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The Relationship between Sustainability Practices and Business Performance: A Case Study

Noor Azira Sawal^{1,*}, Siti Nur Hidayah Aman Shah¹, Nur Umairah Amran¹

¹ Commerce Department, Politeknik Merlimau Melaka, KM2.5, Jalan Merlimau-Jasin, 77300 Merlimau, Malaysia

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ABSTRACT

Sustainability has emerged as a critical imperative in the food sector owing to escalating worries around resource utilization, waste management, and environmental repercussions. Despite increasing awareness, the extent of sustainability practice implementation among small and medium enterprises (SMEs), particularly in Malaysia's food sector, remains underexplored. This study aims to examine the level of sustainability practices adopted by a selected food SME in Melaka, RG Food Industries and analyse the relationship between sustainability practices and business performance. This study employs a qualitative case study approach. Data were collected through structured interviews with management, direct observations, and analysis of internal company documents, including monthly sales records. The data were analysed using NVivo software to identify key themes and evaluate the level of sustainability practices. The findings reveal that RG Food Industries exhibits a moderate level of sustainability practices, with implementation largely concentrated on basic environmental and social initiatives. However, these practices remain unsystematic due to limitations in financial resources, technological capability, and managerial expertise. The analysis further indicates that sustainability practices did not demonstrate a direct effect on business performance, as sales performance was predominantly influenced by pricing strategies and product quality rather than sustainability initiatives. Nevertheless, sustainability practices demonstrate potential to enhance long-term business performance through improved corporate reputation and organisational resilience. Overall, this study provides practical insights for SME managers in formulating effective sustainability strategies and contributes to the limited empirical literature on sustainability practices among food sector SMEs in Malaysia, particularly in relation to SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 12 (Responsible Consumption and Production), and SDG 13 (Climate Action).

Keywords:

Sustainability practices; Small and medium enterprises (SMEs); food industry; business performance

* Corresponding author.

E-mail address: n_azira@pmm.edu.my

1. Introduction

1.1 Background of study

Sustainability has become a critical concern in the global food industry and is firmly embedded in the international development agenda through the Sustainable Development Goals (SDGs), which emphasize efficient resource utilisation, pollution reduction, waste minimisation, and corporate social responsibility [3]. Sustainability is particularly important in the food industry due to its heavy use of natural resources, the large amount of waste it produces, and its significant impact on the environment. Today, sustainability is seen as a key part of business strategy, not just an extra effort. It is essential for ensuring that businesses can keep running in the long term, protecting the environment, and supporting society.

Even though there is more awareness about sustainability, small and medium-sized businesses (SMEs) aren't doing much to actually put it into practice, especially in countries like Malaysia. Hami *et al.*, [10] found that sustainability efforts in Malaysian SMEs are usually low to medium, showing that there's still a big gap between knowing about sustainability and taking real action. This means that while many SMEs understand the importance of sustainability, they have a hard time turning that knowledge into clear and regular business practices.

Existing research shows that small and medium-sized enterprises often focus more on making short-term profits rather than long-term sustainability, especially when they are under a lot of pressure to cut costs and have limited resources. Studies point out that weak financial situations, lack of technology, and poor management systems are big reasons why SMEs struggle to fully adopt sustainable practices. According to Tsikada *et al.*, [15], South African SMEs face challenges like financial difficulties, low awareness, technological limitations, and weak teamwork with their suppliers. While some studies mention that sustainability efforts can lead to cost savings, better efficiency, and a better company image, there is not much clear evidence showing that these practices actually improve business results for SMEs, especially in the food industry.

Mat Yusuf *et al.*, [12] demonstrated in the Malaysian food and beverage industry that adopting sustainable practices can help to reduce environmental impact while also improving brand image and operational efficiency. However, most previous studies have used broad survey-based approaches that fail to capture the real operational experiences of individual SMEs, resulting in a lack of in-depth understanding of how sustainability practices are implemented at the firm level and how they influence business performance in practice.

In this context, the case of RG Food Industries in Melaka, Malaysia, clearly highlights these problems. The company still uses old production methods, burning coconut husks as fuel, which produces a lot of smoke and harms the environment. Also, the way waste is handled is not organized properly, raising concerns about how well sustainability is being incorporated into everyday business activities. Even though there is a high demand for their products in the market, there is no real evidence to show if any sustainability efforts actually affect key business factors like costs, customer satisfaction, and the company's reputation.

As a result, there is a significant research gap in analyzing both the level of sustainability practices and their relationship to business performance among SMEs in Malaysia's food sector using an in-depth case study technique. Addressing this gap is critical because the lack of empirical information inhibits SMEs' capacity to see sustainability as a strategic investment rather than an operational burden. As a result, the purpose of this study is to determine the level of sustainability practices applied at the RG Food Industries, analyze their link with business performance, and recommend strategic or innovative ways to improve sustainability and long-term competitiveness.

1.2 Problem Statement

Sustainability is a major issue worldwide, especially in the food industry, which deals with problems like harm to the environment, overuse of natural resources, and pollution. Gustavsson and others (2024) found that food waste is a big environmental problem in the food sector. When food is produced but not eaten, it wastes energy, water, land, and other resources. The United Nations' Sustainable Development Goals (SDGs) stress the need for businesses, including those in the food industry, to manage resources in a smart and lasting way to support society and keep the economy running smoothly [16]. Sustainability awareness is moderate, requiring improvement for environmental, social, and governance (ESG) goals. Challenges include limited knowledge of environmental regulations, difficulties in community engagement, and resource constraints. Despite the Malaysian government introducing various programs to promote sustainability among SMEs, including the adoption of the SDGs and offering financial support and incentives for green businesses, the level of SME involvement is still quite low. This reflects a significant gap between the government's goals and how these are actually carried out in industries, especially in the food sector.

If these challenges are not dealt with, small and medium-sized enterprises (SMEs) could experience long-term issues like higher costs to run their businesses, less ability to compete with others, and a poor reputation [17]. Therefore, this study is important for understanding how much SMEs are implementing sustainable practices and how that connects to their overall business performance. The research uses a case study of the RG Food Industries to support both national and international goals for sustainable development.

1.3 Literature Review

Previous studies have shown that sustainable practices are becoming more important for business success in various industries, including the food and beverage sector. In Malaysia, Zain *et al.*, [19] found that small and medium-sized enterprises (SMEs) in this industry struggle with implementing eco-friendly practices. These challenges include poor communication of information, insufficient preparation within the organisation, and weak teamwork, all of which make it hard for these businesses to improve their environmental performance. Due to their limited resources and dependence on traditional methods, SMEs find it very hard to overcome these obstacles.

Beyond environmental issues, the broader literature on business sustainability and ESG (Environmental, Social, and Governance) policies shows a favorable relationship with firm performance. According to Alsayegh *et al.*, [2], organizations with good corporate sustainability performance, as measured by efficient integration of ESG practices, achieve improved investment efficiency and increased company value. Their findings imply that, when effectively implemented, sustainability programs can contribute not only to ethical and environmental goals, but also to financial success.

Similarly, Yip and Lau (2024) find that ESG practices are positively related to firm performance across different industries. However, they highlight that the strength of this relationship is dependent on firm-specific features such as size, financial capacity, and organizational structure. This implies that SMEs may experience different outcomes compared to large firms due to scale limitations and financial constraints while sustainability practices generally yield performance benefits,

Recent evidence by Flammer and Bansal [6] further reinforces the long-term value of sustainability initiatives. Their research shows that consistently good ESG performance leads to better business results over time, and the size of a company affects the kind and extent of improvements. Importantly, their findings show that as long as ESG practices are used in a thoughtful

and meaningful way, not just on the surface, small businesses can also benefit a lot from sustainability efforts.

Shalhoob and Hussainey (2023) supported the view that ESG engagement enhances sustainability performance and strengthens competitive positioning among smaller firms. According to their findings, small and medium-sized businesses that adopt ESG practices are more likely to improve their operational efficiency, enhance their business reputation, and build long-term resilience. However, the study found that due to limited resources and skills, SMEs often find it difficult to turn sustainable goals into real, measurable results.

These studies illustrate that, while sustainability and ESG activities can improve company performance, their effectiveness varies greatly depending on the situation. For small and medium-sized food enterprises, particularly in Malaysia, there has been little research into how sustainable practices are implemented in everyday operations and how they relate to the company's performance. This dearth of knowledge emphasizes the significance of doing specific studies, such as this one on the RG Food Industries, to better understand the real-world situations, problems, and consequences of sustainability in SMEs.

1.3 Research Objective

- i. Identify the level of implementation of sustainability practices in RG Food Industries
- ii. identify the relationship between sustainability practices and the company's business performance.

2. Methodology

2.1 Design of Study

This study employs a qualitative approach as the researcher intends to gain a thorough understanding of how sustainable practices are implemented at RG Food Industries Sdn. Bhd., a small and medium-sized firm (SME). Creswell [4] states that qualitative research is useful for gaining insight into participants' views and experiences in real-life contexts. This method allows researchers to explore sustainability issues from the standpoint of management and employees in the company.

This study uses a descriptive design, with the researcher describing the phenomenon using interview data. This method is considered appropriate because it provides a clear picture of the level of implementation of sustainability practices and their impact on company performance as well as in line with the established research objectives.

2.2 Population and Sample

The population of this study includes all those directly involved in the daily operations of the RG Food Industries, including management and staff with expertise and understanding of implementing sustainability measures. The study sample was selected using purposive sampling. This strategy was adopted because the researcher intended to focus on persons who had in-depth knowledge and experience with the topic under study. Purposive sampling is suitable for use in qualitative studies when researchers need to select participants based on certain criteria that are relevant to the study objectives [5].

2.3 Data Collection Method

The researcher used the structured interview method as the main method of data collection in this study. This method was chosen because all questions were set in advance and asked to all respondents in the same form, to ensure the uniformity of the data obtained. According to Gill *et al.*, [9], structured interviews allow researchers to maintain a high level of consistency in the information collection process, in addition to facilitating the comparison process between respondents. This method is also appropriate for determining the extent to which sustainability practices are applied and the respondents' assessment of their impact on the company's business success. The primary data collection methods for this study were structured interviews with RG Food Industries management and staff, as well as document observation and review of documents.

2.4 Reliability and Validity

In qualitative research, validity refers to the extent to which the researcher's interpretations accurately reflect the meanings and experiences conveyed by the participants, whereas reliability relates to the consistency and dependability of the findings when the same data are analyzed under comparable conditions.

Data validity was enhanced through methodological triangulation by integrating multiple sources of evidence, namely in-depth interviews, direct observations, and relevant supporting documents. A triangulation process was used to ensure the validity of the findings. This involved cross-referencing data from multiple sources, interviews, observations and documents to confirm the consistency of the results. This approach enabled cross-verification of information and strengthened the credibility of the findings.

2.5 Data Analysis Methods

Thematic analysis using NVivo software was used to analyze data obtained from structured interviews and observations. This method was chosen because it is suitable for qualitative research that aims to identify patterns, meanings, and main themes from verbal data. The analysis process was carried out systematically to ensure that the interpretations made were valid and based on evidence obtained from the respondents.

3. Result

The frequent patterns of themes found in the data gathered are used to determine the level of sustainability practices in the study. Nowell *et al.*, [13], supports this approach by stating that the frequency of themes in thematic analysis can be used to evaluate the degree of implementation or strength of a phenomenon. The study assesses the degree of sustainability implementation by analyzing the frequency of problems raised. It shows that higher frequency of problems raised indicates a lower level of practice implementation.

3.1 Level of Implementation of Sustainability Practices in RG Food Industries

The level of sustainability practices at RG Food Industries was found to be moderate based on the thematic analysis conducted. Frequency analysis directed that both the environmental and social

dimensions revealed moderate patterns, suggesting that the company has introduced basic sustainability elements, but not yet implemented in a comprehensive and systematic manner.

Environmental Aspect:

The highest frequency of references was associated with issues related to excessive electricity consumption, inconsistent waste management practices, and limited recycling efforts. However, data from observation revealed that the firm has undertaken basic environmental practices, such as controlling machine usage, maintaining production area cleanliness, and reusing certain packaging materials. These patterns suggest a moderate level of environmental sustainability implementation. This finding aligns with Yacob *et al.*, [18] which highlighting that SMEs commonly adopt sustainability practices to a limited extent due to resource and capability constraints.

Social Aspect:

Moderate frequencies were also observed for themes social sustainability such as employee welfare, food safety, and community engagement. RG Food Industries provides essential facilities for employees and ensures workplace cleanliness; however, formal safety training and community involvement activities are conducted irregularly. This finding is consistent with the systematic review by Gamage *et al.*, [8] which stated that significant barriers preventing SMEs from consistently implementing social and sustainability-related practices are due to limited organizational expertise and capability. Furthermore, Lokke and Madsen [11] also pointed that due to limited internal expertise and data comprehension challenges, organizational readiness remains a key constraint. Therefore, these results show that RG Food Industries has initiated sustainability practices across environmental and social domains, but the overall implementation remains moderate. It reflects partial adoption and a need for more strategic, structured, and systematic approaches to sustainability should be implemented.

3.2 Relationship between Sustainability Practices and the Company's Business Performance

The analysis indicates that there is no direct association between the implementation of sustainability measures and the business performance of RG Food Industries. Based on the data from observation and the sales reports obtained, it can be said that even though the degree of sustainability efforts was moderate but sales were steadily increased every month. Although direct customer data were not collected, insights from managerial interviews and sales performance records suggest that business performance at RG Food Industries is perceived to be driven primarily by pricing and product quality rather than sustainability practices. This interpretation is consistent with prior SME studies, which indicate that sustainability initiatives often do not translate into immediate sales gains, particularly when customers prioritise affordability and product quality [14,17]. Rising consumer awareness of green practices will pressure SMEs to adopt their sustainability strategies in their operation [7]. Thus, it can be said that RG Food Industries's current sustainability practices may not directly influence business performance and reinforcing them remains crucial for long-term business flexibility.

4. Conclusion

This study adopted a qualitative case study approach to explore the extent of sustainability practices and their relationship with business performance within a Malaysian small and medium-sized enterprise (SME) in the food sector, specifically RG Food Industries. By examining organisational practices, operational processes, and managerial perspectives, the study provides an in-depth understanding of how sustainability is currently implemented and perceived within the firm, as well as its implications for business performance. It collected qualitative information through structured interviews, observations, and analysis of business performance's report. A comprehensive sustainability practices of environmental and social dimensions and their implications for business outcomes was obtained using this approach.

The findings show that sustainability practices at RG Food Industries are implemented at a moderate level. From the environmental dimension, the company has adopted basic initiatives such as controlling machine usage, maintaining cleanliness in the production area, and reusing selected packaging materials. However, more systematic practices related to energy efficiency, waste management, and recycling remain limited. Similarly, the social dimension shows limited progress, focusing mainly on employee well-being and food safety, but involvement from the community and structured safety training are not consistently provided. These findings highlight common constraints such as limited financial resources, technological capability, and sustainability-related expertise were faced by SME's.

An examination of internal sales records shows a generally increasing pattern in monthly sales throughout the study period. However, this pattern was not subjected to statistical testing and therefore cannot be directly attributed to the implementation of sustainability practices. Insights from management interviews indicate that sales performance was largely influenced by conventional business factors, particularly pricing decisions, product quality, and an established customer base, rather than by sustainability-related initiatives.

Although the long-term strategic value of sustainability is widely highlighted in existing literature, evidence from the RG Food Industry case suggests that sustainability has yet to be positioned as a core strategic priority within the organisation. Interview data and on-site observations reveal that sustainability-related actions were primarily motivated by immediate operational needs, such as ensuring production continuity, managing costs, and meeting basic hygiene and food safety requirements, rather than by clearly articulated long-term sustainability goals.

Overall, the findings indicate that sustainability practices at RG Food Industry are applied in a largely reactive and fragmented manner. While management demonstrated a general awareness of environmental and social concerns, this awareness has not been translated into formal planning mechanisms or structured sustainability strategies. As a result, the benefits of sustainability are currently perceived as indirect and long-term, rather than as immediate contributors to business performance.

Nevertheless, the case study also provides early indications of the potential strategic relevance of sustainability. Practices such as monitoring electricity usage, maintaining workplace cleanliness, and ensuring food safety were implicitly associated with cost efficiency, operational stability, and the maintenance of brand credibility. These observations suggest that, although sustainability is not yet strategically embedded, it may gradually assume greater importance as regulatory requirements, operational pressures, and stakeholder expectations continue to evolve.

In this regard, the findings align with earlier studies which argue that sustainability contributes more strongly to long-term resilience and competitiveness than to short-term financial performance [17]. However, unlike large organizations SMEs face distinct constraints that limit the translation of

sustainability awareness into strategic action, particularly in terms of financial resources, technological capability, and managerial capacity.

Taken together, this study contributes to the sustainability literature by offering empirical insights into how sustainability practices are currently understood and implemented within a Malaysian food-sector SME. The findings provide practical guidance for RG Food Industry and similar SMEs in reassessing existing sustainability efforts and moving towards more structured and strategic approaches. From an academic perspective, this study helps to address the limited empirical evidence on the relationship between sustainability practices and business performance in SMEs, while also supporting broader national and global sustainability agendas, including the Sustainable Development Goals (SDGs).

Finally, from a practical perspective, the study offers context-specific insights for SME managers and policymakers by identifying key barriers that hinder the strategic integration of sustainability practices. These findings support the development of more targeted sustainability policies and capacity-building initiatives aligned with the Sustainable Development Goals (SDGs), particularly for SMEs operating in traditional food production settings.

5.1 Limitation and Future Research

This study has several limitations that should be considered when interpreting its findings. First, the assessment of business performance relied primarily on internal sales records and managerial accounts, which were used to identify general performance patterns rather than to establish causal relationships between sustainability practices and financial outcomes. Given the qualitative case study design, sales trends were treated as contextual indicators to support interpretation, rather than as statistically tested measures of performance. Future studies could complement this approach by incorporating longitudinal financial data and formal performance metrics to enable more robust analysis.

Second, insights regarding customer behaviour and firm reputation were derived from management and employee perceptions, as direct data from customers were beyond the scope of the present study. While this reflects how sustainability is internally understood and prioritised within the organisation, it also limits the ability to draw definitive conclusions about external stakeholder responses. Future research may address this limitation by integrating customer surveys or market-based indicators to capture external perceptions of sustainability more directly.

Third, as a single-case study, the findings are not intended to be generalised statistically to all SMEs. Instead, the study aims to provide analytical generalisation by offering rich, context-specific insights into sustainability implementation within a Malaysian food-sector SME. Replication of similar case studies across different SME contexts and industries would strengthen comparative understanding and theoretical development.

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