>
<tr>
<td>32</td>
<td>Iraq</td>
<td>29.8</td>
<td>1.42</td>
<td>0.24</td>
</tr>
<tr>
<td>33</td>
<td>Gambia</td>
<td>1.6</td>
<td>1.41</td>
<td>1.15</td>
</tr>
<tr>
<td>34</td>
<td>Benin</td>
<td>8.4</td>
<td>1.36</td>
<td>0.98</td>
</tr>
<tr>
<td>35</td>
<td>Morocco</td>
<td>31.3</td>
<td>1.32</td>
<td>0.70</td>
</tr>
<tr>
<td>36</td>
<td>Kyrgyzstan*</td>
<td>5.2</td>
<td>1.29</td>
<td>1.33</td>
</tr>
<tr>
<td>37</td>
<td>Indonesia*</td>
<td>235.0</td>
<td>1.13</td>
<td>1.32</td>
</tr>
<tr>
<td>38</td>
<td>Sierra Leone*</td>
<td>5.6</td>
<td>1.13</td>
<td>1.71</td>
</tr>
<tr>
<td></td>
<td>Country</td>
<td>Population (2010)</td>
<td>Total Footprint (ha)</td>
<td>Biocapacity (ha)</td>
</tr>
<tr>
<td>---</td>
<td>-------------------------</td>
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Note: Year 2010 data on total footprint and biocapacity of each country is not available in WWF 2014 report.

*Ecological creditor countries

Source: WWF (2012)

Appendix 10: Total Carbon Dioxide Emissions from the Consumption of Energy (Million Metric Tons) for Organization of Islamic Countries (OIC), 1990-2011.

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Source: (U.S Energy Information Administration, n.d.-b)
Appendix 11: List of Shariah-compliant securities on Bursa Malaysia, as at 30 May 2014.

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Source: (Securities Commission of Malaysia, 2014)
Appendix 12: Human Ethics Certificate of Approval

MONASH University

Monash University Human Research Ethics Committee (MUHREC)
Research Office

Human Ethics Certificate of Approval

Date: 16 August 2010
Project Number: CF10/2108 - 2010001187
Project Title: Corporate environmentalism among Malaysian public listed business entities
Chief Investigator: Professor Pervaiz Khalid Ahmed
Approved: From: 16 August 2010 To: 16 August 2015

Terms of approval

1. The Chief Investigator is responsible for ensuring that permission letters are obtained, if relevant, and a copy forwarded to MUHREC before any data collection can occur at the specified organisation. Failure to provide permission letters to MUHREC before data collection commences is in breach of the National Statement on Ethical Conduct in Human Research and the Australian Code for the Responsible Conduct of Research.

2. Approval is only valid whilst you hold a position at Monash University.

3. It is the responsibility of the Chief Investigator to ensure that all investigators are aware of the terms of approval and to ensure the project is conducted as approved by MUHREC.

4. You should notify MUHREC immediately of any serious or unexpected adverse effects on participants or unforeseen events affecting the ethical acceptability of the project.

5. The Explanatory Statement must be on Monash University letterhead and the Monash University complaints clause must contain your project number.

6. Amendments to the approved project (including changes in personnel): Requires the submission of a Request for Amendment form to MUHREC and must not begin without written approval from MUHREC. Substantial variations may require a new application.

7. Future correspondence: Please quote the project number and project title above in any further correspondence.

8. Annual reports: Continued approval of this project is dependent on the submission of an Annual Report. This is determined by the date of your letter of approval.

9. Final report: A Final Report should be provided at the conclusion of the project. MUHREC should be notified if the project is discontinued before the expected date of completion.

10. Monitoring: Projects may be subject to an audit or any other form of monitoring by MUHREC at any time.

11. Retention and storage of data: The Chief Investigator is responsible for the storage and retention of original data pertaining to a project for a minimum period of five years.

Professor Ben Canny
Chair, MUHREC
Appendix 13: Comment on the current environmental condition and treatment in Malaysia

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ealth through the Chinese New Year celebration. "Clothes" were cleaned yesterday with soap and water. I would still like to wash all clothes and hang them to dry at home. I imagine the mentality of doing something every day no matter how insignificant it seemed at the time.

My wife and I had planned a week of cycling, hiking, swimming and walking, whilst trying to fit in some work on her new music album and still squeeze in some party music.

We were planning to cycle from Gombak to Bentong town on the old Bentong road as one of our starry activities. The climb from Gombak to Genting Sempah is around 40km and there is a long ride past Pandan Rall, Genting Sempah and then down to Bentong, but as we weren’t familiar with the road after Genting Sempah, we thought we should check out the route first in the safety of the car.

That being said, we decided to cycle to the highway bridge at the top of the hill on the Saturday morning of Chinese New Year. We had intended to push off at 8am but ended up starting around 9.30am; tired, we needed to rest and eat breakfast.

It was immediately noticeable that this morning was going to be a hot one with cars and buses driving up the hill and though a small amount of apprehension filled me, we paddled on and began the climb up the beautiful hill.

As we were nearing the bends, I was confronted several times by drivers overtaking on blind corners, and was almost hit twice. It was nerve-wracking and infuriating to say the least, so we decided to park and then return the next day to scout the area in the safety of our car.

Now it seems like this piece is about the driving attitude of Malaysians but this is not the topic I’m writing about. It’s about environmental terrorism.

Yes, that’s right. Today, as I sit on the hills in the eco-friendly hipster lifestyle, I’m not at all surprised for the environment whatever, we wait to fill the world with plastic parts and plastic bags, biscuit tins and sarubin cans, empty drink cans and plastic bottles, and every corner of this beautiful country is made ugly by the cutting shaik and plastic bags, household furniture and industrial waste.

I know you think I’m exaggerating; on our way up the hill I found people dumping rubbish bags by the road and feeding monkeys with food wrapped in plastic bags. I am not sure if anyone is even aware of the environmental problems.

As we were cycling, we set out on the investigation to see what seemed to be the most feasible and safe route from Gombak to Bentong and the surrounding areas. We travelled on the road to Fraser’s Hill and beyond to a mountainous journey that eventually brought us to Bentong via some gorgeous scenery and rocky villages.

We eventually found the start of the old road to Genting Sembah and Gombak, which began quite pleasantly until, whilst climbing the hill, we came across a rubbish dump in the middle of the road which blocked the lane completely. I took a photo of this environment which is a gemstone of Asia.

Respect the environment
The local countryside deserves better care from us

We pride ourselves on teaching our children not to litter and we preserve and protect things to make sure they are well looked after, not only because we love them but also because it reflects upon our standards and would be an embarrassment if people were to think we didn’t care or didn’t know the difference between good and bad, right and wrong, clean and dirty.

The mess that we encountered on that road to Genting Sembah was disgraceful and put an off-riding and even driving in that area. It is an ugly sight to see a beautiful place not to mention the obvious health concerns related to mosquitoes, flies, and bacteria.

This is really a pity because that particular stretch of road is such a pretty place, well worth preserving by Tourism Malaysia and a possible source of revenue for people living in the area.

It will take a real turnaround in the cleanliness of the area as well as a mindset change among the cyclists of this "fly tipping" as we call it in the UK.

Such an unclean attitude should surely not be summarily ignored, after all, wouldn’t this be considered an offense under illegal dumping? It should not be a reflection on our country; that is literally blocked the lane.

After seeing this and disgustingly disgraceful, I expect for the countryside here, and for nature and the environment in general, I might raise up on promoting the Malaysian countryside to potential visitors in future.

I care about the state of the environment here because it’s such a beautiful country, a true gemstone in Asia and it deserves respect. And that will only come from the people, that means you and me.

Here’s to a cleaner new year!
Appendix 14: List of national level *fatwa* (decree) pertaining to the ‘animal’ category, as issued by Malaysia Department of Islamic Development (JAKIM), as at 1 September 2014.

<table>
<thead>
<tr>
<th>No</th>
<th>Title</th>
<th>Category</th>
<th>Date issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td><em>Qurban</em> and <em>Aqiqah</em> on imported animals with unknown age</td>
<td>Animal</td>
<td>14 Oct 2011</td>
</tr>
<tr>
<td>26</td>
<td>Gekko Geckko lizard: consumption of, and its use for medical purpose</td>
<td>Animal</td>
<td>17 Jun 2011</td>
</tr>
<tr>
<td>42</td>
<td>The use of <em>halal</em>-for-consumption animal as a food ingredient</td>
<td>Animal</td>
<td>1 Mar 2010</td>
</tr>
<tr>
<td>115</td>
<td>Use of Pneumatic percussive stunning</td>
<td>Animal</td>
<td>13 Mar 2006</td>
</tr>
<tr>
<td>124</td>
<td>Stunning of animals</td>
<td>Animal</td>
<td>29 Sep 2005</td>
</tr>
<tr>
<td>125</td>
<td>Thoracic method in animal slaughtering</td>
<td>Animal</td>
<td>29 Sep 2005</td>
</tr>
<tr>
<td>193</td>
<td>Snail breeding (<em>Achatina</em> Fulica)</td>
<td>Animal</td>
<td>2 Apr 1998</td>
</tr>
<tr>
<td>202</td>
<td>PSH-P hormone (<em>pig brain</em>) in animal breeding</td>
<td>Animal</td>
<td>21 Sep 1995</td>
</tr>
<tr>
<td>229</td>
<td>Rearing of semiaquatic animals</td>
<td>Animal</td>
<td>7 Mar 1990</td>
</tr>
<tr>
<td>232</td>
<td>Artificial insemination in animals</td>
<td>Animal</td>
<td>6 Jun 1989</td>
</tr>
<tr>
<td>239</td>
<td>Use of electrical stunning in cattle slaughtering</td>
<td>Animal</td>
<td>24 Nov 1988</td>
</tr>
<tr>
<td>240</td>
<td>Slaughtering chicken with water immunization stunner</td>
<td>Animal</td>
<td>24 Nov 1988</td>
</tr>
<tr>
<td>259</td>
<td>Use of pig furs</td>
<td>Animal</td>
<td>22 Jan 1985</td>
</tr>
<tr>
<td>286</td>
<td>Pig manure</td>
<td>Animal</td>
<td>12 May 1981</td>
</tr>
<tr>
<td>287</td>
<td>Gas from pig manure</td>
<td>Animal</td>
<td>12 May 1981</td>
</tr>
</tbody>
</table>

Source: (Department of Islamic Development Malaysia, n.d.-b).